

Diebold Corporation

Proposed Electronic Business Strategy
A Survey of Company Readiness, Its Competition
& Recommendations for Next Steps

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May 30, 1999 – Final Draft

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Executive Summary

This report concludes an in-depth study of Diebold's business, markets, and Internet-related initiatives. The goal? To gauge the company's ability to develop an e-business model and to suggest a destination and roadmap for getting there.

Despite all the media hype around e-business, only a few notable companies are doing it well and that's partly why their names are so well-known (and mostly why their market capitalizations are so high).

Most large firms – Diebold and its competitors alike – face formidable organizational, operational, cultural, and technological legacies that the e-business leaders did not face. That's not to mention the daunting task of internetworking all existing customer interfaces, not just a new one called the Internet, to serve customers and all other company stakeholders much, much better and on a global basis.

To be sure, companies like Dell, Cisco, and Fedex had relatively clean slates as they grew their business models around the Internet, although others like Microsoft and Hewlett-Packard have done incredibly remarkable jobs turning their firms into e-businesses in short order.

Diebold's irony is that it is a high-tech firm competing not only against its traditional rivals, not only against upstarts, and not only against new technologies; it is also competing against its own inertia – tradition-bound, low-tech business processes and behaviors in the face of compelling imperatives to change.

But eventually – within 18 to 36 months – customer expectations will drive all large enterprises to implement integrated, e-business models. Most companies, Diebold included, will find doing so will require more sweeping business reengineering than ever was suggested over the past 15 years. Done right, it will also require at least as much focus as has been given Y2K issues over the past few years.

The good news for Diebold is its traditional competitors do not – for now – pose e-business threats, as best can be discerned at this time. And the better news is that Diebold has a lot of bright, talented, and visionary people who want to remake the company along e-business lines (but for now lack the leadership, organization, and resources).

This report cites specific business and technical issues that Diebold will face in conceiving a global e-business strategy. It states reasons why the company should have such a strategy and elaborates on the following recommendations toward conceiving and implementing one:

- Make dramatic improvements in the existing website and provide Diebold's international operations with a publishing framework, templates, and guidelines
- Develop an executive management consensus of what e-business should be
- Identify an e-business champion on the executive team
- Build a full-time e-business work group – not just a web team – and begin evangelizing an e-business orientation throughout the organization at large
- Define specific value-adding features and functionality across the customer buying cycle, then validate by customer research
- Develop a conceptual e-business series of processes, enabling technological architecture, and metrics of success
- Communicate, educate, implement, measure, refine, redesign, and implement anew.

Obviously this approach is not technology-driven, nor should it be. It should be business-driven, helping Diebold be easier to do business with, raising customer satisfaction, building incremental top-line revenues, and boosting profitability.

As such, the people guiding this effort should represent customer and channel interests, although they should also be technology-savvy. These people must have excellent working dynamics with

Diebold's business administration/process staff (who also should be technically adept) and with the information technology experts within the company. Together, all need to be excellent project and people managers who can plan, execute, and deliver results.

This report is not a series of recipes, prescriptions, or specifications of what Diebold must do. Instead it only offers the recommendations above with a most speculative timeline of how the company could conceive and realize an e-business model within three years, given those recommendations.

At this point, too, it can only be said that Diebold should expect to spend many millions of dollars to start down this path and several tens of millions to build out a comprehensive e-business model. In return, it can expect quantum gains in a wide range of business performance measures, in financial terms as well as in non-financial leading indicators like cycle times, customer satisfaction, customer retention, share of customer, and customer life-time value. Last, the appendices offer a trove of additional information, including tools that can be used to survey customers and build business cases for discrete e-business functionalities.

