

eBCM Mindset: **KNOWLEDGE**

LEARNING OBJECT #03

## TIMING TO ENTER eBUSINESS

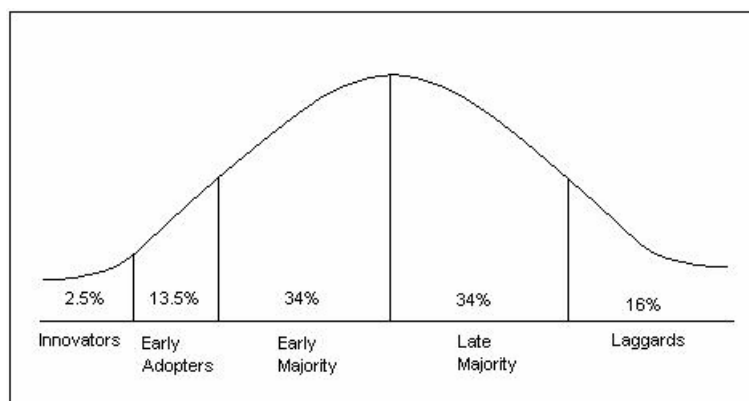
### Outline

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### Introduction

Timing of entry into a new eBusiness area is a crucial issue to business managers. Entering an area too early, as well as entering an area too late will lead to failure. There is no way to know for a fact that one's choice of timing is correct. Timing is a business choice, with a risk. This risk can be limited by considering carefully as many of the issues involved as possible. However information is always imperfect and one can never know what choices other players will make.

The traditional technology adoption continuum recognises five categories (similar with any innovation adoption) of business enterprises: 1) innovators who tend to be experimentalists and "techies" interested in technology itself; 2) early adopters who may be technically sophisticated and interested in technology for solving professional and academic problems; 3) early majority who are pragmatists and constitute the first part of the mainstream; 4) late majority who are less comfortable with technology and are the sceptical second half of the mainstream; 5) laggards who may never adopt technology and may be antagonistic and critical of its use by others. The technology adoption continuum describes also adopters of eBusiness.



### Timing in business

How is it possible to secure the right timing when entering eBusiness? eBusiness means many opportunities and timing with different opportunities may be different. An enterprise

should explore technology adoption in different functions to see whether it has possibilities for the enterprise's business, whether it should be incorporated into eBusiness plan, and if so, to what extent. The enterprise contemplating entry in an eBusiness market should also discuss where it places itself in technology adoption continuum and how this affects its strategy of entry. The price of too much optimism may be high.

The timing risks when implementing new business ideas is bigger when bringing to the markets a totally new type of service. Even if the service is better than the existing ones, it may be that the customers do not accept the idea yet. It may also be that the complete value chain needed to implement or use the service is not there. But there is also a risk to be late. If competitors have already implemented corresponding services it may be challenging to take back the markets. When the new idea relates to a rationalisation issue the timing is not that critical. Then an enterprise can better calculate the rationalisation benefits and it can not be too early from business point of view. In that type of business development the greatest risks normally relate to the implementation project and to the maturity of technology.

So adopting a new business strategy requires first doing careful planning. Planning maximises the benefits and helps to ensure that the precious time, money and energy invested in a new strategy are not wasted. Good plans secure that expectations are reasonable, timing is proper and the approach is right. When developing an eBusiness plan one should be sure to know the possibilities for the business so that they can be incorporated into the planning. The planning process needs to be managed well and involve the people who hold important roles in the business - or who provide important business advice. The goal is to produce an eBusiness plan document and to implement a practical schedule for reviewing and updating it. Managing the planning process does require a disciplined approach.

### Assessing present status of enablers

As enablers, we list here available eBusiness technology with needed complementary services, necessary infrastructure or corresponding utilities provided by a wider community, laws, standards and trust in the community to eBusiness. These issues may be very much context dependent (e.g. country, industry).

To a non-technology enterprise, *technology* is only a facilitator for implementing business targets, be they a new or better service, improved productivity, higher quality etc. This type of SME company should use only mature technology. That means that there are positive experiences by other companies already available. The necessary know-how to implement the technology should also be available. If the enterprise does not have the necessary know-how itself, it should be available for purchase. Outsourcing of services is a good solution for an enterprise with little experience. Contracts should include Service Level Agreements. Some issues to be considered are:

- Is there uncertainty whether the functionality requested is "doable"?
- Are necessary complementary services available in the market?
- Do requirements demand new input and output technologies?

Entering eBusiness may need widely available and easy to access *infrastructural service*, essential either to daily life or business to be provided by a community. These are very dependant on the eBusiness in question, but some examples are:

- Generic business utilities like e-authorization, e-identity and e-payment.
- Services that are needed to manage end-to-end (from a party-to-party like customer and service provider) linking and processing of eBusiness activities.
- Services that are needed to automate the exchange of information between eBusiness systems and support for resource sharing and access.
- Specialized consumer devices, interfaces and systems for eBusiness services.

It is necessary to list those infrastructural services necessary for the eBusiness in question, to check their availability, terms of usage, prices, trustworthiness, and user experiences.

