Business Planning in an eCommerce Environment

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There are two secrets to successful business planning in an eCommerce environment. The first one is that you must carefully ensure the viability of the business, acquire the necessary resources to make it successful and then mobilize those resources in a manner which optimizes them to reach your stated business objectives. The second one is that this is no big secret.

Venture capitalist Heidi Roizen put it this way:

> "We're back to seeing business plans that contain business fundamentals. There was this giant concept for a time where anyone thought they could be an entrepreneur and that anything could be a company -- apply "Internet" to anything and make a business plan. We're seeing more focus on a particular technology or business process. It's really come back to "Here's what we're willing to build. Here's what we're willing to charge for it. And here's how we're going to be profitable." It's really quite comforting to come back to the fundamentals." (*Business2.com*, May 29, 2001)

The Planning Process

The process is actually fairly straightforward. First, you develop a plan. Then you execute the plan. This planning process is the same as it has been in the business and systems worlds for many years.

1. Develop a mission statement.
2. Identify your business goals.
3. Identify specific objectives to support those goals.
4. Identify information and processes required to achieve those objectives.
5. Prioritize and plan the implementation of specific systems to enable the dissemination of the above information and the execution of the above processes.

- ***Develop a mission statement.***
  An example of this for an on-line realty company might be: "We will enable the top 1% of the earners in the U.S. to acquire homes that fit their lifestyles in a manner that fits their lifestyles."

- ***Identify your business goals.***
  An example of a business goal for the above example is "Become known as the premiere provider of homes to the top income strata in the U.S."

- ***Identify specific objectives to support these goals.***
  Keeping with our example of an on-line realty company, an example of this is "Sell 100 homes in each of three major markets (Chicago, Houston, Atlanta)."

- ***Identify information and processes required to achieve those objectives.***
  Examples of this include web sites and back office systems as well as Internet advertising to attract prospective customers to our web sites.

- ***Prioritize and plan the implementation of specific systems to enable the dissemination of the above information and the execution of the above processes.***
  This is the part that gets interesting. The prioritization and scheduling of the various activities depends upon the availability of resources within your organization. These resources can be handily divided into four categories:
  - Software
  - Hardware
  - Infrastructure
  - Personnel

Software
The most obvious software is that required to set up and run the Web site itself. The design of the web pages and the links among them is the most visible part of the entire system. The page must be clean and easy to use. The navigation among the pages must be obvious, and their links must be logical. Less visible, but at least as important, are the systems that run the back office. These systems include order management, inventory, customer management and sales tax management among others. Often these are legacy systems, but even if they are new ERP systems, interfacing them with the new Web pages is not a trivial matter. If you cannot deliver an order or collect an invoice, your profits will be pretty grim.

Hardware
In today's client server environment, hardware includes database servers, application servers, specialized Internet servers, firewalls and client workstations. Your servers must be able to handle your traffic, or you will lose business. They must be backed up properly and defended against hackers and "denial of service" attacks. Perhaps they must be located in different geographic locations to better serve a global clientele. Although you will not be responsible for purchasing or maintaining your customers' computers, you will be responsible for ensuring that these computers will be able to access your site. As such, in addition to the hardware required for your own operations, you will have to have a variety of workstations available for testing by your technical staff.

Infrastructure
In the Internet world, many of the physical aspects of this effort are handled for you. You still, however, must determine what kind of response times you want. This decision will determine the specific requirements for the servers and for the Internet connections. Programming or scripting languages will help determine the level of service to be provided, and you must develop standards for these.

Personnel
The programmers who will build your Web pages are very different from those who will build or maintained your back office systems. Typically, the former are young "hotshots," and the latter are a little older and more conservative. The web site builders accuse the more traditional programmers of "testing this system to death," while they in turn are accused of "shooting from the hip." Your mission is not only to reconcile these differences, but also to make them into a corporate strength rather than a weakness. Additionally, you will need Internet technicians who understand the tradeoffs between efficiency and security. You will also need customer support people to hand the problems that inevitably creep up. For all these positions, you will have to determine the proper mix of in-house personnel and outside consultants/contractors. For the in-house people, you will also have to strike a balance between hiring experienced people and training your existing personnel.

Strategy Killers
All this "sounds great on paper," but, of course, reality always throws in something to make it all more interesting. In the Sloan Management review (Summer, 2000), Michael Beer and Russell Eisenstat identified six "Silent Killers of Strategy Implementation." Fortunately, they also have suggestions to overcome them.

Again, it sounds easy , but how do you put it into practice?

