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**Beyond The Promise: Practicalities of Developing a Successful E-business Strategy**

*For mid-market and fast growing companies looking to increase their successes in launching an e.business venture, an organic bottom-up solution -- from automating processes, to gaining efficiencies, to increasing top line performance – is critical.*

If you haven't already launched your e-business, it is increasingly apparent that the time is now. Business is moving rapidly into the Internet age as surely as it moved into the information age and industrial age before that. According to Forrester Research, Internet business-to-business sales will reach \$1.3 trillion by 2003 and, by 2004, business-to-consumer sales will reach \$100 billion. No longer can companies rely solely on the traditional, brick-and-mortar business model. The sooner this reality is realized, the sooner you can begin formulating an e-business plan and tying this plan most effectively to your corporate objectives.

The dangers, however, are all too clear. Rarely does a mid-sized company have the workforce or the money to launch and operate such a large undertaking on its own. Those companies that push the panic button and jump in before taking the necessary steps to develop a practical approach are often doomed for failure.

Gartner Group estimates that 75 percent of all e-business ventures will fail, due to lack of technological understanding and poor business planning. However, despite the risks and high costs, today's companies have little choice but to address the Internet challenge.

So how can evolving companies ensure that they are following best practice guidelines in setting up their e-business? Companies setting up their first e-business ventures must keep in mind that not all e-business components are right for every enterprise. Many companies fall in the trap of setting up their e-enterprise because of the hype of the Internet and the success stories, instead of taking the time to consider the most pragmatic approach to developing an e-business strategy.

This article will identify a practical methodology for ensuring success on the Web -- outlining how to effectively automate your business piece-by-piece and gain efficiency in phases, rather than trying to automate all your processes immediately. According to Gartner Group, more than 55 percent of business pursuing the glamour and allure of the Web will miss the mark dramatically when it comes to achieving measurable business results. Once your e-corporation has the functionality and efficiency necessary to survive in the Internet Age, you will be ready to increase top-line performance and add high-level performance touches for optimum success.

### **The First Critical Step: Outsource vs. In-House**

In developing a pragmatic e-business strategy, you need first to determine how much is going to be developed and maintained in house and how much will be outsourced. There are several obstacles in making the decision to manage your e-business entirely within your organization. People with experience and knowledge in designing an e-business must be brought in to orchestrate the transformation to an electronic enterprise. In addition, an organization must be prepared to develop and grow the e-business infrastructure according to business priorities, as well as expanding the landscape to accommodate top-line performance goals. The costs associated with these functions can be astronomical and are often too much for a mid-sized organization to absorb. Additionally, attracting and retaining top talent with the required skillsets to design, develop, and execute on an e-business plan and associated technologies is almost prohibitively expensive for mid-sized companies, especially if they do not offer some sort of employee stock option plan.

The other option, of course, is outsourcing your e-business component. By contracting a trusted partner to build your e-enterprise, the growing organization can stick to its core competency and can take the time to decide what processes it needs to automate first to develop an electronic channel for consumers, business partners, or clients.

One of the most crucial issues during this stage is determining the level of e-enterprise that the organization hopes to offer to its suppliers, distributors, and end users. Very few companies are running a full-blown e-business, meaning full integration of front-end and back-end applications. In most cases, organizations are offering varying levels of e-commerce, where some back-end functions – whether it be order processing, fulfillment, etc -- are still performed manually. Another viable approach to your e-enterprise is implementing an “e-commerce lite” methodology. In this scenario, an organization starts slowly; for instance, putting a catalogue online, but still requiring consumers to use traditional and brick-and-mortar processes to purchase. This option allows the organization to continue to grow and expand its e-offerings. Regardless of what level of e-business your organization wants to run, success depends on the resources you have at your disposal.

### **Where to Begin? Automate Non-Mission-Critical Functions First**

In mid-market and fast-growing start-ups, little mistakes can make or break success. One common mistake often made by organizations is automating mission-critical or overall internal processes of the organization first. Instead, it is wiser to start with a non-mission-critical application that can be quickly implemented and will reap a high visibility and work as a champion for greater initiatives. For example, some organizations believe that by automating an application such as employee self-help, the initial Return on Investment (ROI) may not have a high impact on the organization. However, it will get your employees accustomed to using Web-based applications and is a good first step in extending the e-enterprise. The ultimate goal of e-business is that all your applications can be delivered to suppliers and distributors through the same interface. Organizations launching e-business components build around a common framework so that other initiatives will naturally extend into more strategic areas such as productivity, automation, and mission critical applications which can be delivered through the same interface.

