

## IDEA GROUP PUBLISHING

701 E. Chocolate Avenue, Suite 200, Hershey PA 17033, USA Tel: 717/533-8845; Fax 717/533-8661; URL-http://www.idea-group.com **ITP5280** 

This paper appears in *Managing Modern Organizations Through Information Technology*, Proceedings of the 2005 Information Resources Management Association International Conference, edited by Mehdi Khosrow-Pour. Copyright 2005, Idea Group Inc.

## **Assessment of E-Strategy**

Anne-Marie Croteau, Anne Beaudry and Justin Holm

John Molson School of Business, Concordia University, 1455 de Maisonneuve West, Montreal,

Quebec, Canada, H3G 1M8, croteau@jmsb.concordia.ca, abeaudry@jmsb.concordia.ca, jhol@hotmail.com

#### ABSTRACT

This paper incorporates various e-business strategies into a unified construct of e-strategy, which is defined as the electronic means used by organizations to achieve their intended purpose. It is measured as a second-order factor composed of three different dimensions. E-strategy evaluates how organizations electronically conduct their business relationships with various entities, including business partners (B2B), consumers (B2C), and employees (B2E). Structural equation modeling using EQS is used to provide a preliminary test of the new model. Results obtained from 220 respondents suggest that the e-strategy construct and its three sub-constructs meet all the criteria for construct validation. To provide some indication of its predictive validity, e-strategy is tested against business performance where positive and significant results have been obtained.

#### **INTRODUCTION**

As e-business has become essential in our economy, organizations have begun to demand a return on their investment in such endeavors (Damanpour and Damanpour, 2001). An extensive and diverse body of literature has been produced regarding e-business. Much of the research is theoretical and there is not much of a consensus within the literature when it comes to defining and assessing e-business strategy (e-strategy). Thus, there is a need to encompass all this knowledge into an integrative construct of e-strategy. The main objective of this paper is therefore the conceptualization of a new e-strategy construct and the preliminary validation of its measurement tools. This goal responds to the call made by Boudreau et al. (2001) who indicate that more emphasis should be put on instrument validation when conducting research in information systems. The relationship between e-strategy and business performance is also investigated as a way of assessing the predictive validity of this construct (Venkatraman, 1985).

The first section offers a brief literature review of e-strategy. The methodology used to develop the e-strategy measurement tool and collect data is presented next. The findings are then depicted and discussed. The last section provides a discussion and addresses the limitations and implications of this study as well as future directions for research.

#### **E-STRATEGY**

Strategy is generally defined as "either the plans made, or the actions taken, in an effort to help an organization fulfill its intended purposes" (Miller and Dess, 1996, p. 38). IT strategy refers to "how" the technology is used to improve organizational benefits (Earl, 1989). Therefore, the term "e-strategy" is defined in this paper as the "electronic means used by organizations to achieve their intended purpose". Borrowing from the literature on business strategy, strategic information systems, and e-business, we suggest an e-strategy construct that comprises three dimensions: B2B, B2C, and B2E. Explanations for each one follow.

**Business-to-Business e-Strategy** refers to the electronic means used to facilitate an organization's relationships with other businesses. Interorganizational cooperation can assist companies in deriving a competitive advantage. The e-commerce procurement life cycle outlines how technology is important in facilitating relationships between businesses (Archer and Yuan, 2000), which is an important aspect of successful B2B initiatives (O'Keeffe, 2001; Galbraith and Merrill, 2001). The perceived value of the relationship, inter-firm trust, and relationship commitment are indications of healthy business interactions (Hausman, 2001). Communication and collaboration are crucial parts of developing relationships between businesses (Olesen and Myers, 1999; Olkkonen et al., 2000) and can even enable supplier collaboration in developing products and specifications (Parker, 2000; Burgess et al., 1997).

