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Business
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E-business

FINDING YOUR WAY TO Profit

Finding your way to **profit**

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The aim of this booklet is to make it easier for you to take a stand on e-business and to formulate an action plan.

Not too long ago, anything with an e in front of it was considered hot. And anyone caught voicing skepticism during the dot.com craze was immediately dismissed. Today, there are varying views regarding the relative benefits of e-business. Yet no one doubts its importance.

The most optimistic experts maintain that e-business is the key to gaining the competitive advantage in any industry. And even the most pessimistic voices agree that applying e-business in your organization will be a prerequisite to business survival.

You have to take a position on e-business. You have to decide what competitive, e-business tools your company should

adopt. You must also analyze to what degree those new tools will demand a change in the way you do business.

The aim of this booklet is to make it easier for you to take a stand on e-business and to formulate an action plan. It summarizes our view of what e-business means for your company, and how we believe you can profit from it. It also offers some examples of other companies who have moved toward profitable e-business with Microsoft Business Solutions.

At Microsoft Business Solutions, we see it as our job to keep up with the latest trends in business and technology in order to make things as simple as possible for you.



Turning challenges into opportunities

Prepare to Fight

You can't talk about **e-business** without talking about the Internet. The Internet stands out as the central technological force in a complex and dynamic business climate. Wherever there is change, in traditional business models, in processes or in infrastructures, the Internet is present. Internet-related technology has played a major part in intensifying competition. Customers have become more demanding, local and global competition fiercer and the pace of business faster. These changes are particularly challenging for small and mid-sized businesses with limited resources.

The Internet has opened the doors for increased competition in several ways.

First, it's making customers more demanding

It's easier for customers to compare suppliers and products from around the globe because every business can become more visible to a rapidly growing and worldwide online audience. In addition, reductions in administrative costs, made

possible by Internet-related technology, have allowed some companies to cut prices. Customers have come to expect lower prices and faster and more personalized service. They're more demanding because their knowledge is better and their expectations are higher.

Second, there are more foreign competitors

The relative ease with which it is possible to do business overseas has increased the number of long-distance challengers. As Allan Greenspan puts it, "Modern producers of goods – whether low or high tech – have more means at their disposal to meet foreign demands more flexibly than our great grandparents ever imagined."¹ It's easier for customers to change vendors because there are simply more companies to choose from.

Finally, the Internet has played a part in changing and escalating local competition

Large companies looking to reduce the cost of trade often pressure their mid-size partners to implement new solutions for

electronic exchange of information. And new companies turn up on the competitive field. Online marketplaces, which connect a community of suppliers with a community of customers, are threatening existing business models. Although many of these so-called Web trading hubs have failed, there are also many that are thriving and poised for dramatic growth.

In addition to acting as a catalyst for increased competition and new ways of doing business, new technology has also increased the pace of business. For example, it is estimated that in the automobile industry the rate of design and production for a car has tripled in the last few years.² E-business has heightened customer expectations, increased competition and sped up the pace of business. But if you're prepared, you can make the changing conditions work in your favor.

Prepare to win

In the aftermath of the dot.com trend, business analysts debate the degree of impact that new technology has had on business. You can leave the debate over the degree of change in the economy to the academics. However, even the most conservative experts agree that in order to remain competitive, you will need an e-business strategy.

Rosabeth Moss Kanter describes the twin blades of the Internet: "Depending on the angle, it is both friend and foe, tool and driver, death threat and fountain of youth."³ New technology may be intensifying competition in many ways, but the flipside of every challenge is an opportunity. You can use technology to increase operational efficiency by automating routine processes. And you can use it to increase long-term profitability by leveraging the unique, competitive strengths in your **value chain**.

E-business: An approach to business management that focuses on gaining value from a fast-paced collaborative and global market.

The value chain: The set of activities through which a product or service is created and delivered to customers.

Portals: are collaborative solutions that use the Internet to offer self-service interaction and access to information for business partners and customers via the Internet.

According to Michael Porter, who first articulated the idea of the value chain, the Internet offers new and better ways to leverage strengths. Because the Internet is an open and collaborative platform by nature, it is easier to use it to strengthen the value in your business relationships than previous generations of IT. You can use the flexibility of the Internet to improve your efficiency, responsiveness and business relationships.

Efficiency. You can reduce costs by using Internet-related solutions to automate processes and by offering real-time self-service to employees, customers and partners. Users can serve themselves through a Web **portal**, which gives them access to personalized information and features that match the needs of their particular tasks. Self-service and the automation of routine processes lowers costs and frees your staff to focus on more strategic objectives and tasks that add value.

