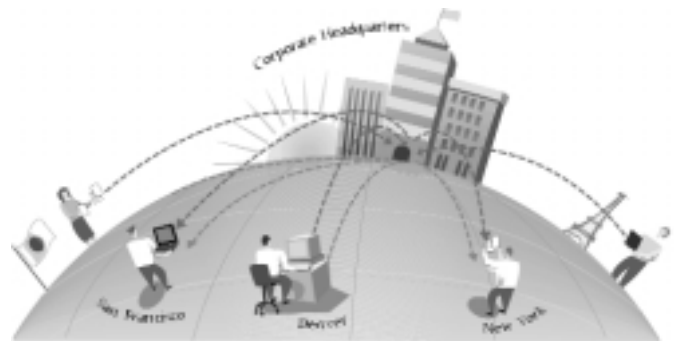


THE WEB-MANAGED BUSINESS: 5 KEYS TO SUCCESS

*How to put the Internet to work in your company to
boost profits, slash costs, and gain competitive advantage*

- Metaviews on the Internet: what it *really* means to your business
- Key business trends you'll face in the next five years
- Top strategies for meeting these trends with success
- 5 keys to becoming a successful web-managed business
- Essential criteria for choosing an Application Service Provider



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Introduction

The Internet "buzz" is everywhere. Consult the offerings of today's top business pundits and technology watchers to guide your own decisions and you may be left with more questions than answers.

What's hype and what do I really need to know? How fast do I have to move? In which direction? What are the real security issues? What kind of resources do I need? Do I build

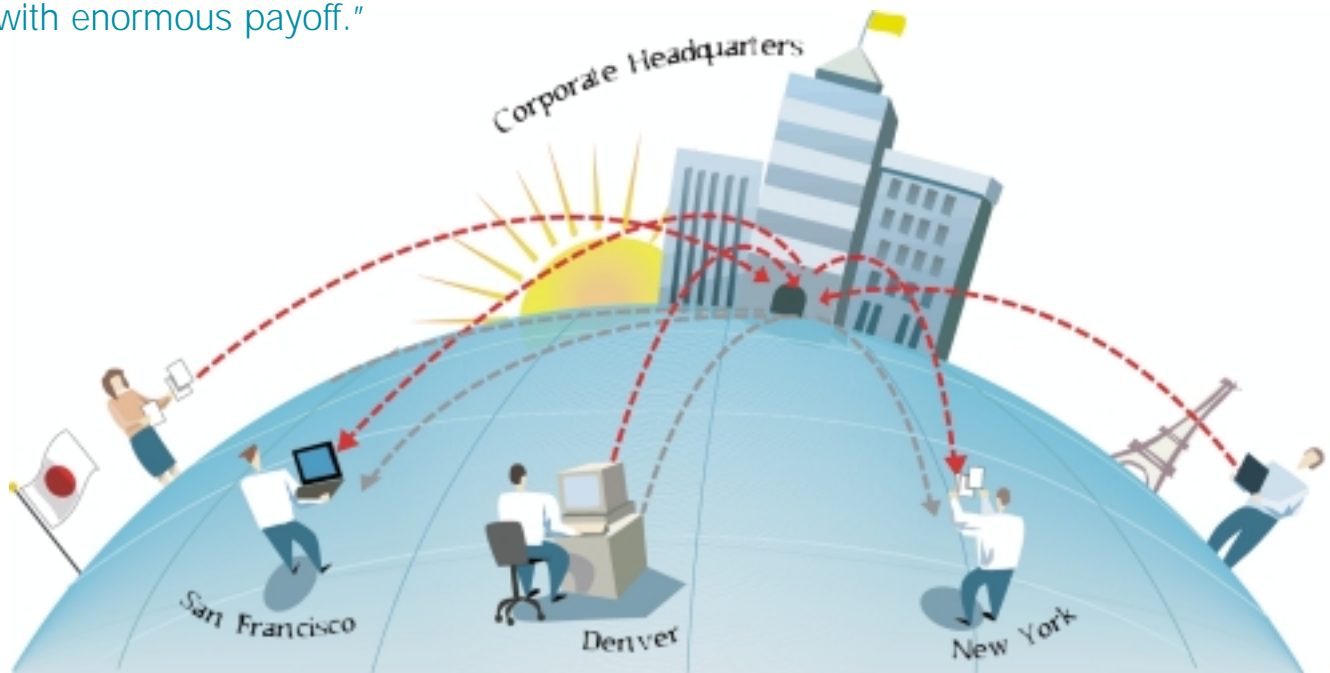
or buy? What will my partners and customers expect?

