



Book e-Business or Out of Business

Oracle's Roadmap for Profiting in the New Economy

Mark J. Barrenechea
McGraw-Hill, 2001

Recommendation

Mark J. Barrenechea, a senior vice president for applications development at Oracle Corp., describes how to transform a company by using a range of e-business applications. He draws on Oracle's success at changing its business by using the Internet and networking to interconnect employees, customers and suppliers. Barrenechea's useful roadmap shows how your company can apply these methods to coordinate, systematize and streamline operations. He demonstrates how other companies - including General Motors, Boeing and Microsoft - use e-business networking. He writes in a straightforward style without jargon and maintains a keen focus on operations, making this book a wealth of practical knowledge. Of course, that same focus might limit the book's appeal to executives without an interest in operations technology and to other mainstream readers. *BooksInShort* strongly recommends this educational book, and if the advice seems a little weighted toward Oracle products... well, let's not be naïve.

Take-Aways

- Oracle saved \$1 billion in 1999 by becoming an e-business.
- An e-business uses the Internet as a global network and database.
- An e-business combines every business function in a unified computer system.
- To implement this strategy, review your current processes, eliminate inefficiencies and cut unnecessary labor costs.
- The Internet can centralize complexity, which was formerly distributed.
- The Internet also can centralize information technology (IT) functions, which were formerly distributed via a local and regional network.
- Internet transactions are not just exchanges of money for products or services, but a source of business intelligence.
- Internet customers can perform services for themselves and save you money.
- Your top seven e-targets should be a global sales forecast, lead position, order position, inventory position, marketing expenditure, contracts and collaborative sales automation.
- Bind your Internet operations tightly to your existing or developing systems, especially to back office operations.

Summary

An E-Business Transformation

In June 1999, Oracle began the process of transforming itself into an e-business using its own applications software - the Oracle E-Business Suite - to put every aspect of its business on the Internet. As a result, Oracle saved \$1 billion in a year, as reflected in a 10-point improvement in its operating margin, which increased to 14 points the following quarter.

“Oracle was the first software company to move its application products to the Internet.” [Larry Ellison]

A fully developed e-business operates by using the Internet as a global network and a global database to integrate all aspects of business. It combines every business function, connecting everyone and putting all the information in one place. In other words, marketing, sales, supply-chain management, manufacturing, customer service, accounting and human resources all use this global network and database, united in one computer system.

“When we finished the Oracle E-Business Suite, it was the first and only set of applications to work with a single global database.” [Larry Ellison]

Oracle began moving its application products to the Internet in 1995, the first software company to do so. Though it moved everything to the Net, its information was scattered through hundreds of separate databases. Each internal organization had its own computer system and each system had its own database. Data was fragmented and it was difficult for people to find the information they needed to do their jobs effectively.

“Sharing information is key to eliminating duplication of effort, to achieving specialization and economies of scale, to standardizing business processes and implementing best practices. Sharing information among employees, distribution partners, and customers has helped Oracle save more than a billion dollars - already.” [Larry Ellison]

Thus, Oracle created a global database on the Internet to integrate its information using its Oracle E-Business Suite. Previously, companies had to use application software from multiple vendors, so creating an integrated system had been expensive, complex and time-consuming. Now one application combined all of these functions, including software for marketing, sales, Web store operations, procurement, supply chain management, manufacturing, accounting, customer service and human resources.

The E-Business Advantage

The Internet has created immense change and opportunity, accompanied by a feeding frenzy. You must jump in and become a successful e-business or be put out of business, eaten up by predators who meet the challenge. When your firm is fully Web-enabled, you will:

- Conduct your business globally from a few data centers - or just one.
- Have a small but efficient staff of information technology (IT) workers.
- Be able to add products or services immediately as needed.
- Enable your customers to serve themselves.
- Have a low average cost for acquiring new customers and increase customer loyalty.
- Quickly process an average order at a low cost.
- Satisfy your customers, shareholders, partners, suppliers and employees.

“Oracle had been a company made up of many independent business groups, managed by self-reliant generalists who valued their autonomy. It has become a company of interdependent business groups, managed by specialists who value their knowledge and excel at teamwork.” [Larry Ellison]

To implement this Web-enabled strategy, carefully review your existing business processes to eliminate inefficiencies and cut down on unnecessary labor costs. For instance, determine if electronic applications can replace employees who do routine work such as

checking orders for accuracy or reviewing customers' credit card information. You can incorporate the Internet into call centers, retail stores, and local and global operations. The right system will enable everyone to collaborate, including your customers and suppliers. The Internet has transformed life and business today by:

- Empowering individuals - The Internet enables people to communicate with each other very rapidly and at minimal cost. Though it initially benefited those in more advanced countries who can afford the equipment, increasingly, the Internet is spreading around the world and related costs are dropping, enabling everyone to participate.
- Enhancing business - Use of the Web can improve your firm's external relationships with customers and other businesses, and it can improve internal relationships by connecting people and improving their access to information.
- Improving markets - By bringing together more potential buyers and sellers than possible in any physical marketplace, the Net replaces point-to-point commerce with an electronic hub based on an exchange where multiple buyers and sellers compete.

"Becoming an electronic business means transforming your company, or creating it along new lines so that the existence of the Internet conditions every point of interaction: call centers, field professionals, business partners, retail stores. It means full collaboration among the enterprise, its employees, its partners, and its customers."

