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**WHITE PAPER**

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# 1 INTRODUCTION

Perhaps the most striking characteristic of electronic commerce leaders, is their perception of the role of information technology and IT departments within their organizations. First, electronic commerce leaders recognize that information technology is fundamental to help grow top line revenues and reduce expenses, making internal business processes more efficient. Second, electronic commerce leaders treat their IT departments not as cost centers that purchase and maintain hardware and software systems, but as fundamental parts of their line-of-business organizations that are chartered to facilitate the delivery of new products and services to customers.

*American Airlines is an example of a company that successfully used IT to grow its airline ticketing business and become one of the world's leading airlines. It has extended these capabilities to establish a strong online presence through its AA.com site.*

## 2 DEVELOPING AN ELECTRONIC COMMERCE STRATEGY

It is clear from the preceding discussion that three specific strategic issues need to be resolved when thinking about making a company an electronic commerce leader:

- Understand the market you want to compete in and the “electronic” business model you want to adopt to become a market leader.
- Recognize your organization’s core competencies and business processes. Determine how they fit with your business strategy.
- Define how you plan to use information technology to enable this new electronic business model.

### 2.1 ELECTRONIC COMMERCE-IT INFRASTRUCTURE MODELS

Leading-edge companies are using Internet technologies to support their competitive strategies in three specific ways:

- Corporate Intranets - Corporate intranets are rapidly becoming the primary information backbone and collaborative medium to share ideas and information between employees and organizations within companies.
- Extranets - Extranets are being used by companies to form networks with their suppliers and partners to carry out a variety of functions, such as better supply chain management, improved parts sourcing, and more efficient product distribution.
- The Internet - The Internet is being used by companies as a “virtual distribution channel” to reach their customers around the globe, effectively disintermediating their existing distribution channels.

### 3 INTRANETS - THE CORPORATE KNOWLEDGE BACKBONE

In the networked economy, companies have two fundamental competitive weapons information and continuous innovation. Information is critical to ensuring that you empower your employees with the right information, to make the right decisions in a timely manner. Continuous innovation stems from collaboration between employees who share ideas and information as they seek to develop new technologies, ideas, and business processes. To succeed, you need a corporate knowledge backbone that knits your employees together, to collaborate effectively, share ideas, and have immediate access to information such as your company's products, inventory levels, finances, and competitors.

A secure corporate intranet built using open Internet standards is the cornerstone of the information infrastructure your company uses to compete in today's economy. Such an intranet consists of web browsers as clients, web servers as information delivery mechanisms, web pages as the standard medium for document exchange, and databases as integrated information repositories. Why are companies rapidly shifting to use corporate intranets built on open Internet standards, instead of proprietary collaborative technologies, such as Lotus Notes and Microsoft Exchange?

First, intranets are much simpler to maintain since they do not require the installation of a variety of different proprietary clients on all your corporate desktops — a standard web browser suffices as a client.

Second, intranets allow you to easily extend your information backbone beyond the boundaries of your own organization to share information with partners and suppliers outside the corporate firewall.

Third, they are flexible — browsers can access all types of information as web pages, unlike proprietary clients, which can only understand certain types of documents.

In the networked economy, a secure, ubiquitous, and robust corporate intranet must be a fundamental element of your information infrastructure. Oracle8i provides the technology to very quickly and easily build, deploy, and manage a massively scalable Intranet. Information and services can be distributed to all the employees within your company, your partners, and suppliers.

## 4 EXTRANETS: EXTENDING YOUR ENTERPRISE VIA NETSOURCING

To derive competitive advantage in today's dynamic business environment, companies are seeking to focus on a small set of core competencies — a set of internal business processes and capabilities around which they build their competitive differentiation. Having defined their core competencies, companies are outsourcing functions that are not business-critical to specialized players who can provide those functions more efficiently. For instance, Oracle has defined its core competency to be the world's leading supplier of information management software. Oracle has outsourced functions, such as payroll and benefits processing, that are not business-critical to service providers who are more skilled at these functions.

Similarly, personal computer manufacturers such as Dell Computer have limited their own internal processes to component assembly and distribution. They have outsourced PC component manufacturing to specialized parts vendors who have better economies of scale to manufacture parts more cost efficiently.

As you seek to specialize your own organization around a focused set of core competencies, you need to form tight relationships with suppliers and partners who provide you with essential services. From an I/T infrastructure point of view, this leads to two requirements. First, you need to tie portions of your corporate Intranet with those of your suppliers and partners. Second, you need to integrate your company's own ERP/back office systems with your suppliers. While some companies use Electronic Data Interchange (EDI) mechanisms over virtual private networks (VPNs) to carry out these functions today, these systems are expensive and based on proprietary technologies, making it difficult to get widespread interoperability with all your suppliers. A corporate extranet based on open Internet standards addresses both these limitations.

In the networked economy, a corporate extranet that binds you closely with your suppliers and partners, promises enormous efficiencies and fundamental improvements in your value delivery system.

SQL Server provides the technology to easily extend your corporate intranet to link it with suppliers and partners outside the corporate firewall, and the security to protect the integrity of your Intranet as you open it to your partners. Oracle8i also offers a complete application integration solution to tie your corporate intranet with your legacy systems and back office/ERP applications.

## 5 THE INTERNET: REACHING YOUR CUSTOMERS

Global companies are recognizing the public Internet offers a new distribution channel to reach customers with products and services. There are three primary benefits that leading-edge companies have found from selling products on the Internet. Most obviously, the Internet frequently offers companies a radically lower-cost distribution channel than either a distribution intermediary or a direct sales force. As a distribution channel, the Internet allows companies to scale up their distribution arm much more quickly than growing a direct sales force, region by region, and country by country. Second, the Internet enables companies to have a direct relationship with their customers. The “**business intelligence**” they capture about the customer allows them to efficiently target customers with personalized products and services. Third, the Internet enables “**self-service**”, allowing customers to service their own needs without needing help from customer service agents.

Companies have found three benefits from self-service. First, customers typically enter the products or services they need more accurately. These are then transferred directly into the companies ERP systems, significantly reducing the number of incorrect products processed. Second, through online or phone-based customer response centers integrated with their electronic storefronts, companies have found that they can deliver superior customer satisfaction. Third, companies find that self-service makes their internal business processes more efficient, reducing their cost structure.

## 6 REFERENCES

The web.

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