white paper

w r i t t e n b y :

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Leaders of the Web.com: Accelerating the Transition to the Web-Based World

Successful multinationals are finding that their proven methodologies for developing and implementing corporate strategy leave them lead-footed when confronting the scale and pace of change in the Web-based world. Andrew Berger of Andersen Consulting describes how exploiting the experience of acknowledged leaders in e-commerce will enable successful companies to take a fast track – but nevertheless low-risk route – to a fully e-synchronized supply chain.

Very few executives in major multinational companies still deny that the Internet and the World Wide Web are going to have – indeed are already having – a profound impact on their companies and the competitive environment in which they operate.

Media and stock market attention has been focused on the emergence of a few Internet "pure plays" whose market capitalization has been driven to previously unimagined levels, often in companies with largely non-existent sales and profits. Meanwhile, a few sophisticated global multinationals in such areas as computers and communications have been less ostentatiously, but arguably more imaginatively, implementing new business models that combine the excellence of their conventional operations with innovation in the application of the Web to virtually every aspect of the supply chain. As a result, companies such as Dell Computers, Cisco Systems and Sun Microsystems have been able to grow by 25% per year, to operate on a global scale without taking on excessive levels of people and assets, and to achieve levels of profitability 20% or more than their nearest competitors.

A superficial analysis of the short history of the Web might suggest that the success of Internet pure plays such as Amazon.com and AOL has been achieved by radically changing the economics of the value chain and thus sucking value out of the conventional multinationals. On closer inspection it is clear, however, that it is the financial markets out of which the value has been sucked, while the impact on the value chain has been confined almost exclusively to

the handling of orders and customer relationships. In other words, it is fair to say that, thus far, most companies who have achieved a measure of "e-success" have done so by focusing on the easy bits. The much more difficult problems relating to the less glamorous but nonetheless fundamental aspects of the value chain including, notably, e-fulfillment, have been largely neglected, as those who never received their Christmas orders may well testify.

In contrast to such companies as Amazon.com and AOL, sophisticated multinationals like Dell and Cisco may not currently enjoy quite the multiples of market capitalization over revenues and earnings of the Internet pure plays, but they have clearly demonstrated that it is in the supply chain that the true value of the Web revolution is to be found. Indeed, it is no exaggeration to suggest that the implementation of full e-synchronization has the potential to release at least $100 million of value from the supply chain of the average Fortune 1000 multinational. As the Web revolution reaches what might be called "the end of the beginning," to borrow a phrase from Winston Churchill, the challenge for conventional multinationals is how to move at Web speed in order to unlock that value.

The fact that some Internet pure plays have found that the more conventional aspects of their businesses have proven rather more difficult to manage than they had anticipated is certainly no justification for complacency on the part of more traditional companies. Such organizations urgently need develop an e-commerce strategy based on their own strengths in terms

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of their operational excellence, their traditional relationships, and their own distinctive assets and capabilities. This strategy will need to recognize the overwhelming and urgent need for the organization to make a breakthrough into the world of the Web. Failure to do so will lead to increasing vulnerability to attack, not only from traditional competitors who may have moved more rapidly to implement e-commerce solutions, but also from new collaborative ventures bringing together the capabilities of, for example, leading Internet pure plays and sophisticated multinationals. The potential of such "e-invaders" to disrupt markets can be judged from the tremors sent through the entertainment and media world by the merger of AOL and Time-Warner. Moreover, the success of the ChemConnect, a Web-based chemical exchange, whose alliance partners include Andersen Consulting, Dow Chemical, and Rohm & Haas, (plus the recent announcement of a joint venture between Shell and CommerceOne), suggest that no market will be immune to such "e-invasions."

