CHAPTER 2

Exploring the potential for partnerships

Strategic alliances and structures for electronic futures

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Introducing the author – Bev Bruce

"Strategic alliances and structures for electronic futures" was originally written by Bev Bruce in 1996. As a background to this project, Bev had been involved in various initiatives which inevitably entailed breaking new ground and working cross-functionally within MCB University Press. These included: the implementation of a marketing database; the introduction of an IT strategy whilst developing the role of information management and its business alignment with information technology; the implementation of two logistical flow systems, namely promotional information and production tracking; business alignment for the integrated customer environment (ICE); responsibility for customer development in the practitioner market; and management of electronic publishing. In September 1994 Bev was asked to explore and develop the digitization of MCB's journals for electronic delivery.

Bev Bruce's goal in writing this study was to address the implications of electronic publishing with a view to identifying a two- to four-year plan of the strategic input required to ensure the survival of MCB University Press as an organization in the future. The study sought to highlight the players involved in the electronic publishing arena and to identify the use of potential alliances to ensure such survival.

In the earlier chapters of this project, Bev attempts to highlight the impact that electronic publishing would have on traditional publishers. Paper-based publishing adheres to an entirely different set of rules and, as such, publishers that wished to survive the onslaught from the non-traditional publishers and meet market demands needed to think carefully about their electronic strategies.

Bev's paper is based on study of reports, books and articles, interviews with MCB board members and senior managers, material gathered during formal meetings with various alliance parties, and discussions held prior to commencing the project with potential allies in the United States. The latter included Cambridge Scientific in Washington DC, UMI (now Bell & Howell) in Detroit, Michigan and Information Access (now Gale Group in Foster City, California). Because electronic publishing is at the cutting edge, with little published literature available at that time, it was accepted that observational, anecdotal and empirical evidence might be used.

Introduction

Today publishers recognize electronic publishing (EP) as an important area for strategic development. Probably the most significant lesson learned over the past decade, and one that is well documented, is that of recognizing the length of time and scale of investment required to create market demand.

Publishers are expert in the promotion, design, production, pricing, distribution and sale of paper-based products and, as such, they are sophisticated players in the information market-place. However, EP presents a whole new set of problems which do not fit the print-on-paper rules. At the opposite end of the spectrum from conventional periodical publishing, with its focus on the sale and renewal of a journal title delivered as predetermined issues, there is that sector of the information publishing industry which meets the market requirement for on-demand information that is either volume-dependent or time-dependent. The EP issue here has not been one of creating market demand but, instead, the enhancement of the functionality of information provision which has been enabled by technological development.

My aim in this study is to investigate the changing face of the publishing industry in terms of the supply and demand chain of authors via librarians to users, the distribution and marketing channels, and the ever-changing technological developments. I have explored the literature covering the areas of strategy and reflected on a change in position from paper-based publishing to electronic; a change in perspective from "going it alone" to one of considering alliances with organizations that have the expertise to deliver content or provide technologies. Competitive strategy reviews the changing trends of customers, suppliers, new entrants, competitors, substitutes and a sixth force which is emerging in the form of the institution. The publisher's value chain and those areas in which it is strongest are analysed for competitive advantage. Strategic architecture focuses on what we should be doing right now to intercept the future, and core competences are examined for fit with mission.

I set out to assess the degree to which MCB's experiences of traditional publishing may help the company to transcend the obstacles it might face in the electronic publishing environment and to establish where EP products are, or are likely to be, in demand; to identify internal assets in order to locate those most suitable for multimedia exploitation; to establish access to authors who can contribute to the development of added value for new media products; and to match market research to MCB's asset audit to develop exploitation plans.

It is my belief that the only way to enhance our understanding of the electronic business and its market is to disaggregate the components for the purpose of analysis and then explore the opportunities for synergy between these components in developing an overall strategy.

MCB's Electronic Publishing Initiative (EPI) has spent the past two years developing electronic products for the traditional publishing base. In order to make the quantum leap from the use of electronic products simply as enhancements to traditional printed products, to full involvement in electronic developments, these electronic products need extensive investment in terms of distribution, marketing and technology development. I believe there is a danger that these products will be left out of mainstream activities because they are different, will not necessarily provide a high return on investment, demand creativity of content and packaging, require new production processes or necessitate dedicated customer care.

My goal then is to analyse the current status of electronic publishing within MCB University Press and the effects of the EPI's endeavours. I will look at the traditional role of the paper-based publisher, and compare and contrast it with the ever-evolving role of electronics. I will also review the company's value chain as part of the overall value system of authors, publishers, disseminators and consumers, and attempt to draw conclusions as to who is best serving the various elements of the chain.

My ultimate aim is to present a two- to four-year view of the opportunities and dangers in the present and predicted setting of MCB University Press, investigating:

- the essential economic, technical and physical characteristics of the publishing industry;
- trends suggesting future change in economic and technical characteristics;
- the nature of competition both within this industry and across other industries; and
- whether strategic alliances should form part of the organization's future strategy.

Whilst recognizing changing market opportunities, this project should assist MCB University Press in terms of positioning itself for the future. It should aid the organization to recognize and understand that co-operating for competitive advantage could enhance strategic growth, improve market access, add product value and technological strength, strengthen operations internally and identify key partners.

Addressing the conundrum of electronic publishing

Electronic publishing (EP) requires a different culture compared with traditional print publishing, one that is more demanding in terms of creativity and needs an intellect able to manage the interplay between content creativity and exploitation of technology to a greater extent than has ever been needed in the case of print-based publishing. EP can be misjudged as an investment opportunity without proper evaluation, and EP enthusiasts can upset the status quo by pursuing a project which creates antagonism as a result of misunderstanding of the investment and time-scale requirements for product development and revenue generation.

MCB University Press's strengths lie in the provision of content and production of electronic material. It does not have sufficiently wide distribution networks to deliver its material electronically. Neither does it have the in-house competences to develop the technologies required for delivery of material over the Internet, access management of subscribers, billing on usage and on-demand publishing. It needs, therefore, to pursue strategic alliances to fulfil its strategies.

