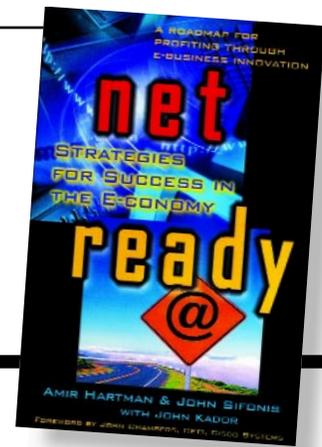# Net Ready–Strategies for Success in the E-conomy

by Amir Hartman and John Sifonis, with John Kador

Hartman and Sifonis have done extensive research at 400 companies. From that group they have culled some of the best success traits in such companies as Cisco Systems, Microsoft, Charles Schwab, Dell Computers, eBay, and Amazon.com. Using the Net Readiness Scorecard provided in the book, the authors examined companies that have been successful at moving from the 90's economy into the Internet economy. Then they compared these leaders with successful dot com companies. The authors have learned and practiced what it takes to succeed, and they share it in a format that you can use.

In Brief

Many companies will try to succeed in E-business. Most will fail. How can you make sure that your organization will thrive and grow into the new economies? How can you ensure that your investments in time, people, and money will really pay off?

Net Ready—Strategies for Success in the E-conomy, goes beyond the idea of simply selling on line to offer a disciplined and highly informative approach to what e-business is really all about: the fundamental transformation of business for new kinds of value creation. Net Ready reveals the strategies used by companies that are succeeding in the emerging digital economy and why the initiatives of others have failed. Authors Amir Hartman and John Sifonis combine the proven strategies of Cisco Systems with their years of research and experience in working with Net Ready businesses to illustrate how both traditional brick-and-mortar and born- on-the-Web companies can use the Internet for competitive advantage. What emerges is a powerful toolbox that anyone can use to build and drive a successful Internet business strategy as he or she moves into the new markets and way of doing business.

"What makes Microsoft or Cisco Net Ready? Their ability to execute quickly, to create partnerships quickly, the way they do IT, do E-business, all make them Net Ready."

–Amir Hartman and John Sifonis

"If there is one crucial message, it is that net readiness is not about selling stuff on line. It is about fundamentally recreating and reshaping relationships for new kinds of value creation. It is about speed, agility, and survivability."

–Amir Hartman and John Sifonis

Who should read this?

First, any senior executive who wants to know how to survive and thrive in the new economy. Second, any executive responsible for driving E-commerce for his or her organization. *Net Ready* identifies the pitfalls to avoid and the drivers of Internet success. Four foundational pillars are common denominators for successful E-conomy companies. You can keep your company on a path to success in the new economy by keeping focus on these four crucial areas:
• Leadership
• Governance
• Competencies
• Technology

What does it mean to be Net Ready? Net readiness dictates how ready or how capable your company is to succeed in the E-conomy. The book provides several tools to help determine if you are there, but all start with *Net Ready*'s four pillars.

CISCO SYSTEMS

Drivers of Success & Barriers to Success

Net Ready organizations exhibit certain characteristics that are essential to success in the E-conomy. A different set of characteristics are typical of organizations that are less successful or that have failed. These two sets of principles are the flip sides of a coin that is surprisingly common.

For the reader who wants an organization to thrive and is willing to work to do it, Net Ready provides a set of clear and usable road maps to follow.

Drivers of Success

- Ruthlessly execute
- Aggressively build and manage an e-business portfolio
- Be metrics driven
- Focus on immediacy
- Be customer focused and technology enabled
- Create scalable and standardized architectures
- Create and be driven by a vision

Barriers to Success

- The "Field of Dreams" syndrome
- Inadequate architectures for applications and networks
- Putting lipstick on a bulldog
- Islands of webification
- "Me too" strategies
- One-time-effort mentality
- Thinking too small

Drivers of Success

Ruthless execution. Your business must be able to identify and act quickly on opportunities. Set a window of three months or less to produce results from activities. If you can't execute that quickly, learn how.

Be metrics driven. Emphasize activities that you can measure, and give incentives to reach the metrics. If you can't measure it, ask why you are doing it.

Focus on immediacy. Don't build a perfect solution over a year; build a good solution in a quarter.

Adopt a "versioning" philosophy. Consider no process or product to be complete. Instead, release versions that you can build on quarter after quarter.

Be customer focused and technology enabled. You must have, and must keep your company's focus on, a clear and customer-driven value proposition. What is the purpose of technology? It is a tool to provide more value to customers. It is only a tool.

Create scalable and standardized architectures. You cannot afford the distraction of technical infrastructure issues. Your organization must create a foundation by which you can add value-creating applications without worrying about disparate systems, data formats, and scalability issues.