Business-to-Consumer e-Strategy refers to the electronic means used to facilitate relationships and transactions with the consumers of products or services. Easing the purchasing process for consumers with the use of technology can lead to increased sales and is thus a valuable asset to businesses (Lee, 2001; Bontis, 1998). B2C is also facilitating the process of building relationships with consumers who shop over the Internet (Wang et al., 2000). It can be used to customize communication and content for specific consumers, increasing the ability of companies to enhance consumer relations (Jiang, 2000). The analysis of consumer purchasing and browsing patterns can lead to a greater understanding of consumers (Phau and Poon, 2000). Software agents and decision support systems can be employed to learn about and to serve consumers better (Sproule and Archer, 2000).

*Business-to-Employee e-Strategy* refers to the electronic means used to facilitate communication among employees as well as between employees and management. B2E can be used to enable employee development, innovation, and training (Adeoti-Adekeye, 1997; Udo, 1998; Bontis, 1998; Kuei et al., 2001; Maier and Remus, 2001). It can also allow employees access to an increased amount of information (Ang et al., 2000).

This review reveals that each dimension of e-strategy has been studied separately. Although this groundwork is important, organizations tend to implement all of them in a complimentarily way (Turban et al., 2004). Therefore, there is a need to provide both researchers and practitioners with an integrative understanding of what e-strategy is and how it can be measured using these three dimensions.

#### METHODOLOGY

This section describes the research model, the operationalization of the constructs, the data collection, and its analysis. Measurement tools have been developed to validate the e-strategy construct, which is assessed as a second-order factor. B2B, B2C, and B2E e-strategies are measured as first-order constructs and are consequently components of e-strategy. To verify the predictive validity of this proposed construct, the link between e-strategy and business performance has also been tested using the approach suggested by Venkatraman (1985) when he developed a new measurement of business strategy (STOBE, STrategic Orientation of Business Enterprises). The research model is illustrated in Figure 1.

To respond to the plea made for better MIS research instrument validation (Boudreau et al., 2001), particular attention was devoted to the process of developing and validating the e-strategy instrument. Following Churchill's (1979) recommendations, a large number of items were generated and an iterative purification procedure was followed in order to uncover the most relevant items to e-strategy. Clear constructs for e-strategy were lacking at the beginning of the survey development.

#### 676 2005 IRMA International Conference

Figure 1. Research Model



The constructs discussed in the literature review emerged after sorting and re-classifying the items. Guidelines proposed by Venkatraman and Grant (1986) were also followed during the construct development process.

As done by Moore and Benbasat (1991), the card-sorting technique was used to ensure the validity of all dimensions of the e-strategy construct. The web-based survey instrument was then pre-tested three times. The items, as well as the web-design, were modified after each pre-test. The first two pretests were conducted with MIS professors and the last one was completed by IS practitioners. A five-point Likert scale was used with "highly unsatisfied", "neutral", and "highly satisfied" as anchors. A "not applicable" option was also made available.

Each page of the final web-based survey provided the definition of one dimension of e-strategy followed by its corresponding items. Table 1 shows the definition of each e-strategy dimension and the list of all items used during the survey along with their literature source. Definition and items used to measure business performance were also provided.

#### DATA COLLECTION AND ANALYSIS

A web-based survey was considered appropriate for this study. Since no suitable database existed, the process of gathering email addresses was automated using software agent technology. The agent was programmed