Traditionally the markets for MCB's current paper-based products are academic institutions, their libraries and the academics within. Academics are the authors of most of the traditional paper-based products and they are also the end-users. More than 60 per cent of articles are generated via the university system, and with academics judged on their published contributions, the "publish or perish" syndrome only adds to the amount of information in circulation. Information oversupply can prove a problem when journal articles are not aligned with the markets that buy them. Demand for journals, on the other hand, is dictated by the ability of research libraries to win a share of institutional funds. University administrators are instrumental in cutting these funds, given the feeling that publications are in many cases stored and never consulted. In the UK alone, libraries' claims on the institutional budgets have fallen below 3 per cent of the total. The requirement now is for the institutional library to provide just-in-time, not just-in-case material.

There have been no new revenue resources to compensate for this development and consequently there appears to have been a convergence between the information services and computer departments to fund subscriptions to new information services. Alternatively, end-users are using credit cards to buy information services. This gap between supply and demand has led to claims by the library community that publishers are exploiting the situation by overcharging. *Trends in Journal Subscriptions*, a survey conducted by the Publishers Association in 1994, suggests that subscription sales are experiencing erosion of 3 to 5 per cent per annum.

This policy of huge price increases by publishers will ultimately threaten to implode. The higher than inflation price rises are being absorbed by fewer and fewer subscribers. New customers can be sought but the information revolution espouses a "more for less" mentality, and therefore they and current customers will be inclined to seek more cost effective materials. Cost effectiveness here can be measured as price per usage of the journal, rather than price per journal subscription. The more a librarian can demonstrate that a journal is being used, the less likely it is to be culled from the collection.

Major reports and investigations have been undertaken as a result of the dilemma of falling library budgets. One such report, the result of an investigation commissioned by the Higher Education Funding Council and chaired by Sir Brian Follett, recommended providing more funds to assist libraries to move into the electronic era. Funds in excess of £45 million have subsequently been made available for this. Library services will be networked around campuses and electronic data stores available for online searching. This in essence makes the journal held electronically a far more attractive commodity. Several hundred or several thousand users for an electronic research library will mean that the journal usage model of cost effectiveness will come into its own and the price of the product will then be seen in a more positive light.

Marketers will need to observe geographic segmentation of the markets. Traditional paper-based products will still have their place in most libraries but essentially, I believe, on an ever-decreasing scale where those markets have begun to make their collections electronic. Paperless libraries are springing up in the Far East and China, where in some instances paper was not an option. The USA has embraced the Internet and electronics, and the UK and Europe are following its lead.

Traditional periodical publishing has entailed the sale of the journal, comprising a number of articles, with accompanying abstracts, contents pages, annual indexes, etc. In recent years a division of MCB University Press was set up to reuse, repackage or transform material with the aim of adding further value to the journal. The product, i.e. the volume of the journal including a predetermined number of issues, was sold on the basis of a subscription, paid annually in advance of publication. Subscribers renewed their subscriptions at the end of a volume.

The journal publishing industry has been in the most fortunate position of receiving at least 80 per cent of its revenues in advance. MCB in particular, selling high-price, low-volume publications, has enforced a high pricing policy which has entailed ensuring the level of the journals' previous years' revenues is maintained through renewals, whatever the predicted level of erosion within the subscriber base.

Library budgets are gradually being eroded and the resultant high prices to recoup this loss in revenue from customers are falling on fewer and fewer subscribers, or the loss has to be made up from sales to new customers. The tables however, are about to turn. The new reality of electronic publishing is a "more for less" mentality.

The challenge of the future

The library market, i.e. academic, institutional, corporate, etc., is considered a prime target for sales because of its multiple-subscription purchasing behaviour and a high propensity to renew. The traditional paper-based system in which libraries acquire resources just in case scholars and students need them is increasingly difficult for the institutions and their libraries to support and sustain.

The challenge for libraries is how to base their systems on "just-in-time" services. The electronic era has also presented the possibility of the librarian's role being circumvented, with information being delivered direct to the desktops of students and academics. This emerging paradigm means that the virtual library will harness the power of the personal computer to create an open system accessible to anyone, anywhere, at any time. Technologically this assumes seamless transferrence of data in formats specific to the institution's systems.

I believe that such a seamless process cannot be easily achieved and will require standardization of several elements such as the information itself, platforms, search and retrieval engine software, and more crucially the management and control of the Internet. It also requires a change in mindset, although we must continue to accept that "for better or worse, the volume of material held, is a cherished measure of library quality and is likely to remain so for some time" (AUCC-CARL/ABRC, 1995).

There has recently been a proliferation of professionals, i.e. practising managers and senior professionals, within MCB's subscriber base, due largely to acquired and newly launched journals. Essentially the focus of MCB is to draw the practising manager into academe and vice versa. True professional publishing is an area into which the organization has made occasional forays, but too briefly to explore it sufficiently. MCB-UP's experience to date is that professional managers are less likely to purchase multiple subscriptions or to renew than academic institutions. Given managers' buying behaviour, I will explore the possibility of delivering electronic material on a monthly subscription basis, with added payment for article download.

The key to success in electronic publishing

Electronic publishing's success hinges on market demand, a fact which has been overlooked on numerous occasions by would-be players in the EP business. Creating market demand is a new experience for most publishers (Blunden, 1994). Many publishers would refute this, quoting examples of successful new launches and so on. This, however, misses the point. The market-place for paper-based products is well established and took some 500 years to mature. Traditional publishers are expert in this process with paper-based products and as such are sophisticated players in the information market-place. Electronic publishing, however, presents a whole new set of problems which do not fit the print-on-paper rules.

MCB is very successful in its core business of publishing management titles in hard-copy printed format. If there were not challenges to this core function, then current strategies of incremental change would be sufficient to move the company forward. The immediate threats, however, are the delivery of material electronically, the disaggregation of the traditional journal into single article delivery, and the technologies that enable that delivery.

High-volume delivery via CD-ROM or the Internet generally is perceived to cost less than hard-copy publication. (Exceptions to this rule occur in the medical, legal and scientific markets where niched electronic publications warrant high prices.) Does MCB's future lie in the brokerage of information (Barker, 1994)? MCB must now address this conundrum and review how it can realistically sell high-volume, low-price material whilst not damaging its traditional core business.

Today's problems

It doesn't work to leap a twenty-foot chasm in two ten-foot jumps!

