

Online resource #2: Teaching note for the Catatech case¹

The Catatech case is typical and representative of a crisis facing many companies and many IS departments as the Internet gained widespread acceptance towards the end of the millennium. The challenge Catatech is facing is really one of globalized markets--the Internet is only the symptom of the crisis. Most companies (particularly European-based internationals) have grown up the way Catatech has grown, and has been managed in a decentralized manner.

I use this case as an introduction both to electronic commerce courses and as an introduction to case teaching classes for students who are new to case teaching. The case can be read in class – it is only two pages – and students can have an understanding and opinion of it without having to prepare much. At the same time, the case has depths that are not apparent in the first, quick read, such as the role of the history and structure of the organization in struggling against a potentially disruptive innovation; the difference between the apparent problem (convincing the CEO) and the real problem (dealing with disruption), and the difference between the previous IT successes (ERP rollout, laptop for salespeople, which support the organization's current business model) and eCommerce, which does not. Most students do not see these issues, and drawing them out allows the teacher to make students aware of the value of discussion to reveal perspectives and the need for detailed preparation to be able to participate in it.

There are four versions of the case at present: The English original, a Portuguese version, thanks to João Paulo Tinoco (jptinoco@openlink.com.br), a Spanish version, thanks to Prof. Evaristo Colomina (evaristo.colomina@ua.es) of the Universidad de Alicante, and a Chinese version, thanks to Jinsong Gao, an MBA graduate of BI Norwegian Business School, and in French – or, rather, *le français québécois* – thanks to professor Jim Denford of Collège militaire royal du Canada. These versions are available at <http://www.espen.com/papers/#cases>.

Analysis

One of Marisa's challenges is that she sees Internet as another technological problem with business implications. This leads her to think it comparable to problems she has previously faced and solved, namely the introduction of the ERP system and the laptop introduction for the sales force. When she successfully pushed through an ERP system and managed to reduce inventory and speed up order fulfillment around the world, she was not revolutionizing the way things were done, but rather supporting the organization's existing business model. The ERP system allowed each geographical organization to do better on its own. Naturally, conflicts will arise when a standard package and a standard way of doing things is introduced, but these difficulties can be overcome, partly by allowing variation, partly by overriding particularly virulent opposition because it will be opposition from just one business division at a time. The implementation of an ERP package in a geographically organized manufacturing company will be resisted like any change proposition, but if the regional organizations trust the corporate organization not to try to take them over, the change can be effectuated.

The challenge of the Internet is quite a different problem. Headquarters cannot assure the regional organizations that things will be the same (if slightly more digital) after the transition. This time, there

¹ Espen Andersen prepared this teaching note as an aid to instructors wishing to use the Catatech case. It is included here as a short example of a teaching note.

might not be separate regional organizations with partial ownership and P&L responsibility, because the Internet recognizes no geographical borders and makes long-term product differentiation difficult. Catatech needs to decide whether they are in the commodities business, pushing their easily categorized products globally and competing mainly on price and availability, or whether they can improve their margins by increasing the service portion of their offering and, perhaps, increasing the functionality and complexity of their products, for instance through integration with customers' information systems. Given the homogeneity of the customer base and the locality of the problems they are solving, the long-term prospects of the company really lies in global product sales. The Internet site Marisa has found may be the thin edge of the wedge -- of negligible impact now, but just wait.

Convincing Carlos to move forcefully now is not going to solve Marisa's problem. Aside from the low likelihood that Carlos will be swayed, the organization does not have a tradition for moving quickly at the instigation of a central leader. Carlos and the rest of the organization need to hear the challenge of the Internet from several sources, from inside the organization and outside it. Marisa must approach the most important regional leaders and explain the problem to them, selecting people with an international view who can see themselves operate in a globalized organization. She must, of course, find allies in headquarters. Most importantly, she must develop examples from similar industries to illustrate what happens when the sales channels are going electronic. Natural examples can be the hospital supply industry, which has long provided "tools" for doctors and nurses and has been revolutionized through electronic sales channels, or the bookseller business which is currently being challenged by Amazon.com.

Suggested study questions (for giving the students ahead of time):

1. How threatening is the prospect of electronic commerce to Catatech's business model and competitive position?
2. How can Catatech respond to the situation?
3. What should Marisa do? What are the strengths and weaknesses of her position?

Suggested literature:

- Christensen, C. M. and M. Overdorf (2000). "Meeting the Challenge of Disruptive Change." *Harvard Business Review* (March-April): 66-76.
- Christensen, C. M., M. Raynor, et al. (2001). "Skate to Where the Money Will Be." *Harvard Business Review* (November): 73-81.
- Earl, M. and D. F. Feeny (1994). "Is your CIO adding value?" *Sloan Management Review* (Spring): 11-20.
- Mintzberg, H. (1990). "The Manager's Job: Folklore and Fact." *Harvard Business Review* (March-April 1990): 163-176.

Suggested teaching strategy

1. Start out with a discussion of Catatech as a company and how it came to have its current business model.
2. Flesh out the participants of the case: What are their backgrounds, their priorities.

3. Discuss the challenge of e-commerce: What does it add to the situation? How is it different from other competitive threats Catatech may have encountered so far?
4. What are Catatech's alternatives when it comes to implementing electronic commerce?
5. What should Marisa do?
 - a. if the students say "convince Carlos to make a top-down decision", raise the question of whether, if she is successful, Carlos will accomplish anything
 - b. if the students say "wait and gain momentum through building alliances", raise the question of whether they have enough time for that.
 - c. other possibilities: Set up an electronic commerce-based subsidiary, set up a tracking stock, etc.
6. What is the applicability of this case – how does it rhyme with the students' own experiences in their companies?