### **One Small Step Means Giant Leaps**

Take as an example an organization that handles worker compensation case management by soliciting referrals from insurance agencies desiring second opinions on claims that have been submitted.

Traditionally, the business was conducted via conventional channels, but the organization saw an opportunity to automate this channel and alleviate the phone traffic and paper buildup they had previously experienced. By automating this process, the end user was able to submit referrals 24 hours a day, seven days a week, and track the progress over the Internet. While the automation of this process did not provide any short term ROI for the organization, it did successfully build the channel so the organization could increase its offerings at a later date.

Take a look at where automation is easiest; how does an organization enable its end users to be comfortable with this new channel? If an organization can develop the necessary infrastructure to get its customers and end users to adapt to this new environment instead of using past conventional methods such as phone, fax, and snail mail, it will be able to eventually grow and drive its site with more robust applications for its community. Too often, organizations make the mistake of taking the full-blown, e-business approach because it's what everyone tells them to do. The cost effective and efficient way to grow is by eating the elephant one bite at a time.

Organizations need to know their end-user community well. Will that community be able to adapt and find comfort with this new channel? Just because an organization chooses to build an e-business, does not mean that its audience will automatically adjust to it. For instance, take a hypothetical example of a company that has a complex product which they don't sell, but have great success in leasing. This organization's customers are very traditional. So instead of spending time and money on a full blown e-business venture, the organization opts to augment the leasing process by allowing customers to visit a Website where they can look at and configure the product before going through the phone channel.

## **Once Accepted, Improve Efficiency – Streamlining Supply Chain and Customer Relationship**

### **Management (CRM) Initiatives for ROI**

Once an organization has successfully built an online community and implemented a channel that end users are comfortable with, it is time to take its e-business component to the next level by adding efficiency first, versus pursuing top-line opportunities. Organizations should be looking to make additions to its offerings that streamline processes for users and that also start to offer ROI for the organization. In the previous example of the leasing company, the e-business initiative begins by offering end users detailed descriptions of its product and different configurations. The next step for this organization could be adding an application that puts together electronic bill presentment and payment. Not only will this provide more functionality to the organization's community, but the organization starts to see some ROI as the result of reduced administrative cost.

While striving to become more efficient, organizations should also examine when to add supply chain management (SCM) and customer relationship management (CRM) to its offerings. To be a proficient e-business, an organization must have a plan for moving its product out to customers. The best time to start implementing that plan is in the latter stages of automating the Website and throughout the efficiency stage. The infrastructure of any e-business offering must be closely monitored, and a large part of that infrastructure is supply chain and CRM. Without them, an organization can't build customer confidence.

The CRM software available to organizations today are ever-increasingly robust solution suites, however, the key word in CRM is still "relationship." Customers today want quality products, 24x7 accessibility, removal of geographic boundaries, easy ordering, on-time delivery and responsive service. According to Internet research firm Jupiter Communications, up to 42 percent of top-ranked Web sites took longer than five days to respond to a customer inquiry, did not accept email, or never responded at all. This is not improved customer service.

### **Moving Towards Full Blown E-business**

With SCM and CRM added to the e-business mix, an organization is now able to add mission-critical applications as customer needs demand. Mission-critical applications are those at the very core of an organization's business. For example, in the mortgage industry, loan origination and loan servicing, whereas in a financial services organization like Charles Schwab, the core applications involve easy online trading. Other such applications would include site security – protecting site information and personal information entered by end users – and quality assurance and management. While it is essential for growing companies to build their e-enterprise in a tiered approach, these high-level touches are important in building value and ROI for the enterprise.

E-business is no longer the wave of the future. Ready or not, the future is here. Even the most traditional of brick-and-mortar industries such as stock and brokerage firms are taking to the Internet with a vengeance. And, why not? Forrester estimates that there will be 5.4 million online brokerage accounts with total assets worth \$374 billion at the end of the 20<sup>th</sup> century, with these figures reaching 20.4 million and \$3 trillion by 2003. For a growing organization, it is critical for survival to implement an intelligent, pragmatic methodology for building an e-enterprise. In the United States, 80 percent of all start-up businesses fold within the first five years. With that staggering number in mind, it is vital that organizations consider their business objectives first and foremost when launching their e-business. Creating a full-blown e-business is an exciting and challenging journey and, like any journey, things go best when you can champion small steps into giant victories to pave the path.

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