Table 1. Constructs' Definitions and Items of the Questionnaire

Business-to-Business e-strategy:		Electronic means used to facilitate relationships between your business	
and other businesses			
B2B1	Develop closer relationships with	business partners	Galbraith and Merrill, 2001
B2B2	Enable inter-organizational collaboration in developing products and		Parker, 2000; Burgess et al., 1997
	specifications		
B2B3	Enable information sharing with business partners		Warkentin et al., 2001
B2B4	Assist the procurement of goods and services from suppliers		Hooft and Stegwee, 2001; Archer
			and Yuan, 2000
B2B5	Enable negotiation		Simeon, 1999
B2B6	Increase business partner trust		Hausman, 2001
Business-to-Consumer e-strategy: Electronic means used to facilitate relationships and transactions with			
the consumers of your products or services			
B2C1	Gain a better understanding of consumers		Sproule and Archer, 2000; Bontis, 1998; Ang et al., 2000
B2C2	Reduce consumer service response time		Bontis, 1998
B2C3	Provide consumers with product and service information		Wen et al., 2001; Perry and Bodkin, 2000
B2C4	Allow consumers to make online transactions		Wen et al., 2001; Aldridge et al., 1997
B2C5	Achieve a closer relationship with individual consumers		Wang et al., 2000
B2C6	Provide consumers with company specific information		Wen, et al., 2001; Perry and
			Bodkin, 2000
B2C7	M easure consumer satisfaction		Pre-test
B2C8	Build consumer loyalty		Lee, 2001
Business-to-Employee e-strategy: Electronic means used to facilitate communication between your			
employees and to help them in carrying out their jobs			
B2E1	Enable collaboration between employees		Cheng et al., 2001
B2E2	Enable training of employees		Bontis, 1998
B2E3	Enable employees to find other employees with specific expertise		Maier and Remus, 2001
B2E4	Improve communications between employees and management		Gunnigle et al., 1998; Kuei et al., 2001
B2E5	Document knowledge of employees		Pre-test
B2E6	Provide universal access to information		Detlor 2001; Ang et al., 2000
B2E7	Increase employees' productivity Udo, 1998; Sohal et al, 2001		
Business Performance: How your organization is performing on			
BP1	Market share		Venkatraman, 1985
BP2	Sales growth rate		Venkatraman, 1985
BP3	Net profits		Venkatraman, 1985
BP4	Return on sales		Venkatraman, 1985
BP5	Return on investment		Venkatraman, 1985
BP0	Revenue growni relative to the competition		Venkatraman, 1985
BP/	Not profite relative to the competition		Venkatraman, 1985
BP8	Net profits relative to the competition		Venkatraman, 1985
вгу	Return on investment relative to the competition		venkatraman, 1985

to collect email addresses from stock market data providers using company ticker symbols to avoid duplication. Addresses were collected from the American Stock Exchange, Dow Jones, Nasdaq, and Toronto Stock Exchange. Email addresses were obtained for a total of 4538 companies in the US and 1593 companies in Canada. As the head of IT/ IS strategy was targeted, recipients who did not hold such a position were asked to forward the email to that person.

Of the 6131 email invitations to participate in the study, 1059 were undeliverable, leaving 5072 delivered emails (3827 in the US and 1245 in Canada). 220 respondents completed the survey, resulting in an overall response rate of 4.34% (3.21% in the US and 7.95% in Canada). Of the 220 respondents, 33% were from the manufacturing industry, 14% from services, and 9% from communications with the remaining respondents being from various industries (finance, health, mining, etc.). In terms of organization size measured in number of employees, 19% had less than 100 employees, 26% had between 100 and 500 employees, and 55% had more than 500 employees. The top four job titles were IT/IS Manager (20%), Director IT/IS (16%), CIO (14%), and VP IT/IS (11%). The remaining respondents occupied other various management positions (manager, director, CEO, CTO). Respondents had an average of 4.7 years of experience in their current position and 7.9 years with their company.

Three sets of t-tests were performed to determine any significant differences among respondents. The first set of t-tests compared respondents at an executive level to respondents at a managerial level. The second set of t-tests examined answers from respondents holding an IT/IS related position and those occupying a non-IT/IS related one. Finally, the third set of t-tests was conducted between Canadian and US respondents. None of these revealed any significant differences on any constructs under study. Skewness values ranging from -0.019 to -0.806 and a normalized Mardia coefficient of 9.69 indicated that the data followed a normal distribution. On average, there were only two missing values (0.91%) per respondent.

#### RESULTS

EQS, a Structural Equation Modeling (SEM) tool, requires complete data for all cases on all measured variables. Mean replacement was thus performed on missing values as suggested by Bentler (1995). SEM also necessitates that the data set comprises 10 times as many cases than the number of measured variables in the model (Bentler, 1995; Byrne, 1994). The minimum required here is 210 cases. Therefore, a sample of 220 respondents is sufficient.