Create and be driven by a vision. While you are executing three-month plans, you must keep the plans in line with a portfolio of business solutions that support (and communicate) an articulate vision of perhaps 12 to 18 months.

Barriers to Success

The "Field of Dreams" syndrome. The illusion that if you build it, customers will come.

Inadequate architectures for applications and networks. Companies fail to lay down a foundation or a scalable infrastructure. They often have to come in later with a forklift to rip out previous work and install a larger infrastructure

Putting lipstick on a bulldog. "Webifying" old business practices or models by sticking on a Web front end without regard to underlying process issues. The company ends up with a broken and inefficient process that has a pretty user interface (a good-looking bulldog).

Islands of Webification. Creating discontinuous and nonsynergistic applications or pockets of E-business, that often are redundant, without driving toward an overall direction. This characteristic is endemic to most companies of any reasonable size.

"Me too" strategies. Copying or following the moves of competitors keeps you in reaction mode. This strategy is a losing proposition that ensures second-class status. Although benchmarking provides insights and allows you to catch up, "me too" strategies too often are just a fast path to mediocrity.

One-time-effort mentality. Under the old IT paradigm, IT got a project, went away, came back with something two years later and said, "What's next?" This model will no longer do. E-business projects cannot be developed in isolation. Intimate, ongoing participation with end-users is required. Complete projects in three months or less. Most importantly, never see the project as done. E-business initiatives are always in a state of redevelopment.

Thinking too small. Be wary of overdependence on incremental progress. You can't increment your way to success. Be willing and ready to take big steps.

Pillar 1: Leadership

Net Ready leadership starts by empowering every corner of the organization, from the CEO on down, to think and act in E-conomy terms, to use E-business tools, and to hold each person accountable in clearly measurable ways. Create an overarching leadership message that your organization is a Web culture from top to bottom, and everyone is empowered to support and propagate business focused on that culture. The leader's job? Promulgate and demonstrate that message.

Being Net Ready can mean that you are barraged with too many ideas, proposals, partnerships, business opportunities, and barrels of cash. Knowing when to say no as well as yes is critically important. Part of good Net Ready leadership is visibly saying no, and telling your team why you did so.

Tasks your leaders must accomplish to succeed:

- *Solve your business process problems first.* Your fundamental goal is to define how to better address customer requirements, and your team must resolve any internal process issues that distract you from those requirements. This takes precedence over internally focused projects, including the IT infrastructure.

- *Create a high tolerance for ambiguity and even chaos.* Today, the game belongs to teams that can think and act nimbly. Only a few years ago you could use past behavior as a reliable guide for the future. No longer. Advantage accrues to your team when it can learn from the past and also adapt to the reality that the E-conomy is about change and movement.

- *Live E-business from top to bottom.* Net Ready companies have leaders who embrace the Web and extend it to every corner of the organization. John Chambers of Cisco believes that everything Cisco does belongs on the Web and asks his organization to live that belief. Such leaders not only embrace the Internet, they actively push it throughout the organization.

- *Avoid incrementalism.* E-conomy leaders realize that they cannot inch their way to Net Readiness.

- *Be early.* Net Ready leaders tend to be risk takers. Not all risks work, but when you demonstrate taking risks and moving with speed you are making a valuable statement.

- *Engage in counterintuitive thinking.* The E-conomy makes mincemeat of many sacred business values. Success is not pursued directly, it comes as a side effect of focusing on customers and partners and serving them meticulously.

- *Communicate well.* All this is new, and brings new electronic tools to communicate with. Net Ready leaders use these tools and help team members communicate with each other.

- *Share more information, with everyone.* This always feels risky at the start. Cisco leaders took a tremendous risk that has since proved to be visionary. The company has cultivated a culture of sharing information with employees, partners, and customers, and has been rewarded with excellent partnerships. While other companies are keeping much information secret, net leaders are using information to support a tremendous level of partnerships and growth.

"Every company on the planet has an E-business portfolio but many either don't realize they have one or are not good at managing them. Treat yours like a stock portfolio–look at the investments in six months, and ask–are you getting the return that you want? If it is not getting the return you want, kill it."

–Amir Hartman and John Sifonis

Pillar 2: Governance

Your team will always need guidance, and governance provides the set of rules and the structure that you use to determine the way your organization is built and works. It is one of the most problematic issues to resolve when they move to the E-conomy. Governance is the operating model that defines the nature of your organization. Without a good model, your organization will waste time, people, and money instead of directly exploiting creative energy. You use the structure to guide people, not control them, but you need that structure. E-business may look like anarchy, but the successful companies channel their energy carefully. Providing guidance and boundaries will determine the ability of your business to pursue your E-business strategy.

Tasks your team must accomplish to succeed:

- *Create a governance framework, a structure for success.* This framework defines the roles, responsibilities, authorities, and structures for the business, and it must be clear. The framework is not in place to add bureaucracy, but to streamline decisions. Web-born companies may know these things intuitively, but companies moving to the Web have to structure and learn them.

