

PLANNING ASSUMPTION

Planning Assumption

Developing an E-Business Strategy

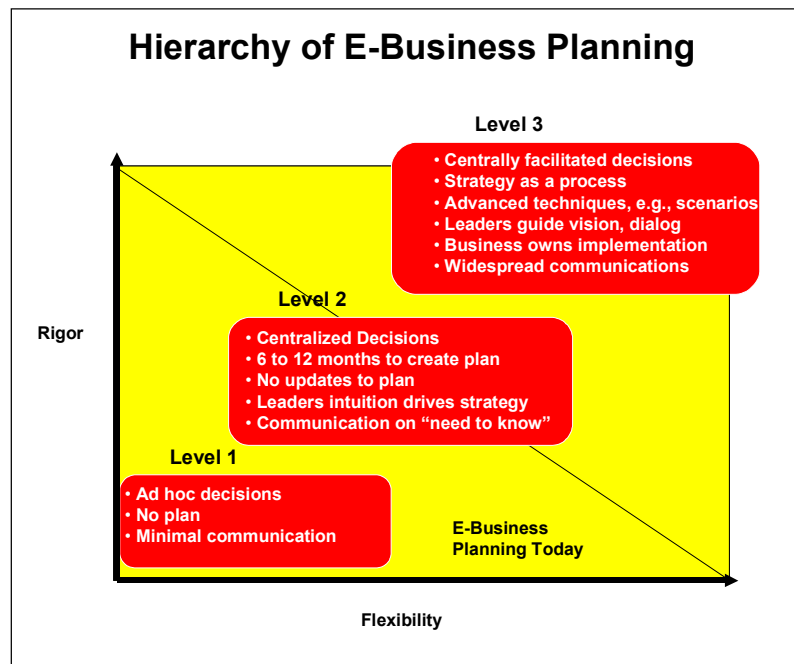
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Giga Position

The low-hanging fruit on the e-business landscape is gradually disappearing. Though successful in the past, the crude e-business strategies used today must become more sophisticated since existing beachheads need to be defended, incumbent weaknesses exploited and cross-divisional and cross-business teamwork implemented. To accomplish this requires short-term tactical steps, focusing on the processes and structures necessary to develop and update a strategy, and the long-term initiatives required to change culture, decision-making and the current role of IT as a support organization.

Few companies know how to do this today. Their traditional methods of strategic planning consisting of collecting aggregated financial data, performing in-depth market analysis, etc. are too slow, and the current e-business methods cannot deal with subtleties such as value chain partnerships, market valuations based on potential, and brands that are amplified by the Web vs. those that are degraded. Furthermore, there is currently a leadership vacuum for cross-divisional e-business because most efforts have focused on divisional needs. This vacuum is an opportunity for IT leadership to assume a more assertive stance within the business. IT can step in to provide the technical know-how for the systems that can integrate product and customer data, the process expertise for pulling together cross-divisional initiatives and objective data on competitors and best of breed companies.



Source: Giga Information Group

Figure 1

Proof/Notes

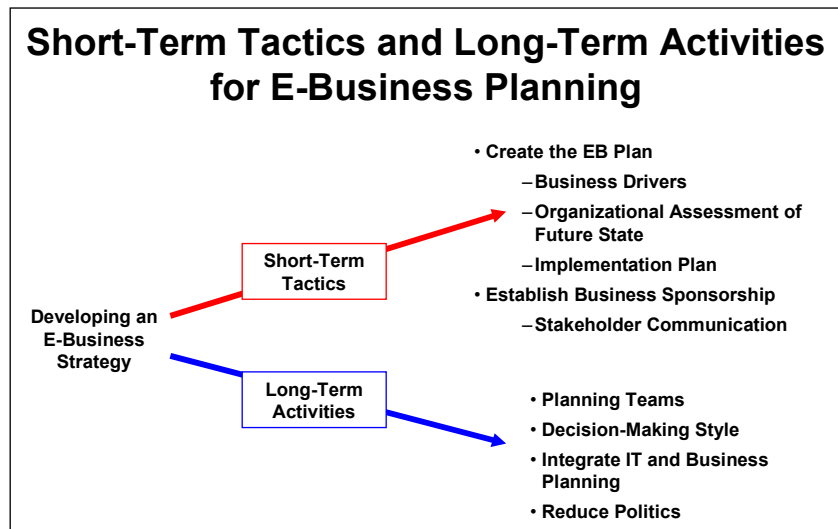
To date, e-business strategies have had the luxury of being successful while being simple. As shown in Figure 1, the e-business planning within most organizations is at Levels 1 or 2. Few have reached the sophistication of Level 3 because doing business on the Web has been, and to a lesser extent still is, a land grab. Untapped markets and good fortune have gone to those moving quickly and boldly. A more sophisticated strategy would have been a liability because of the time required to develop one.