The first step in SEM consists of performing the measurement model depicting the links between the latent variables and their observed measures. Three indices are used to assess the goodness of fit of the models assessed with the EQS. First, the ratio of chi-square on the number of degrees of freedom provides a good index of fit of the model and is preferred over the chi-square alone which is too sensitive to sample size (Bentler, 1995; Hartwick and Barki, 1994). A ratio value smaller than 3 indicates a good fit of the model (Hartwick and Barki, 1994). Second, the Comparative Fit Index (CFI) is known as a stable goodness of fit index for the structural model. A CFI greater than 0.9 indicates a good fit of the model (Bentler, 1995; Byrne, 1994). Finally, the Average Absolute Standardized Residual (AASR) provides an indication of the proportion of the variance not explained by the model. An AASR smaller than 0.05 is considered appropriate (Bentler, 1995; Byrne, 1994). The resulting measurement models assessing the e-strategy and business performance constructs are respectively presented in Figure 2 and 3. All indices for both constructs meet the goodness of fit criteria, except for the business performance  $c^2/df$  ratio, which is higher than 3.00. This, however, is overcome by a CFI of 0.95 and an AASR of 0.003, both values being above the recommended threshold.

The second step in SEM is the evaluation of the relationships among the latent factors. The final model is presented in Figure 4. A very good overall fit of the model was achieved with the CFI reaching a more than acceptable level at 0.92, the  $c^2/df$  ratio of 2.12 below the threshold of 3, and an AASR index of 0.045 also below the recommended level. The

Copyright © 2005, Idea Group Inc. Copying or distributing in print or electronic forms without written permission of Idea Group Inc. is prohibited.





Figure 3. Business Performance Measurement Model



Figure 4. Structural Model



#### Managing Modern Organizations With Information Technology 677

size and significance level of the paths provide strong support to the relationship between e-strategy and performance.

#### DISCUSSION

The overall model was tested with a sample of 220 managers, using a twostep structural equation modeling approach. Collecting email addresses with the software agent technology and conducting a web-based survey turned out to be an efficient way of reaching people. One limitation associated with this approach is the fact that private organizations are not represented. All respondents were from public organizations hence inducing a sample bias even though companies of different sizes and from various industries were included.

The main contribution of this research is the development and validation of an integrative construct of e-strategy that encompasses three dimensions: B2B, B2C, and B2E. The measurement models provided a good fit for the data, furthering the support for the constructs. Overall, the structural model had very acceptable fit. When looking at the links between the e-strategy construct and its respective dimensions, results indicate that B2B has the highest path value, followed by B2C and B2E respectively. This reflects the market evolution of deploying electronic means in fostering electronic relationships. Indeed, the level of B2B activities is estimated to be higher than the one for B2C (Surmacz, 2001; Greenberg, 2004).

Our results provide preliminary evidence that these three e-strategies are complementary and significant when defining e-strategy. The relationship between e-strategy and business performance is highly significant, indicating the potential predictive validity of this new measurement tool. Further validation of the e-strategy construct and its measurement capability are needed. This instrument could also be used when investigating the strategic impact of e-business applications within organizations.

#### REFERENCES

- Adeoti-Adekeye, W. B. (1997), "The Importance of Management Information Systems", *Library Review*, (46:5), 318-327.
- Aldridge, A., K. Forcht, and J. Pierson (1997), "Get Linked or Get Lost: Marketing Strategy for the Internet", *Internet Research: Electronic Networking Applications and Policy*, (7:3), 161-169.
- Ang, C.-L., M. Davies, and P. N. Finlay (2000), "Measures to Assess the Impact of Information Technology on Quality Management", *International Journal of Quality & Reliability Management*, (17:1), 42-66.
- Archer, N. and Y. Yuan (2000), "Managing Business-to-Business Relationships throughout the e-Commerce Procurement Life Cycle", *Internet Research: Electronic Networking Applications and Policy*, (10:5), 385-395.
- Bentler, P.M. (1995), EQS Structural Equations Program Manual, Mutivariate Software Inc., Encino, CA.
- Bontis, N. (1998), "Intellectual Capital: An Exploratory Study that Develops Measures and Models", *Management Decision*, (36:2), 63-76.
- Boudreau, M.-C., D. Gefen, and D. W. Straub (2001), "Validation in Information Systems Research: A State-of-the-Art Assessment", *MIS Quarterly*, (25:1), 1-16.
- Burgess, T. F., H. K. Gules, and M. Tekin (1997), "Supply-Chain Collaboration and Success in Technology Implementation", *Integrated Manufacturing Systems*, (8:5), 323-332.
- Byrne, B.M. (1994), Structural Equation Modeling with EQS and EQS/ Windows: Basic Concepts, Applications, and Programming, Sage Publications Inc., Thousand Oaks, CA.
- Cheng, E. W. L., H. Li, P. E. D. Love, and Z. Irani (2001), "An e-Business Model to Support Supply Chain Activities in Construction", *Logistics Information Management*, (14:1/2), 68-77.
- Churchill, G. A. (1979), "A Paradigm for Developing Better Measures of Marketing Constructs" *Journal of Marketing Research*, (16), 64-73.