Responsiveness. You can capitalize on new opportunities by taking advantage of common standards and the open platform of the Internet to pursue new geographic or demographic markets or product areas.

Business relationships. You can strengthen ties with customers and vendors by collaborating electronically. For example, with the right system, you can create electronic product catalogs that are customized for the varying needs of customers, or collaborate online with vendors on the design of products. When you have an e-business focus, you see market change as a business opportunity. The increased pace of business promotes more efficient ways of doing business. Changing business models present the possibility to enter new markets. And demanding customers and partners represent an opportunity to leverage the unique value of your relationships.

E-business strategy

Breaking down the walls

You need an e-business strategy in order to meet new challenges and to turn them into opportunities. You must be able to respond fast to threats in order to survive, and you must be proactive in order to thrive. But no matter how you apply e-business to your company, one thing is clear. By its very nature, e-business is collaborative. It calls for a focus on processes that reach out to customers and partners. And in order to increase your focus beyond the four walls of your company, your business solution must too shift its focus.

An E-business organization strengthens business relationships

Companies have now begun to look for solutions that integrate their external as well as internal business processes, and the Internet has become increasingly important in this respect. But it has quickly become apparent that establishing a Web presence is not enough to establish a competitive advantage. Today, there is a need to rethink the ERP concept and how it relates to the Internet. If you want to use

the Internet in a way that profits your business, you need an extended ERP solution.

A traditional ERP solution is one that supports the planning and management of all resources within the back office of an enterprise. An extended ERP solution brings the **back office** and **front office** together. It puts core, back-office functionality at the center of an integrated system that drives the front office. While the core of ERP is still basic back-office financial functionality, the architecture is open and Web-enabled.

Traditional ERP solutions help you manage internal processes (and at best, Web-enable them) with the goal of optimizing inside operations. Extended ERP solutions, on the other hand, help you widen your focus to include both internal and external processes with the goal of optimizing the whole business. E-business shifts the focus from internal management of data to external relationships with business partners and customers, and this new focus requires an extended ERP solution.

Improving relations with business partners

One way in which an extended ERP solution helps you focus on improving external relationships is by taking into account the interdependent relationships between companies in **the supply chain**. An extended ERP solution supports the collaborative nature of the supply chain flow by enabling automated and self-service interaction.

Automation and Interaction

There are two basic types of solution for **supply chain collaboration (SCC)**: the gateway solution and the portal solution. A gateway automates transactions by allowing different business systems to communicate without human intervention. A portal extends the reach of its system to its business partners using the Internet to allow for personal interaction. It is a natural extension of the core solution suite.

Portals make it easy for customers, vendors and other partners to serve themselves from a personalized browser. Users can access information delivered

via a portal on an Internet browser, a WAP phone, pocket PC or any other online device. By setting different permissions for different roles, users get a portal tailored to their needs through which they can send as well as receive information. They can also serve themselves through personal screens with relevant functionality on an "anytime, anywhere" basis. And because the solution with an e-business focus is fully integrated, the information that the user accesses is always up-to-date.

Gateways offer a straightforward way to collaborate with business partners via electronic exchange of documents. Some companies have been exchanging data for years with EDI on private networks. But traditional EDI is expensive to implement, difficult to maintain, and it requires companies to change their systems. New XML-based solutions are enabling more flexible and more cost-effective Internet-based solutions, which are compatible with a variety of formats.



Integrated business logic allows you to connect to the market in real-time. You can offer up-to-date information and self-service functions via gateways, customized web portals and mobile devices 24 hours a day, seven days a week.

ERP: Enterprise Resource Planning (ERP) refers to a business software solution that supports the planning and management of all resources within an enterprise.

Back-office: functionality includes accounting, purchasing, order entry and costing.

Front-office: functionality includes sales, marketing, service and collaborative solutions for the exchange of information and documents with employees, suppliers and customers.

The supply chain: The network of entities linked in a supply/demand relationship that contributes to the movement of materials, from supplier through production to consumer.

Supply Chain Collaboration (SCC): optimizes the flow of information and self-service capabilities through automation and interaction.

EDI: Electronic Data Interchange (EDI) is the transfer of data between systems that use different companies data formats. New XML-based solutions are making EDI more accessible.

XML: (extended Markup Language) is a computer language that uses descriptive tags to identify what a given piece of information is intended to be (for example, retail tax, invoice or item number).