Nor will failure to move fast enough to develop and implement an e-commerce strategy be reflected solely in short-term financial or competitive setbacks. It is already clear that e-commerce generates its own virtuous circle. As the Web-based world grows, capital and talent will seek out companies with a valid value proposition within that world. Their success will lead to further growth across the board
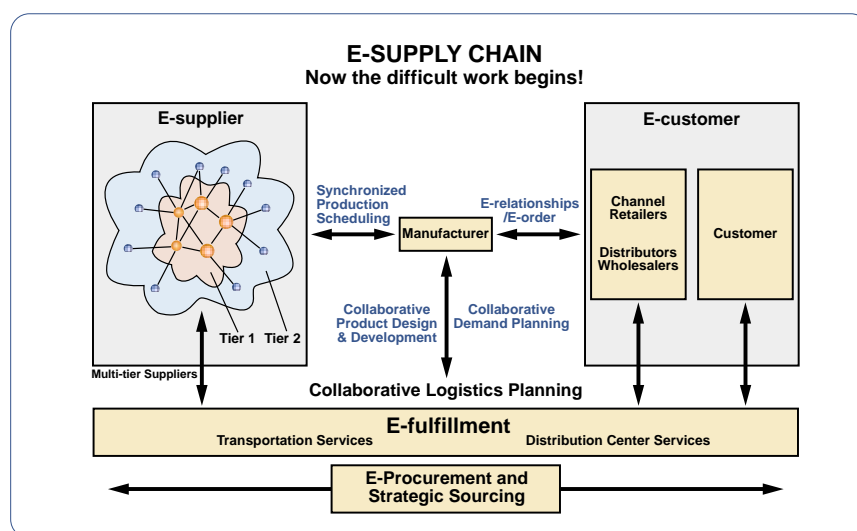

Figure 1.0 | E-Supply Chain

and in turn to a reinforcement of the pattern. Conversely, companies unable to put forward such a value proposition will find themselves progressively starved of capital, talent, and markets and quality partners.

The problem for the conventional multinational, faced with the challenge of the Web, is that its traditional, carefully honed methodologies for strategy development and implementation – originally designed to ensure that no stone is left unturned, no eventuality left uncovered, and no deficiency in capability left unresolved – are simply too slow and too cumbersome for the Web-based world. Quite simply, by the time the strategy has been developed and implemented, the problem it addresses will have changed, and faster competitors will have already stolen the proposition. The Web has not so much moved the goal posts as created a whole new game. Even well-managed and successful businesses risk finding themselves playing a game that no longer exists, making assumptions that are no longer valid, and accepting constraints that no longer apply.

The solution to this problem is, from the outset, to emulate and adopt Web-based behavior. Companies that succeed in the Web-based world accept that they cannot do everything themselves. Instead, they identify those areas and capabilities in which they excel and look to others to pro-vide the same level of excellence in all other required capabilities. Thus, the key to shortening the time-scale for developing Web-based expertise is to maintain the excellence of one's own operations while avoiding reinventing the wheel by finding partners whose wheels already demonstrate proven excellence.

Leaders of the Web.com

To that end, Andersen Consulting, itself recognizing that it does not have a monopoly of Web-based expertise, has teamed with Oracle and Sun Microsystems in an initiative dubbed "Leaders of the Web.com." This initiative is designed to move organizations rapidly from basic awareness of new ideas to the achievement of demonstrable returns from their Web investment in a time-scale commensurate with the pace of change in the Web-based world.

The three organizations'[1] credentials for offering such a proposition are well known: Sun is a leading provider of Web-server hardware, Oracle a leading provider of Internet database and related software, and Andersen Consulting a leading provider of Internet services with, at last count, Internet related revenues more than 10% ahead of its nearest rival. The Leaders of the Web.com approach is to move conventional multinationals into the Web-based world using a simple, but radical notion: "Think
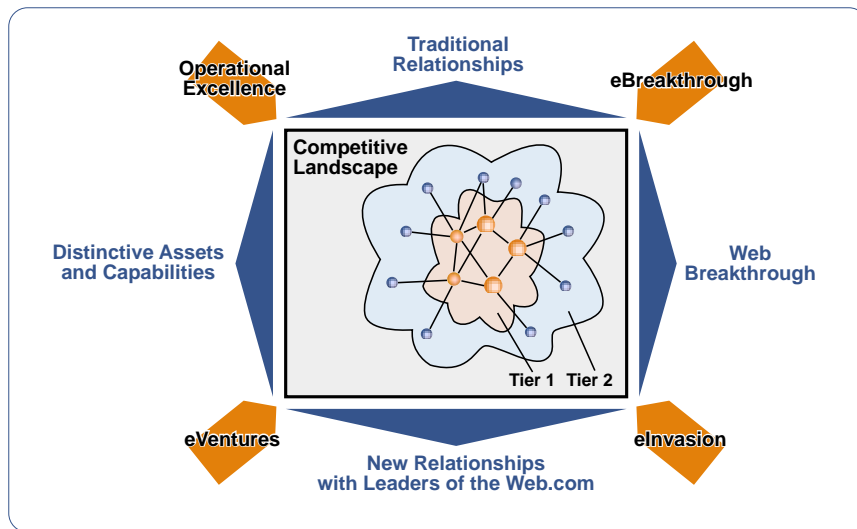
Figure 2.0 | New models for e-commerce strategies