The Internet marks the end of the personal computer era. The PC era began with the introduction of the IBM PC in 1981, or possibly some years earlier when the earliest PCs were developed, and it was confirmed in 1992 when Microsoft surpassed IBM and achieved the highest market capitalization of all computer companies. The transformation from the PC era to the Internet era was highlighted when Cisco, a company that creates Internet networks, passed Microsoft in April 2000 to become the most valuable computer company. This change signaled that networking had conquered the PC. The next step forward will come in the arena of applications that allow you to surf the Internet wave successfully.

The Impact of the Internet on Business

The first generation of computers, which was dominated by IBM, focused on mainframes - powerful but very expensive and very large machines. The second generation featured personal computers and was dominated by Microsoft. This phase generated massive decentralization, empowered information technology teams and saw the rise of client/server computer access across multiple machines. The third generation, the Internet age, enables you to concentrate complexity and control within just a few machines - or even one. The Internet age has resulted in wide-area networks and intranets with low costs, high speed and high reliability. The mainframe was isolated, but today's centralization is accomplished through global networking and centralized management. The Internet has sparked the following changes:

- Complexity, which was formerly distributed, is now centralized.
- Local or regional information technology functions can be centralized globally.
- Transactions - exchanging money for products or services - also can supply data.
- Users can often perform services for themselves.

"At the turn of the millennium, the Internet raises the marketing stakes; but it also deals the winning hand by enabling intelligent relationship marketing."

These new Internet applications and services will result in far greater individual, business and market efficiencies, including:

- A company can implement a single instance of each application and thus can offer customers a single interface, such as a software product that customers can download.
- A product or service can be updated rapidly.
- A product or service can be accessed from anywhere on the globe.
- A team of developers can work on a new product or service from anywhere.
- Customers can access the product or service from anywhere using a variety of machines, from PCs to phones and palm devices, and in any number of venues.
- Printed training manuals are no longer necessary; the information can be available online.

"Almost all the Internet exchanges that have been implemented are procurement exchanges."

Such efficiencies dramatically reduce costs and labor inefficiencies. For example, Oracle had more than 100 operation centers in 58 countries when it started its own Internet-based integration product. Its corporate goals included integrating the automation of all business functions and bringing worldwide corporate operations together with a minimum number of data centers and production databases - now reduced to three IT operation centers, in California; the United Kingdom and Singapore.

Transforming Your Company

To succeed in the Internet era, put as much of your business system and data on the Internet as possible. This lets you centralize and coordinate your operations. Steps to take include:

- Identify the data you need for each customer and eliminate the rest.
- Develop common formats and eliminate inconsistencies.
- Create a provisional database to contain your growing data collection.
- Eliminate any duplication.
- Simplify and globalize your price sheets, bills of materials and product catalog.
- Drive sales to the Web to eliminate unnecessary customer service personnel.
- Coordinate and automate sales processes.
- Automate various practices, such as contract authoring, licensing and service renewals.
- In a global corporation, use no more than nine languages for business; try to use only six.

“The most important trend, now that many great - and thousands of not-so-great - business ideas have been realized, will be optimization.”

As you engage in these transforming activities, expect to experience resistance. Many individuals and teams will be unable to adapt to this new environment due to a lack of ability, negativity or failure to understand the new vision. Whatever the reason, you have to be ready to break the mold and rebuild your business from the ground up. Be sure you have the e-business essentials: a single master record for each customer, a global price list and global bills of material, and simplified contracting processes. This enables you to conduct negotiations, renewals and post-sale service efficiently.

Aiming at E-Targets

Your top seven e-targets should be:

- Global sales forecast - For up-to-the-minute information on all lines of business.
- Global lead position - For tracking all leads and monitoring effectiveness in responding to leads.
- Global order position - For the latest information on your orders, broken down by country, currency, language and other criteria.
- Global inventory position - For knowing what products exist, where, and in what configurations and conditions.
- Global marketing expenditure - For tracking how expenses convert into orders.
- Global contracts - For automatic, cost-effective contract renewal.
- Collaborative sales automation - For creating integrated relationships with suppliers, partners, customers and employees.

There's No Going Back

The three most important requirements for making your business fully Internet-enabled are:

- Developing a business strategy that integrates all marketing, sales and service channels.
- Binding your Internet operations tightly to your existing or developing systems, and especially to your back-office operations.
- Recognizing that you are creating a new business environment. Don't try to transfer pre-Internet business processes into this new setting. Employees need to recognize that their roles will change too.

“This optimization, like the proliferation of e-businesses that we have already experienced will encompass five pivotal transitions: local to global commerce; duality to community; batch to real-time processing; physical to virtual inventory,

and nascent to mature order automation.”

New Internet applications will change all of your business processes forever, including marketing, selling, buying, customer care, payment processing, business intelligence, corporate infrastructure, call-center operation, incentive-based compensation, software development and partner-management. The development of online exchanges particularly transforms buying and selling. Every company needs to welcome these transformations or risk being out of business in the Internet age.

About the Author

Mark J. Barrenechea is the Senior Vice President for Applications Development at Oracle Corporation who reports directly to Larry Ellison. He is a frequent and popular speaker at computer-industry events.
