

Under the Buzz

Back to Basics in e-Business

October 2001 - Vol. 2, Number 10

Under the Buzz is an electronic "viewsletter" authored by Philip Lay, managing director at the Chasm Group, a Silicon Valley strategy consulting firm. It is published each month, and delivered free to subscribers via e-mail. It is also posted on the Chasm Group website at:

<http://www.chasmgroup.com/underthebuzz.htm>. Back issues can be downloaded from the site at: http://www.chasmgroup.com/underthebuzz_archives.htm.

In this month's issue:

1. **The Events That Changed the World - and The Future Role of High-Tech**
2. **Return of a Business Revolutionary: Michael Hammer on the Internet and Other Matters**
3. **Web Services: Hype or Reality?**

By receiving this issue directly from Chasm Group Publications, you are already on the distribution list. To unsubscribe, send a blank e-mail to: unsubscribebuzz@chasmgroup.com

Please feel free to send this to your colleagues and associates. They can get on the distribution list by entering their email address at <http://www.chasmgroup.com/subscribe.htm>.

1. The Events That Changed the World - and The Future Role of High-Tech

"Tragedy is history's pivot. The question now, as a single breathtaking act of horror cracks old alliances and snaps together unlikely new ones in their place, is whether a modern madman has swung history onto a new axis, with ramifications far from his own intentions. ... But to grasp how profound these tectonics are - and how unpredictable - look first at Moscow. It is no exaggeration to say that the events of September 11 may be delivering what Peter the Great, the empress Catherine and President Boris Yeltsin could not: a Russian state anchored solidly in the West, for the first time in a millennium. By shattering the notion of a sole American superpower that could single-handedly build global stability and prosperity, those events may have removed the biggest obstacle to Russia's final integration with the West."

- Michael Wines, Moscow Correspondent for the New York Times, 09.30.01

"This was a tragedy out of all proportion imaginable in the post-cold-war era. But if it leads us to take a more realistic view of ourselves and the world around us, then it would be truly historic."

- Dmitri Trenin, Carnegie Endowment Scholar and author of "The End of Eurasia."

"It could be that a new form of colony, the Western-administered former terrorist state, is only just over the horizon. ... the best medium-term solution (may) be to revive the old League of Nations mandate system, which served as a "respectable" form of colonialism between the wars. Syria and Iraq were once highly successful mandates. Countries that cannot live at peace with their neighbors and wage covert war against the international community cannot expect total independence."

- Paul Johnson, author of several books on world history, writing in the Wall St. Journal
(10.09.01)

These are unusual times, so I'm writing an unusual issue of *Under the Buzz*. In this edition, the "Buzz" I am concerned with is the ongoing reverberation produced by the events of September 11. Although this article starts with quotes from commentators on the geopolitical changes resulting from the 9.11 catastrophe, I shall comment on some of the changes that will characterize the world going forward, in order to identify implications for the high-tech business world - including legitimate business development opportunities. After all, for everyone's benefit, we all have to figure out how best to continue growing our businesses and return the economy to a positive track. Like many others, in order to fully absorb the implications of the disaster on our lives, I have benefited enormously from a continuing treasure trove of in-depth articles published in journals such as The New York Times, the Wall Street Journal, and others. In fact, one by-product of a global crisis such as the one we are experiencing is that it truly awakens angst in all of us, and creativity in many people, including gifted writers and expert commentators. Like most of us, I have found it necessary to educate myself on this nightmare clash of medieval and modernist cultures, which now presents serious threats to the world. Below are my sub-headers in this article:

- The U.S.: Substituting parochial self-absorption for global awareness?
- Re-conceptualizing global politics, government, war, suicide-terrorism, airplanes, banking ...
- Key technology trends arising from the crisis

The U.S.: Substituting parochial self-absorption for global awareness?