In preparing this executive summary, we attempted to cut through the maze of confusing— even conflicting — advice, predictions, probabilities and statistics. We reviewed dozens of industry reports, presentations, press releases, news articles and marketing communications. We interviewed "early adopters" of

web-based management.

We looked for "metaviews:" What points or trends do all the experts seem to agree on? What are the half-dozen or so "most important things you should know" about web-managing your business? Are there any common ground rules or nuggets of advice shared by all the experts to guide your own business and technology decisions?

"Already, entire business processes—managing customer and vendor relationships, order tracking and processing, customer service and support, and internal processes such as HR and expense reporting—are being transferred to the web by companies of all sizes with enormous payoff."



Two Metaviews on the Internet and What They Mean to Your Business



“Increasingly, customers are expecting direct access to their business relationships via the web.”

From all the versions and views of the Internet story, the following two themes emerged again and again:

▲ *The Internet will soon be ubiquitous, creating a business revolution fueled by a combination of business drivers, customer demands and technologies.*

How fast will it happen? Consider the following projected milestones:

Gone are the days when customers were customers and suppliers were suppliers.

Today’s effective supply chain is less a “chain” than an intricate web of strategic partners whose systems and processes are tightly integrated. This virtual model empowers each partner to focus on its own core competency.

Driven by global economic

Internet Milestones Projected for the First Half of the Decade

2003 Annual E-commerce will reach \$1.5 trillion.

2004 80% of all applications will be based on or extended by Internet technologies.

2005 More than 1 billion people will be online worldwide.

2006 70% of all b-to-b commerce will be web-involved.

Various Sources

Clearly, setting the right strategy for web-managing key areas of your business over the next five years will be critical.

▲ *The concept of the monolithic business encompassing all functions, products and services required to service a customer is a thing of the past. In its place, a whole new business architecture has emerged — the virtual enterprise.*

interdependencies, emphasis on value over cost, and emphasis on strategic partnerships, the virtual enterprise is here to stay. Enabled by the Internet and Internet-related technologies, this new model is taking hold from the smallest, one-person venture to the largest multinational corporation.

Key Business Trends You'll Face in the Next Five Years

In one way or another, most experts acknowledge four key business trends locked in a spiraling "chicken-and-egg" relationship with the rapid-fire emergence of the Internet and the virtual enterprise. According to the Gartner Group, these trends will present the greatest IT management challenges for the next five years.

1. Complexity

Demand for ever-greater enterprise performance and communication is driving companies of all shapes and sizes to optimize business processes, both internally and externally. The technologies emerging to support these processes are increasingly complex, requiring robust, complex functionality and of host of new IT skill sets.

2. Changing work force

Tight global labor markets, the increased demand for enterprise performance and the continued trend to a distributed mobile workforce are creating radical changes in the way work is coordinated, how employees are compensated and how contribution is measured. Most important, there's now underway a fundamental rethinking of basic sourcing strategies.

3. Accelerated change and risk

A familiar sight in industry trend articles is a bar chart comparing the time Radio, TV, the PC and the Internet required to reach 5 million users. The chart is intended to dramatize the unprecedented exponential growth rate of the Internet in just 5 short years. But the real story is hidden "between the bars." It's a complex story of related changes in markets, trends and business models. It's a story of increased risks of doing business in a world where change is no longer periodic but continuous. Today, businesses of all sizes challenge their IT departments to manage this risk, inform investment decisions and drive performance improvements.

