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The E-Business Agenda

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Abstract

E-business represents a hot topic for bankers, brokerages, insurance companies, health care organizations, manufacturers, wholesalers, and retailers. E-business often is misunderstood and poorly implemented in businesses worldwide. Surprisingly, the most fundamental issue for E-business revolves around understanding the context and definition for E-business. Success with an E-business agenda requires clear understanding in context and definition with direct overlap having obvious financial goals.

E-business (Electronic Business) is the convergence of communication and information processing technology within core business process and culture. It is an enabling *business* process made possible with technology that provides more information and faster information delivery. It is neither a separate technology for business nor a separate business process. To most people, E-business incorrectly conjures an umbrella of radical initiatives for doing business on the Internet—rather than for efforts at enabling business as usual and extending marketing, sales, and support opportunities merely through a new channel.

The E-business umbrella comprises other indistinct terms lacking exact meanings and context, such as *I-business*, *E-commerce*, and *I-commerce*, where "I" and "E" refer to "Internet" and "Electronic" integration. Recognize that E-business is not *E-technology* nor even *E-computing*. Even I-business is still *business* with its emphasis clearly on commercial acumen rather than technical skills. E-business is first and foremost business requiring experience in money flows, deal-making, sales and marketing, fulfillment, business responsibility, and the hot seat of making weekly payroll. Technology is only a supporting player, not the leading actor. Technology enables or inspires E-business innovation. It makes or breaks implementations. It opens doors for contracts, new business, or integration assignments where competent skills seem limited. However, success with e-business is judged in the language of business—not of technology.

The role of business is one empowered by sharing information and making deals. Instead, the power of technology roles is enhanced by hoarding information or purposely misdirecting its application. There is a stark contrast between the business skills of who you know, what you know, and how you broker complex deals and the technical arts with magician-like penchant against revealing secrets to the uninitiated. It not only hobbles traditional information technology roles but also undermines pure E-business initiatives. The agendas are different, so much so, that they reverse each other. Until the business culture of sharing meshes with a technology culture inbred in withholding, the success rates and returns for E-business initiatives are likely to fail at the same rates of existing technology—at about 90% through problems of scope creep, not what the user wanted, inability to scale, mismatches in expectations, and poor usability.

Most people misjudge E-business equating it to the purely American model of Internet-driven catalog sales supported by virtual shopping carts and credit card payment processing. Yes, the E-business umbrella does include Internet schemes, the so-called I-business, but garners a miniscule market share. American models for E-business are mostly based on evolutionary concepts that leverage the Internet for distribution, delivery, and global access. I-business remains unproven, a segment epitomized by the still-as-yet-unprofitable Amazon.com and Ebay. E-business, on the other hand, is profitable, but it is a different from the high-profile I-business; it really is a nuts-and-bolts business. It is driven by finance, multiple languages, multiple currencies and payments, and manipulated by exchange rates, current balances, taxes, tariffs, and governmental incentives. While I-business schemes are proving compelling (or at least cannibalistic of existing channels) if not yet profitable, smarter innovators are seeing I-business as a necessary lost-leader presence within a new and larger E-business sales and marketing channel transcending the Internet.

Specifically, E-business includes EDI (Electronic Data Interchange), ERP (Enterprise Resource Planning), manufacturing supply chains, CRM (Customer Resource Management), health care billing, automotive supply, global customer support, anywhere/anytime banking and brokerage, and business-to-business integration. These focused solutions demonstrate positive returns on investment. It includes the electronic notification of orders through such time-proven supply chains as EDI, wire transfers, facsimile ordering, telephone ordering, catalog sales, credit card payments, extension of business credit, voice mail, and e-mail. E-business sibling, e-commerce, which like it is just vague term, generally refers to business-to-business initiatives, such as the integration of backend systems with customers and vendors.

In aggregate, business-to-business communications and transaction processing represents more than 99.9% of all E-business transactions. In contrast, greater than 90% of E-business is EDI, which is unlikely to vanish. It is likely to transition into new forms of end-to-end integrated transaction processing, including XML (Extended Markup Language, which is just a presentation method) and EDI performed using XML. At the least, EDI will not disappear although it might get a new name just as Information Technology (IT) is transforming into E-business. About 9% of e-business is transacted as banking and credit card events through clearing houses, payment transfer systems, check reimbursements, and proprietary channels. I-business (Internet catalog sales) represents 1% of US retail sales, a blip in the E-business statistics, which are 0.06%. Equating Internet-driven sales with E-business misrepresents the potential for any other global E-business agenda and downplays proven IT skills thereby undermining a successful business agenda.

Although Intel, Dell, Compaq, and other companies—independently—have announced Internet and E-business sales volumes in excess of $1 US Billion per month (June 1999), it is misleading to view these efforts as successful I-business ventures at this time. Two important business assessments remain fuzzy. First, these sales are cannibalizing existing direct, wholesale, and value-added sales, creating high-profile channel conflicts and fulfillment dislocations in preexisting structures and relationships. For example, Levi Strauss upset Federated and its other wholesale buyers by competing for retail share. Second, although these I-business sales volumes are enormously large, the companies and their auditors have yet to justify the margins against the fully-burdened Internet site and marketing costs. Few retail pure I-business ventures show profits at this time, less than 1%, as reported by the U.S. Department of Commerce (recently broken out as a new statistical tracking category) or by many independent research organizations. However, other E-business ventures are enormously profitable, without financial transactions of any kin d. For example, National Semiconductor, in particular, as a low-cost manufacture competing against worldwide labor and currency markets, benefits by forecasting exact preproduction sales levels with 3Σ (sigma) accuracy. The logistics for global E-business require multiple languages and multiple currencies. The point is that E-business is not purely an Internet play, not even a pure sales transaction process, but rather business enabled through integrated communications and processing.

E-business reflects a substantial and explosively growing component of business. Information technology has transitioned to E-business, even if the terms seem different. Communications has transitioned to E-business. Wide area networking has transitioned to E-business. Local area networks, desktop computing, and Internet-distributed processing is becoming part of E-business and losing any standalone importance apart from IT or E-business. If anything concrete, E-business is the convergence of communication and information processing technology supporting the core business. To represent E-business as anything else, such as a technical tour de force or a radical business method, overvalues technology and deflates existing business skills. The agenda for profitable E-business is to enable traditional business and financial decision-making, sometimes with greater efficiency and faster speeds.