Saving TIME AND MONEY

Gateway and portal solutions bring new efficiency to supply chain relationships by streamlining interactions. For example, **e-procurement** can help both parties in a business-to-business (B2B) relationship plan more efficiently. The buyer could allow the vendor to access its real-time purchase order schedules enabling the vendor to allocate production resources more efficiently. The vendor in turn would provide real-time inventory levels and production schedules allowing the buyer to plan more efficiently.

These exchanges could either be completely automated via a gateway or delivered with some human interaction via portals. A likely scenario is that a business would use a gateway solution to do business with larger partners and a portal solution for partners representing a lower volume of transactions.

The electronic automation of standard inter-company and intra-company processes, such as the sending and

receiving of purchase and sale documents, saves time and money. It eliminates manual data entry and all the costs, errors and delays that go with it. A hidden, but equally important, benefit is that it frees employees to focus on more interesting and activities that add value to the enterprise.

Improving customer relationships

Front-office solutions for customer relationship management (CRM) gather all the information about a company's prospects and customers and their interactions in one place to help front-office employees serve customers better.

However, in e-business, it is not enough for the front-office alone to focus on the customer. The entire organization shares vital market information, and the entire organization focuses on the market. So the front-office CRM system must be part of an extended solution. This enables the entire organization to concentrate on maximizing customer relationships. Here are a few examples of how different areas

of your business can use Internet-related technology to improve customer relationships:

Customers who order from online stores know that what they are ordering is in stock and that they are being quoted the latest price.

Employees can share information with their partners via portals in order to make market-facing business processes more efficient. They can also increase customer loyalty by consistently providing better levels of service.

Salespeople can check if a product is available via a mobile device to ensure that the products can be delivered to suit the customer's needs.

In addition, an extended ERP solution allows marketing personnel to see what customers have bought in the past before attempting to interest customers in new products or cross-selling opportunities.

And service staff can see if a customer has been billed for or paid for their support contract before responding to support requests. CRM complements back-office functions and depends on integration with the back-office system to deliver a complete picture of customer activity to the entire organization. This helps you make the most of every customer relationship.

How can an e-business strategy benefit your business?

Companies with an e-business strategy are more open. The entire organization focuses on the market and has greater visibility, more efficient collaboration and stronger relationships. Opening up a business, however, requires an extended ERP solution, which integrates the front-office with the back-office system.

Customer Relationship Management (CRM) and Supply Chain Collaboration (SCC) complement back-office functions. CRM helps the entire organization make

the most of every customer relationship. SCC streamlines the flow of information and self-service capabilities through automation and interaction. Such solutions allow customers, partners and employees to access system functions and information via the Internet. They use the critical business and financial information in your ERP solution to promote profitable new ways to work with customers and vendors.

This openness reduces costs by automating internal operations and external interactions and improves responsiveness to supplier and customer demands. What's more, it helps you build closer relationships by leveraging the strategic competitive advantage inherent in your value chain. After all, everything but the relationship itself can be copied by the competition.

With an **extended ERP** solution, you increase profit by reducing the cost of transactions and by making customers and vendors want to do business with you. You reduce the overall cost of order fulfillment by promoting automation and self-service. Automation and self-service speeds up the workflow and reduces the possibility of human error. It also frees employees to build market loyalty by working more closely with existing partners and to pursue new customers and partners.

E-procurement: The use of a computer network to streamline the costs of purchasing. It involves linking to suppliers via a portal or electronic gateway.

Extended ERP: Shifts the focus from internal management of data to include external relationships with customers, suppliers and other business partners.



Becoming an e-business

E-business offers great potential for growth. It offers a means to strengthen existing competencies and capitalize on new opportunities. Due to the unpredictable nature of e-business, both these courses should be pursued through gradual implementation of new Internet-driven technology.

Multi-lingual, currency and legislation capabilities: allow you to change the language, currency and accounting method in a business solution on-the-fly.

Multi-tiered: architecture that brings together the various components of a business software system by sharing the same business logic and thus making it easy to maintain, upgrade and connect to other systems.

Ten tips for an effective e-business strategy



New opportunities

The potential of the Internet to provide a means to do business more profitably depends on a number of factors. Many companies are already using online automation and interaction to reduce costs, strengthen relationships and pursue new markets.

Web services is one area that is expected to increase the potential of the Internet dramatically. Although the renting of entire business applications hasn't proved a runaway success (largely because of limited customization options), the renting of Web services – smaller software applications that integrate with business applications – is expected to be a hit. There are four types of Web services that can have an impact on business.

