



## **Chapter VIII**

# **A Balanced Scorecard Approach to Monitoring and Evaluating E-Partnerships**

### **Introduction: Significance of Performance Measurement**

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The ongoing success of e-partnership requires the constant monitoring and measuring of its progress and outcomes. Many companies rushed into e-partnerships in order to exploit complementary resources that they lacked but knew little about how to make their partnerships work and how to effectively monitor and measure its performance. Even today, many partnerships are left to drift without a system in place to assess the quality of partnerships. So, how can the productivity and health of a partnership be monitored and measured? The biggest challenge relating to performance measurement for e-partnerships is that e-partners are often independent business firms and legal entities with different stakeholders and different business objectives and goals. In the supply

chain, for example, one firm can rarely control the entire supply chain's performance. However, performance measures that can be extended across firm boundaries and processes are needed to measure inter-organizational e-partnerships. The uncertainty and intangibility of e-business and information technology add more complexity and challenges to the measurement of e-partnership performance. Looking at the current literature, it is not hard to find that the development and implementation of performance measurement systems for inter-firm collaboration is still in its infancy. Overall, traditional performance measures do not focus on key inter-firm activities to monitor extended enterprise performance.

This chapter reviews and discusses various concepts, models and issues of performance measurement. On the basis of that, the chapter proposes, by taking a balanced scorecard approach, a new set of performance metrics for managers to assess the process and outcome of e-partnerships in a comprehensive manner. The chapter will also help e-partners to benchmark against best practices and determine future direction and priorities in their e-business partnerships.

## **Basic System and Process of Performance Measurement**

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To ensure a healthy and productive inter-firm partnership, **performance measurement** should be integrated into the management of both internal business and inter-firm interfaces. This requires a performance measurement system in place and a corresponding process. The system may include formal procedures and information-based routines that a company uses to measure systematically how well it has performed and to what extent its partnership strategy and goals have been achieved. The process should contain three main phases: (1) developing business partnership objectives in alignment with a company's overall strategy, (2) translating the objectives into key performance indicators developed on the basis of critical success factors in the achievement of the objectives and (3) implementing the performance measurement. Partners' involvement in the entire process is crucial to the effectiveness and success of performance measurement. The development of business partnership objectives should take into account both the strategic and operational

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