

Business Model Foundations for Execution

Alina Rozenbaum

1. The first example is the tracking system that was implemented at the beginning of UPS' shift to "e-commerce." This system was shunned at first; the CEO at the time believed in the efficiency of UPS and saw no reason to have a tracking system. However, after him, Oz Nelson decided that the only way to keep up with Federal post as it took over air delivery was to implement technology. With tracking came a larger need for IT professionals as the UPS Net was established. This had databases on everything from customer information to package information. With the new information, it was a direct leap to a website and Internet sales. Selling on the internet was considered to be highly valuable to UPS as it eliminated the "middle-man." This caused a change to the EA of UPS. Now that customers could buy directly from businesses and not have to worry about "wholesalers and distributors" to get a cut of profits. More people were willing to buy. So the key partnerships became fewer and businesses, like UPS, were able to establish a tighter bond with their customers. The channels through which customers would go through to get information on where their product was (in the mail) and how to get it became more direct and easily accessible.

The second example is more direct in the text. Once the web-based side of their company got going, UPS looked into something called: API. An API is an acronym for Application program Interface. UPS sold these directly to its business customers, enabling them to be able to give consumers direct information to package tracking, without having to go directly to the UPS site. Whether it was through their own site, or one of its customers' sites, customer service became a lot cheaper when people could simply check online, rather spending several phones calls and a lot of time waiting to get the information. Software was also developed for this system, for those customers that wanted something other than an API. This caused UPS to partner with companies like Oracle, Harbinger, IBM and Peoplesoft. There were three principles that UPS had when creating these partner ships: "the APIs would be developed by UPS; they would be embedded into the software of the alliance partner; and the service would be branded – when individual customers accessed US systems, the UPS logo would be on their screens." This creates a definite shift in the business model of the company toward a more integrated future.

2. Actually, going back to the first part of my first answer, a good example of UPS responding to market conditions was, again, with the greater integration of tracking. As Frank Erbrick said:

Federal Express' strength with regard to the power of their tracking system and the things they were doing with technology was really eroding what little share of the market we had in air services. The board was immensely concerned that Federal would not only take the air business away, but also start doing daily ground business. They also saw the profitability of the air business and said, "We just can't continue as we are. We have to put a lot of money into technology."

I believe that this sums up the cause and effect rather well. With this in mind, in 10 years, funding for IT shot up from \$75 million to \$11 billion. More people were hired, and as mentioned earlier, databases were created. Technology was the only way to keep up in the modern business world, causing more partnerships with IT developers and a closer connection with its customers.

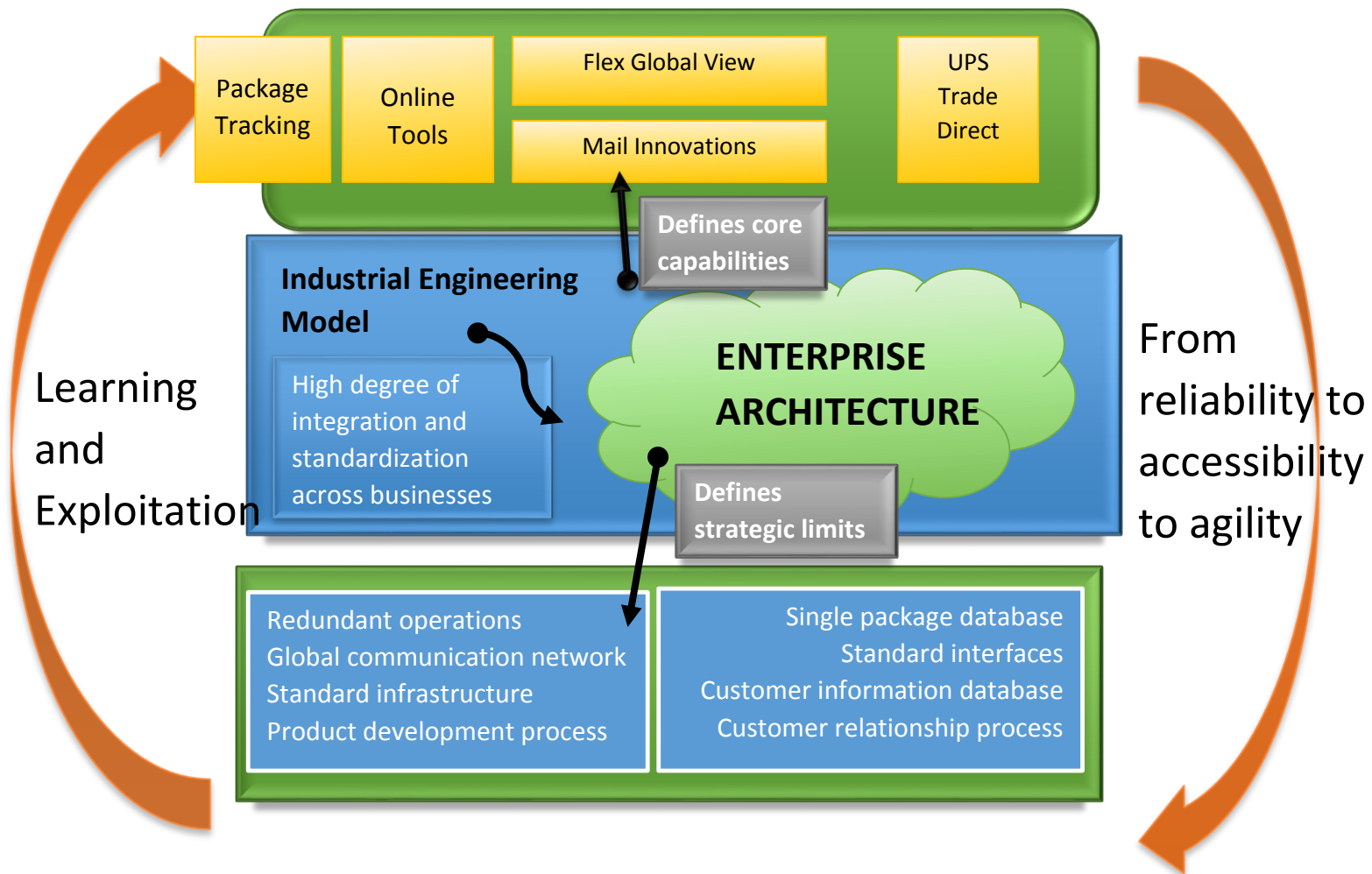
Simply from progressing forward and expanding, UPS noticed that it was very hard to process the multitudes of requests for innovation that were pouring in. There were more and more ideas coming in through channels such as e-Venture (a subsidiary of UPS) and they needed to have a “governance structure that would (1) allocate IT resources to the most strategic opportunities and (2) preserve, as appropriate, infrastructure standards.” This called for the creation of an IT Steering Committee. Created through personal need, this was one of the internal EA changes that changed how investment was divided up, depending on which ideas would serve to provide the most profit for the company and its shareholders. It dealt with dividing investment between: “customer relationship management, customer information management, package management, and product management.” This program helps seed out certain ideas, and shows that not all worthy ideas get funded. It causes a smarter allocation of funds and so better divides the key resources that UPS has; and better focuses the key activities that make up the functions of UPS.

