Chapter III

Executive Judgment and the e-Business Advantage

Valerie Baker
University of Wollongong, Australia

Tim Coltman
University of Wollongong, Australia

Joan Cooper
University of Wollongong, Australia

ABSTRACT

Although several leading corporations have reported sizeable gains from their decisions to invest in the Internet and related e-business technology, many other similarly situated firms have failed to realize any real advantage. This inconsistency has long been a source of frustration for corporate executives, as benefits appear to exist, but the best way to get there, remains unknown. One possible cause for this inconsistency is that scholars have largely ignored the messy process of strategic judgment and instead chosen to presume that strategic outcomes are due to strategic choice. We argue that this omission is problematic and set out a research agenda that offers two main benefits. Firstly, we begin to open up the ‘black box’ of strategic choice by deliberately measuring the impact of strategic judgment. Secondly, we outline a methodological approach that is capable of more accurately measuring the impact of mediating factors like strategic judgment.
INTRODUCTION

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 percent higher than those of their competitors (Ross & Weill, 2002). However, many executives view the Internet and related e-business technologies with intense frustration. They recollect investment in the great speculative bubble of the 1990s and excessive expenditure on year 2000 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. One area where consistent advances have been made is in structural contingency theory, where 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, and in harmony with business, environmental and organizational conditions. Consider a typical scenario where an executive wants to make a strategic investment in information systems. The executive has two choices: (1) a system to support backend operations using ERP technology, and (2) a CRM support system. How does he/she 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 twenty years of effort and investment in consulting advice, CIOs are still struggling with the same set of alignment problems. 

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