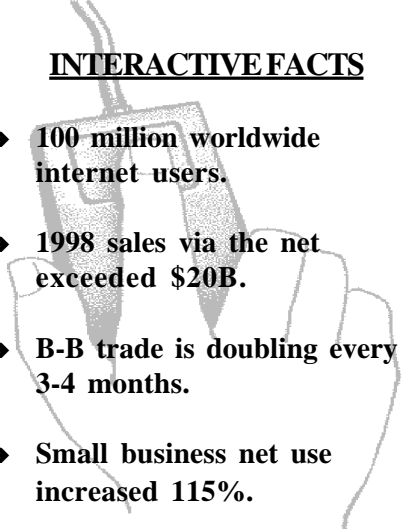


INTERACTIVE FACTS

- 
- 100 million worldwide internet users.
 - 1998 sales via the net exceeded \$20B.
 - B-B trade is doubling every 3-4 months.
 - Small business net use increased 115%.

E-COMMERCE OR E-BUSINESS – WHERE DO YOU FIT IN?

By: JOHN TRAKSELIS – PRINCIPAL, M. WOOD COMPANY

Over 60% of the 250 IT executives surveyed by Information Week Research say E-Business has prompted the re-engineering of the IT department. A similar percentage also says their company's business processes and functions had to be re-engineered.¹ These changes to IT and the business itself, have prompted M. Wood Company to include strong change leadership skills in our criteria for senior IT search requirements.

As we have discussed in several past issues of *Network News*, CIOs today are assuming general manager and business strategists' roles. The impact of E-Business is a specific example of why that is true. Today, IT organizations must support, or in some cases lead, the transformation of their business to accommodate the internet and utilize electronic media to streamline business processes throughout the organization. How you as the CIO embrace or ignore the challenges and opportunities of E-Business, is going to dramatically affect your performance on the job and, even more dramatically, your long term career growth. Let's examine E-Business in more depth.

DEFINITION

First of all, what is the difference between E-Commerce and E-Business?

"E-Commerce is a subset of a larger concept known as E-Business. In E-Commerce, you sell your goods or services via the Web; one transaction at a time. E-Commerce contributes mainly to revenue, or the top line. Though once your E-Commerce system is set up properly, you will improve the bottom line through cost savings as well.

E-Business, on the other hand, encompasses E-Commerce, but is really more about driving costs down by making your company more efficient. In E-Business, you use the Internet to more effectively manage your customer relationships, increasing each customer's lifetime value."²

To clarify the differences, let's look at some examples.

E-Commerce

Dell Computer sells \$18.0 million on the Web daily. They presently take in 30% of their orders through the Web and have a goal of reaching 50% within one year.³ in its last annual report, Dell had six days of inventory on hand and operated with negative working capital (i.e. it gets customers' money before it pays suppliers and like a bank, the company profits from the float).

THIS ISSUE



FEATURE ARTICLE

- E-Commerce or E-Business?



ROUNDTABLE

ROUND-UP

- March 5th session



MARK YOUR CALENDAR

- Next Roundtable Session: Nov.12, 1999 - Topic TBD



ASK MWC?

- CSF#2: Time Management

ASK MWC?

In this issue, we will be discussing the next Critical Success Factor for CIOs - Time Management.

As today's CIO has transitioned more into a cross-functional business executive, M. Wood Company believes the key factor of time management for CIOs is prioritization.

Today's CIO should be managing a continuous 360 degree communication circle - upward, across and downward. You cannot manage your time without establishing priorities - and you can't establish priorities without knowing the expectations of who you work for, work with, and those who work for you.

M. WOOD'S GOLDEN RULE: SEVENTY PERCENT OF YOUR TIME SHOULD BE SPENT UPWARDS, ACROSS AND OUTWARDS. THIRTY PERCENT SHOULD BE SPENT MANAGING DOWNWARDS TO YOUR STAFF.

5 TIPS TO TIME MANAGEMENT

* Whether it be to a boss, peer or subordinate, you must **always answer the question: "What are they trying to accomplish?"** Practice value based planning.

* **Establish groundrules** for the relationship with your boss (e.g. reporting expectations).

* **Understand what your boss wants you to share with your staff** from strategy and executive sessions.

* **Peer relationships are very important.** It is crucial for everyone to mutually understand the ongoing needs and issues for each department.

* For IT initiatives, **program management is most successful with functional ownership.**

As the CIO, you have a great opportunity to accomplish cross-functional goals. It is imperative to continue looking at organizational priorities. Communication is the key! **Next Issue: CSF #3 - Organizational Structure.**

ROUNDTABLE ROUND-UP

By: Katie Koeller, Director Marketing Communications

M. Wood Company held its quarterly roundtable breakfast on March 5, 1999 at the Union League Club in Chicago. CIOs from financial services, public sector, manufacturing, retail, technology, and insurance attended the session to discuss the topic of Electronic Commerce with guest speaker Robert Hamilton, Vice President Electronic Commerce Marketing at CNA Insurance. Throughout the presentation, Hamilton spoke to items such as: bricklaying vs. architecting; the latest facts and figures; the new fundamentals of e-commerce; unifying IT and marketing; moving into a new vision/strategy; design, and most importantly service levels.

