Business alliances are becoming the norm in the sector
Susanna Arasa, Contents manager EB Center
Expansión

The arrival of Internet software has stimulated business alliances between traditional manufacturers of software and new companies specialising in solutions online.

The integration of companies into electronic markets is contributing to an increase in sales of corporate management software. According to the consultancy firm IDC, the European market for software and ERP services (systems for business resource planning) will increase from 16,288 million euros in 2001 to 26,000 million euros in 2005. This means a rate of increase inferior to that of 1998 and 1999 but demonstrates the consolidation of these systems, even in the small business sector. This is something that nobody would have imagined a couple of years ago. The initial boom in electronic markets between companies (marketplaces B2B) appeared to anticipate a slump in ERPs. Corporate portals with advanced functions in supply and management of the supply-chain promised decisive advantages. Amongst these were more speed, a significant reduction in expenses, and, above all, the opening up of new markets. Because of this many analysts believed the B2B portals would put the manufacturers of ERP up against the ropes.

However, their difficulties have ended. The adaptation of their products to the Internet has obliged them to invest a substantial amount of resources. This is the case of the German company SAP, whose platform mySAP.com has had to go through various versions before being integrated completely into traditional systems of supply management, clients, human resources and other assets of software manufacturers. Furthermore, the initial success of the electronic commerce platforms online obliged the creators of ERP software to reorientate their strategy.

Some have even lost their independence, contributing to a further increase in market concentration in this sector. Among those who have decided to join their enemy, unable to beat them, are IBM and JD Edwards, who have allied with Ariba and i2, respectively. SAP has also taken this compromise path with new manufacturers on the Internet thanks to their alliance with Commerce One, the leading software manufacturer in B2B. The union of old and new actors on the stage appears to be one of the most viable strategies, though not the only one. Oracle, for example, prefers to trust its own efforts, betting on the diversification of its offers, focusing especially on the net. In general, the agreements with the emerging new actors on the Internet stage have allowed the old business software guard to gain time. First of all, the traditional manufacturers have had to redefine their products and even their mission in a market which is still immature but moving at top speed. This is demonstrated in a study by Booz Allen Hamilton, which affirms that in the last five years some 2,200 digital markets have been created around the world, a high percentage of which collapsed during 2001.
In theory, electronic markets B2B should contribute value to the companies which form part of it. In reality, they act like a shop window (front-end) that allows the placing of orders or the presenting of offers registering what is happening in each market. However, they do have a weak point. In themselves, they are not in a condition to guarantee efficient management of all the operations involved due to the fact that they haven't really finished integrating themselves into the internal software systems of the companies (back-end). Fortunately, we're dealing with a problem which has an expiry date.

**Future**
Although at the moment the manufacturers of B2B software like Ariba and Commerce One are at a low point due to poor financial results, the consultancy firm Meta Group affirms that, in the next five years, the B2B portals will become the basic working environment for big business users. Moreover, from 2004 a standard type of technology will become available which will drive the creation of portals capable of operating without problems with any type of corporate application, that is to say, with ERP systems.

These tools, initially conceived to integrate in one system the distinct computer islands of the different departments in companies, are demonstrating a surprising capacity to adapt.

In the new phase that is coming the frontiers, which at the moment separate companies from one another, should be demolished. This time they won't be alone, they will form part of a wider and more complete system: the electronic market. Their mission will consist of really integrating the transactions, the information, the catalogue and project management of B2B markets into the heart of the corporate system.

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**The Question**

"What should the interrelation between marketplaces and ERP be?"

**Towards a necessary standardisation**
**Brian Subirana, IESE professor**
Marketplaces endeavour to develop support services for companies. The most utopian theories propose integrated systems, in which information flows without hindrance to make work easier, and the automation of all processes. However, reality shows that it is much more complicated and expensive than that. One of the most important costs of change for companies is the integration of services into ERP or internal systems of the company. This interrelation must be of the highest standard possible with the aim of making the adoption of marketplace services easier, and of showing their validity on a legal level and on a cost basis. Standard models like XML and SOAP try to make standardisation easier although this isn't possible if there isn't an acceptance at a local level in a particular sector.

The problem starts with the standardisation of internal systems in the company. The majority of companies have made use of multiple systems implemented throughout their history in which there is very little standardisation.
Coordination, the key to the market

Elena Mendoza, Senior Manager of PwC

The implementation of an ERP system is normally well fitted into the global strategy of a company. The same doesn't necessarily occur in the case of creative initiatives or in integration in the centre of a marketplace, now that they can be promoted through a particular area in the company. On the majority of occasions, this favours discoordination, encouraging an inconsistent image of the company in front of their external collaborators. Furthermore, there is a tendency to postpone the integration of marketplace with ERP, which creates additional work when many of the anticipated benefits are eliminated and the time needed to process a transaction is increased. Companies need to achieve a reasonable balance between risky approaches and approaches which are too traditional and slow. So they must make sure from the start that the initiatives they undertake are completely in line with and directed through processes of negotiation, personnel, technology and organisation.