

THE ROLE OF PERFORMANCE MEASUREMENT ON BUSINESS PERFORMANCE:
A COMPARATIVE STUDY OF SMALL AND MEDIUM-SIZED INTERNET
RETAILERS BASED IN THE UNITED KINGDOM AND INDONESIAN

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ABSTRACT

This study investigates the application of performance measurement and considers how its use might affect the business performance of small and medium-sized retail businesses in the United Kingdom and Indonesia, which are using the Internet as a channel to market. In both countries, retailers were surveyed and the study has produced some interesting results, which have theoretical, practical and managerial implications. At the outset of the study, little was known about the extent of Internet adoption by retail businesses in Indonesia and it was not surprising to find that in the United Kingdom, Internet retailing is well established but in Indonesia, it is in the early stages of development. Nevertheless, there was sufficient Internet activity by Indonesian retailers to enable comparison of the use of performance measures by retailers in a mature economy and its use in a developing economy. The findings revealed similarities and differences in the number and type of performance measures used by retailers but more interestingly found evidence of different strategic orientations, which suggested that certain types of organizational behavior could be used to predict the type of performance measures that might be applied by a retailer. More specifically, in both countries, retailers adopting a conservativeness-oriented strategy were more likely to make greater use of performance measurement than those classified as applying an aggressiveness-oriented strategy but level of aggressiveness, was found to be an indicator of financial performance. In the United Kingdom low aggressiveness was an indicator of better financial performance whereas in Indonesia high aggressiveness was an indicator of better financial performance. This study has explored complex issues, by investigating strategic orientation and performance measurement and made suggestions as to how these constructs might affect business performance in Internet retailing within developed and less-developed countries. The findings have important managerial implications for Internet retailers about how performance measures might be used effectively to enhance business performance.

Keywords: Internet retailing, e-retail, e-commerce, performance measurement, strategic orientation, performance indicator

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