Routine reconfiguration in traditional companies' e-commerce strategy implementation: A trajectory perspective

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ABSTRACT

This study explores the roles of routine reconfiguration in traditional companies' e-commerce strategy implementation. Drawing on the conceptualization of "routine as trajectory", in which routines are viewed as trajectories of interdependent actions through which organizations accomplish much of what they do, we investigate the interactions between the components of a trajectory, i.e., the trajectory projection, trajectory scheme, and trajectory action. A case study was conducted on the largest Chinese home appliance manufacturer attaining an e-commerce capability. Three roles of routine reconfiguration and their underlying mechanisms were identified. The study's theoretical contribution and practical implications and future research directions are discussed.

1. Introduction

Traditional companies are increasingly deciding to enter the Internet market, owing to not only the increased profit margin, high business volume, and marketing effects associated with e-commerce but also competitive pressure from emerging e-commerce. E-commerce companies can retain hefty margins for themselves while undercutting traditional competitors in terms of price by eliminating markups and creating more efficient cost structures. For example, many online-only apparel shops, such as Frank and Oak (frankandoak.com), Bonobos.com, and ModCloth.com, design their own products, eliminate all levels of distributors and retailers between the manufacturer and customers, and sell directly to customers, saving a substantial amount of production and distribution channel costs [11]. As e-commerce companies continue to expand and redefine the way that companies interact with customers, suppliers, and other business partners [4], they are invading business territories that were originally occupied by traditional companies, blurring boundaries between industries and organizations [19]. Consequently, traditional companies must extend their offline business to the e-commerce domain to remain competitive in the long run.

Traditional companies aiming to enter the online market have to devise and implement e-commerce strategies because e-commerce strategies are crucial for successful e-commerce, providing an overarching plan for e-commerce, increasing organizational effectiveness, and clarifying the direction of organizational activities [9]. The extant literature on e-commerce strategy is extensive [e.g., 4,19,10,42,31,55,66–68,28,74,6,27] but mainly focuses on devising e-commerce strategies rather than implementing such strategies [45]. However, e-commerce strategy implementation is at least equally important, as many traditional companies fail in e-commerce strategy implementation. For instance, in China, leading traditional companies have been using e-commerce for several years, but very few have actually succeeded in this arena. In Europe, although more than 50% of traditional European retailers opened online stores in 2009, over 60% of these online stores have yet to leverage the potential benefits of e-commerce, as their e-commerce practices differ only slightly from those of their offline stores [71]. These examples demonstrate the profound and pervasive struggles involved in e-commerce strategy implementation.

Often, organizations fail to successfully implement e-commerce because they fail to reconfigure their existing routines. Routine reconfiguration is necessary because traditional companies' existing routines are irrelevant for e-commerce and may even conflict with routines required for effective e-commerce strategy implementation. For example, delivering orders in traditional retailing only involves shipping bulk orders to a relatively small number of business partners' warehouses, while that for

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e-commerce involves shipping a substantial number of individual orders to numerous target destinations, thus requiring a different distribution arrangement. However, routines may be difficult to reconfigure because, on the one hand, owing to the persistent and inflexible nature of routines, existing routines pose severe organizational inertia that hinders e-commerce strategy implementation in traditional companies [24], and, on the other hand, traditional organizations usually lack sufficient flexibility and innovation to better adapt to the new business environment because of their limited knowledge, experience, and resources related to e-commerce [38].

Although routine reconfiguration is required for traditional companies to enter the Internet market, knowledge of routine reconfiguration in this context is limited. Most research on e-commerce focuses on developing e-commerce [e.g., 4,28] rather than implementing e-commerce strategies [45], and findings from the few studies on this issue [6,27] are too general to guide routine reconfiguration in traditional companies. Thus, we consult the literature on routines to understand this issue. While a theoretical conceptualization of routines is provided to study routine changes [22], and several follow-up studies have been conducted in this emerging area, little is known about how to purposely change existing routines. Moreover, the extant literature usually treats routines as a holistic unit of analysis to observe organizational changes [e.g., 3] but does not examine the internal interactions among the components of routines, which may provide important insights for routine reconfiguration.