Architects vs. Bricklayers

Hamilton began the session highlighting the web is not just back-office integration. To have a successful presence on the web, companies must have both "architects" and "bricklayers". Architects look for relationship-enhancing possibilities to gain competitive advantage whereas bricklayers are trying to adapt off-line things on-line by trying to solve a current business problem. In order to be successful, you must have a complementary effect of these types of perspectives.

The New Vision

The success and trend of E-Commerce is bringing new transformations to business and making companies take a look at how they run their businesses. "A new business model has been created by the web phenomenon" stated Hamilton. "Interactivity exposes both process and corporate culture and new product thinking is required to tap the market."

Web space has also transformed the way customers gain conduct business. Whether it be to access/provide information or purchase a product, organizations are still providing an experience. The unique characteristic the web brings to business is its ability to enable new opportunities to interact with customers and document those opportunities. The key for a company's success will be in their ability to focus on the customer's experience through the coordination of the marketing and IT departments.

Shared Intelligence

As you build your presence on the web, you must integrate", states Hamilton. "Get visitors quickly to what they seek and compel them to notice things they did not come to seek." This is where the relationship between the marketing and IT functions are becoming more intertwined. Carol Misura, CIO of Access Global, a start-up internet bank, commented on the paradigm shift of how systems are designed today. "The rules are not the same. More concentration must be placed on how cultures will react to the system." According to Hamilton, this shift is has caused CIOs to not only look at the technical uses of the system, but partner with business units, such as marketing, to determine the aesthetic needs.

Copies of Robert Hamilton's presentation are available via email at koeller@mwoodco.com. M. Wood Company's next roundtable session will be held Friday, November 12, 1999 at the Union League Club in Chicago. Watch your mail in the upcoming months for more information.



E-Business - Continued from Page 1

One of our clients, John Davis III, President and CEO of Pegasus Systems, while being interviewed by *The Internet Analyst* on July 15, 1999, said:

“Hotel companies were one of the first groups to embrace E-Commerce, because a reservation booked at \$4 electronically is a substantial saving to what it costs to handle the same transaction by telephone, which typically cost \$8 to \$12. So the economics of moving from voice to electronic reservations were very attractive to the hotel industry.”

On July 12, 1999, the *Wall Street Journal* in a special E-Commerce report published an article “Shifting Gears” on the automotive industry. In that article there were numerous examples of both E-Commerce and E-Business.

“GMBuyPower, the consumer Web site of General Motors, lets users comparison-shop and pick the vehicle and options they want. Then it scours dealer inventories to find a suitable match available on the lot. Once the right car is located, the buyer can contact the dealer electronically for a price quote, and apply for a loan on-line. It’s not quite a custom-built car, but customers still get the vehicle they want quick.”

“Ford’s BuyerConnection Web site can configure a car as they want it and pass an order onto a dealer for a price quote. Ultimately, Ford’s direction ‘is to be the world’s greatest consumer-products company for automotive services and products, going from ‘push’ to ‘pull’ manufacturing,’ with customers able to ‘pull’ exactly what they want out of Ford rather than having arbitrary choices ‘pushed’ on them. BuyerConnection would serve as the customer’s order window into the build-to-order manufacturing process.”

E-Commerce does receive a lot of publicity because the individual companies and industries involved are so visible to the general public. The E-Commerce market will total \$708 billion by 2003 but it is estimated that \$621 billion or 88%, will be in the form of business to business sales.⁴ Why? Because the net enables businesses to shorten their delivery cycle, track revenue, plan for inventory and sales demand; as well as interact with customers more cheaply.

E-Business

Cisco Systems sells more than \$28 million in products daily on the Web. However, consistent with the definition of E-Business used above, Cisco not only impacts the top line, or revenue, but also the bottom line, or cost. They save \$500 million in operating costs per year through on-line sales, support and procurement.⁵

The automotive industry is also a key player in E Business:⁶

“Last year, Ford Motor Co. spent \$16 billion on what it calls non-production related procurement, a category that includes 1.5 million transactions a year from everything from janitorial supplies to huge welding machines. If all goes according to plan, sometime next year, two-thirds of those transactions will be handled over the Internet.”

“The existing Ford Supplier Network, or FSN is a mammoth data network connecting the company’s 1,500 parts suppliers, which sell Ford \$75 billion of goods a year and employ a million people. Between Ford and the suppliers, about 16,000 people use FSN today to manage communications and transactions in the areas of quality, manufacturing, product development, purchasing, marketing and customer service, according to its supervisor, Alan Berrey. In the future, he says, it’s “reasonable to assume” that between 100,000 and 200,000 will do so.”