3. Forces that changed and shaped almost all the decisions that UPS made, at least on the side of IT integration, came from the need to be better than Federal Express. Well, they succeeded, most people only speak of UPS and I have rarely ever heard Federal Express even mentioned. However, the steps take to reach a different business model, are strongly connected to the way that Delta Air created its business model. Both companies integrated what is referred to as “cross-functional processes.” Similarly to how UPS made sure that information was easily accessible to all, depending on who needed the information, and how it needed to be displayed, Delta did much the same thing. Both companies split up the tasks that had to be done to different sections of their companies, yet the information obtained was unified. The four processes compared are:

UPS	Delta Air
1. Customer relationship management	2. Customer experience
3. Customer information management	4. Operational pipeline
5. Package management	6. Business reflexes
7. Product management	8. Employee relationship management

Through the creation of “IT infrastructure services” that focused on “autonomous business units” (both Delta Air and UPS have four) it is easy to see that both of the aforementioned companies fall directly into Coordination as their new operating model, stepping away from the previous Unification system. With UPS it is easy to see this occur, especially when it was mentioned in “United Parcel Service: Delivering Packages and E-Commerce Solutions” by Jeanne W. Ross that one of the reasons that they blossomed so much is because they established partnerships with IT companies like IBM and Anderson. They adapted “open standards” rather than doing everything internally. UPS knew that these companies could do things a lot better than they ever could. To make sure that the external sale of UPS software didn’t occur, IT and legal worked together to make sure that agreements were drawn up to limit how the software could be utilized. Also, the “Delta Nervous System” and the databases that UPS had at their two main offices, that allowed for centralized access to information created a better network for information to be dispersed across.

4. I really just found that the two gray blocks had to be flipped in the model. IT became the core of the company model and databases created the limits from which the core capabilities were born. Several parts are integrated together to form a whole. The IT innovations serve as a backbone for what UPS has come to be. The infrastructure sets the limits.



5. There are several reasons why I disagree that innovation will be limited in the long term due to UPS' tightly controlled approach to managing its IT.
- The most prominent point is what I stated earlier about how UPS created teams to prioritize its investment opportunities. Yes, they began to limit which ideas were to be worked on, but they're not completely closing it out. They just minimized it from *every idea* to the most useful ones.
 - UPS is a highly innovative company, moving from a simple shipping company and being relatively unknown, to besting Federal Express in almost everything. They have been more innovative than almost any other package distribution company in the world.
 - The previous point leads to the mention of the fact that, not only have they been innovative with new technology, but security trumps that a lot of the time. Customer want to know that the company cares about their merchandise and wants to feel safe and secure. UPS provides that.
 - Finally, the paper by Jeanne Ross was written over 10 years ago, and even though the standards that UPS are using are still very much the same, they work. The company keeps blossoming and using new and improved ways to make sure that their service is the best service. That includes retaining a loyal customer base.

References

Ross, Jeanne W. 2006. *Enterprise Architecture as Strategy: Creating A Foundation for Business Execution*. Boston, August 08.

Ross, Jeanne W. 2004. *Enterprise Architecture: Depicting a Vision of the Firm*. Boston, March.

Ross, Jeanne W. 2001. *United parcel Service: Deliviring Packages and E-Commerce Solutions*. Boston, August.