On September 11, the age of carefree prosperity, in the U.S. particularly, came to an abrupt end, as this country finally learned – and how! – what other western (and eastern) countries experience in the wake of repeated acts of terrorism. At the same time, the complacency that has begun to make U.S. society susceptible to hypocrisy and self-righteousness was replaced, in one blow, by a concern for survival, a new sense of community, and a seriousness of purpose. At last, there are signs of a willingness to learn about the rest of the world, as everyone seeks to comprehend the reasons for muslim radicals, deluded as they may be, to feel such hatred toward Uncle Sam. Sure, it has been occasioned by a gruesome, nightmarish tragedy, but I am optimistic that some important aspects of this awakening will endure. The sense of having a common enemy and a cause to fight for is invigorating to most cultures, and in the case of the U.S., I am reminded of Dwight Eisenhower's famous observation on the day that WWII began for America in Europe: "Hitler should beware the fury of an aroused democracy." One of the advantages of the welcome and necessary global-alliance strategy employed by the Bush administration thus far has been to allow us all the time to experience the full gamut of emotions, including shock, denial, anger, grief, depression, acceptance and, soon (hopefully), resolution, thus minimizing the danger of pursuing vengeance at any cost. Beyond this, it gives us an opportunity to mentally grasp the implications of what has changed, at a conceptual level, in the world.

Re-conceptualizing global politics, war, government, suicide-terrorism, airplanes, banking ...

Among the many world-changing shifts we have been stimulated to think about by the rush of commentary and coverage in the press and in intense private debates during the past month are these:

- Global politics re-conceptualized as a series of temporary alliances based on the self-interest of member countries determined to oust a common foe;
- Russia permitting U.S. military activity in its “backyard” and becoming politically integrated into the West (as alluded to in the first quote at the start of this section);
- War re-conceptualized as a predominantly intelligence-based, psychological campaign against hidden enemies hiding in caves and motel 6’s;
- Government in the U.S. reconceived (for the first time in over a generation) as a driver of the economy and an important customer for goods and services;
- Suicide-terrorism reconceived as a calculated act utilizing the enemy’s assets as weapons against them;
- Flying an airplane reconceived as steering left and right but not bothering with take-offs or landings;
- Airplanes themselves reconceived as one-thousand kiloton guided weapons;
- Banking reconceived as a means of tracking and controlling the financial transactions of undesirables and crooks, rather than a secretive means of protecting private wealth from snoopy and corrupt governments;
- The FBI/CIA reconceived as a pro-active agency tasked to anticipate and deter terrorist activities rather than just defend reactively against them.

Key technology trends arising from the crisis

Several key technology tools have come to the fore since disaster struck on September 11. First, as we have come to expect (only this time in brutal live images), TV showed us the planes slamming into the World Trade Center; then we learned that cell-phones were used by passengers on hijacked planes to warn relatives and to hear news of the Trade Center crashes, thus evidently causing the passengers on one flight to divert the plane from its intended target (though losing their lives in the process). On the same day, in the absence of cell-phone connections for many fleeing WTC workers, email was an invaluable tool used to contact colleagues, friends, and family just after the Towers came down. Since then, the internet has acted as a forum for common interest groups to share impassioned views on the catastrophe; TV has performed a valuable role – as Tom Brokaw stated – as America’s “campfire”, providing comfort and assurance in the form of constant, in-depth news and commentary on the disaster’s aftermath; and, video-conferencing – always an ungainly technology to use, has rapidly benefited by the decision of millions of businesses to minimize air travel, and so on.

Looking further, as Walter Mossberg stated in his WSJ column on October 4, “some of the terrorists apparently used the internet to communicate with each other and with their masters, and even to enroll in the U.S. flying schools where they learned to turn airliners into instruments of slaughter.” Auction site eBay stepped in to organize a \$100m. auction for

charity, and Amazon.com raised millions of dollars for families of victims. On the negative side, Mossberg challenges one particular security exposure of the internet when he asks “isn’t it finally time for the major internet service providers (AOL, MSN, Earthlink, and so on) to re-examine the juvenile practice of allowing customers to hide behind multiple ‘screen names’, instead of requiring them to conduct themselves online using their real identities or email addresses that correspond with their real names?”

Moving forward, I expect IT innovation to accelerate apace, as it always has during times of conflict or emergency. Just as the mainframe computer found its first serious application during WWII, and smart laser-guided bombs made their debut during the Gulf War, we shall probably see security guards on airplanes using smart-guns that are useless in a terrorist’s hands; the internet will be increasingly used by governments to link their intelligence, immigration and tax-collection systems - and as a forum for medical emergency management, citizens’ forums, charity funds, and peace movements. Beyond this, in e-business applications, it is likely that companies will reduce face-to-face interactions requiring travel and increasingly recognize the value of online collaborative dealings with their suppliers, partners and customers. Evidently, any vendor today that offer means for corporations to manage their businesses more effectively via systems back-up, security, disaster recovery, and especially time-critical trading and decision-making on key activities, has an excellent chance of accelerating business deals, rather than suffering the delayed decisions that many expect in the current slowdown.

