

**Introductory Paper:  
Contribution to E-Business Valuation**

**Summary**

Today's e-business processes and operations are variable, complex and intricate in nature. An apparently simple transaction may in fact cross multiple physical, geographic boundaries, involve many trading partners, and trigger actions in numerous other business processes and activities. Because these complexities and interdependencies are too numerous to handle manually, business processes are inherently wedded to business systems. For that reason, when assessing value, it's generally meaningless to separate the two concepts. Instead, a company values the cash inflows and outflows for the unified business process change on both the IT and business unit sides.

The paper discusses concepts for assessing the value of e-business projects. The concepts described outline a framework and language for articulating e-business value rather than strictly defined valuation formula. After the e-business metrics background is discussed, seventeen representative measures of e-business value are explained, including:

- Days of Inventory Reduction
- Days of Receivables or Days of Sales Outstanding Reduction
- Headcount Reduction and Avoidance
- Headcount Productivity
- Headcount Turnover
- System End-of-Life
- Materials Discounts
- Capital, Hardware and Software Avoidance
- Unit Cost Avoidance
- Factory Uptime
- Scrap Reduction
- Risk Avoidance
- Time-to-Market
- Opening New Markets
- Optimizing Existing Markets
- Cross-selling
- Vendor-of-Choice

For each of the measures listed, we give insights into the concept, provide some examples, and note the financial rules to be alert for when assessing value. Where possible, we provide examples based on real-world business process changes that we have encountered in our investigation.