Chapter VI

Measuring and Managing E-Business Initiatives through the Balanced Scorecard

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ABSTRACT

The Balanced Scorecard (BSC) initially developed by Kaplan and Norton is a performance measurement system that supplements traditional financial measures with the criteria that measure performance from three additional perspectives: customer perspective, internal business perspective, and innovation and learning perspective. In recent years, the Balanced Scorecard has been applied to information technology in order to ensure that IT is fairly evaluated. The proposed methodology can also be applied to e-business initiatives. In this chapter, it is illustrated how the BSC can be used to measure and manage e-business initiatives. A generic e-business Balanced Scorecard is proposed and its development and implementation is discussed.

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INTRODUCTION

As we enter the new millennium, the internet-based way of doing business is certainly going to change whole industries and markets and will therefore have a great impact on consumers and businesses. Electronic business (e-business) can be described as the process of buying and selling or the exchanging of products, services, and information; generating demand for them through marketing and advertising; servicing customers; collaborating with business partners; and conducting electronic transactions within an organization via computer networks including the internet (Turban et al., 2000). Similar definitions exist (see e.g., Hartman et al., 2000): “An e-business initiative is any internet initiative — tactical or strategic — that transforms business relationships, whether those relationships are business-to-consumer, business-to-business, intraindustry or consumer-to-consumer.” Electronic business will change all aspects of our lives — how we work, play, learn and shop. It will transform our economic infrastructure in the sense that new methods of supply, distribution, marketing, service, and management will emerge. E-business will improve business performance through low cost and open connectivity by introduction of new technologies in the value chain and connecting value chains across businesses in order to improve service, reduce costs, open new channels, and transform the competitive landscape.

Companies are becoming increasingly aware of the many potential benefits provided by e-business. Some of the e-business potential benefits for organizations are (Turban et al., 2000; Amor, 2000):

- supporting Business Process Reengineering (BPR) efforts;
- expanding the marketplace;
- strengthening the relationships with customers and suppliers;
- reducing costs through the deployment of electronic internal and external business processes;
- lowering telecommunications costs as a result of the inexpensive internet infrastructure.

Because of the intangible nature of some of these benefits, it is difficult to measure the contribution of e-business initiatives to business performance and to manage these initiatives to ensure that real profits are realized (Giaglis et al., 1999). In practice, when starting an e-business initiative, organizations focus too much on the technology (Rifkin & Kurtzman, 2002; Bérua et al., 2001). An example is the Belgian online grocery store Ready.be that used its web storefront to take customers’ orders. It relied heavily on manual processes to fulfill the orders. In less than two years, Ready.be set up a centralized warehouse and fifty points of distribution where customers could pick up their purchases they made through the internet. Besides this, Ready.be renewed its web site three times and even started a WAP (Wireless Application Protocol) project that would allow customers to mail their shopping list via their mobile phone. In the year 2000 the losses of Ready.be amounted to 12 million Euros and the online grocery had to stop its business. This mini case shows that too much attention was paid to the technology and that this e-business initiative should have been monitored. In the grocery case, the use of a monitoring instrument could easily have shown that too many costs were made that could be avoided by just using the existing warehouses and shops of their traditional grocery.
The Architect's Role in Business-IT Alignment
www.igi-global.com/article/the-architects-role-in-business-it-alignment/149646?camid=4v1a