

## Chapter 6.13

# Executive Judgment in E-Business Strategy

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### INTRODUCTION

One of the main strategic challenges for organizations today is to effectively manage change and stay competitive in the future. Change appears to be the only constant in contemporary business and is present in every industry and in every country (Brown & Eisenhardt, 1998). Moreover, the key area of importance, current within many organizations, is how to effectively leverage technology within such a complex and dynamic business environment (Sauer & Willcocks, 2003). The alignment or fit approach, which has its roots in contingency theory, has long been promoted

as the way to get high returns from technology investment. However, the realization of advantage from the Internet and related e-business technology investment has long been a source of frustration for corporate executives. Impressive performance returns by companies such as Dell Computers, Cisco Systems and General Electric illustrate that returns can be achieved by linking the Internet and related e-business technologies to firm strategy. These companies have shown that successful management of their IT investments can generate returns as much as 40% higher than those of their competitors (Ross & Weill, 2002). Yet, many executives view the Internet and related e-business technologies with intense frustration. They recollect investment in the great speculative

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bubble of the 1990s and excessive expenditure on year 2000 (Y2K) compliant systems (Keen, 2002). They recall high profile examples of botched enterprise resource planning (ERP) systems that have consistently run over time and budget and report that customer-relationship management (CRM) initiatives were largely a flop (Reinartz & Chugh, 2002). Unfortunately, it is not yet clear how firms should go about capturing the potential that exists in e-business, as few normative frameworks exist to guide practitioner investment.

## **BACKGROUND**

One area of scholarly activity where consistent advances have been made regarding the determinants of firm performance is in structural contingency theory. Here, the contingency factor (i.e., environment-structure) has enabled predictions to be made in a relatively unambiguous manner (Donaldson, 1995). Applied to an e-business setting, contingency theory argues that performance increases can be expected whenever information technology is applied in an appropriate and timely way, in harmony with business, environmental and organizational conditions. Consider a typical scenario where an executive wants to make a strategic investment in information systems. They have two choices: (1) a system to support backend operations using ERP technology, and (2) a CRM support system. How do they prioritise between these competing investments? Contingency literature would argue that it depends upon the organization's strategy and decision-making information requirements (Chandler, 1962; Child, 1972; Galbraith & Kazanjian, 1986). Manufacturing excellence strategies associated with companies like Carrefour or Ford Motor Company would get greater value from ERP systems. Customer intimacy strategies at companies like CitiBank or IBM Global Services would benefit most by customer feedback systems.

As simple as this observation may appear, the application of alignment has proven elusive. Despite 20 years of effort and investment in consulting advice, CIOs are still struggling with the same set of alignment problems. A recent survey by CIO Insight (Patterson, 2001) highlights the point that only 34% of organizations considered the link between their IT priorities and their enterprise strategy to be "strong." While these statistics reflect the difficulties of coordinating complex organizations, they provide evidence that most managers are not using the basic tools of alignment that have been developed over several decades of research.

Priem and Cycyota (2000) equate the process of alignment between IT strategies and business goals with executive judgment. The literature regarding judgment theory argues that firm success can be explained by the judgments executives make concerning the current state of the environment and the vision of the organization. In uncertain times, where market pressures and time constraints dominate the business landscape senior manager's perceptions, skill and vision often form the basis on which strategic choices regarding IT investments are made. For example, it takes little more than a browsing of the management section of the local bookstore—blazoned with titles such as *Inside the Minds: Leading CEOs*—or a visit to the local news agent to pick up a recent copy of *Forbes*, *Fortune* or *Business Week* to recognize the importance that publishers and managers place on the philosophies and actions of even some of the least successful or most unlikely of management leaders. Perhaps more relevant is that often the appointment of "higher quality CEOs" leads to immediate stock market reactions and greater long term performance. One such example was the reappointment of Steve Jobs as CEO of Apple Computer. Jobs has been widely praised for his skill in judging the commercial potential of convergent Internet technologies and his return to the company was considered instrumental in its reversal of bad fortunes (Stevens, 1997).

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