Chapter 6.6
EBBSC:
A Balanced Scorecard–Based Framework for Strategic E–Business Management

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ABSTRACT

E-business is far more about strategy than technology, and the strategy of e-business is very important in today's dynamic and competitive environment. In this article, we describe a balanced scorecard-based framework in detail and discuss its potential e-business uses. This framework enables e-business managers to plan and allocate resources more effectively and align strategic objectives with performance results. It also provides a stable point of reference for e-businesses to understand and manage the fundamental changes introduced by e-business initiatives.

INTRODUCTION

The Link of Objectives to Strategies

E-business has rapidly developed from being a vision of the future world of business to being "the" way of doing business (Whelan & Maxelon, 2001). This business opened new channels for communication and selling, a new source of data on customers and competitors, and changed the face of competition tremendously (Koutsoukis, Dominguez-Ballesteros, Lucas, & Mitra, 2000; Porter, 2001). Clearly, business processes of the 21st century must be more efficient and dynamic

to build and sustain value across the organization, though having a dot-com presence does not necessarily point to success. As Raisinghani and Schkade (2001) pointed out "perhaps, one of the best ways to succeed in the world of e-business is to start off with a dynamic and new e-business strategy" (p. 601).

E-business is far more about strategy than technology. An effective e-business strategy is an elaborate and systematic plan of action that incorporates different organizational levels, different parties, different elements, and growth pattern features (Bakry & Bakry, 2001). Unlike traditional business strategy, e-business strategy considers a company's business management architecture and how it can be improved, integrated and automated by instant and global Internet communication. Indeed, the Internet has spawned new e-business strategy and radically transformed existing models (Basu & Muylle, 2002; Pant & Ravichandran, 2001). These new models incorporate Internet technology, universal connectivity, and Web browser capabilities to integrate business processes within and beyond an enterprise. As a result, old business models should be adapted to the new conditions, and companies worldwide should develop an effective e-business strategy to fit the new conditions (Whelan et al., 2001).

What distinguishes many of the dot-coms from traditional organizations is not their new technical power, but their innovative and imaginative new business models (Hamel, 2000). This study proposes a balanced scorecard based e-business framework for the development and assessment of e-business strategy in this new age. Aided by this innovative and comprehensive e-business framework, managers can identify the major decision factors involved in their e-business strategies, specify the direct and indirect relationships among the factors, and generate strategies that would improve overall business performance.

BACKGROUND REVIEW

The Evolution of E-Business Models

A commonly cited reason for e-business failure has been the lack of a workable and concrete strategic business model to guide e-business efforts (Paper, Pedersen, & Mulbery, 2003). While a comprehensive framework for strategic e-business management seems desirable, there are few studies that offer complete and integrated views of e-business strategy (Dubosson-Torbay, Osterwalder, & Pigneur, 2001). In the business model literature, many academic studies have provided a theoretical basis for, and some empirical testing of, the models (Horsti, Tuunainen, & Tolonen, 2005). These studies fall into two broad categories. The first group develops subsystem models in support of a specific aspect of e-business applications, while the second group involves generic frameworks to reflect e-business reality.

Table 1 provides a brief overview of the existing subsystem model studies. As this table demonstrates, although each of the subsystem models involves operationalized views of a particular aspect of e-business, none offer a complete and integrated view of e-business strategy as a whole.

Among the generic e-business strategy models, Whelan et al. (2001) proposed a five element e-business architecture. The five elements are product, channel, customer management, resource management, and information. Afuah and Tucci (2001) presented a more detailed list of model components including scope, customer value, revenue sources, connected activities. Like Whelan et al. (2001), these researchers did not specify the interrelationships and causality between these components. Hamel (2000) offered a more complete model than the others. This researcher used a four part framework that describes links

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