“Internally, the Web is having its biggest impact on supply-chain management: taking the various EDI systems used by some automakers and suppliers, and uniting them on a common Internet-based platform.”

One of the members of our *MWC Network*, William Berry, Vice President of Automobile Information Systems at Johnson Controls, Inc., a large supplier of automotive interiors in Plymouth, Mich. offers the following thoughts on the subject:

“ ‘We have a two-hour delivery window from the time we receive the order,’ says Berry. ‘We’re going to get to a point where the Web will allow our customers to see our databases’ and let Johnson Controls see where the delivery schedule stands before the order arrives.’”

The article goes on to state:

“By sharing information electronically with their suppliers, automakers know when to expect the parts needed to assemble a particular car, and they can schedule assembly accordingly. And suppliers can tap into the auto makers’ order systems to find out what’s needed by the manufacturer even before the parts order comes through, so they have the part ready to ship as soon as the order is placed. Tie the dealer—or even the buyer—into the same network through the Internet, and presto: The mystery of the delivery date is solved.”⁸

M. Wood Company believes E-Business may require the adoption of a totally different business model for the company as a whole or at least for the E-Business portion of the business. A successful migration to E-Business will require significant changes to corporate culture, organizational structure and employee responsibilities. The most difficult area for change is

IN THE NEWS

IN 1999, FOR THE FIRST TIME SINCE GARTNER GROUP BEGAN ITS TOP TEN MANAGEMENT OF TECHNOLOGY ISSUES SURVEY, "ALIGNING IT AND BUSINESS GOALS" DROPPED FROM FIRST TO SECOND PLACE AS THE MOST IMPORTANT ISSUE FOR NORTH AMERICAN CIOs. IN FIRST PLACE THIS YEAR: "IT BUSINESS AND STRATEGY PLANNING."



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E-Business - Continued from Page 3

always corporate culture and this is why many companies are seeking outside leadership, strategic partners and, in some cases, outsourcing of certain functions to achieve their goals. IT can turn this challenging situation into an opportunity if they can effectively acting as a bridge between the old and the new.

E- BUSINESS AND THE CIO

E-Business and its subset, E-Commerce, provide an opportunity for the CIO has to be a significant player in bringing about necessary change within the company. CIO's are as well positioned as any officer within the company to understand key business processes and the interaction between disparate business functions within the company; and thus have a golden opportunity to add real value to the E-Business migration.

If the CIO does not step up to this opportunity, someone else will. In many companies, the creation of a Chief Technology Officer (CTO) has been the result of the IT leadership not stepping up to challenges like E-Business. In most of those cases, the CIO ends up losing an opportunity to impact the business.

Rather than viewing E-Business and E-Commerce as a threat, M. Wood Company recommends that CIOs view this as a great opportunity to broaden your horizons and, through making a major contribution to the company's growth and profitability, position yourself for significant career advancement.

¹ *Building Your E-Business*, Information Week; June 21, 1999.

² Reilly, Brian. *Defining E-Commerce First Step To Profiting From Web Business*, Crain's Chicago Business; June 21, 1999.

³ Bloomberg, Financial Times; July 27, 1999.

⁴ *Tech Companies Lead the Way to Brave 'Net World*, Weekday Trader, Barron's Online; June 14, 1999.

⁵ *Tech Companies Lead the Way to Brave 'Net World*, Weekday Trader, Barron's Online; June 14, 1999.

⁶ *Shifting Gears*, Wall Street Journal; July 12, 1999.

⁷ *Shifting Gears*, Wall Street Journal; July 12, 1999.

⁸ *Shifting Gears*, Wall Street Journal; July 12, 1990.

John Trakselis, a Principal at M. Wood Company, brings strong functional expertise and over 30 years of management and consulting experience to the executive search process.

RECENT SEARCHES

As the trend of E-Commerce and E-Business continue, M. Wood Company has been on the front lines. Over last several months, we have had the opportunity to conduct searches for internet companies and internet-related positions. Examples of several completed searches are:

- **President & Chief Operating Officer**
Start-up Internet Hospitality Software Co.
- **Chief Technology Officer**
Human Resources Internet Co.
- **Director, E-Commerce Marketing**
National Insurance Company
- **Director of Internet**
International Financial Services Co.
- **Director, Software Engineering**
Healthcare Internet Co.

Other recently completed searches include:

- **Chief Executive Officer**
Managed Care Company
- **Partners Tax & State & Local Tax**
International Accounting Firm
- **Exec. VP IT Corporate Strategy**
Managed Healthcare SBU
- **Chief Information Officer**
International Manufacturing Co.