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The Imminent About-Face in e-Business Priorities

As the Nasdaq falls, the spotlight shifts. The flashy imagery of the upstart dotcom is giving way to a sober focus on e-business, and the ways in which large, venerable, old-economy institutions can take maximum advantage of Internetworking technologies.

A corporation's primary function is to deploy capital and labor to deliver a particular set of products and services. But corporations also function as incredibly complex and evolving organisms for processing information. In today's largest companies, information flows not only amongst various activities in far flung corners of the world, but also beyond the corporation, interconnecting a web of customers, suppliers, and partners.

For decades, the revolution in information technology (IT) has promised improved productivity, through standardization and automation of the mammoth and tangled information processing function. Despite a tremendous level of investment in IT and IT-related consulting services, these productivity gains have remained surprisingly elusive. Perhaps the problem is that for every dollar saved in information processing, there is an offsetting dollar spent for systems integration or systems administration or, more significantly, for the meticulous manual data manipulation and reformatting which is required every day when one system doesn't link directly to another.

It is becoming clear that with Internetworking technologies, there is a light at the end of the tunnel. An opportunity to do the job right, once and for all. A chance to eliminate expensive repetition and inefficiency, with staggering results. Claims from e-business early adopters suggest that savings may amount to as much as 10 percent of revenues. These companies aren't fully vertically integrated, so as a percentage of GDP the savings could be even higher. Opportunities for discontinuous jumps in productivity like this one do not come often.

CEOs were generally slow to acknowledge the potential of the Internet, in many cases taking notice only when their core businesses were directly threatened. According to several surveys, it was only within the last year that developing an e-business strategy became a top priority for many. So far, e-business strategy has signified growth opportunity. Industry transformation. New business creation. Upheaval within stable corporations.

No longer. The tremendous difficulty of encouraging and managing entrepreneurship and innovation within large, mature organizations has meant from the outset that only a few initiatives could succeed. For everyone else, frustration, now elevated by market nosedives and fears of recession. The result? Even CEOs who were slow to embrace the Internet will quickly reverse their e-business priorities, returning to something quite familiar. Cost cutting. Reengineering. Headcount optimization. Downsizing.

Forget using the Internet to create completely new businesses. The coming mantra from the executive suite—use Internetworking technologies to make the existing business far more efficient. The change will be more healthy in some industries than it is in others.

Managing the migration from one IT implementation to another is never easy. It's analogous to a complete changeout of the electrical system in your car—except that you do it while driving down the highway. As a result, the dramatic productivity gains will take a few years to capture. Those that get there quickly will be rewarded, however, with a competitive advantage that endures for quarters—or even for years. ■

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Global Connection is published by the William F. Achtmeyer Center for Global Leadership. The center is dedicated to building and sharing expertise on the specific practices, processes, and organizational models that enable mature, global corporations to continually create, grow, and profit from innovative approaches to doing business.



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