Quality Deficiency	Killer	Antidote
Quality of Direction	Ineffective Senior Management Team	A top team whose members possess a general management orientation.
	Unclear Strategies and Conflicting Priorities	Clear strategies and clear priorities communicated to all levels.
	Top-Down or Laissez-Faire Senior Management Style	A leadership style that embraces the paradox of top-down direction and upward influence
Quality of Learning	Poor Vertical Communications	Continuous open dialog about the organization's effectiveness
Quality of Implementation	Poor Coordination across Functions, Businesses or Borders	Effective teamwork integrating activities around customers, products or markets across all organizational units of the enterprise
	Inadequate Down-the-Line Leadership Skills and Development	Managers at all levels given clear accountability and authority.

The Balanced Scorecard Method

At Cedar, we promote the use of the balanced scorecard method. This is a system developed by David Norton and Robert Kaplan to evaluate corporate performance. Instead of simply looking at profits, which is certainly a barometer of current activity, the balanced scorecard method analyzes four components of a business. It facilitates efforts to clarify the corporate vision and strategy and translate them into action.

The first component, obviously, is *profits*. Without profits, a business will not exist in the long run.

The second component is *customer satisfaction*. Without satisfied customers, a business will not generate sufficient sales to remain profitable.

The third component of the balanced scorecard is the company's *internal* systems *and processes*. To be able to satisfy customers consistently while still maintaining acceptable profit margin, a company needs a solid base of effective business systems. This includes not only the obvious cost oriented systems, such as sales and accounts receivable, but others that might not be quite so obvious. For example, a good inventory control system will enable the company to order products on a timely basis, and a good purchasing system will identify the suppliers that can deliver the proper product on time and for the best price.

The final component is employees' *learning and growth*. The best systems in the world will not be effective if the employees who execute them are unskilled or untrained. Good employees begin with good hiring practices and are improved with good training.

This methodology clearly can be applied to an e-business. Let's review these components, in reverse order, in this context.

Employees' Learning and Growth
Based on your overall objectives, you should have a reasonably good understanding of the type of employees required to make your business successful. Obviously, you will need a leader who understands and agrees with your business goals. This person should be able to address all aspects of your new business without necessarily being an expert in any of them. This individual will be responsible, directly or indirectly, for hiring all the other employees who will be part of this business. As you hire your employees, you will probably find that few, at best, of them come to you with all the skills that are required for the job. A gap analysis of these requirements and the current skill levels of your new employees will identify training requirements. You will then have to decide how to satisfy their learning and growth needs. Although it typically makes sense in this situation to find commercial training, in some cases you may want to develop an in-house program. Training should go beyond pure technical skills and also include indoctrination to corporate philosophy and policies.

Measures of success in this area include new ideas from employees and employee retention.

Internal Systems and Processes
Although the sexy part of e-commerce is the one that can be seen on the Internet, the "beef" is what goes on behind the scenes. We have all read about or, worse, experienced poor service delivery to online customers. The bad publicity that accompanies this bad service is not to be underestimated. To avoid this bad publicity and to ensure satisfied customers, a company simply must do what the bricks and mortar companies do. Good operational systems, including purchasing, inventory, sales, receivables and payables, are necessary to maintain good relationships with both customers and vendors.

Measures of success in this area include transaction costs and inventory turns.

Customer Satisfaction
The customer experience goes beyond simple order fulfillment. To be successful, the company must predict what the customer will do and how he will understand what is presented to him. Unlike a bricks and mortar store, there is no helpful salesperson to guide the customer to a purchase. Clearly presented objects, logical links and short response time all contribute to a positive experience at a particular Web site. To be successful in this area is both an art and a science, and must be approached as such. Although we all have many wonderful things to share with our customers, we must resist the temptation to show them all at once. Furthermore, as you build the links from one screen to another, the path should be both logical and convenient. You must strike a balance between screens that are too busy and those that require too much linking.

Measures of success in this area include market share and key account profitability.

Financial Profitability
With your operations established to run smoothly, you are well on your way to strong profits; however, the financing and administration of the business will be additional factors in determining corporate profitability. Salaries versus stock options. Borrowing versus issuing capital. Buying versus renting. These are all decisions that will affect the short-term and long-term profitability of your company and should be based on the same criteria that you would use for any other business; i.e. ultimately supporting your mission statement.

Measures of success in this area include profitability of specific regions, departments and projects.

Conclusion
So, the good news is that there is no secret to this thing called e-business. By applying the same methodologies, thought processes and controls that make any other business successful, you will also succeed in your e-commerce venture. The bad news is that it is just as difficult and just as much hard work as it always has been.

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