

# E-business disaster

## *Why an ambitious and expensive project failed*

**A**fter three years and \$300 m of investment, an e-business initiative undertaken by a global technology solutions organization was recently branded a failure. The initiative, known here as “eCRM”, was meant to link sales, marketing, fulfilment, manufacturing and distribution systems together with the aims of reducing supply chain stock levels, increasing responsiveness to consumer demands, and increasing profit margins by providing a direct link to customers. But all the project finally achieved was a web-interface for online sales. Stephen McLaughlin of the School of Business and Management in Glasgow, UK, has analyzed the case study to put forward lessons to learn and an e-business strategy framework.

When the project began, six key areas for transformation were identified. In the area of customer relationship, eCRM was meant to move the business from a customer transaction model to a customer value relationship model. In production planning it would change from a make what we plan, then sell strategy to plan what we sell, then make. The basis of competition would become a customized, configurable, rather than standard, offering. The business model would change from make and sell to sense and respond. The supply chain would simplify from a multiple to a one supply chain model. Finally, manufacturing capability was meant to change from volume build to customized units of one.

The whole project was managed centrally in North America, with other locations having the responsibility to ensure the system could take into consideration place and cultural factors relevant to business practice. After three years, however, no elements of the system were online and there was no date set for testing or deployment. There was no working aspect of the entire project in place. Why?

Trying to answer this question, McLaughlin gathered data through 346 individual interviews with company employees across the business areas of sales and marketing, fulfilment organization, service and support organization and manufacturing organization. The interviewees were based at sites across the world.

The purpose of the survey was primarily to gain understanding of the level of employee awareness of the eCRM system, the extent to which employees had bought in and felt confident in the system, and their awareness of potential problems that might prevent success. McLaughlin found that 24 percent of the surveyed employees had heard of eCRM but did not know what it was supposed to deliver. Only 28 percent understood the goals of the project and received regular updates about it. So 72 percent of staff were totally unaware of how eCRM was progressing and whether objectives were changing.

The figures for employee buy-in and confidence were similarly low. 36 percent said they had nothing to do with any process involvement activity, and of the 64 percent that did only 15



percent had been asked to provide input into eCRM. Also discouraging was the fact that only 8 percent of those interviewed thought the initiative would deliver its objectives on time.

Other questions showed that the project did not offer a good cultural fit, with employees claiming they were unaware of the change agent, that communication was poor and that stakeholders were not primed on the change. They also pointed to further problems, saying that system users had not been trained, the key people driving the change were not representative of the business, end users had not been employed to help define requirements and the deliverables were not clearly understood. In these responses, the survey showed that eCRM was failing to meet identified imperatives for success in the implementation of change on this scale. McLaughlin argues that it is vital that an e-business framework ensures strategic fit, cultural fit, technological readiness and stakeholder competency.

His further advice on successful e-business implementations includes a list of e-business imperatives adapted from the Gartner Research Group's imperatives for success. The changes to the original list were made following the in depth study of eCRM. In the following list, the Gartner advice is followed by the updated suggestion made by McLaughlin (2009):

1. *Understand the context of e-business.* Ensure that e-business strategy is an integral part of overall business strategy.
2. *Assign accountability.* Understand and continually monitor external environment for opportunities and threats (SWOT/STEEPLE analysis).
3. *Identify suitable opportunities and threats.* Ensure e-business strategy supports the core competencies and any competitive advantages that may exist within the business.
4. *Evaluate your position amongst your peers.* Identify a suitable change agent who will be accountable and responsible for driving the change.
5. *Identify competitive advantages and core competencies.* Recognize the need for infrastructure and training investment at all stages of the change.
6. *Strategize and prioritize.* Ensure that the nature of the change is communicated and the benefits are understood.
7. *Consider alternative business models.* Identify the stakeholders and the impact the change will have on them.
8. *Identify impact on all parties.* Monitor and proactively manage the main resistors to change (people, design, organization, power, and process).
9. *Recognize need for infrastructure investment.* Install a sense of urgency by aggressively leading from the top, and executing throughout the organization as a team.
10. *Aggressively lead and execute.* Consider the option of a strategic (internal/external) alliance in helping to achieve the e-business solution.

Though eCRM was found lacking in areas on both of these lists, following this framework and advice should ensure a much more successful venture.

**“It is vital that an e-business framework ensures strategic fit, cultural fit, technological readiness and stakeholder competency.”**

**Keywords:**

Electronic commerce,  
Management strategy,  
Supply chain management

## Comment

This is a review of “The imperatives of e-business: case study of a failed project” by Stephen McLaughlin. The article is a case study of a failed e-business CRM project. It explains the ambitions of a recent project undertaken by a global technology solutions organization that was deemed a failure after \$300 m of investment, and analyzes the failure against a set of e-business success imperatives. The author identifies lessons that have been learned, and puts forward an e-business strategy framework.

## Reference

McLaughlin, S. (2009), “The imperatives of e-business: case study of a failed project”, *Journal of Business Strategy*, Vol. 30 No. 1, pp. 40-9.

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