(American proverb)

Facing up to strategic issues

In the first quarter of 1996, forecasts for achieving sales turnover showed a marked downturn in renewal revenues. It is expected that new sales will go some way to ensuring the required turnover. Renewal revenues however are the prime indicator the company has in terms of price elasticity in the current climate.

Recognizing this downturn has resulted in a conscious effort to control costs more tightly, in essence to enable achievement of the forecast profit levels. This action, whilst serving short-term requirements, does mean that the board of directors, now more than ever, needs to address:

- the pricing structures;
- the effect of electronic publishing inputs to the mainstream paper-based products;
- maximization of prices whilst selling the benefits of journal usage *vis-à-vis* licensing; and
- exploration of parallel revenue streams from selling electronic access to databases of articles on monthly subscription terms and charging for document delivery of the selected articles.

Publishing companies continue to feel confident in their business positioning because of their long historical background in content ownership, publishing skills, relationships with authors, editors, distributors and final consumers. Traditional publishing is profitable and many publishers are reluctant to jeopardize their position by investing in the uncertainty of electronic publishing. They adopt a wait-and-see position, assuming they can enter the market once it has become established. As an option this is acceptable as long as they have made no investment to date. I consider that, having made the initial leap as MCB University Press has done, to then sit back and await further developments would be to commit commercial suicide. The conceptualization and creation of these products must continue.

Pursuing an electronic route

For a number of years now there has been a designated senior manager who has been responsible for setting up deals with subscription agents and third parties to undertake the marketing of MCB's products. Subscription agents were largely responsible for using their existing databases to identify customers of comparative journals to whom they could cross-sell the MCB products. They in turn were paid a large percentage of the subscription revenue for the initial sale and further revenues for renewal either at a percentage or flat rate fee.

Whilst this activity has not meant the discontinuation of internal efforts, it has spawned very good revenues, when measured over the lifetime value of the subscription. It took some time for the agents to buy into this activity. However, as time and systems have evolved, they have realized the potential worth of their customer databases. Third parties have become involved in similar activities, either wholly funded by MCB University Press, with a commission payment for revenues in excess of targets, or through the funding of an MCB "representative", with commission paid on sales and renewals.

There are two distinctive hard-copy distribution channels: the librarian who acts as information broker to academics and researchers, and the professional or practising manager (see Figure 2.1).

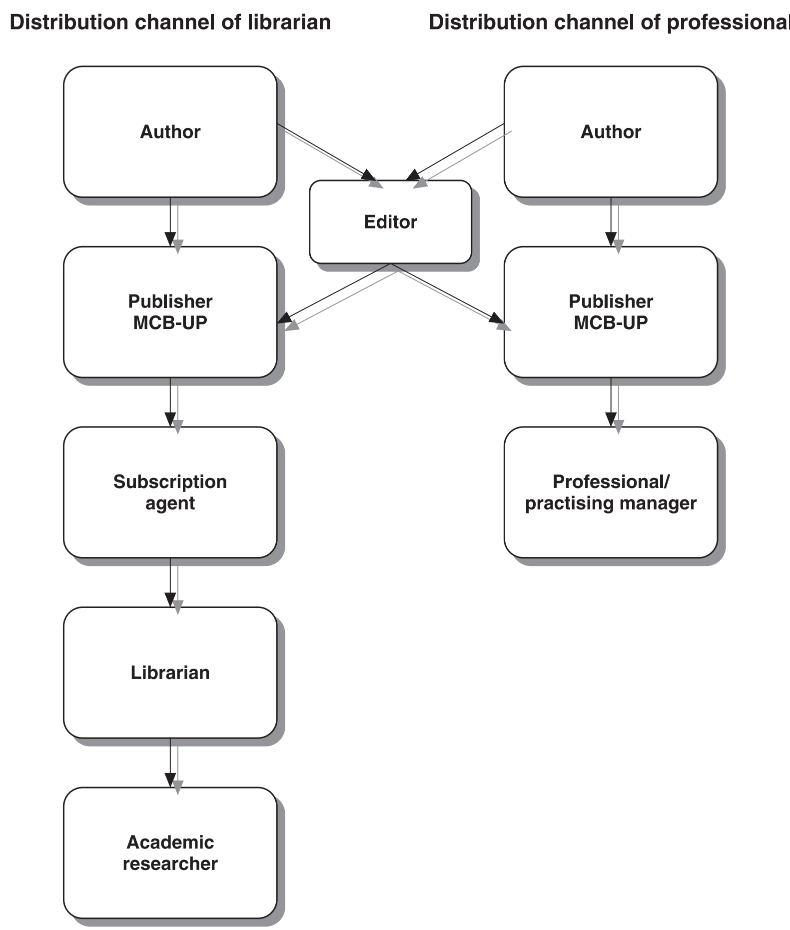

Figure 2.1
MCB's distribution channels

The librarians' distribution channel includes the subscription agent and recognizes that the librarian is acting as broker to the consumer. The practitioners' channel could also include a librarian. Agents in effect play a value adding role in the distribution chain by simplifying and consolidating the process for the librarian. They provide a "one-stop shop" for librarians who require access to vast numbers of publishers, ensure consolidation of dispatches, and maintain and manage financial and management information on behalf of the librarian and publisher. Agents have attempted to position themselves to ensure they remain an invaluable part of the distribution channel and in the past few years have considered their role in article delivery and more recently in accessing publishers' databases of material for delivery to the customer.

The manipulability of electronic material will, it is believed, make access much easier and allow for varying multimedia deliveries. The growth of the Internet is fundamental to electronic distribution and, with converging technologies, ease of use and software available at point of access, information will become more accessible than ever. Seamless and transparent interfaces are the order of the day. It is recognized, however, that until communication and bandwidth technologies become less expensive, there will still be parts of the world where the process will be considered too costly.

The only information provider of any significance used by MCB was an organization based in the USA. The agreement involved the free provision of all MCB journals in return for a percentage commission based on usage; commission varied in relation to the number of years of archive material which existed for any particular journal. There was an awareness that the product owned and sponsored by this organization and the methods by which it was sold were increasingly becoming a threat to any electronic delivery MCB itself might plan. Value added content was a raw material for which the organization did not pay and which was sold on to its customers in a refined state. The company's presence was, however, significant in libraries around the USA and its sales efforts were moving aggressively into Europe, the Far East and Australia.

