Chapter 10

Electronic Commerce and Change in Management Accounting Practices in an Egyptian Organization

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ABSTRACT

The objective of this chapter is to explore the implementation of e-commerce in an Egyptian organization. It reports on a longitudinal case study in an Egyptian organization (TexCo) that implemented Business-to-Business (B-to-B) electronic commerce. Following a change in leadership, TexCo was subject to a process of questioning the traditional ways of doing things. This process resulted in realizing planning, decision-making, and control problems within the company. The B-to-B system was chosen to introduce new control-based rules. However, the change was faced with resistance from TexCo’s distributors. It is posited that various power strategies were used to ameliorate covert and overt resistance. Over time, the management accounting practices in TexCo changed towards greater decision support and control. B-to-B electronic commerce improved planning, decision-making, and control in TexCo.

INTRODUCTION

The Information and Communication Technology (ICT) revolution and the introduction of e-commerce bring the companies in front of an excellent opportunity to facilitate and improve their business processes. E-commerce is an exciting area for research, because of its relative novelty and continuous growth. It differs from traditional commerce in the way that information is exchanged and processed. It focuses on the use of ICT to enable the external activities and relationships of the business with individuals, groups and other businesses (Zhou, 2014). There is no universal definition of e-commerce. E-commerce is often thought to simply refer to buying and selling through using electronic techniques. Papazoglou & Tsalgetidou (2000) define e-commerce as;
The ability to perform business transactions involving the exchange of goods and services between two or more parties using electronic tools and techniques.

However, e-commerce involves much more than simply performing business transactions electronically. Kalakota and Whinston (1997) define e-commerce from these four perspectives: (a) communication perspective- e-commerce is the deliverer of information, products/services or payments over telephone lines, computer networks or any other electronic means; (b) business process perspective- e-commerce is the application of technology towards the automation of business transactions and work flows; (c) service perspective- e-commerce is a tool that addresses the desire of firms, consumers and management to cut service costs while improving the quality of goods and increasing the speed of service delivery and; (d) Online perspective- e-commerce provides the capacity to buy and sell products and information on the Internet besides other online services.

It is evident that e-commerce can be described in a multitude of ways. The focus of this research is to describe and explain the processes of management accounting change associated with the implementation of B-to-B e-commerce. Accordingly, the most valid description of e-commerce, for the purpose of this research, would link it to business information. Hence, in this research, we follow the broad definition given by Zwass (2003, p. 8) who refers to e-commerce as:

The sharing of business information, maintaining business relationships, and conducting business transactions by means of telecommunications networks.

B-to-B e-commerce constitutes the major percentage of e-commerce. According to E-Stats (2014) U.S. manufacturers reported e-commerce shipments were $3.0 trillion in 2012, up 10.5 percent from a revised $2.7 trillion in 2011. In addition to the predominance of B-to-B e-commerce transactions, many sources of statistics anticipate that it will grow rapidly in the next few years. For instance, according to Forrester Research (2013), B2B e-commerce sales are more than twice the size of B2C e-commerce and were expected to achieve $559 billion in sales in the US by the end of 2013. These expectations of high growth rates indicate the significance of B-to-B e-commerce as a way of conducting businesses.

The Internet, whilst becoming supremely important, is not the sole channel for conducting electronic commerce. Many companies exchange business documents (purchase orders, invoices, remittance advice, etc.) with their trading partners using private Electronic Data Interchange (EDI) technology (Chesher, 1999, p. 41). EDI, sometimes called the forefather of modern B-to-B e-commerce (Jessup & Valacich, 2003, p. 136), represents the first phase of B-to-B e-commerce and still serves as an important B-to-B e-commerce technology in many industries. EDI’s origins can be traced to the 1970s with the systems introduced by American Airlines SABRE and American Hospital Supply (Jacob & Whinston, 2000). It has been used for over three decades to conduct business between large organisations. However, the trend in business today is to use the public Internet and Web as the vehicle for B-to-B e-commerce.

Web-based e-commerce can be traced back to 1993 (Ngai & Wat, 2002). According to Zwass (1996), it was then that the first popular web browser, NCSA Mosaic was introduced. This browser began to bring people and businesses to the Web in 1993. With the introduction of the Internet and the WWW, firms started moving away from EDI and towards using the Web and Web-based technologies, which has reduced the cost and increased the number of firms using business-to-business systems (Jacob & Whinston, 2000). The global accessibility and economics afforded by the Internet and Web have enabled small
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