

# Business Models for the 21<sup>st</sup> Century

## **Business Models for the 21<sup>st</sup> Century**

By Mitchell Levy

Author of *E-Volve-or-Die.com*, Creator of *The Value Framework™*,  
President & CEO, *ECnow.com*

Business models in the 21<sup>st</sup> Century will take corporate enterprise and business - as we know it - into new dimensions of product and service delivery, new models of partner and customer relationships, and new methods of strategy and value creation.

Business models of this century will be different from "industrial models" in three key areas:

1. **Networked and digital.** The advent of modern telecommunications and a shift to a stronger service-based economy has required business models to be deployed and managed in a networked arena, where digital process and documents will link business applications.
2. **Holistic and extended enterprise.** Technology has driven business models that create, as well as support, the evolution of holistic and extended enterprises, and fully integrated partner relationships.
3. **Engineered for value creation.** Business models are deployed in real-time—and engineered with strategy—for value creation and the continuous alignment of business objectives with corporate ideology.

### **Networked and Digital**

The transforming event in the 20<sup>th</sup> Century wasn't as much the invention of the microprocessor as the ability of computers to link applications with data, and to conduct business among peers over networks.

The digital era brought "always on", round-the-clock computing to business, linking everything electronic: point of sale, inventory and sales forecasting, and Customer Relationship Management (CRM) applications—to create the "360 degree view" of customers. As the fluid media for business process, digital documents, open network protocols, and application platforms have allowed businesses to create models that mirror relationships, rather than forcing relationships to follow models.

These new models include trends towards Web services, the next generation of Electronic Data Interchange (EDI), where eXtensible Markup Language (XML) is used to create self-describing business documents that allow any application to process supplier and consumer inputs, and—through middleware—to interconnect existing business applications. Supply and value chains have morphed into interlocking Value Webs (collaborative commerce aka c-commerce), where transmission of information has

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enabled Collaborative Planning, Forecasting, and Replenishment (CPFR) to extend from end customer to manufacturer. Participants in the latter two examples need not purchase new applications, but instead increasingly focus on process mapping and business process re-engineering (BPR).

Perhaps the best examples of new models are the roles played by marketplaces and exchanges as intermediaries in buffering the risk of holding excess inventories. Digital marketplaces increase buyer and supplier visibility, and also create pools of products and services that can be rapidly delivered in smaller quantities, while maintaining sales volumes for suppliers and manufacturers. More importantly, they aggregate supply and demand, creating market efficiencies as well as opportunities for smaller entities to participate.

### **Holistic and Extended Enterprises**

21<sup>st</sup> Century business models are as much about the new enterprise as they are about new business opportunities. As the Internet swept over the landscape in the late 20<sup>th</sup> Century, many firms were caught by surprise as smaller, nimbler, and increasingly Web-based competitors chipped away at market share, or introduced new models of direct commerce, disintermediation, and complex networked value chains. Global 2000 firms understood well the requirement of EDI, ERP, and outsourcing IT to leverage opportunity and focus on core competency. But many firms struggled with "dual identities" and dot-com divisions. The Web-only based entities are currently being replaced by those offering a blended (physical and digital) holistic approach. The customer cares about being satisfied, not necessarily about channel. As Pat Seybold from the Seybold group has been quoted as saying "When the question is who owns the customer, the answer is the customer owns the customer".

Holistic enterprises evolved when savvy managers realized that corporate ideology and value provided to customers hadn't changed, but networks would forever be pervasive. Application strategies that vertically extended the supply chain while horizontally extending applications to partners allowed for instant and continuous information exchange. The extension of business data created "extended enterprises", where partners and suppliers mutually satisfy end-customers through cooperative and synchronized product and service delivery. These c-commerce models and "Partner Relationship Management" (PRM) strategies, reflect the changes in corporations that have identified how the integration of information and business process can synergistically create relationships that extend to customers.

### **Engineered for Value Creation**

Business models are designed to allow firms to achieve objectives congruent with corporate ideology, and provide lasting value to customers in a competitive landscape. The most difficult part of adapting to the 21<sup>st</sup> century economy is understanding how to engineer value creation for all stakeholders in the extended enterprise (shareholders,

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customers, partners, and employees). Process flow mapping is micro-dissection and misses the focus on the anatomy of value.

In my talk at Comdex Fall 2001, I introduced the Value Framework™ as a rigorous method to align business models with corporate ideology and value creation. The Value Framework™ Methodology examines business models from the perspective of processes, transactions, and participants, and the continuous application of strategy to maximize value and total "process share." The phrase "process share" is being introduced to refer to the percentage of total process a particular company carries in a transaction. The best way to visualize process share is to think about Visa and the amount of process it owns in financial transactions.

Successful business models are shown to have strategically integrated network-enabled processes that extend through all participants in the value Web and provide them value. Analysis and management of the model to achieve the best fit for continued value creation is crucial for success. In analyzing the familiar B2C, B2B, and extended B2B2C models, the methodology shows that continuity of processes, transactions, and participants can occur among customers, businesses, marketplaces, and even applications in peer-to-peer networks. The thread of value must be engineered by strategy, congruent with new opportunities of delivery.

### **Summary**

21<sup>st</sup> Century business will be driven by strategically engineering value delivered through blended physical and digital business relationships. This era will be characterized by integrating customers, partners, employees, and applications in all aspects of business process and corporate ideology.

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### About the Author:

Mitchell Levy is President and CEO of ECnow.com (<http://ecnow.com>), a management consulting helping companies and individuals' transition from the industrial age to the Internet age with strategy, marketing and off-the-shelf and customized on-line and on-ground training.

He is the author of E-Volve-or-Die.com (<http://e-volve-or-die.com>) and author of the Value Framework™ (<http://ecnow.com/value>), Executive Producer of VMS3.info (<http://VMS3.info>), an on-line strategic eZine analyzing companies via the Value Framework™, the Founder and Program Consultant of the premier San Jose State E-Commerce Management Certificate Program (<http://ecmtraining.com/sjsu>), and the Chairman of the Pay-per-Performance PR Agency Media Attention Now™ (<http://ecnow.com/mediaattention>), the on-line learning content production company Transition Learning (<http://transitionlearning.com>), and the CEO Networking organization (<http://CEOnetworking.com>).

Levy was at Sun Microsystems for 9 years, the last 4 of which he managed the e-commerce component of Sun's \$3.5 billion supply chain. He is a popular speaker, lecturing on ECM issues throughout the U.S. and around the world.

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