More than any single factor, perhaps, may be an increasing realization for many enterprises of how resilient and cost-effective the Internet is as a platform for time-critical and business-critical applications. In just one example of a situation resulting from the disaster in New York, GovPx, the official pricing source for U.S. government securities, was able to restore real-time delivery of bond pricing data to its major customers – Goldman Sachs, Solomon, Garban, and others – and re-distributors – including Bloomberg, Reuters, and MoneyLine – within forty-eight hours, after their primary telecommunications network was disabled by the attacks on the WTC. This was accomplished using software and services provided by Bang Networks, a San Francisco-based software company. The Bang Real-Time Network runs on the public internet, and provides secure messaging at a fraction of private network costs. In this case, the public and private telecommunications networks failed, whereas the internet remained up and running. Lawrence Leuzzi, chairman and CEO of GovPx, explained the situation his company found itself in, and their rationale for selecting the Bang Networks solution:

“The magnitude of the disaster in New York City overtaxed even our existing hot disaster recovery solutions. Relying on point-to-point telco connectivity to distribute our products to financial information providers and large Wall Street firms proved to be unsatisfactory. So we immediately turned to Bang Networks to provide an alternate solution. Their technology, and dedicated and knowledgeable consulting team, astounded us, quickly porting our data to their Network and making feeds available, regardless of access point or location, within a very short time. We are currently serving our customers on our alternate site. Beyond the rapid implementation, the Network provided a high degree of integrity and performance that is required by market participants, matching, and in some instances exceeding, the performance of dedicated networks.” In response to my question regarding long-term use of this internet-based solution, Leuzzi said, “In addition to acting as our long-

term back-up for dedicated links, I believe this will become the main distribution system to reach some of our most important customers.” Why is this significant? Leuzzi explained that until now financial market users accustomed to using proprietary Reuters and Bloomberg feeds delivered over private networks, have not had alternative means of accessing the time-critical price discovery information they need in order to make trading decisions. Leuzzi’s argument is that the internet-based solution is “far more cost-effective and reliable than depending on point-to-point connectivity”, and that financial services providers and users will now have strong evidence to influence them to migrate to internet-based price discovery services.

Clearly, it’s going to take more than a few similar examples to hasten the adoption of e-business applications, but given the visibility of the recent emergency, this at least makes one think more deeply about the potential offered by the internet platform.

2. Return of a Business Revolutionary: Michael Hammer on the Internet and Other Matters

Refreshing to hear that Michael Hammer is back on the circuit with more of his trademark provocations to business on the imperatives to “change or die”. Hammer, you will recall, was the prime mover behind the 1993 bestseller, “Reengineering the Corporation”, that preached the importance of business process over functional silos in corporate and governmental organizations. For a number of years, Hammer seemed to fade from view, rather like his Boston-Cambridge colleague Michael Porter, who reappeared earlier this year with a powerful article in the Harvard Business Review (“Strategy and the Internet”, March 2001). True, Hammer & Champy’s original call to action became tarnished by widespread misuse and misidentification, as corporate management teams anxious to please Wall Street decided that it sounded better to re-phrase lay-offs as “restructuring” or “re-engineering” initiatives, which they felt sounded better.

Well, Hammer appears now to be aiming to establish a new imperative for corporations to apply themselves assiduously to the new order. Among his observations, which I read in a recent magazine article, are the following colorful and trenchant comments:

On major trends in business: “The flip-flop – from scarce goods to scarce customers – is the essence of what will make the next decade of business different from previous ones.”

On financial reports: “The P&L statement is just an autopsy (on your business). The fundamental language of business today is about work, not about money. Examples of measures that count are: how long it takes to turn around an insurance application, what percentage of time does a company deliver on time, how many inventory turns a year, etc.”

On business discipline: “Business heroes are actually a sign of terrible dysfunction. ... Heroism in business is not repeatable, ... not reliable. The cardinal virtues of a business are discipline, structure, and repeatability.”

On the internet: “The revolutionary impact of the internet will be in dissolving boundaries between companies. The Last Big Thing (i.e., reengineering, from functional to process-based management) was demolishing the walls *within* enterprises. The Next Big Thing that will dominate business

discourse for the coming decade is the destruction of walls *between* enterprises. (i.e., from vertical integration to virtual integration).