THINK BIG, START SMALL, SCALE FAST

Performance

4. Deliver the Value

3. Scale Fast

1. Think Big

2. Start Small

2000   Time

Think Big
- Fast-track understanding of best practices and key trends
- Create vision and leadership
- Immersion workshops
- Simplify options
- Business case support
- External view on key vulnerabilities

Start Small
- Simple but proven pilot models
- Methodology and experienced people
- Insight into what will work
- Fast-track and integrated support

Scale Fast
- Proven, scaleable architectures
- Problem-solving
- Speed of responsiveness
- Access to key resources

Deliver Value
- Understanding of sources of value
- Business case development & monitoring
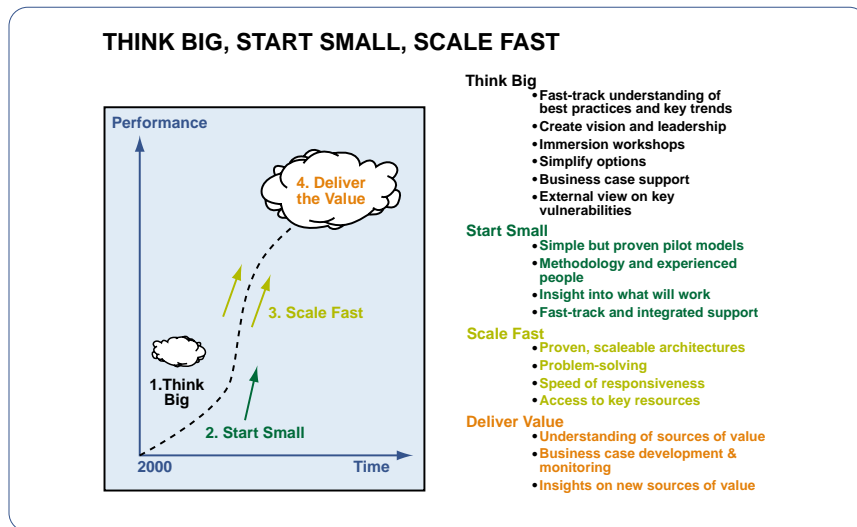- Insights on new sources of value

Figure 3.0 | A new approach to delivering value

big, start small, scale fast."

Thinking big means accepting from the outset that the ultimate aim is, within a relatively short time-scale, a complete transformation of the organization's entire value chain. Aiming for anything less not only forfeits the larger share of the value proposition but drastically reduces the opportunity to build partnerships with other Web leaders, while rendering the organization's market position progressively more vulnerable to predatory e-invaders.

Starting small recognizes that, while the scale of the ultimate objective must be kept in mind at all times, the most immediate requirement is to gain experience and to prove fundamental methodologies at a scale where the risk of failure can be minimized and its consequences can be tolerated.

Subsequent success then depends on the ability to scale fast. Successful pilot projects can easily generate complacency about subsequent full-scale implementation. Indeed the Web-based world already

is littered with horror stories of implementations that have failed to scale satisfactorily, exposing companies to ridicule from their customers, and immediate and permanent punishment in the financial markets. Ultimate success is not about being the "first mover" but about being "first to scale the right thing."

Underpinning the Leaders of the Web.com approach is the recognition that conventional methodologies for planning and implementing strategic change cannot deliver within Internet time-scales. In particular, the standard approach to developing awareness and understanding at the outset of a project – typically a six-to-12 month process involving discussion with a wide range of individuals and organizations – is too time-consuming, cumbersome, and obsessed with completeness to provide a basis for a successful corporate e-commerce initiative.