When entering eBusiness it is necessary to be aware of corresponding *legislation* and possible differences from that which applies to traditional business. National legislations mostly support eBusiness, but at European level national differences and legal barriers still exist, affecting cross-border electronic transactions. Major issues to be studied also when implementing domestic business are:

- Legal validity of electronic documents.
- Mutual recognition of electronic documents.
- National administrative and legal practices in the fields of e-signatures, e-invoicing as well as contract conclusion and implementation.
- Consumer information and its protection.
- Security.
- Protection of children.
- Dispute settlement.

It is necessary also to note that although in most countries civil and commerce law allows a high degree of private autonomy, there still are cases when written documents are needed. Examples are: Administrative regulations and that public authorities may require traditional paper based documentation.

In today's networked business, interoperability of business processes and systems is critical. *Standards* play a major supporting role in interoperability. When building one's own eBusiness systems or buying packaged systems from vendors, a business enterprise should be aware of existing standards and possible limitations (non-existence or diversity) in standards as to the eBusiness area in question. Entering vaguely standardised eBusiness may be a big financial risk to a business enterprise and may require new investments or result in failure to meet eBusiness targets.

eBusiness is generally considered to exemplify the importance of *trust*. The parties commonly have little or no knowledge of one another. They are also usually in different locations. They therefore cannot depend on physical proximity, hand-shakes, body-signals, a common legal jurisdiction, or may not even have a definable jurisdiction. Trust plays a critical role both in consumer eBusiness and in eBusiness among business enterprises. When one party is dependent on the behaviour of another party, the uncertainties give rise to risks. These risks may be managed in various ways, but it is unusual for the risks to be entirely covered. Each party has little option but to tolerate the residual risk inherent in the transaction. At the other extreme, trust can even be a prerequisite before some kinds of eBusiness transaction can take place.

When entering eBusiness, an enterprise should assess the level of trust that eBusiness enjoys in the business community in the domain in question. The following list is an example of issues that affect trust in business between enterprises:

- Significant risk exposure for one or more of the parties.
- A significant elapsed time during which the risk exposure exists.
- Grounds for one or more of the parties to lack confidence in one of more of the other parties, the tradable item, the trading process, or the contingent outcomes.
- Transparency and the availability of evidence, in particular the ability to identify, locate in physical space, and evaluate each of the tradable items, the other party, the market space operator and other intermediaries; proxies for identification and location such as digital certificates; and proxies for evaluation such as inspection certificates.
- Prior experience, variously with the particular market space, with the particular participant, and/or with the particular tradable item.
- Reputation, and recommendations from parties who are themselves trusted or experienced; and proxies for reputation, such as brand names and seals of approval.
- The security of transaction data, and alternatives that reduce the risk of data disclosure.

Also consumers are seriously concerned about a number of dimensions of trust. These concerns can be analysed into the following categories:

- Trust in the security of value passed during electronic transactions with eBusiness organisations. The forms of value that are involved include: Money paid and received, goods and services offered and acquired, assurances that refund is available for unsatisfactory goods and services and trust in the security of personal data while it is in transit during electronic transactions.
- Trust in the privacy of personal data arising from electronic transactions.

### Assessing status of one's own enterprise, partners and customers

Before entering eBusiness *an enterprise* should be sure that due to its own weaknesses in implementing eBusiness it will not face serious operational, customer, legal or similar risks and that it will not miss its eBusiness opportunities. Some major issues are:

- Management has real ambition to enter eBusiness.
- It is also critical to have necessary eBusiness strategy and supporting vendor selection skills. That includes assessment of eBusiness enablers' status described above.
- The status of the business enterprise technology from eBusiness point of view should be analysed and possible shortages should be improved. Some issues are:
  - Is the technology to be used one that is new to the organisation?
  - Do requirements put excessive performance constraints on the systems in the enterprise?
  - Should the system interface with new or unproven systems?
- Entering eBusiness normally means major changes in the way business is done. Change management is often neglected, and skills in this field are often poor. However, it is one of the essential capabilities for guaranteeing smooth transition from existing practices to new ones.
- The staff should have skills to support and perform necessary business operations and technical skills to maintain and support business operations should be sufficient.
- Also the capabilities to secure business against security risks should be taken care. If the skills are not adequate, the necessary training should be organised or necessary services bought from suppliers.

eBusiness means networked business and so it is important to pay attention also to *the partners* in the business. The partners should be identified from the eBusiness strategy's point of view and the motivation of partners' management to enter eBusiness should be determined. In the same way that a business enterprise assesses its own readiness for entering eBusiness, it should assess the potential partners' credibility in eBusiness. It is also crucial to be able to come up with a common view and business agreements between the partners and the enterprise itself.

When implementing eBusiness for *customers* the enterprise should have a clear understanding of the customers' preferences. If customer reaction is not established, it is crucial to do market analysis beforehand. It is important also to appraise the customers' abilities in eBusiness. Customers are normally rather conservative in investing in new tools or features. At very least this should never be taken for granted. Earning principles should also be designed so that customers will accept them.