4. Information as an enterprise asset

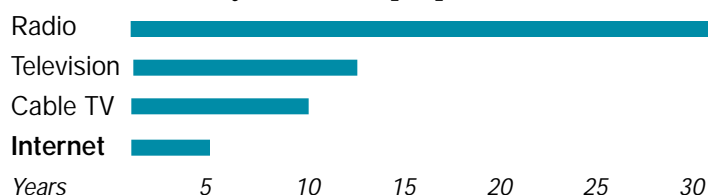
In the Internet era, IT is more than a backend tool providing competitive advantage. It's now

a matter of competitive necessity—a requirement for survival. Case in point: the customer relationship. Gone are the days when a sale was a sale and service was service. Today, the customer relationship is recognized as the core business asset to be understood, valued and managed as a "lifetime" proposition, integrating information from all the customer touchpoints. Increasingly, customers are expecting direct access to their business relationships via the web.

What do these trends mean for you? How should they inform your own business and technology decisions? There are as many answers to these questions as there are experts.

Most fit into two strategies: 1) taking full advantage of the Internet to manage your business and 2) outsourcing whatever is not your core competency. How you forge these two strategies will be keys to your survival and success.

Time until used by 50 million people:



Source: IDC

Top Two Strategies for Meeting These Trends with Success

Strategy #1:
Web-optimize your
business.

Increasingly, intelligence is coming off the PC and going on to the network. As the network evolves as a 'smart' enabler of applications, it begins to determine competitive position and create new models of business interaction. In a few short years, says networking giant Cisco Systems' president and CEO John Chambers, telephone and data will converge in a single, seamless multimedia network. There will be no more "intranets" and "extranets." The Internet will be viewed as the corporate network.

What does this mean for you? Here are the answers offered by most of the experts we consulted:

Now is the time to begin optimizing your business processes via an enterprise "portal strategy."

Already, entire business processes—managing customer and vendor relationships, order tracking and processing, customer service and support, and internal processes such as HR and expense reporting—are being trans-

"All signs point to continued explosion of a distributed, mobile workforce fueled by emerging technologies such as always-on, follow-me profiles, wireless, and mass access devices. Clearly, the enterprise portal strategy begins with an 'integrated worker interface.'"

ferred to the web by companies of all sizes with enormous payoff.

According to Chambers, Cisco's current fleet of web-based applications has saved the company some \$500 million last year alone, or about 20% of the company's \$2 billion-plus expense base.

A recent study by Ernst & Young estimates that U.S. business inventory costs could be reduced by as much as \$350 billion by using the Internet to share sales data, forecasts and promotion plans.

All signs point to continued explosion of a distributed, mobile workforce fueled by emerging technologies such as always-on, follow-me profiles, wireless and mass access devices. Clearly, the enterprise portal strategy begins with an "integrated worker interface."

Again, Cisco provides an impressive case study. John Chambers credits Cisco's web-

based new-employee application as key to the company's phenomenally successful growth-by-acquisition strategy. The application facilitates "rapid and total integration" of the new group, which helps keep employee turnover in an acquired company down to 3%-5% instead of the 35% industry average.

The focus for today's CIO and CFO must be on value creation and business strategy.

As the Internet continues to revolutionize business, increasingly IT will be held accountable for creating value and helping to set the right business strategy. This means a major shift in roles for both CIOs and CFOs and their staffs. Both must focus increasingly away from traditional tactical concerns to business strategy.

Any enterprise committed to a quest for value must, by definition, routinely measure itself. The CFO becomes the pivot

point linking strategy and performance measures. According to one global survey, CFOs who spend more than 20% of their time on strategy and mergers and acquisitions are more likely to have a stock price that outperforms competitors.

Already, advises the Gartner Group, value creation and business effectiveness should be the leading drivers of your IT investments—not cost control or efficiency. This means a major change in focus for the CIO and the IS organization as a whole. In fast-growth companies like Cisco, even the network director's focus is more than 90% on business, not technical issues.

Strategy #2: Outsource to maximize core competencies.