To fill these research gaps and gain knowledge on how to reconfigure routines, this study investigates the roles of routine reconfiguration in traditional companies' e-commerce strategy implementation and how routine reconfiguration can be achieved to fulfilling these roles by examining interactions between the components of routines. The findings may aid organizations in selecting the most crucial roles of routine reconfiguration in their organization and focusing efforts to conduct routine reconfiguration in performing such roles to facilitate e-commerce strategy implementation. In particular, we draw on the conceptualization of "routine as trajectory" [60], in which routines are viewed as trajectories of interdependent actions through which organizations accomplish much of what they do [46,5]. Adopting this conceptualization of routines enables us to view an organizational routine as a set of components of a trajectory and to investigate the relationships among these components. In addition, as studying routine reconfiguration requires observing routines at different levels of stability during their evolution, adopting this conceptualization of routines provides a suitable theoretical lens for this study because it enables us to observe and compare a range of actions affecting stability and change as well as both more routine and less routine forms of innovation [e.g., 46].

Using a case study of Haier, one of the largest home appliance manufacturers in China and an organization that is transforming from a traditional company to an e-enabled company, this research aims to understand routine reconfiguration in the context of e-commerce strategy implementation in traditional companies. Specifically, we use the conceptualization of "routines as trajectory" to investigate the roles of routine reconfiguration in Haier's transformation and how routine reconfiguration is attained. This study thus aims to fill the research gap with regard to routine reconfiguration and to understand how to reconfigure routines in organizations. Accordingly, the research question in this study is as follows:

In the context of e-commerce strategy implementation in traditional companies, how are the roles of routine reconfiguration attained?

2. Theoretical foundation

2.1. E-commerce strategies

E-commerce strategy is the direction and scope of an organization in adopting e-commerce for conducting business over the long term to gain competitive advantage in a changing environment through its configuration of resources and competences to meet stakeholders' expectations [adapted from 34]. E-commerce strategy is vital for companies because it provides a framework for operational planning, increases organizational effectiveness, and clarifies the direction of organizational activities, helping organizations to reap long-term benefits in e-commerce, a business domain of critical strategic value [9].

The literature on e-commerce strategies focuses on devising e-commerce strategies. According to the extant literature, organizations should consider their internal environment [e.g., 10,42], including the distribution of decision-making power [42], support and strategic investment rationale from management, and internal coordination capability [10], and their external environment [e.g., 19,31,55,66,67], including the market players, the organization's market position in the value chain [19,55], and customer engagement approaches [31,66,67], when devising a proper e-commerce strategy. In considering the business environment and their product characteristics [39], an organization may develop concepts, practice principles, and corresponding strategies for its various e-commerce operations [such as 19,10,42,31,66,39] as the primary content of its e-commerce strategy. In addition, organization should further develop roadmaps of the e-commerce development by phases [28,68] and approaches to evaluate the e-commerce strategy implementation [4,74].

Compared with e-commerce strategy development, e-commerce strategy implementation is relatively overlooked in the literature [45]. The few studies on e-commerce implementation provide frameworks for managing organizational changes during this process [6,27]. While these studies suggest that the adaptive changes of an organization's technology usage, business process, and organizational structure are necessary for successful e-commerce strategy implementation [6,27], how these desired outcomes are put into practice during e-commerce strategy implementation is seldom discussed. The lack of knowledge on e-commerce strategy implementation will inevitably constrain organizations' ability to fully appropriate value from e-commerce initiatives because organizational transformation is often hindered by organizational inertia and insufficient organizational capabilities [24]. Thus, organizations, especially traditional companies, whose existing practices are often irrelevant for e-commerce, must acquire knowledge to overcome such obstacles.

We address this research gap from the perspective of routines, because organizational routines serve as a major source of organizational inertia [24] and concretize organizational capabilities [22]. Hence, to overcome the difficulties due to organizational inertia and insufficient organizational capabilities, routine reconfiguration is important for successful e-commerce strategy implementation [33]. Next, we review the literature on organizational routines and routine reconfiguration.

2.2. Organizational routines and routine reconfiguration

Organizational routines are defined as "repetitive, recognizable patterns of interdependent actions, carried out by multiple actors" [22]. A central characteristic of routines is the notion of "patterns", which captures the regularity that the concept of routine stands for. Owning to this characteristic, routines constitute a form of "organizational memory" [44,62,63]. Hence, they have been regarded as the primary means by which organizations accomplish