



WHITE PAPER

EXTRANETS AND THE EXTENDED CORPORATION

Corporate Productivity: Re-engineering and Extended Corporations

The cries of the modern corporate Paul Revere's "Focus, Focus! Focus!" have been heard around the world resulting in major re-engineering efforts by international corporations. Global companies are focusing on exploiting their core competencies while outsourcing peripheral business functions to partners that can deliver improved service and economies of scale. The consequence is these companies forge networks of strategic alliances with suppliers and marketing channel partners which increase profit margins, shorten time to market, deliver products more responsive to customer needs, and allow companies to seize new market opportunities.

By restructuring to focus on core competencies and forming strategic alliances companies have redefined the concept of the corporation. Instead of being monolithic organizations, companies are engaged in multiple strategic partnerships that deliver significant functions once considered strictly internal and proprietary. The outsourcing of entire departments, increased integration of major suppliers and increased reliance on indirect sales channels for distribution of products has created the Extended Corporation. This transformation of corporations from tightly centralized, clearly defined enterprises to this model of the Extended Corporation represents a major paradigm shift.

Information and the Extended Corporation: The Corporate Extranet

When corporations held close ownership and control of both upstream suppliers and downstream sales, marketing and distribution channels decisions could be implemented with tight control over corporate information. Now re-engineered into Extended Corporations, companies may see dramatic cost savings from new-found economies of scale, but also experience the challenges of developing and maintaining relationships with new-found partners. Companies often find that while their partners bring the unique skills, knowledge and economies of their core competencies to the Extended Corporation, for the relationship to be successful a vast amount of corporation information must be shared. The Extended Corporation naturally brings the potential for added remoteness in decision-making, reduced information influencing decisions and increased unproductive effort required to close disconnects between the partners. Information about customers, markets, products, orders, finances is absolutely essential to the survival of all companies today. The paradigm shift to the Extended Corporation inexorably brings with it the need to share a rich information flow beyond the traditional borders of the company. Alliance Partners must be able to access appropriate levels of their partners' information to be productive for the Extended Corporation

Challenge of Implementing Corporate Extranets: Lack of Software

Despite the breadth and depth of the paradigm shift towards the Extended Corporation, there has been a fundamental lack of corporate software which supports this new corporate model. Part of the reason for this is that the network infrastructure was not in place to do this. Before applications can be built to reliably and securely exchange significant corporate information between partners the IT infrastructures of the cooperating companies must be integrated with some common data-networking technology. Until recently, the diversity of networking and system technologies that comprise corporate IT systems made it difficult and cost-prohibitive to significantly integrate IT infrastructures across corporations. To provide an information bridge between companies required getting multiple different network technologies to inter-operate, getting multiple proprietary and custom business information systems to integrate, building custom security mechanisms and creating custom applications to display proprietary information.

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However, over the past year, Corporate Intranets based on Internet technology have proliferated. With Internet standards-based networking technology has come a plethora of widely accepted network and data security mechanisms. In addition, the development of "EDI over the Internet" presents a viable and cost-effective technology for integrating proprietary business information systems. Finally, the wide adoption in the past year of web-based technology for managing and displaying business information eases the development of turn-key business applications. The adoption of this technology for Corporate Intranets and the extension of these Intranets to allow access by the Extended Corporation's Alliance Partners through the Internet has created the Corporate Extranet (Extended Intranet). Extranets take a company's existing Intranet and extend it through corporate boundaries to enable electronic business-to-business commerce between the corporation and its trading partners. Access to the Corporate Extranet, within appropriate authorization restrictions, allows Alliance Partners to share information about products, customers and markets, inventories, and pricing policies to make Team Selling a reality.

Implementing the Corporate Extranet: Benefits and ROI

Although there are no current formal Cost-Benefit Analyses of Corporate Extranet Applications, due to the newness of these applications, there is anecdotal evidence from case studies such as the one above. In the words of Cyberdigm Research: "These amazingly promising Extranet applications...can create an application that dramatically enhances the way your company does business...saving millions of dollars in the process."

WebEnable believes that Benefits and Return on Investment patterns with implementation of projects for The Corporate Extranet will closely parallel the ROI and benefits found with similar implementations for the Corporate Intranet, where there have been formal ROI analysis studies done. If anything, cost should be lower, because many companies already have the Corporate Intranet infrastructure and network in place.

A recent study of the ROI for Corporate Intranet projects by IDC, a well known market research firm confirms that these returns are dramatic. According to the report, "The preliminary results from IDC's return on investment study of Netscape Intranets found the typical ROI well over 1000%—far higher than usually found with any technology investment. Adding to the benefit, with pay-back periods ranging from six to twelve weeks, the cost of an Intranet is quickly recovered—making the risk associated with an Intranet project low. The results to date clearly show that for any company, not just those already contemplating an Intranet, the best strategy is to begin an Extranet deployment today.

Meeting the Needs of Extended Corporations: WebEnable Solutions

WebEnable believes that one of the most productive areas for improvement of the Extended Corporation is in support and management of Indirect Sales Channel Partner relationships. WebEnable meets the needs of indirect channel sales for international manufacturing companies with International EDI-integrated Java-based Indirect Sales Channel Automation. Indirect Sales Channels may include a corporation's International Subsidiaries, OEM accounts, Distributors, Value-Added Resellers (VARs) and Systems Integrators (SI). WebEnable offers an integrated suite of applications which can improve the efficiency and effectiveness with which companies communicate product, pricing and order information with their sales channel partners. WebEnable's Sales Channel Automation System includes: Product Management, Order Entry, Order Management, Account Management, Opportunity Management, Dealer Management, Cooperative Marketing Management, Problem Management and Dealer Training Management. All products will include support for multinational, multilingual, multi-currency and EDI-integrated electronic commerce.