From management guru Peter Drucker, to industry watchers Gartner Group, to enterprise

CIO Pete Solvik of Cisco, the message is the same:

Given the changing role of IT to value creation and business strategy, selective outsourcing will be a top management challenge of the coming decade.

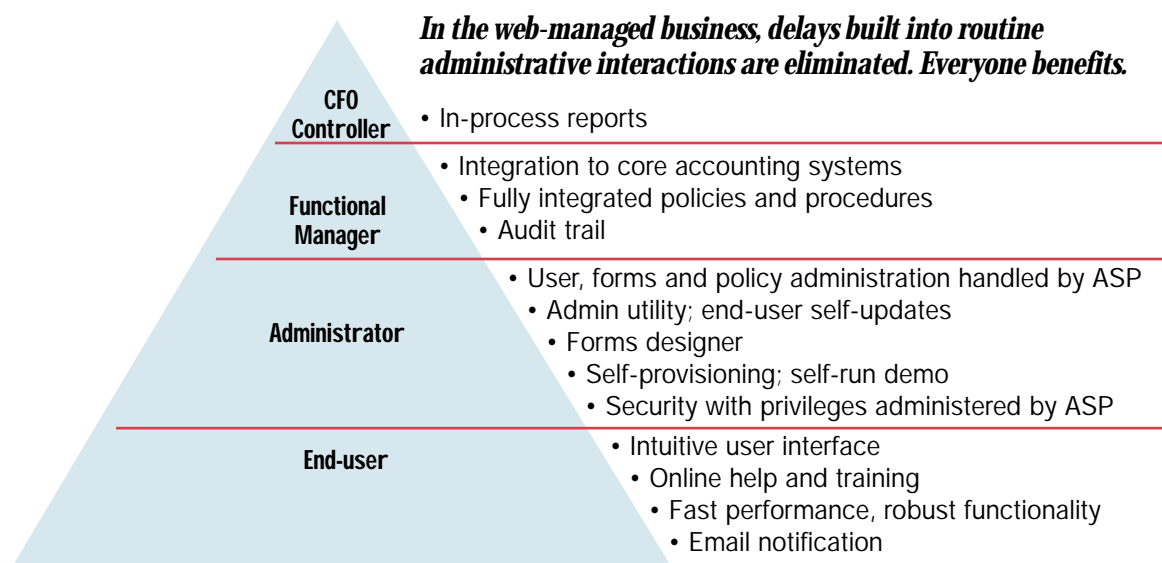
Today's critical shortage of skilled IT workers is projected to continue well into the next decade. By 2004, predicts the Gartner Group, less than 30% of mid-to-large size enterprises will even have a full-service internal IS organization. Instead, we will see an explosion in the use of ASPs and business process outsourcers.

Making outsourcing even more compelling are new accounting guidelines which require expensing application maintenance and failed development project costs. For most companies today, the cost of inhouse application development is already out of reach.

For the small-to-medium businesses, companies in fast-growth mode and decentralized divisions, the experts point to a whole new model for business applications—a model variously referred to as Web Services, Application Service Providers, or application "rental." In this arena, the expert advice is straightforward:

Sidestep completely the maintenance and upgrade hassles of packaged or custom developed software. Simply rent the needed application from a web-based provider.

"Almost all software," reports a recent *Red Herring* article, "can be distributed and administered more efficiently as a service than as a packaged product ... Subscribers benefit by shelling out less money up front and by offloading the chore of software maintenance and upgrades."



Application Service Provider: New Model for Business Software

As the Internet and outsourcing strategies continue to build momentum, a new type of vendor is emerging—the Application Service Provider (ASP).

The attraction, according to a recent story in *First!* is that the ASP "offers a turnkey service to customer through a Web-based interface, with little or no custom code actually installed on the end user's computer. ASPs typically use a recurring-revenue pricing model, essentially renting rather than selling the application."

ASPs are especially important to small to midsize companies who, according to a Forrester Research report, will "beat a path to apps-rental providers."

"Small to midsize companies are more resource-constrained and risk-averse and are looking to get access to world-class technologies," reports IDC.