Copyright © 2005, Idea Group Inc. Copying or distributing in print or electronic forms without written permission of Idea Group Inc. is prohibited.

#### 678 2005 IRMA International Conference

- Earl, M.J. (1989), Management Strategies for Information Technology, Prentice Hall, Englewood Cliffs, NJ.
- Galbraith, C. S. and G. B. Merrill (2001), "IPO Performance in Business to Business "B2B" e-Commerce Firms: Effects of Strategy and Industry", *Managerial Finance*, (27:7), 1-15.
- Greenberg, P. A. (2004), "B2B E-Commerce: The Quiet Giant", e-Commerce Times, http://www.ecommercetimes.com/story/ 2130.html
- Gunnigle, P., T. Turner, and M. Morley (1998), "Strategic Integration and Employee Relations: The Impact of Managerial Styles", *Employee Relations*, (20:2), 115-131.
- Hartwick, J. and H. Barki (1994), "Explaining the Role of User Participation in Information System Use", *Management Science*, (40:4), 440-465.
- Hausman, A. (2001), "Variations in Relationship Strength and Its Impact on Performance and Satisfaction in Business Relationships", *The Journal of Business and Industrial Marketing*, (16:7), 600-616.
- Hooft, F. P. C. and R. A. Stegwee (2001), "E-Business Strategy: How to Benefit from a Hype", *Logistics Information Management*, (14:1,2), 44-54.
- Jiang, P. (2000), "Segment-Based Mass Customization: An Exploration of a New Conceptual Marketing Framework", Internet Research: Electronic Networking Applications and Policy, (10:3), 215-226.
- Kuei, C.-H., C. N. Madu, and C. Lin (2001), "The Relationship between Supply Chain Quality Management Practices and Organizational Performance", *International Journal of Quality & Reliability Management*, (18:8), 864-872.
- Lee, C.-S. (2001), "An Analytical Framework for Evaluating E-Commerce Business Models and Strategies", *Internet Research: Electronic Networking Applications and Policy*, (11:4), 349-359.
- Maier, R. and U. Remus (2001), "Towards A Framework for Knowledge Management Strategies: Process Orientation as Strategic Starting Point", Proceedings of the 34th Annual Hawaii International Conference on System Sciences, Maui, Hawaii.
- Miller, A. and G. G. Dess, (1996), *Strategic Management* (2<sup>nd</sup> edition), New York: McGraw Hill.
- O'Keeffe, M. (2001), "Myths and Realities of E-Commerce in the Perishable Foods Industries: Unleashing the Power of Reputation and Relationship Assets", *Supply Chain Management: An International Journal*, (6:1), 12-15.
- Olesen, K. and M. D. Myers (1999), "Trying to Improve Communication and Collaboration with Information Technology", *Information Technology & People*, (12:4), 317-332.

