

Chapter 2.8

BSC–Based Framework for E–Business Strategy

Fen Wang

University of Maryland, Baltimore County, USA

Guisseppe Forgionne

University of Maryland, Baltimore County, USA

INTRODUCTION

E-business is far more about strategy than technology (Raisinghani & Schkade, 2001). An effective e-business strategy is concerned with e-business multidimensional characteristics associated with different levels, parties, elements, and growth pattern features (Bakry & Bakry, 2001). In the process, the strategy must incorporate the effects of the instant and global Internet communication mechanism on the company's business management architecture. The global reach and interconnectivity of the Internet have spawned new models of e-business strategy and radically transformed existing ones (Pant & Ravichandran, 2001). Indeed, what distinguishes many of the dot-coms is not their new technical power, but the radical new business models (Hamel, 2000).

Aided by such innovative e-business models, managers will be able to identify the major decision factors involved in their business strategies

and generate strategies that would improve their overall performance and profitability. In the current context, four essential perspectives are identified to be associated with an e-business strategy: financial, customer, internal processes, and learning and growth. These four perspectives were first introduced in early 1990s as the balanced scorecard concept (BSC) (Kaplan & Norton, 1992). Because the BSC methodology explicitly focuses on links among business decisions and outcomes, it is intended to guide strategy development, implementation, and provide reliable feedback for management control and performance evaluation. This BSC rationale is thereby appealing to managers who face new challenges in the current turbulent e-business climate.

The real challenge is to determine how the BSC can be successfully applied in the context of e-business's constantly changing environment of interdependencies (Hasan & Tibbits, 2000). E-business introduces new business objectives

and strategies and the old measures of success may no longer apply. It is anticipated that the departure from the original BSC for a strategic e-business management framework would be more radical than the existing BSC adaptations (e.g., Martinson's balanced IS scorecard; Martinsons, Davison, & Tse, 1999).

BACKGROUND

Few, if any, precise and complete e-business strategy models are available from the literature (Dubosson-Torbay, Osterwalder, & Pigneur, 2001). There are a few theoretical academic studies with some empirical evidence on e-business models success (Horsti, Tuunainen, & Tolonen, 2005). Generally, these e-business model studies fall into two categories: subsystem research and generic frameworks. Examples of the subsystem research include modeling for price structures (Liu, Wynter, & Xia, 2003), customer needs (Olsson & Karlsson, 2003), process synchronization (Park, 2002), and knowledge sharing (Koh & Kim, 2004). Since these subsystem models deal with a particular aspect of e-business, they do not offer a global and complete view of e-business strategy.

There are several generic frameworks for the development and analysis of e-business models. Whelan and Maxelon (2001) proposed that an e-business architecture requires product, channel, customer management, resource management, and information elements. Afuah and Tucci (2001) presented a more detailed list of components including scope, customer value, revenue sources, connected activities, and so forth, but like Whelan and Maxelon, they did not specify the interrelationships. Hamel (2000) specified a complete four-part framework with bridge components that is geared toward guiding strategic choices of management. Similarly, Dubosson-Torbay et al. (2001) used a framework with four principal components to analyze e-business: product in-

novation, customer relationship, infrastructure management, and financial aspects. Going beyond the segment frameworks, De, Mathee, and Abraham (2001) developed a pragmatic framework that offers different perspectives for the analysis of e-business including transaction costs, switching costs, infrastructure investment, and revenue models and so on.

For the most part, the generic models offer theoretical, not analytical, decision guidance for practitioners. One exception is the BSC-based e-business framework, with preliminary empirical evidence, proposed by Hasan and Tibbits (2000). Their empirical evidence, which was gathered from a case study in an Australian state-government utility, gave four high-level perspectives but no specific and explicit measures with each perspective. Currently, there is no comprehensive and concrete investigation that applies the traditional BSC to e-business strategy.

EBBSC FRAMEWORK SPECIFICATION

Considering a wide range of factors and relationships in this fast-changing e-era, we adapt the original BSC methodology into a comprehensive e-business strategy framework (EBBSC) consisting of four updated perspectives: business model, analytical e-CRM, process structure, and e-knowledge network (see Figure 1). The EBBSC framework links business strategies to a broad range of innovations and measures, examines important business issues facing e-business managers, and provides a complete view of e-business strategies. The framework can be better understood by examining the components in detail.

Business Model Perspective

Although e-business models differ from the traditional brick and mortar models in various ways,

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