These original strategies can be categorized as follows:

- Consolidating fragmented markets: **Garden.com** and **WebMD.com** consolidated markets where no player had more than a 10 percent share. They did so by integrating information with transactions and communities of interest.
- Extending existing capabilities: Brick-and-mortar companies such as the German drug store **Rossmann's** and **Nordstrom's** in the US merely extended their current model to the Web.
- Exploiting niches: Specialty needs, such as last-minute shopping (**lastminute.com**), sports memorabilia and other esoteric needs could be met over the Web by connecting distributed buyers and sellers.
- Repositioning and/or repackaging existing capabilities: For many Web infrastructure suppliers, such as **Cisco**, minimal repositioning made them e-business companies. In other cases, traditional consulting firms required extensive marketing and hiring to become Internet consulting companies.

The Web is growing up. Recent evidence has shown that Web activities in general and strategy in particular need to be updated. From the technical perspective, many sites have been experiencing unacceptable delays and downtime as greater complexity is built into the site and more people access it. According to a December 1999 *InternetWeek* editorial, major sites, including **Petstore.com** and Nordstrom's, were available 40 percent and 53 percent of the time respectively. Furthermore, during one 24-hour holiday period, 23 of the top 111 holiday sites were taking eight or more seconds to load pages. From a process perspective, the 1999 holiday season showed the weakness of many brick-and-mortar sites to integrate front-end order processing with back-end inventory control and order fulfillment. At a strategy level, **BarleyCoin's** high complexity to benefit ratio and **CDNow's** short-lived leadership of online sales of CDs are examples of weak strategies. For good or ill, the simple strategies that focus on picking the low-hanging fruit must give way to more traditional tactics of defending existing beachheads, exploiting incumbent weaknesses and implementing cross-divisional/cross-business cooperation.

Developing an e-business strategy consists of a number of short-term tactics and long-term activities (see Figure 2).



Source: Giga Information Group

Figure 2

Short-Term Tactics

Short-term tactics focus on developing and maintaining the e-business strategic plan. Though, historically, IT and business planning have been separate processes, increasingly the lines are becoming blurred. In some cases, this translates to a single strategy process with IT leaders and business people creating the plan as peers. **PAREXEL**, a medium-sized medical research organization, for example, has senior IT and business executives meeting monthly to review business and IT plans.

The methodologies used for developing an e-business plan are remarkably consistent. Even leading Web-oriented consulting firms such as **Scient** and **Agency.com** use methodologies for strategy development that have many of the same elements as those of end users. Those used for developing the strategy typically include activities shown in Figure 3.



Source: Giga Information Group

Figure 3

At a high level, the methodologies are not that different from traditional strategy creation. The business objectives must be determined as well as external trends, industry threats, etc. Following this, the

organization is evaluated in terms of its ability to meet these objectives, and gaps are identified. Finally, projects are defined, prioritized and selected. The key differences between traditional and e-business methods are seen at the next level of detail.

The e-business strategy development process requires greater IT involvement — more so than traditional planning. There are a number of factors that drive this. E-business is more dependent on technology than other business functions. E-business often requires a cross-divisional view of customers and products. IT as a support organization for all divisions has the broadest understanding of divisional business processes. Furthermore, IT understands the technical requirements for networks, middleware and data to integrate the data, processes and applications.

These cross-divisional and technology needs provide IT with the opportunity to step in to assume a more assertive role with the business. If IT leaders can complement this technical knowledge with an understanding of the process for developing and maintaining an IT plan, they can become drivers or at least senior partners in e-business. A senior architect with strong communications skills became the focal point for all major e-business activities at an office supply company because he was the one person who knew many of the technology and process issues of several of the major business units.

The strategy document for e-business is shorter than that of traditional strategy documents — sometimes 10 to 20 pages. It is updated frequently, in some cases monthly by highly communicative peer groups of business and IT leaders. In contrast, the traditional process results in documents many times larger that are communicated largely on a need-to-know basis. At best there is widespread distribution of the summarized conclusions of the plan — without the underlying factors that led to these conclusions.

The data reviewed in e-business planning is more immediate (sometimes from that same day) and more strategic than financial. It may consist, for example, of recent competitor acquisitions, sales from that month or complaints of that week. Furthermore, the purpose for the review of the data is as much to establish a direction as it is to establish a common language and understanding of market forces. According to Kathleen Eisenhardt in the Spring 1999 *Harvard Business Review*, "Management teams build collective intuition through frequent meetings and real-time metrics that enhance their ability to see threats and opportunities early and accurately." External data is of particular interest, for example, competitor's partnerships, changes in the markets value chain and movements by potential new entrants (see Planning Assumption, [Profiling Web-Based Threats to Your Business](#), Marc Cecere).