The Leaders of the Web.com approach bypasses much of this initial effort by allowing the organization to tap directly into the experience of the leaders themselves, and to collaborate with them on a fast-track focused awareness and understanding process. Such an approach ensures that the organization embarks on its strategic change with a coherent view of the aims and objectives, and a common language in which to develop and define its strategy.

Acceptance from the outset that it is "blindingly obvious" that immediate action is essential to the long-term survival of the company will, of itself, obviate the need for much of the work that traditionally would precede strategic change of the scale envisioned. Equally important is to switch the traditional focus on detail, completeness, and accuracy to a willingness to trade completeness against speed. Indeed recognizing the true value of time to market in the e-world involves accepting that a 70% complete solution within the restricted time-scale is acceptable while a 100% solution outside it is useless.

The accelerated and focused approach goes much further than simply fast tracking the initial learning process, important though that is. Leaders of the Web.com pro-

vides support for both the mobilization phase and the development of a Silicon Valley-style e-commerce strategy that defines both the organization's current capabilities and its future requirements. Based on the premise that the most important and valuable learnings will come from real experience, it then provides for the selection and fast-track execution, with expert support, of a suitable pilot project. During that execution period, learnings from the pilot can be incorporated in an iterative manner into the parallel development of the corporate strategy. As a result, by the end of the 90-day pilot execution phase, not only will plans be in place for the scaling and roll out of the pilot itself, but the future technical architecture and complete corporate e-strategy of the organization will be in place. That, in turn, ensures that as the scaling and roll out of the pilot proceeds, the organization is in a position to develop its full e-commerce blueprint. With blueprint in hand, the organization can plan the roll out of the full spectrum of Internet applications, again incorporating learnings from the pilot scaling and roll-out as it proceeds. As a result, the organization will be in a position to proceed to full roll-out of its complete e-commerce strategy, based on an already proven methodology and technical architecture, in the shortest possible time from the original inception of
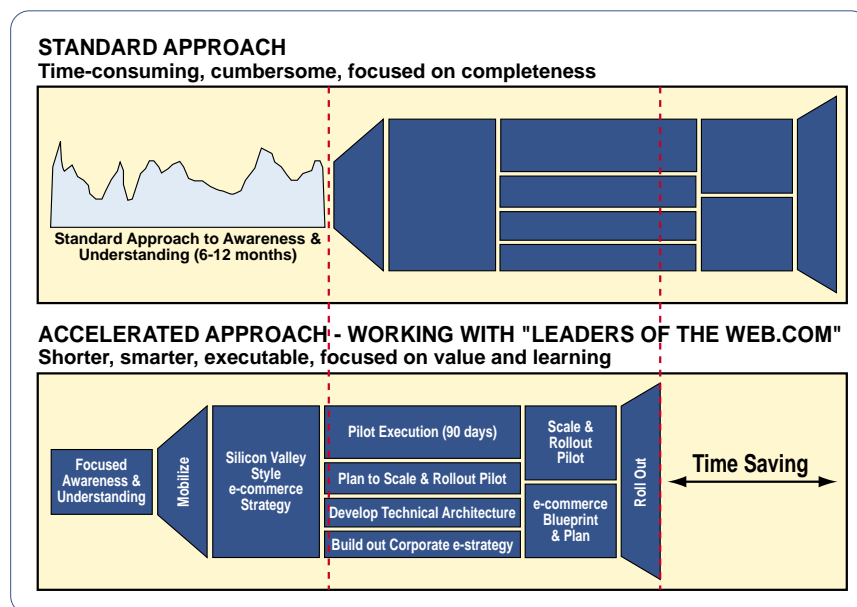

Figure 4.0 — Two Models for Getting Started

the project.

Clearly, Leaders of the Web.com will not suit every organization. Indeed, many multinationals, particularly those closely related to the computer and communications industries, already are well advanced in their journey to the Web-enabled world. However, there is no doubt that many well-established and successful multinationals will face real pain as they reassess their value chains and prepare to transition to the new e-commerce reality. To them, Leaders of the Web.com offers a fast track into the world of e-commerce that minimizes the risks inherent in major strategic change of this scale while recognizing that there is no competitive advantage in being a fast follower.

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