Application rental also helps SMBs navigate the complexities of security, since the ASP is responsible.

The SMB is not the only customer eager for these solutions. Decentralized divisions now spending large amounts to process paper are advised to

"In this arena, the expert advice is straightforward: Sidestep completely the maintenance and upgrade hassles of either packaged or custom developed software. Simply rent the needed application from a web-based provider... 'Subscribers benefit by shelling out less money up front and by offloading the chore of software maintenance and upgrades.'"

move in this direction, as are multi-location companies where managers and employees are rarely in the same place at the same time. In the web-managed business, delays built into routine administrative interactions are eliminated.

How it works

An emerging leader in this hot new market space is VITAOffice, a suite of web-based business management software applications. For the small or fast-growth business, VITAOffice provides a low-cost, comprehensive way to manage business processes. Managers and employees can create, route, approve and track all kinds of business transactions such as timecards, purchase requisitions, personnel forms and materials requests—from any location with access to the Internet.

Paper forms are eliminated.

VITAOffice applications integrate with the user's core business applications. And the VITAOffice "front end" offers the extra advantage of needing very little system administration and zero client software.

Solutions like VITAOffice are most important to fast-growth companies who need productivity, efficiency and flexibility in building and deploying company policies and procedures. With this approach, even a midsize company can afford the same kind of web-based new-hire application that enabled Cisco's "rapid and total integration" strategy.

One company already on board with the ASP model is Persistence Software, the market-leading provider of application server technology for fast, reliable, Web-based information exchange. With revenues doubling year-over-year, Persistence shared a common

problem with the high-growth customers they serve—internal resources stretched to the limit taking care of mission-critical activities.

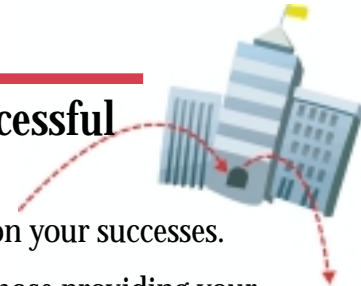
According to Persistence CFO Christine Russell, outsourcing to VITAOffice.com is "A low risk venture that has allowed us to cut in half the process of approving purchase orders and tracking our professional services consultants' billable hours. It has also enabled us to practice what we preach—that the Internet is the ideal tool for conducting business."

Echoing this sentiment is James Kao, Founder and Chairman of VITA Systems. "High-growth companies require solutions that are easily deployed and provide an immediate impact to the business. VITAOffice.com gives these companies a ready-made solution for managing common business processes, so management stays focused on customers and competitors—not administrative issues," he says.

Where should you start?

So where do you start in developing your own strategy for web-managing your business? Here are some guidelines from those already on the road.

Five keys to becoming a successful web-based company



1. **Start with small projects** and build on your successes.
2. **Pick the right applications:** choose those providing your company with high payback, significant leverage and high end-user acceptance.
3. **Standardize on TCP-IP** and pick applications that work with a standard web browser, without special plug-ins. By following this simple guideline, you'll be ready to take full advantage of the ubiquity of the Internet.
4. **Focus on business process** over technology. Involve your users and address their experiences in reengineering and/or designing your business process.
5. **Outsource** non-core competency to focus your own time on your highest value-add.

ASP/web-based rental application criteria:

To ensure success with this new model, the experts offer the following checklist:

- All products are based on **industry standards** for maximum flexibility, expandability and upgradability.
- User interfaces **mimic paper forms** and email for widespread deployment and user acceptance with minimal training.
- The solution offers **zero client administration**—no additional software is required on a user's desktop or laptop other than a standard browser.
- The software resides on a **centrally-managed server** with fail-safe backup.
- The solution includes all four primary **security** technologies: authentication, authorization, data integrity and data privacy.
- Installation, configuration and administration are all covered by the **outsourced service**.
- The software supports **all parts of the business process** from remote locations: e.g. initiation, approval, tracking, audit.
- The ASP software can be **integrated** with your own core business applications

For more information

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