1. Data-centric Web services.

Instead of manually updating data that changes fairly frequently (such as exchange rates and tax codes) every time you need it, it makes sense to

connect to a service from within your business application and get the data refreshed automatically. The services sound fairly trivial but each one saves considerable time and expense.

2. Collaborative Web Services.

Much of the software that will allow business partners to collaborate together will probably exist on the Internet as a Web service. For example, you could output an invoice to a Web service, which passes it to your customer, the customer pays it and the Web service helps to manage that whole process.

3. Web Services for Analytics.

A significant amount of data needs to get passed around companies so that they can produce things like consolidated reports. It would be very useful to have a service that accepts reports from various subsidiaries, then performs a consolidation and pushes back the

results of that consolidation to the parent company.

4. Web Service Alerts.

This refers to sending alerts to mobile phones or other handheld devices. When your inventory hits a reorder level or goes out of stock, most ERP systems will produce a report of those items or generate a small alert that can be emailed to somebody. It would be much more useful to communicate that event immediately to the manager responsible wherever he is and by way of whatever device he is using.

CASE IN POINT:

Microsoft Business Solutions is helping Martinsson, a Swedish consulting company that implements IT infrastructure solutions, to add speed and efficiency to their order cycle. It used to take a purchaser at Martinsson up to 10 minutes to complete an order. Now, they can do it in 2 minutes. The orders aren't just faster, they're of higher quality; accuracy is greater and information is always up-to-date. Because the solution is fully integrated, employees know the information they have is correct, whether they are working in the back-office solution or viewing an order.

It is also easier and more reliable for Martinsson's partners to do business with them, and they now place over 95% of their orders with their two key suppliers.



Succeed with smarter collaboration

E-business is an approach to business management that focuses on gaining value from a fast-paced, collaborative and global market. You need to adopt such an approach if you want to remain competitive. You must find a way to cope with, and benefit from, the immediate challenge in the cost and complexity of implementing new technology. And if you want to make e-business profitable for your business in the long term, you must integrate an e-business strategy with your overall company's overall strategic objectives.

An e-business strategy forces your whole organization to focus on gaining value from the marketplace. Technology is an important part of any e-business strategy. You cannot, however, think of it in terms of technology alone. Technology that serves only to make operating internal business operations more efficient is becoming obsolete. Tomorrow's company uses technology to improve their business by getting more out of their relationships with customers and partners.

You cannot, however, implement an e-business strategy overnight. It requires careful planning to find the best areas to focus on. This planning should include the input of representatives from the breadth of your organization. You will need help from partners, customers and expert consultants. Furthermore, it should be achieved through a balanced, incremental approach that strengthens existing competencies while capitalizing on some new opportunities.

Microsoft Business Solutions

HELPS YOU MAKE MORE **Profitable** DECISIONS

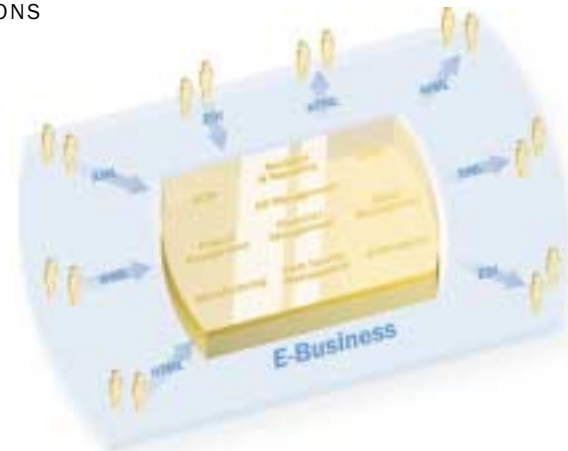
Microsoft Business Solutions gives you insight that helps you make more profitable decisions.

Our business management software puts you in touch with information from every corner of your business, and lets you analyze it in any way.

Pick the functionality you need, and a specially trained Microsoft Business Solutions partner will fit it to your business.

You'll get information from every corner of your business, which will help you:

- Streamline interactions by completely automating your purchases and sales with key customers and vendors – without having to implement a complex EDI system.
- Give your customers, vendors, employees and partners access to self-service – 24 hours a day from anywhere in the world.
- Easily meet the demands of important customers or vendors for e-commerce collaboration.



Microsoft Business Solutions brings together information from every corner of your company and lets you analyze it any way you choose.

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