The software providers used were essentially those organizations that allowed MCB to take its value added data and enhance it further for the customer via search and retrieval engines. These engines are familiar to the library market and are recognized for their user-friendly interfaces. MCB added further value to the data by classifying articles using criteria understood by academics and researchers, and applying indicators of the quality of the material in terms of its readability, originality, and practice and research implications. Having established which search engines to use with the CD-ROM technology, it is also imperative that this familiar mechanism is transferable to other media outputs, e.g. the Internet. This way there should be seamless transition for users of the technology.

Today's weaknesses and threats

> It is a terrible thing to look over your shoulder when you are trying to lead – and find no one there.
>
> (Franklin Delano Roosevelt)

MCB recognizes the changes in the external environment and believes it has a part to play, and its customers and distributors are moving to adapt to the changes, whilst maintaining or enhancing their roles. As a publisher, making the transition internally, i.e. within the organization, is more difficult. Transition is a harder nut to crack because it is not about the outcome but rather about leaving the old situation behind. It is the time and place when the old habits that are no longer relevant to the situation are extinguished and new, better adapted patterns of habit begin to take shape. It is about overcoming people's insecurities about the new scenarios that exist in the market-place and convincing them that change is dependent on the transformation that must take place within the organization.

MCB acknowledges the impact of information providers using value added material at reduced prices, with few revenue streams for the publishers. It understands the changing delivery mechanisms and the market-place in which they operate. It accepts that it is in the same boat as a number of other publishers and that new competitors are emerging under different guises. The strategic issues that MCB faces as an organization are defining the business, the new basis of competition and the identities of its competitors. This would suggest the need to monitor market intelligence together with a continuous updating of future scenarios. The key issue here is whether or not the entrepreneurial spirit of old is able to find adequate market intelligence and reliable and believable future scenarios.

Tomorrow's solutions

> One doesn't discover new lands without consenting to lose sight of the shore for a very long time.
>
> (André Gide)

The strengths of MCB lie in its ability to adapt and reorganize according to market needs. To date, it has followed an opportunistic strategy (Mintzberg and Quinn, 1992) which presumes flexibility: it is able to think small and move quickly, without too many infrastructural constraints, and this enables the company to embrace new initiatives.

In the past the partner/owners would take calculated risks on the basis of instinct but in the realization that they could fund such ventures internally. Profits were used to drive the business and to improve things, both for the employee and the organization – to do things and do them even better and more abundantly. It is my belief that MCB is a community which has built the organization: one supports the other; the organization is eternal (Handy, 1991). Whilst the profile of an eternal organization should suit the company's bankers, they may well curb initiatives where they cannot see a return on investment. Nevertheless the future of the business in such areas as development of electronic publishing strategies cannot be compromised.

Measuring the tangible benefits of those parts of the organization involved in electronic publishing will be difficult, but it is essential that these strategies are not jettisoned in favour of a numbers game. Commercially the Internet, for example, gives no indication of the revenue streams it is likely to provide. But equally the organization cannot afford to be complacent about the role it may play in publishing. Ours is a role of anticipatory learning – we have no way of knowing the future but we need to be prepared in the best way we can. Innovation fits into MCB's strategy and resources: skills, technology and organizational commitments are structured accordingly (Mintzberg and Quinn, 1992).

Mapping a strategy

Mintzberg's Five Ps can be taken to illustrate the meaning of strategy (Mintzberg, 1987). "Strategy is a unified, comprehensive and integrated plan . . . designed to ensure that the basic objectives of the enterprise are achieved" (Glueck, 1980). This definition by its very wording suggests a structured cohesive plan which, if followed to the letter, will ensure that organizational objectives are achieved. Defining strategy as a *plan* alone is not sufficient; we also need a definition that encompasses the resulting behaviour.

Strategy as a *ploy* occurs when manoeuvres are used which are intended to outwit opponents in competitive or bargaining situations. The real strategy here is the threat rather than the actions themselves. Ploy can therefore become a plan.

Strategy is a *pattern*, meaning "a pattern in a stream of actions" (Mintzberg and Waters, 1985). For example, when Henry Ford offered his Model T only in black, that was strategy. In other words, by this definition, strategy is consistency in behaviour, whether or not intended. One could go further and impute intention to that consistency, i.e. assume there is a plan behind the pattern. Definitions of strategy as plan and pattern can be independent of one another: plans may go unrealized whilst patterns may appear without preconception.

Majone (1976-7) states that strategies "may result from human actions but not human designs". The gurus have thus labelled the original strategic plan as "intended strategy" and achieved plans as "realized strategy". This then enables one to distinguish "deliberate strategies", where intentions that existed previously were realized, from "emergent strategies", where patterns developed in the absence of intentions, or despite them, i.e. "unrealized strategies".

Strategy is a *position* which means locating an organization in what the theorists call an "environment". In this instance, strategy therefore becomes a mediating force or, according to Hofer and Schendel (1978-84), "a match between the organization and the environment, that is between the internal and external context". Analysis of the organization and the environment in which it exists is crucial for the former's success. The environment has to be managed to ensure that the organization can grow or perhaps even survive.

Strategy is a *perspective*, that is the way in which it perceives the world. Philip Selznick (1949) wrote about "the character of an organization . . . [its] commitment to ways of acting and responding". Drucker (1974) refers to this as an organization's driving force. For example, there are organizations that favour marketing and build a whole ideology around it, such as IBM, whilst the emphasis at McDonald's is on quality, service, cleanliness and value. The key to strategy as a perspective is that it is a shared *weltanschauung*, or worldview.

All these Ps interrelate. Plans give rise to patterns, which by their consistency can feed back into plans. Ploys are part of the plan to outwit, although they may not actually be implemented. Perspective can result from past experiences (what "worked") and from position, i.e. the impact of the external environment; therefore patterns and position can give rise to perspective.

Within MCB the plan to all intents and purposes is the intended strategy, put together by the board at the biannual "think tanks". The pattern to achieve this is the behaviour intrinsic to the company, which to outsiders could be construed as its execution of the strategic plan. Position is difficult to analyse in that MCB does not have access to other people's perceptions of the company, but the self-perceived position is in academic publishing with a particular niched strength in the academic-to-practitioner market. The strategic perspective is one of "going it alone". MCB gets on and does things: this ethos is embedded in the behaviour of the organization.