- *Establish a governance model and body.* The model is the set of rules that define the purpose and the structure of the body that manages E-business across the organization. The body can consist of executive ownership, but may be best as a federation that represents the entire business. This governing body acts as a board of directors. It sets direction but does not get involved in execution.

- *Clarify decision processes.* These define the decision-making and funding mechanisms for ongoing planning and management. These include decision mechanisms, the funding models, and the escalation and appeals processes.

- *Promulgate policies and standards.* These are guidelines for implementation of recommendations and for monitoring performance. The standards are behavioral, not technical. Your standards should demand attributes such as ethical behavior, engendering trust, and results within 3 months, not 12. The reason for monitoring performance is to set and enforce service levels.

- *Set and enforce goals and metrics.* Net Ready companies measure ruthlessly, make corrections, and then measure again. They do not work on faith, but on usable results. This does not mean measuring Web site hits, a measurement that is not useful, but measuring real metrics such as sales transactions and dollars, cost reduction, and customer reach and satisfaction. If you want to do serious E-conomy, you need serious metrics.

Trust is a critical issue, an essential lubricant for all virtual business transactions. It does not matter how many rules you put into place or how much oversight you create. The success of your business depends on the relationships it builds with its new partners and employees. Trust is the basis for strong partnerships.

"What is missing in companies that want to be Net Ready but aren't successful yet? Two things. First, they lack a complete strategy. Second, they don't have the key capabilities for execution. The four pillars are the core drivers that will help them correct that and shape how successful they will be."

–Amir Hartman and John Sifonis

Pillar 3: Competency

Competencies determine the way that Net Ready organizations respond to changes in the world, exploit available resources and opportunities, and accommodate themselves to emerging realities. Since the details of E-business are still emerging, your team will need to acquire an understanding of the unfolding (and changing) complexities underlying the E-conomy. Net Ready executives must be able to think concurrently about the effects of numerous events. This ability to multi-task is essential for success in the Net Ready world. Then your organization must evolve ways to coordinate these elements if it expects to deal successfully with the complexity that results from waves of economic, technological, political, and social change.

To be Net Ready also means that you have to learn to move in Internet time. That means ruthless execution and adoption of a versioning strategy. It is more important to get the basic product out today than to get it out with a full set of features in a year.

Competencies your team must have to succeed:

- Manage complexity and change. Where business used to be constrained by physical limits, these are released in a virtual world. Now the constraint is complexity–the limits are the ability of humans to manage increasingly complex, interrelated, and fast-moving activities. Pricing is an example. In the past, you could price by geography, but in a virtual market pricing must be tied to creating long-term value. Your success will be determined by how well your teams can manage this complexity.

- Manage more things concurrently. In the Net Ready economy, everything happens at the same time. Discontinuities are common, processes are nonlinear. Multi-tasking becomes a prime virtue of Net Ready managers.

- Create coherence and set boundaries. Coherence defines the integrity of an enterprise—your team needs know what your organization stands for. Boundaries keep your organization from wandering.

- Lead connectivity. Managing knowledge is a prerequisite for Net Readiness, and connectivity is a requirement for sharing knowledge. The issue is not technical, it is an historic tendency of people to hoard information. But information is different from money or tools—knowledge can be sold or given away and still be retained. Connectivity is a question of attitude, and that starts with the leadership.

- Create and maintain coordination. Partnerships matter; they increase speed and knowledge. To create powerful win-win strategies, it is critical to have partnerships between emerging Net businesses and larger companies with established brands. Exquisite coordination is required for both partners to make explicit their objectives, contributions, and responsibilities.

"Today most companies are primarily in the early stages of e-business, very much focused on content. In phase two, companies become more focused on building store fronts, on customer facing. This requires different competencies."

–Amir Hartman and John Sifonis

Pillar 4: Technology

The purpose of technologies in Net Ready organizations is not to have them for their own sake, but to have them as enablers. The right technologies are part of an architecture that is robust and comprehensive. It must not have artificial limits that get in the way of rapidly implementing E-business.

The right architecture allows your team to add or replace tools whenever it is appropriate. The actual tools will not be very important, but the ability to move recently acquired tools out and bring in newer tools is critical to support scalability and changing requirements. Net speed makes individual technology decisions obsolete very quickly. One advantage to this is that, with a good basic architecture, it is difficult to make a bad individual technology decision. The shelf life of the implementation is too short.

That implies that buying technology is more advantageous than building it. Why strive for the 99th percentile of elegance if the product or application will be replaced in 24 months? Instead, the value to you is in quick implementation and faster time to a stable application.