- Olkkonen, R., H. Tikkanen, and K. Alajoutsijarvi (2000), "The Role of Communication in Business Relationships and Networks", *Management Decision*, (38:6), 403-409.
- Parker, H. (2000), "Interfirm Collaboration and the New Product Development Process", *Industrial Management & Data Systems*, (100:6), 255-260.
- Perry, M. and C. Bodkin (2000), "Content Analysis of Fortune 100 Company Web Sites", *Corporate Communications: An International Journal*, (5:2), 87-96.
- Phau, I. and S. M. Poon (2000). "Factors Influencing the Types of Products and Services Purchased over the Internet", *Internet Research: Electronic Networking Applications and Policy*, (10:2), 102-113.
- Simeon, R. (1999), "Evaluating Domestic and International Web-Site Strategies", Internet Research: Electronic Networking Applications and Policy, (9:4), 297-308.
- Sohal, A. S., S. Moss, and L. Ng (2001), "Comparing IT Success in Manufacturing and Service Industries", *International Journal of* Operations & Production Management, (21:1,2), 30-45.
- Sproule, S. and N. Archer (2000), "A Buyer Behavior Framework for the Development and Design of Software Agents in E-Commerce", *Internet Research: Electronic Networking Applications and Policy*, (10:5), 396-405.
- Surmacz, J. (2001), "B2B: It's Alive, It's Alive", CIO Metrics, http:// www3.cio.com/metrics/2001/metric205.html.
- Turban, E., D. King, J. Lee, and D. Viehland (2004), *Electronic Commerce: A Managerial Perspective*, Prentice Hall, 3ed. 714 p.
- Udo, G. J. (1998), "The Status of Information Systems Department: The Effects of Downsizing", *Industrial Management & Data Systems*, (98:1), 23-32.
- Venkatraman, N. (1985), Strategic Orientation of Business Enterprises: The Construct and its Measurement Business, Ph.D. Dissertation, University of Pittsburgh, 104p.
- Venkatraman, N. and J. H. Grant (1986), "Construct Measurement in Organizational Strategy Research: A Critique and Proposal", Academy of Management Review, (111), 71-87.
- Wang, F., M. Head, and N. Archer (2000), "A Relationship-Building Model for the Web Retail Marketplace", *Internet Research: Elec*tronic Networking Applications and Policy, (10:5), 374-384.
- Warkentin, M., R. Bapna, and V. Sugumaran (2001), "E-Knowledge Networks for Inter-Organizational Collaborative E-Business", *Logistics Information Management*, (14:1,2), 149-160.
- Wen, H. J., H.-G. Chen, and H.-G. Hwang (2001), "E-Commerce Web Site Design: Strategies and Models", *Information Management & Computer Security*, (9:1), 5-12.

0 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/proceeding-paper/assessment-strategy/32690

### **Related Content**

#### Securing Stored Biometric Template Using Cryptographic Algorithm

Manmohan Lakheraand Manmohan Singh Rauthan (2018). International Journal of Rough Sets and Data Analysis (pp. 48-60).

www.irma-international.org/article/securing-stored-biometric-template-using-cryptographic-algorithm/214968

#### Meta Data based Conceptualization and Temporal Semantics in Hybrid Recommender

M. Venu Gopalachariand Porika Sammulal (2017). *International Journal of Rough Sets and Data Analysis* (pp. 48-65).

www.irma-international.org/article/meta-data-based-conceptualization-and-temporal-semantics-in-hybridrecommender/186858

#### Internetization and the New Global Economy of the 21st Century

Constantine E. Passaris (2015). *Encyclopedia of Information Science and Technology, Third Edition (pp. 3197-3205).* 

www.irma-international.org/chapter/internetization-and-the-new-global-economy-of-the-21st-century/112749

#### An Adaptive CU Split Method for VVC Intra Encoding

Lulu Liuand Jing Yang (2023). International Journal of Information Technologies and Systems Approach (pp. 1-17).

www.irma-international.org/article/an-adaptive-cu-split-method-for-vvc-intra-encoding/322433

# Identification of Green Procurement Drivers and Their Interrelationship Using Fuzzy TISM and MICMAC Analysis

Surajit Bag (2018). Encyclopedia of Information Science and Technology, Fourth Edition (pp. 3086-3102). www.irma-international.org/chapter/identification-of-green-procurement-drivers-and-their-interrelationship-using-fuzzytism-and-micmac-analysis/184021