A question of perspective

What MCB now faces in the electronic publishing industry is the impact of the way it does things, or the perspective. The external environment is changing and the consumer requires better and faster ways of accessing, searching and retrieving information. I believe this requires a change in position from purely paper-based publishing to paper and electronic publishing. To achieve this MCB needs to change its perspective from the arrogant stance of going it alone to one of considering alliances with those organizations that have the expertise to deliver electronic information or provide technologies to do so. This change in perspective will in turn require a change in pattern to reflect the needs of working with an ally.

With the changing climate in publishing regarding delivery of electronic products, MCB is becoming more technology-driven, which means it needs access to information on its markets, its competitors, and prevailing economic and political climates. Porter's five forces concept (Porter, 1985) discusses the kinds of information that are most likely to be of relevance. In the context of the publishing industry today, customers, suppliers, new entrants, competitors and substitutes are the five forces that are critical to the success of the organization if the company is to rise to the challenge of the changing trends and patterns in the industry.

Customers' roles and requirements

- Librarians referred to as "cybrerians" – institutions require decentralized network-based publishing systems.
- Dwindling library budgets.
- Just-in-time holdings rather than just-in-case.
- More information for least cost.
- New measures to assess libraries not only on their physical collections, but on their ability to identify and provide access to information available outside their walls.
- Academics, who are the librarians' customers, require more timely delivery of material and to their desks.
- Professionals, who are the end-users and are time sensitive, require information on demand.

Suppliers' roles and requirements

- Academics bypassing the "middleman" (i.e. publishers) and publishing directly on the Internet.
- Recognition of electronic journals, i.e. citation indices.
- Electronic journals that are peer reviewed.
- Academic tenure based on published works.

- Academics considering how they can retain control over their intellectual property.

The institutions of MCB's customers and suppliers

- Funding in the UK of £45 million over the next three years to develop the potential of information technology in higher education libraries.
- Funding for review of local area networks to ensure sufficient capacity to take advantage of bandwidths.
- Funding for navigation tools.
- Funding for campus-wide information servers.
- Worldwide institutional projects to explore electronic delivery.

I have included the funding from institutions and numerous projects made available to explore electronic delivery because, without such funding, academics would not be actively encouraged or have the ability to explore alternative publishing routes, and libraries would not need to consider their changing role as information providers. Finally the institution itself is looking for "practical and effective ways of influencing the scholarly journals markets in a manner which provides value-for-money for periodical purchases and a fair return for publishers" (AUCC-CARL/ABRC, 1995). The question is: are the institutions future publishers or simply facilitators of the publishing process, i.e. alternative distribution networks?

New entrants to the industry

- Non-traditional publishers, e.g. Microsoft.
- Publishing via the Internet.
- Institutions actively encouraging and funding publishing via the Internet.
- Economic factors which make the launching of a journal electronically less costly than by traditional methods.

Substitutes

- Document delivery services, for example UnCover, UMI's Infostore.
- Inter-library loans.
- UMI, Dialog – all information providers reliant upon publishers' material.
- Conferences – MCB is in a prime position to act here in terms of the electronic conferencing it conducts via the Internet.

Competitors in the industry

- Information providers that have undertaken electronic distribution for a number of years.

- Microsoft – non-traditional publishers with sophisticated technology but seeking material to include on their systems.
- Reed Elsevier – if this company moved aggressively into the field of management, would MCB be able to withstand the onslaught?

The power of buyers can also influence cost and investment, because powerful buyers can demand costly or cheaper services, as the case may be. There is no better illustration of this than the "more for less" mentality of electronic users. Information is a commodity that librarians wish to consume twice as much of at half the price, or they wish to disaggregate the cost to the smallest worthwhile element, in this case the article. They are essentially looking for ways to keep their budgets down and value for money high. Document delivery and inter-library loans are the areas where the librarian's influence is greatest.

The bargaining power of suppliers determines the costs of raw materials and other inputs. MCB's suppliers are the authors, who as academics need to be published to gain recognition for themselves and funding for their institutions. If traditional publishers do not add value, then the authors could circumvent them and publish directly on the Internet. If electronic journals incorporate peer review, the single most important element in establishing the value of a journal, and authors choose to withhold copyright, the detrimental impact on the traditional publishers would be enormous.

The intensity of rivalry influences prices as well as the costs of competing. The costs of publishing via the Internet are not prohibitive and institutions are providing funding anyway.

The strength of each of the five competitive forces is a function of industry structure or the underlying economic and technical characteristics of an industry. Changes in industry structure occur as the industry evolves and can either positively or negatively affect profitability. The industry trends that are most important for strategy are those that affect the industry structure. Those strategies that can influence the five forces can shape the structure of an industry. This framework allows a firm to see through the complexity and pinpoint those factors that are critical to competition in its industry, as well as to identify those strategic innovations that would most improve the industry's and its own profitability. I believe it is fair to say that the application and analysis of this model has highlighted the impact of electronic delivery upon the publishing industry.

Electronic delivery options

Distribution channels are essentially the non-physical commercial arrangements between organizations designed to facilitate the physical flow of goods or the performance of services. The commercial arrangements for facilitating the flow of raw materials and components to production in a manufacturing environment (channels of supply) may differ from those concerned with distribution of finished goods (channels of distribution).

The term distribution channels describes the commercial arrangements established to enable a product to flow from the point of production to the point of ultimate consumption. Whether or not an organization undertakes all of the activities involved in the distribution function is important. Distributors are needed to push the product into the channels, the publishers to pull end-users by creating market demand for the products.

Subcontracting all or part of the distribution activities is an option. This decision can be likened to the make or buy decision where all the relevant costs and benefits must be considered. The crunch will come with the rise of continuous publishing: can MCB manage such processes and resources with the required competences or will it need to subcontract the activity? Activities performed by a distribution channel are:

- activities concerned with changes in ownership, i.e. negotiating, buying and selling: the trading channel;
- activities concerned with the physical supply of the product transportation, storage: the physical distribution network;
- activities that are auxiliary to or facilitate either of the above such as collecting and disseminating information, risk-taking, financing and promotional activity.