Technology is not an IT-only function. The IT team must understand the business drivers, but the business people must also understand the technology drivers. What's essential is to make this debate subordinate to a strong business leader who welcomes the input of technical managers but who keeps all eyes on the prize: creating value for the business and customers.

Technology skills that your team must have to succeed:

- *Build and drive standards across the enterprise.* Standards-based infrastructure will support scaling and speed the implementation of new concepts.

- *Demonstrate scalability.* Test that scaling before you need it.

- *Maintain a business-driven technological strategy.* Maintain an enterprise view of business and how technology supports it. Consider structures to bring IT and the business groups together, including mutual accountability, colocating the teams, and common MBOs.

- *Drive to simplicity.* Your team will feel many pressures to move towards complexity, creeping elegance, and nonstandard implementations. Stamp them out.

- *Use a business-driven buy vs. build decision process.* Resist pressures to build a more elegant solution than is commercially available. Take the versioning philosophy to this discussion as well.

The Authors

Amir Hartman is Managing Director of Internet Strategy at Cisco Systems. A renowned author, lecturer, and consultant, for the past 15 years Hartman has worked at the intersection of business and information technology. He is also a professor at the University of California Berkeley's Haas School of Business, where he teaches MBA seminars on E-business strategy. Hartman is the co-author of *The Search for Digital Excellence,* a book on E-business.

John Sifonis is a Managing Director of the Cisco Internet Business Solutions Group (IBSG). A former senior partner in the Management Consulting Group of Ernst and Young, Sifonis has more than 35 years of industry and management consulting experience. He is the co-author of Corporation on a Tightrope and Dynamic Planning.

These authors are uniquely qualified to discuss how to succeed in the E-conomy.

Your Next Steps

Can you delay entering the E-conomy? Yes, but the cost is high. Hartman and Sifonis point out that if you do not move to the E-conomy "you are in serious trouble. It may be a week from now, it may be a year or two from now. You are in risk of losing your customers, of becoming obsolete, and of letting the barriers to entry getting too high."

"The barriers to entry are increasing, not decreasing. They will continue to increase over time. What you need to bring to the table tomorrow is a lot more than you need today. We call this the Amazon effect—look at your experience with Amazon.com. They welcome you, they know what you like, that you read Net Ready, and might want similar books. That experience shapes your expectations of what their competitors should deliver to you." If you wait to enter, Amazon.com will create even more barriers that you must leap to catch up with them.

How does a business start? The authors recommend a specific path. "First, find out how net ready you are. Use the Scorecard to get a good feel for your strengths and weaknesses. Then, from an early stage, focus on the leadership pillar and the competencies pillar. Mandate speed in execution. Make it clear that you will measure and reward people on how they do this."

"As you move forward and start to grow success, it is time to pay attention to governance and technology. Make sure that you build and articulate a 12-month road map of where you are going, one that you can execute in 3-month chunks. Those four pillars are the core strengths. The fact of the matter is that most companies don't do well where it counts, on those four keys."

The barriers to entry are increasing, not decreasing. They will continue to increase over time. What you need to bring to the table tomorrow is a lot more than you need today.

–Amir Hartman and John Sifonis

Tools

In addition to the construct and the examples, Net Ready provides an E-Business Planning Audit, and a Comprehensive Net Readiness Scorecard. These can help guide the reader to which skills and abilities to emphasize to thrive and dominate in the E-conomy.

Web Site

www.cisco.com/go/IQnetreadiness

CISCO SYSTEMS

The current gig economy requires different modes of operating than the standard office job opportunities of the past. To survive, key traits such as versatility, focus and patience are a must. But, which gig economy game plans can take an entrepreneur beyond mere survival, to thriving? Below, 15 members of Forbes Coaches Council explain their top strategies for success in the current gig economy. Members of Forbes Coaches Council share their insight. All images courtesy of Forbes Councils members. 1. Show Utility And Versatility. While it is important to know your areas of strength, the gig ec... International Political Economy: State-Market Relations in a Changing Global Order State Power and World Markets: The International Political Economy The Architecture of Markets The Moral Consequences of Economic Growth. Robert For. Gilpin. N J With Jean Gilpin. G Joseph Grieco. J John Ikenberry. Swedes Facing Rigors of Welfare CutsNordic Countries Survey CIA World Fact Book For recent works on social market capitalism, see Bertell Ollman, Market Socialism: The Debate Among Socialists The Real Worlds of Welfare Capitalism. Overall I found Net Ready an interesting read. Having spent the summer developing an Internet strategy for a client, I found that this book addressed many of the issues we were dealing with. Divided into three sections, the authors provided an easy, straightforward format for readers of various Internet savvy. As is popular with most business books these days, several models have been designed and are introduced to the reader.Â We have heard over and over that the Internet is creating a vastly different world from the traditional bricks and mortar economy. The premise of this book is that the largest challenge facing companies and executives is getting ready to do business over the Internet.