On stock price as a metric: “You’re not going to get passion in your organization by talking about shareholder value. You have to give people a transcendent purpose.”

Implications for High-Tech Organizations

Effective management may still be considered a relative luxury in a world where people are thought (in normal times) to spend more time counting their stock options, and where board members sometimes treat their duties as a rolodex-maintenance opportunity. However, in today’s harsh business environment, if you don’t recognize the key trends that are influencing your major customers, you are probably in for a tough time. And, although Michael Hammer is far from being the first expert to make public pronouncements on these themes, the fact is that he has been among the most influential management gurus among Global 2000 companies for over a decade now gives an indication that these ideas may be about to become mainstream among large and medium-sized enterprises. This in turn should mean that, for example, any company in the collaborative B2B or B2G applications space today should immediately study Hammer’s work for hints about how to convert your marketing messages and sales approaches into compelling offers to your customers on how your technologies can be used to accelerate the “virtualization” of their business. Among other technologies, this should include all e-business solutions aimed at inter-enterprise collaboration, including web services, the new wave that is expected to provide the underlying capabilities for collaboration between companies to take off.

3. Web Services: Hype or Reality?

Here is a working definition of web services from a recent article by Jim Ericson in the October edition of Line56 magazine:

“Web services are functions that allow businesses to share proprietary processes over the internet, eliminating the need for costly and fragile one-to-one integrations. Once created, these processes can be accessed by an authorized party, by way of an application that suits the user.”

Add to this a second definition from Scott Durschlag, vice president of Twelve Entrepreneuring, a web services incubator based in San Francisco:

“Web services are URL addressable resources that exchange information and execute processes automatically without human intervention. In this manner, companies assembling and reassembling Web services can configure dynamic business processes that flexibly connect companies such that collaboration is technically feasible.”

Although this new super-category is still being evangelized mainly by vendors, rather than customers, and articulated by industry experts, there are forceful reasons for the creation of software components to facilitate the growth of virtual business integration between enterprises, which is seen as the next major information technology-based explosion. The problem today, and one that led in part to the recent meltdown of many B2B pioneers, is that inter-enterprise business integration is unforgivingly complex using existing EAI and B2Bi technologies. Thus, every enterprise software vendor, after having made their products web-oriented, then web-centric, now

has to accelerate the speed of web-based application (and value) delivery, and the use of a library of components that any user can pull down from the web has become extraordinarily attractive.

Having said that, it is going to depend on agreed standards that are usable by as many developers as possible, which explains the proliferation of budding standards, protocols and best practices, often characterized by their arcane acronyms - such as XML (extensible Markup Language), and its three essential elements: UDDI (Universal, Description, Discovery, and Integration) for description, WSDL (Web Services Description Language) for description, and SOAP (Simple Object Access Protocol) for messaging. These core elements of XML can be transmitted across the Internet via HTTP, the uber-protocol for web browsing.

Since today's established big four industry players in this space - IBM, Microsoft, Sun, and BEA - each have different and competing approaches regarding the establishment of mutually acceptable and open standards, and since each has varying levels of commitment to the specific protocols cited above, the fight should be interesting. Added to which, there are many newcomers, including EAI/B2Bi players like webMethods, Vitria and TibCo, as well established players such as Oracle, SAP, Siebel, and technologically advanced content management companies like Documentum, Vignette, and Interwoven - all these companies are making early moves to monopolize as much of the early market rhetoric as possible.

Besides the technical complexities, there are even more significant challenges related to the way companies deal today with their customers, partners and suppliers, in terms of negotiating and "management" styles, the willingness or not to open their business processes to the outside world, the know-how required to effectively map processes to those of other companies, and so on. Over time, we can expect the major consulting and integration firms to build significant practices aimed at helping enterprise clients to deal with these challenges, but web services promise to smooth the way in terms of simple-to-access and use components available on the internet. Watch this space for further coverage of the ins and outs of web services as the category begins to get adopted.

Under the Buzz offers a monthly commentary on the business-to-business e-commerce sector. The goal is to provide provocative and accurate insights into the latest events and thinking shaping the rapidly evolving business-to-business marketplace. *Under the Buzz* also focuses on strategies for building sustainable competitive differentiation and maximizing market valuations. © 2001, Philip Lay

Disclosure: From time to time, the author and/or his firm may hold investments in, or provide advisory services to, one or more companies cited above.