Distribution channels consist of chains of institutions which, with the exception of the original supplier and end-user, are known as intermediaries. Each intermediary undertakes a number of activities which either directly move a product closer to the end-users or facilitate such a move. The design of a channel system that will achieve the producer's objectives optimally is not always possible, which in turn requires that systems are built a step at a time with the expectation of sub-optimal results.

The three main determinants of the channel structure are:

(1) the requirements of the final customer, an aggregation of which gives a grouping of customers with similar requests: a segment;

(2) the capabilities of the originating organization; and

(3) the availability and willingness of appropriate intermediaries to participate in the channel (McDonald and Gattorna, 1984).

The trading channel is a variable of the marketing mix (Gattorna, 1990) and as such the image, pricing and promotional effort of the product can be reinforced or jeopardized by the particular trading channel used. For instance, the image of exclusivity would not be enhanced by making the product available via every conceivable distributor. Kotler (1994) maintains that marketing channels can be viewed as sets of independent organizations involved in the process of making a product or service available for use or consumption. Both Gattorna and Kotler advocate the focus of marketing to achieve the required results. Gattorna has more of a skew towards the logistics of planning and physical distribution, whilst Kotler shows a bias towards marketing, i.e. adding value to increase the bottom line.

Channels can change and do not remain static, varying according to the markets. A dramatic change in a channel structure has occurred in the food, drink and tobacco products industry, where previously distribution was largely the responsibility of the supplier. Responsibility then moved to groupings of independent retailers serviced by wholesalers. As these groups grew it became economic for wholesalers to effect final delivery and local depots were opened. A parallel would be the consortia springing up in the US market where libraries, colleges, health services and corporations of all types are combining to share and create executive networks.

As a company changes its marketing strategy and/or as parts of the distribution network change in significant ways, it is possible to estimate the impact of these changes on the overall function (i.e. cost, profit and product-market fit) of the channel. The key impetus for change in the distribution channel is the consumer. Bucklin and Schmalensee (1987) cite demographic shifts and changes in consumer expectations as the two primary factors. With the advent of the Internet the academic veers towards direct access and more timely delivery of material, usually circumventing the librarian.

Developing channel partnerships

For an organization to embark upon a co-operative approach to channel relationships there has to be an incentive. The incentives are provided by adding value, i.e. the process of making the product more valuable as it moves along the distribution channel from supplier to consumer. This concept raises two questions: how much value is being added to the product as it moves along the channel, and how much does it cost the supplier to have such value added at each level? For example, transport was considered a commodity, i.e. the best form was that which brought the goods to the customer at the lowest cost. Now it is seen as a service with a value which changes according to the customer's requirements. Publishers realize that the value added to content has to be smarter and more effective and efficient in terms of its application within electronic search engines. Delivery via CD-ROM, online means or the Internet on a timely basis would constitute a service of value. But even more pressing are the distribution networks required to deliver information to anyone, anywhere in the world. The traditional and non-traditional publishers have finally reached the point where each requires the other's competences.

Benefits of channel partnerships

"Both parties have common objectives and strategies for achieving this. These coalitions involve co-ordinating or sharing value chains with partners to broaden the effective scope of each individual's firm's value chain" (Porter, 1985). There are opportunities for publishers to build joint marketing plans and explore new markets in terms of:

- developing new product ranges, for instance co-operating with other publishers to build a more comprehensive management library;

- improving distribution systems, i.e. collaborating with information providers;
- improving delivery mechanisms;
- enhanced communications;
- improving processes;
- joint product development, e.g. technology to deliver material continuously across the Internet;
- trading terms.

Value chain analysis

An organization's value chain is defined as the collection of activities that are performed to design, produce, market, deliver and support its products or services. Each of these activities employs purchased inputs, human resources and some form of technology to perform its function. Value activities are the essential building blocks of competitive advantage. How they are performed, combined with their economics, determines the cost position of a firm and ultimately this performance also determines the value to the buyer.

"Competitive advantage grows fundamentally out of the value a firm is able to create for its buyers that exceeds the firm's cost of creating it" (Porter, 1985). Value is what buyers are willing to pay for. Superior value derives from offering lower prices than one's competitors for equivalent benefits or indeed providing unique benefits that more than offset the higher price, for which the customer will pay. As Porter suggests, it is essential that MCB follows a strategy of adding value to and providing unique benefits through its electronic products. Information is prolific and product differentiation is key, whether the product is a journal with a definitive number of articles or the article itself.

Competitive advantage cannot be understood by looking at a company as a whole. It stems from the many discrete activities it performs in designing, producing, marketing, delivering and supporting its product. Each of these activities can contribute to a company's relative cost position and create a basis for differentiation. The value chain disaggregates a firm into its strategically relevant activities in order better to understand the behaviour of costs, the relevant activity's value, and the existing and potential sources of differentiation.

The five categories of primary activities in MCB's case are:

(1) inbound logistics – suppliers/authors, Publishing Logistics department;

(2) operations – Production;

(3) outbound logistics – Distribution;

(4) marketing and sales – Europe and Rest of World Sales;

(5) service – after-purchase activity, technical support.

Support activities include:

- company infrastructure – the area concerned with planning and management;
- human resources – selection, training and development of the people in the organization;
- technology development – identifying where technology is used or developed within the organization;
- procurement – the process of obtaining the resource inputs required to provide the products and services.

If these stages in the value chain have relevance for competitive advantage, then information which helps towards improving effectiveness and efficiency will have a strategic impact upon an organization: "A company's value chain is embedded in a larger stream of activities known as the value system" (Porter, 1985). Suppliers have value chains (upstream value) that create and deliver the purchased inputs used in a company's chain. Suppliers not only deliver a product but also can influence a company's performance in many other ways. Products also pass through the value chains of channels (channel value) on their way to the buyer. Channels perform additional activities that affect the buyer, as well as influence the company's own activities. The product eventually becomes part of its buyer's value chain. The basis therefore for differentiation is a company and its product's role in the buyer's value chain, which determines the buyer's needs, i.e. high-quality content provided by quality authors at a competitive price, distributed electronically in the preferred medium with the requisite technical support.

