

Winning in Digital Economy

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Abstract

Even in best of the times, big companies find it difficult to sustain in the market with the same line of products. There is always a threat from the competitors and the new entrants of the market, engaged in creating new businesses and products. With the coming of digital age & fierce competition, breathing space of company is reduced to minimum. Managers of old industrial companies are sending SOS calls and looking forward for new business models. The need of the time is to listen to the survival calls for the 'clicks-and-bricks' business model that blends the traditional off-line assets with digital initiatives. The Internet is encouraging a shift from industrial age "brick and mortar" strategic thinking to a greater emphasis on the use of alliances.

1. E-enabled enterprise.

"NCR is a 117 year old company. We learned that new-economy people did business in other ways. They forced us to think out of the box, and that was a good thing. It's healthy for an old company to think that way. It's one of the biggest challenges in keeping an old company vibrant..."

- Lars Nyberg, Chairman & CEO, NCR Corp.

Value net as, Michael Porter puts are Customers, Competitors, Suppliers and Complementors with your firm in the center. The question is how to leverage our value net to create and capture value. The only way to create and capture value is to strategically transform the old economy traditions to new economy applications. The new e-enabled enterprises abide by e-transformation issues of Customer Relationship Management (CRM), Supply Chain Management (SCM), E-Commerce and Knowledge Management (KM). These new e-transformation themes offer different value propositions.

Customer Relationship Management (CRM) draws emphasis on to identify, select, acquire, develop and retain our most profitable customers. Digital economy companies strongly believe in buyers market. CRM not only addresses personal preferences, value and need of the customers but also builds customer loyalty through acquisition, development and retention.

The essence of the SCM is to deliver the right product, to the right place at the right time at the lowest cost. Implementing the principals of SCM provides end-to-end seamless capability in the supply chain, which in turn, results in improved customer relations and lower inventory levels. E-commerce is more than just trading on net. Internet acts as medium to deliver a more higher quality interaction to suppliers, distributors and customers. E-commerce facilitate in expanding business opportunities by reaching new markets, reducing cost via order processing efficiencies, maintaining fills rate while reducing inventory expenses and lowering cost of sales.

Knowledge Management (KM) is defined as "Management of organizational knowledge for creating business value and generating a competitive advantage". KM is the process of delivering the right knowledge to the right people at the right time to leverage expertise and information to improve the organizational performance. The main focus of KM is to acquire, analyze, store, disseminate and enrich knowledge throughout the enterprise.

In addition the e-marketplaces establish new trading models in vertical and horizontal markets. Online catalog digitalized product information in paper-based catalogs of multiple vendors and provide one stop shopping over the net and also allows buyers to search for products more efficiently. E-Auctions provides venues for the purchase and sale of new items where pricing is dynamic. E-Exchanges allows buyers and sellers to trade anonymously and provide a spot market for commodities, often with high price volatility. E-Communities bring together potential buyers and sellers, usually professionals with common interests, through web sites that feature industry specific content and community aspects. They typically provide industry specific news, editorials, market information, job listings, chat, message board etc. So the importance is to build an enterprise e-business framework that encompasses all touch point of the organization i.e. customers, vendors, people, alliances, stockholders etc.

Currently, five e-business themes are driving business strategies and initiatives.

1. Enhance operational efficiency.
2. Improve customer access, service, delivery and intimacy.
3. Redesign product and service offerings.
4. Reinforce brand image and company image in the marketplace.
5. Reinvent services, product and/or business.

2. Moving up in Value Chain.

“My favorite misread was the idea that business fundamentals had changed – that the traditional ways of doing business didn’t matter anymore: If you sold enough product or enough items at a loss, eventually you’d make a profit...”

- Warren Holsberg, VP, Motorola Inc.

Every organization can move up in the value chain by reducing cost, improving process, redefining processes, redefining business models and creating new markets. Cost reduction can be done by introducing intranet for employee self-service and providing online support to the sales force rather than calling them to the office again and again.

Processes can be improved by providing online customer support and procuring via net (e-procurement). Vendor management inventory, strategic sourcing initiatives and selling products through e-channels can be some processes, which can be redefined.

It’s prominent to give services free with sale of product. In Networked economy, the business models need to be redefined. Customer should learn to pay for service like wise manufacture rather than producing itself everything should outsource production.

Creation of new market is another aspect, which is most important in value chain. Companies should identify opportunities and become market maker. They should invent new markets through e-channels and leverage their intangible assets.

An organization can adopt e-business strategies at any point in business cycle.

| Stages of Business Life Cycle | E-Business strategies |
|-------------------------------|---|
| Introduction | e-presence <ul style="list-style-type: none"> • Use the Internet internally. • Establish a website. |
| Growth | e-transaction <ul style="list-style-type: none"> • Allow access to core systems. • Allow transactions on core systems. |
| Maturity | e-business <ul style="list-style-type: none"> • Improve core business processes. • Redefine core |

| | |
|---------|---|
| | business. |
| Decline | e-transformation <ul style="list-style-type: none"> • Reinvent Business models. • Redefine products/services, add value. |

Readiness and integration are two important issues that must be considered when pursuing an overall e-business transformation. Managers should first find out that their business is robust enough and sufficiently ready to take advantage of e-business. Second issue is of integration of business processes to maximize investment in e-business initiatives.

3. From E to E.

There is a wonderful Chinese saying,” Journey of 1000 miles began with a small step”. Succeeding in digital economy calls for a different resolve. Create *Energy* that drives the organization, *Energize* the team, *Empower* your colleagues, create *Edge* in market with new product innovation, *Execute* your plans with simplicity and speed, follow *Ethical* business practice, give *Equity* to stockholders, *Encourage* mistake and learning, *Examine* ones mental model, *Experiment* for continuous improvement, *Educate* others like top management on technology and inside of organization on customers and have *Environmental* concerns.

9P FORMULA for winners

1. **Knowledge** is the key.
2. New Business hrs. **24x7x365**
3. Everyone and everything will be **networked**.
4. Everything will be **smart**.
5. The **customer** is in charge.
6. **Time** is the scarcest resource.
7. Barriers to **competitive entry** are lower then ever.
8. **Constant innovation** is an ingenious tactic.
9. Follow rule **1 to 9** or become extinct.

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