The review of a plan in a traditional planning process occurs quarterly at best, though, for many companies, not at all. In some exceptional cases, monthly reviews are now being seen. PAREXEL, and a European electronics firm, for example, meet monthly to track conformance and changes to their plan. Even when formal reviews are less frequent, e-business firms tend to informally revise the plan through frequent senior management discussions resulting in many quick incremental decisions.

A traditional planning process will search for the right answer; e-business planning determines alternatives. As pointed out in the December 1999 edition of *CIO Magazine*, some companies such as **National City Bank**, use scenario planning with the help of a consulting firm to identify several alternatives and those factors that affect the choice of the best alternative. E-business planning may employ scenario planning, but the focus is on finding viable alternatives that can be tested quickly and discarded if necessary. E-businesses with sophisticated planning groups tend to be highly experimental. This is possible because the technology and reach of the Web supports fast, relatively low-cost pilots and because e-business projects often aren't limited by the same budget constraints as other projects.

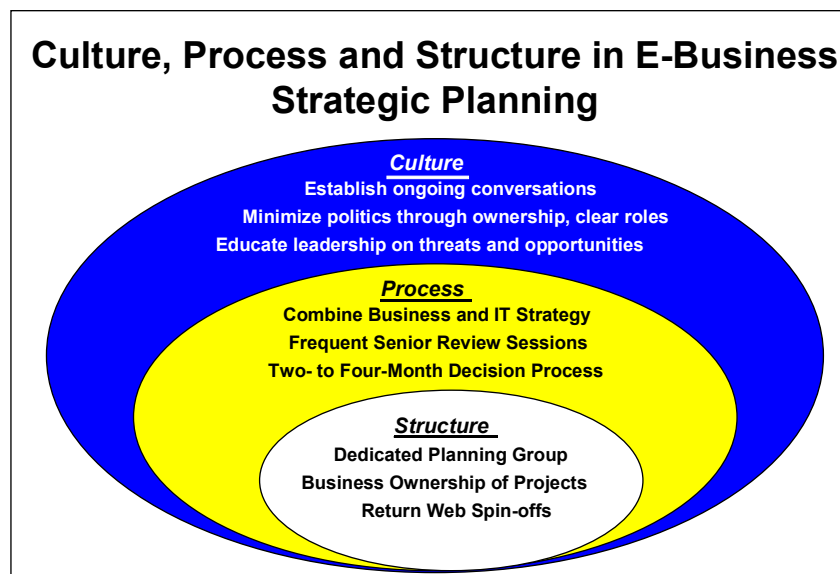
Communication of a strategic plan for e-business tends to be less controlled. According to a 1999 study by The Hay Group, only 38 percent of managers and 10 percent of all employees within a corporation ever see the strategic plan. The rest of the organization may see the list of approved projects, business principles, direction and vision, but often this is only when they ask and rarely do they see the reasons for these decisions. In contrast, e-business plans are put on intranet Web sites. One CIO stated that there is little reason

to prevent distribution of the strategic plan. Much of the value is in creating and modifying the plan with the plan itself becoming increasingly obsolete once it's published. Should the competition get a copy, it would likely be more disruptive than beneficial from an implementation perspective.

Finally, e-business planning is usually a facilitated process run by a planning group. Traditional planning required the corporate planning group to be heavily involved in creating the plan. Typically, they would interview senior executives, collect data on external and internal conditions and, with the sponsorship of the CEO, write the plan that was then reviewed and modified by senior management. E-business planners should encourage those who will implement the plan to be more involved in its development. Individually, business units identify their objectives, and then are brought together to determine the relative priorities of these objectives for the entire enterprise. The planner's job is to choreograph this, ensure the right information is available and, in some cases, track progress of the results.

Long- Term Activities

More so than traditional planning, e-business strategic planning requires changes in culture, processes and structure.



Source: Giga Information Group

Figure 4

Culture: Politics affects e-business activities more than other major initiatives. This is because e-business projects are viewed like polar explorations for British naval officers of the early 1900s — shortcuts to fast promotion. Similarly, in an era when all HR consultants are advocating keeping skills up to date, e-business projects provide a means of doing so.

In IdeaByte, [Giga Critique: Corporate Politics Hinder E-Commerce Progress](#), Martha Bennett, it's noted that a *Computer Economics* press release states that, "Petty infighting is holding many companies back." Observing that "Many people want to use e-commerce to climb the corporate ladder rather than improve their business," a spokesman from one company highlighted some of the crucial issues hindering smooth e-commerce strategy development. According to the press release, the 10 companies that had moved the farthest into e-commerce had the lowest levels of internal politics to contend with. On the other hand, e-commerce activities in the next 20 companies were continually stalling due to conflicts over who would control or lead those efforts."