Gaining and sustaining competitive advantage depends on understanding not only a company's value chain but also how the company fits in the overall value system. A company may tailor its value chain to serve a particular segment which in turn results in lower costs or differentiation in serving that segment compared with its competitors. Widening or narrowing the markets served can also affect competitive advantage, e.g. if MCB moved into the practitioner market, delivering current awareness electronically and priced according to the market.

Strategic architecture

Hamel and Prahalad (1994) define strategic architecture as "what we must be doing right now" to intercept the future, essentially how we link today and tomorrow, short term and long term, and what competences we should begin building right now, what new customer segments we must understand right now, what new channels we should be exploring right now and what development priorities the organization should be pursuing right now. The question being addressed by strategic architecture is not what we must do to maximize our revenues or share in an existing product market, but what we must do today in terms of competence acquisition to prepare ourselves to capture a significant share of the future revenues in the emerging opportunity arena of electronic publishing.

One particular example cited by Hamel and Prahalad in their book *Competing for the Future* (1994) was that of EDS (Electronic Data Systems), a company that helps large corporations to manage their complex data and voice networks. EDS owned and operated the world's largest private networks with more that 8,500 mips (millions of instructions per second) of computing power, 350,000 desktop computers and 240,000 telephones. On any given day it handled more than 42.8 million computer transactions on behalf of its worldwide clients. EDS expected to be a $25 billion company by the year 2000. In 1991, however, it quietly launched a major exercise to reinvent the company and its industry. This was done on the basis that, whatever a company's past triumphs, future success is far from inevitable. A member of staff had been asked to find out how many of the *Fortune* 500 companies that existed in 1970 still existed in the same form in 1990. The answer was fewer than 40 per cent. The conclusion from this was that EDS was no more immune to failure than these other companies were. The approach taken was to adopt a top-to-bottom challenge of "who we are and what we do", identifying core competences and the basis of resource leverage, and finding out about the non-articulated needs of the customer.

Strategic architecture identifies broad competences to be built, i.e. the potential highways to the future. Specific routes will emerge as one moves forward. This corresponds closely to the anticipatory learning discussed by Wills (1995). MCB knows its destination but has little idea of the paths that will take it there. Identifying how to get to the future is the area where an organization must hedge its bets and explore alternative channels, delivery mechanisms, technologies, etc. Strategic architecture can be deemed work in progress, and only as an organization moves forward and acquires an insight in the most attractive technologies, delivery options, etc. can investment priorities become clearer.

Core competences

The term "distinctive competence" was first used by Selznick (1957) to refer to what a company does well in relation to its competitors. Ansoff (1965) used the term "capabilities" to describe a company's ability to deal with different combinations of competitive environments. He discussed managerial capabilities needed to deal with stable, reactive or anticipatory environments and functional capabilities, i.e. the company's skills level in functions such as R&D, marketing, etc. He did not, however, describe capabilities as components of strategy.

It was Hofer and Schendel (1978) who first introduced resource deployments as components of strategy in creating competitive advantage. Kotter and Heskett (1992) undertook a study of some 200 companies over an 11-year period. The high-performing companies increased their revenue four times as much as other companies and the distinguishing issues showed that the high earners' cultures were:

- "strong", with shared values and practices that promoted and supported those core competences (skills, knowledge, attitudes and know-how) that were most important to their efforts to serve the company's stakeholders;
- "strategically appropriate", with strategies that matched the business context of the firm (core capabilities effectively linked to strategic targets); and
- "adaptive", with strong leadership focused on serving the needs of all key stakeholder groups and on developing processes that delivered the attributes they most valued.

Capability-based organizations, therefore, take the stance of finding best fit between a firm's resources and existing business conditions and markets. A further distinction has been made between capabilities and core competences. Writings suggest that competences relate to skills, knowledge and technological know-how at specific points along the value chain, and in combination with the strategic processes form core capabilities which are much more broadly based and encompass the entire value chain. Stalk *et al.* (1992) use the analogy of a tree trunk with the roots as core competences, fed by the vision or organizational mission, feeding into the trunk of the core processes, which in turn feed into the leaves, i.e. products or markets.

Strategic alliances

A strategic alliance is a partnership between firms linking parts of their businesses together whereby they mutually commit resources for the achievement of common objectives. Alliances can mean a limited degree of co-operation and commitment, e.g. joint licensing agreement, or if required an almost full-scale joint venture, although alliances *per se* differ from true joint ventures (which result in a new identify and shared ownership) in that alliance partners retain their identities while working towards agreed-upon common goals. Motives for undertaking strategic alliances with firms that have complementary skills and resources include:

- to gain access to new international markets;
- to accelerate market entry by using the host partner's salesforce, distribution infrastructure, and knowledge of local markets;
- the changing nature of business;
- the cost and complexity of technology;
- value chain analysis, i.e. sharing allows lower capital outlays;
- skills sharing;

- globalization, which means that multinational enterprises in partnership can overcome national barriers and rapidly open up access to worldwide opportunities (Varadarajan, 1994).

Strategic alliances appear to be currently in vogue. Companies as diverse as Corning in the United States and Aerospatiale in Europe are now generating between 50 and 60 per cent of their sales from alliances, while NEC has some 130 joint efforts underway. GE, Philips and Fujitsu boast comparable numbers and IBM claims to have established over 4,000 alliances. The number of international strategic alliances has been growing at a rate of over 30 per cent per year.

Research shows that 90 of every 100 alliance negotiations will fail even to produce an agreement. Of the remaining ten that do result in an agreement, five will fail to meet the partners' expectations for the venture. Of those five that produce acceptable results, only two will survive for more than four years. Overall then, only two of 100 alliances, that is 2 per cent, produce lasting performance improvements for the participants. An alliance hinges on the acceptance of each company's corporate culture by the other; issues of control; bad feelings about who is contributing what; changing expectations over time; and in some cases envy and greed. Moreover an alliance should not create problems that are bigger than the ones it was designed to solve. Nothing ventured, nothing gained could be a way to write off these failures, but the price of failure is high. It is often far better to forgo the intriguing possibilities of a collaboration than to try and fail. They are expensive, often involve long negotiations and require considerable senior management time.

