INTRODUCTION

The Internet has experienced a phenomenal growth in attracting people and commerce activities over the last decade—from a few thousand people in 1993 to 150+ million in 1999, and about one billion by 2004 (Bingi et al., 2000). This growth has attracted a variety of organizations initially to provide marketing information about their products and services and, customer support, and later to conduct business transactions with customers or business partners on the Web. These electronic business (EB) initiatives could be the implementation of intranet and/or extranet applications like B2C, B2B, Web-CRM, Web-marketing, and others, to take advantage of the Web-based economic model, which offers opportunities for internal efficiencies and external growth.

It has been recognized that the Internet economic model is more efficient at the transaction cost level and elimination of the middleman in the distribution channel, and also can have a big impact on the market efficiency. Web-enabling business processes are particularly attractive in the new economy, where product life cycles are short and efficient, while the market for products and services is global. Similarly, management of these companies expects a much better financial performance than their counterparts in the industry, which had not adopted these EB initiatives (Hoffman et. al., 1995; Wigand & Benjamin, 1995).

EB allows organizations to expand their business reach. One of the key benefits of the Web is access to and from global markets. The Web eliminates several geographical barriers for a corporation that wants to conduct global commerce. While traditional commerce relied on value-added networks (VANs) or private networks, which were expensive and provided limited connectivity (Pyle, 1996), the Web makes electronic commerce cheaper with extensive global connectivity. Corporations have been able to produce goods anywhere and deliver electronically or physically via couriers. This enables organizations the flexibility to expand into different product lines and markets quickly, with low investments. Secondly, 24x7 availability, better communication with customers, and sharing of the organizational knowledge base allows organizations to provide better customer service. This can translate to better customer retention rates as well as repeat orders. Finally, the rich interactive media and database technology of the Web allows for unconstrained awareness, visibility, and opportunity for an organization to promote its products and services. This enhances organizations’ abilities to attract new customers, thereby increasing their overall markets and profitability. Despite the recent dot-com failures, EB has made tremendous inroads in traditional corporations. Forrester Research in its survey found 90% of the firms plan to conduct some e-commerce, business-to-consumer (B2C), or business-to-business (B2B), and predicts EB transactions to rise to about $6.9 trillion by 2004. As a result, the management has started to believe in the Internet because of its ability to attract and retain more customers, reduce sales and distribution overheads, and global access to markets with an expectation of an increase in sales revenues, higher profits, and better returns for the stockholders (Choi & Winston, 2000; Motiwalla & Khan, 2002; Steinfield & Whitten, 1999; White, 1999).

BACKGROUND

It is important that we use a comprehensive performance evaluation tool to examine whether these EB initiatives have a positive impact on the financial performance. Managers are often interested in evaluating how efficiently EB initiatives are with respect to multiple inputs and outputs. Single-measure gap analysis is often used as a fundamental method in performance evaluation and best practice identification. It is extremely difficult to show...
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