The minimization of politics requires a culture and leadership that will not tolerate it and clear roles and ownership for e-business participation. Furthermore, as is the case with any team, common goals can provide a unifying force. The identification of roles and ownership in particular should be emphasized. People are more open and participative if they know their roles and are secure in their responsibilities.

Another characteristic of e-business planning is the creation of an ongoing dialogue on the opportunities, risks and costs of e-businesses. The consulting firm **ICEX**, quoted its partner's CIO John Glaser in a presentation, "We view our IT strategy process as an ongoing series of conversations along with sporadic periods of disruptive challenges which mould our plan." Furthermore, according to the Eisenhardt article mentioned before:

"Management teams build collective intuition through frequent meetings and real-time metrics that enhance their ability to see threats and opportunities early and accurately. Less successful teams rarely meet with their colleagues in a group and make fewer and larger strategic choices, relying on market analyses and future trend projections that are idiosyncratic to the decision."

Process: The primary process change from a long-term perspective is the tight integration of IT and business planning, or in some cases, the replacement of both with a single process. A U.S. industrial parts distributor has a single group run strategic planning. This group pulls together business and IT leaders to identify business objectives, external and internal factors that impact the objectives, then it allocates to different cross-functional groups the responsibility for fleshing out specific pieces of the plan. An e-business planning process requires regular, sometimes monthly, reviews that consider how the original conditions and assumptions have changed.

The creation of a strategic plan needs to occur quickly. Traditional IT and business planning requires, according to The Hay Group, up to nine months, with tactical and financial planning accounting for five of these months. This is far too long for e-business. Furthermore, the plan needs to be updated regularly. Quarterly reviews are typical of companies performing solid planning; however, some have switched to monthly formal discussions with more frequent informal sessions. It is these informal sessions that the most efficient and responsive planning is done. It is these sessions, supplemented by the more formal sessions, that create an ongoing senior management dialog on e-business competitors, threats and opportunities, with occasional intense tactical planning to respond to urgent conditions.

Structure: Structures for e-business planning are different in that a centralized planning group is needed to encourage planning by those responsible for implementation. Furthermore, because e-business typically requires the enterprise to overcome the view of itself as a set of autonomous brands, products or regions, the planning group must have the political power to force decisions that may help the enterprise while hurting one or more divisions. Insurance companies may need to bypass brokers, car manufacturers bypass dealerships and retailers their stores. Today the brand-oriented structures of most product companies present a barrier that will always elevate the priorities of the brand over the needs of the enterprise. Overcoming this will require strong leadership and negotiation skills with the planning group as well as a CEO willing to actively back the group.

Alternative View

The speed and dynamic nature of the Web does not allow for a disciplined strategy process. Furthermore, the success of a planning process is based on the false assumption that there is predictability to e-business success. **Amazon.com**, **eBay** and **e*trade** succeeded through an inspiration of a visionary leader or from the logical extension of their existing model to the Web. Eventually, as the Web is better understood and the pace of Web change slows down, processes for developing a Web strategy will emerge. However, this day is still at least two years away. Until then, e-business strategy development should not become a process — but the result of visionary leadership and/or exploiting untapped external markets and internal capabilities.

Findings & Recommendations

Developing an e-business strategy consists of a number of short- and long-term activities.

Short-term activities focus on developing and maintaining a plan and include the following:

- A focus less on finding the one right answer than identifying viable alternatives that can be tested quickly, evaluated and discarded if necessary.
- Frequent reviews of the plan, in some cases monthly, by highly communicative peer groups of business and IT leaders.
- Use of immediate data (sometimes from that same day), which is more strategic than financial.
- A strategy document that is brief — often 10 to 20 pages — and is updated frequently, in some cases monthly, by highly communicative peer groups of business and IT leaders.

Long-term activities focus on changing cultural attributes:

- E-business planning is a facilitated process led by a single planning group. It choreographs the participation of those who will implement the plan and provides them with required information and consulting assistance.
- The primary process change from a long-term perspective is the tight integration of IT and business planning or, in some cases, the replacement of both with a single continual process.
- The minimization of politics requires culture and a leadership that will not tolerate it and clear roles, common goals and ownership for e-business participation.
- Cross-divisional and technology needs driven by e-business provide IT with the opportunity to step in to the information vacuum and assume a more assertive role with the business. IT leaders need to augment this knowledge with an understanding of the process for developing and maintaining an IT plan.

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