

The Current State Of E-Business

The recent demise of pure play dot coms and fall in valuation of companies riding the technology wave has raised questions on e-business initiatives across organizations. To understand these concerns, a survey was conducted to assess trends in e-business strategy, e-business investment, focus area for e-business returns and ways to measure those returns.

This survey was designed to solicit wide opinion. E-business strategists at 47 diverse corporations indicative of large spectra of businesses were surveyed. Of the companies surveyed 62 percent were from US, 11 percent from Europe and rest from all over the world. The respondents covered manufacturing and services sector companies as well as technology-based companies. The organizations surveyed were of varying sizes ranging from those having revenues as large as \$20 billion (9%) to those having revenues lesser than \$2 billion (33%).

The survey responses create a picture of enduring financial commitment to e-business at responding organizations despite growing pressures on cost in 2001. The survey reveals increase in investments in e-business related activities, over other investment areas, despite lack of quantifiable returns to date. The bulk of these investments were made in cost cutting related to customer facing activities

The main findings from this survey are:

1. More than half of the respondents could not quantify return from e-business investments and 42 percent measured returns showing negative or zero growth.
2. Despite pressure on costs and no clear returns on e-business investments 62 percent of the respondents increased e-business spending from their levels of 12-18 months ago while only 23 percent reduced spending.
3. A majority of participants identified customer focused cost saving initiatives to be the thrust area of e-business growth.
4. E-business strategy groups were found to have transformed from lesser number of core teams to greater number of partially responsible teams.

The survey reveals interesting trends in e-business ownership across organizations. In 64 percent of the companies surveyed primary ownership resides with autonomous cross-functional or corporate teams, indicating that these processes are not well integrated into traditional corporate functions. The survey shows that, number of full time employees dedicated to e-business, increased in 64 percent of the companies surveyed. An evolving trend was that the number of strategy groups fully dedicated to e-business had reduced by half, but teams partially involved or partnering with other functions doubled in the last 12-18 months.

E-business emerged as an area of increased spending in organizations surveyed. Spending by organizations on e-business activities increased in 62 percent of surveyed companies. Despite pressures to cut cost, spending by organizations having e-business as top priority, went up from 47 percent a year ago to 51 percent now. Even on the cost front, 45 percent of the organizations surveyed incurred greater costs than expected, while 40 percent reported costs that were less than what they had expected.

The survey attempted to measure return on e-business investments for the organizations. Of the organizations surveyed 58 percent had not measured returns on investment. Out of those 64 percent anticipate returns to be higher than expected. This was despite the fact that out of 42 percent, that had measured such returns, 74 percent had negative or zero returns. Most respondents felt that greater return would lie in the area of cost cutting (rather than revenue generating) activities and from customer faced initiatives (rather than supplier or internal-process focused activities).

The survey tried to assess key performance indicators, used by these companies, to evaluate the success of their e-business activities. Most companies felt that tying such projects to non-financial metrics - like percent of worldwide employees on one common email system - to be better methods to gauge success of these projects. A few of those surveyed were using financial indicators to measure the success of e-business projects. The factors used in these measurements included sales conversion rate via the web, average online purchase value and percent growth in customer base.

The survey indicated main challenges for e-business strategies in organizations. About 86 percent surveyed view resistance to change as one of the most important challenges to e-business. Additionally three quarters of those surveyed cite insufficient resource allocation and identification and tracking of the correct performance metrics to be a substantial challenge for the future.

Source: The above is a digest of a report from Corporate Strategy Board, October, 2001 provided to us by Tony Summerlin of Unisys Corporation.