

# Chapter 12

## E-Business Investment Evaluation and Outsourcing Practices in Australian and Taiwanese Hospitals: A Comparative Study

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### **ABSTRACT**

*In recent years, hospitals have come to realize that they can only compete with competitors through the efficient use of their IT/e-business resources. Hospital executives are becoming increasingly aware of challenges and opportunities in order to be more efficient and effective in delivering healthcare services to their patients. To remain competitive, hospitals must enhance and maintain their IT/e-business systems through both internal and non-internal sourcing activities. As in other industries, the management of outsourcing contracts has become one of the top key management issues for hospital executives during the last decade. Therefore, the main objectives of this study are: (1) to examine current practices and norms in managing and evaluating e-business investments and outsourcing contracts in Australian and Taiwanese hospitals; and (2) to identify key issues or challenges in managing and evaluating e-business investments and outsourcing contracts in Australian and Taiwanese hospitals. A key contribution of this study is the identification and examination of key e-business investment evaluation and outsourcing practice issues and challenges faced by the Australian and Taiwanese hospitals.*

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## **INTRODUCTION**

Electronic business (e-business) involves Internet-based commercial activities between two or more different companies or organizations. It has been defined as the utilization of information and communication technologies (e.g., the Web, the Internet, intranets, extranets) in support of business activities (Lin et al., 2007; Standing & Lin, 2007). E-business can enhance hospitals' competitive advantage via increased efficiency and reduced costs. The main characteristics of e-business include: externalities and exponential growth; critical mass; customer cohesion; content and category depth; broadening and deepening hub services; and disintermediation (Zeng et al., 2003). It is able to assist organizations in lowering the cost of entry and in expanding the market reach for a variety of business activities. The innovative e-business as an Internet-based option provides a means of achieving the desired degree of interconnectivity without a huge investment and greater technical complexity (Chau & Jim, 2002). Its implementation allows business partners to access their internal business systems via the Internet (Lee et al., 1999). E-business provides an efficient and effective channel for information exchange and sharing and enables organizations to trade on a 24x7x365 basis (Lee et al., 1999). It also helps organizations such as hospitals and healthcare companies to use it as a wide-coverage, high-functionality, low-cost tool for venturing into new markets in the global economy (Lin et al., 2010; Raisighani et al., 2005).

To remain competitive, hospitals must enhance and maintain their IT/e-business systems through both internal and non-internal sourcing activities. Hence, the management of IT outsourcing contracts has become one of the top key management issues for hospitals executives in recent years. However, difficulty in monitoring the performance of the outsourcing contracts is one of the major problems for hospitals. Despite the benefits of e-business, organizations need to

evaluate to determine whether their outsourcing efforts are paying off (Cutler & Sterne, 2000). Although the effective leverage and evaluation of e-business investments can result in improved organizational performance (Lin et al., 2005; Melville et al., 2004), there is little doubt that the less precisely bounded environment of e-business technology adds more complexity to the traditional IT measurement problem as this type of investment is physically distributed between suppliers and vendors, making the evaluation process even more difficult (Lin et al., 2007; Zhuang, 2005). The problem becomes more evident as e-business is used to link the supply chain or to change the structure of industries, since costs and benefits have to be tracked across functional and organizational boundaries (Barua et al., 2004; Liu & Lin, 2008). Existing business models are unequal to this task and planning for such systems has to encompass capabilities for managing and evaluating organizational capabilities to create value across the network of alliances and hence requires evolutionary approaches which can be tailored to business needs at different stages of organizational maturity (Lin et al., 2007). Needless to say, many organizations find these issues challenging and evaluation methodologies are required to measure and monitor the performance of such investments (Lin et al., 2008; Lin & Pervan, 2003).

To sum up, the issue of realization of IT/e-business benefits has generated a significant amount of debate in the IT and e-business literature among the researchers, academics, and practitioners (Brynjolfsson & Hitt, 2003). Some researchers (Brynjolfsson & Hitt, 2003; Byrd et al., 2006) take the position that the confusion over the realization of IT/e-business benefits is due to, among other things, poor IT evaluation processes and poor outsourcing management practices. In particular, the practices and processes of e-business evaluation and outsourcing in Australian and Taiwanese hospitals remain poorly understood and relatively under-researched. Therefore, the case study approach is conducted to investigate the e-business

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