Corporate redefining

Changing market conditions and global economics are forcing companies to become more agile and flexible. Few companies can or should try to "go it alone" anymore; strategic partnerships may just be the first step in redefining what the corporation is all about (Kelly Gaynor, 1994). The most important element in the success of a strategic partnership is people and how well they can work together. Successful alliances require a team approach which can clash with the existing corporate cultures. A good way to facilitate this teamwork is for each company to concentrate on its core strengths and not share them with its partners. People involved in the alliance will view their contributions as critical to the success and will feel less threatened and more willing to work with outsiders to gain skills that complement their own. Essential principles include:

- collaboration;
- directors playing a major role in assessing the risks and rewards, and lending business and technical expertise;
- clear objectives and understanding of partner's objectives;
- shared strategies but competitive goals;

- making distinct contributions, e.g. R&D, new markets, special expertise, to beat competitors;
- establishing specific performance requirements, and each partner must have some control over results or the arrangements will fail;
- deciding what areas of the business are "off limits" to the partner;
- cutting losses when it becomes obvious that further co-operation will not produce meaningful results;
- treating the alliance as a learning process.

Strategic fit between organizational goals and capabilities

Strategic alliances, whether successful or not, are expensive exercises. They cost real money, involve large investments of time and money, and require significant levels of senior management input, and whilst this is going on competitors are using that time to their advantage. Strategic alliances require a common approach embracing four main phases of activity:

(1) strategy development;

(2) partner selection;

(3) deal negotiation and structure;

(4) operating implementation.

Inadequate strategy is cited as the most common cause of failure.

Strategic fit requires understanding and developing one's own business vision and strategy (Rigby and Buchanan, 1994). For instance, will competition diminish the advantages of the collaboration? Can corporate goals be achieved more rapidly through an alliance? Will the company be forced to abandon business practices that have previously been critical to the company's success?

For example, Gillette avoids joint ventures in its core businesses because an alliance would be seen as potentially threatening to the company's high quality standards. Gillette believes little would be added to its existing processes and such activities could in fact dilute the strong control it has over production technology.

Ideally an alliance requires that a company identifies the links in the value chain where significant gains can be made by both parties. I feel that for MCB the relevant area of the value chain is the value added data that are procured and then formatted for distribution. What the company requires is the distribution channels. Conversely, a strong information provider will have the distribution channels but have weak content.

Achievable objectives are key to the success of both parties, otherwise one will blame the other if the alliance fails. Setting and achieving objectives will build confidence in the process and filter down through the organization to all the participants. Additionally, alliances must be rooted in economic reality. It is futile to pursue the grand plans of the partners if they serve no purpose for the customer.

Each of the partners must benefit from the alliance. For one side to take advantage of the other means the losers will eventually find out and the deal will collapse. Individuals handling the alliance are obviously key because the alliance strategies are implemented through the relationships between the employees.

Finally, both parties need to be sure that a strategic alliance is the right approach. Other options are available such as a licensing deal or simply sharing of information to benefit both parties. Acquisition may be a worthwhile option, particularly where there is heavy geographic overlap between the two companies. An alliance requires commitment, is time-consuming and can be extremely risky, and therefore should be considered only when other alternatives have been exhausted.

Collaborative advantage

Too often companies spend too much time screening potential partners in financial terms compared with managing the partnership in human terms. They worry more about controlling the partnership than nurturing it. The alliances that are considered the most successful are those that involve collaboration (Kanter, 1994), that is, creating new value together, rather than mere exchange, or getting something back for what you put in.

Key managerial issues of partnering

Fundamental tensions exist between the dynamics of innovation and the logic of partnering. The extent of the tension depends on the nature of the innovation of the project and the characteristics of the partnership, and it is therefore recommended that managers involved in such alliances undertake an innovation-partnering assessment to design an appropriate management structure to minimize these tensions (Bidault and Cummings, 1994). True alliances of this kind would require the innovator to convince not only his or her own organization but also participants from partnering companies.

Learning through an organization

> Learning without thought is labour lost, thought without learning is perilous.
>
> (Confucius)

Self-sufficiency within firms is becoming increasingly difficult in an international business environment that demands focus and flexibility. Alliances provide opportunities for firms to learn from each other and leverage their strengths with the help of partners. The ability to extract knowledge and skills through alliances will become vital to survival. Alliances mean organizational boundaries become permeable and this provides firms with a window on their partners' broad capabilities (Hamel *et al.*, 1989), thereby allowing them to gain access to new organizational skills and capabilities. Learning should be viewed as an important alliance objective (Hamel, 1991;

Kogut, 1988), with the end result being a firm with a stronger knowledge base and enhanced competitive advantage. Organizational learning failures have resulted from the failure to recognize that:

- learning at the individual level is a complex relationship between understanding, action and managerial beliefs;
- organizational learning involves learning at the individual, group and organization levels;
- organizational learning is not directly and immediately tied to improved performance.

Building relationships in distribution channels and the need for numerous alliances

Whilst relationships should be uniquely designed, they need not be exclusive. Those companies that practise strategic partnering usually have a number of partners. The nature of the relationships may be quite different, but an essential element is the fit of the technique with the cultural environment that defines each organization's priorities, to ensure that the process is accepted by both organizations' people (Aaker, 1988).

An argument against alliances holds that commitments made in the context of environmental turbulence may prove unreliable and pose a major business risk. Others, however, would argue that that is exactly the right time to enter alliances: "Alliances as a source of strategic flexibility are certainly to be preferred to massive irreversible investments that may come to naught" (Yoshino and Rangan Srinivasa, 1995). By way of illustration to highlight precisely the problems MCB University Press faces with its electronic publishing future, I would point to the link between the environmental uncertainty and alliances in the emerging multimedia industry. Five traditional industries, namely computing, communications, consumer electronics, entertainment and publishing, are converging as the technology to convey large amounts of video, sound, graphics and text cheaply in digital form becomes available.

A reason for the proliferation of alliances, according to industry participants, is the uncertainty, both technological and market-related, as to what combinations of content, delivery and manipulation of information might be successful (*Wall Street Journal*, 1993). In uncertain industrial climates, alliances can help to establish technical standards and spread costs and risks. This is presumably why many firms have hedged their bets by joining several alliance groups.

A review of findings

By understanding strategy in the context of plans, ploy, patterns, position and perspective (Mintzberg, 1987), it is fair to conclude that MCB needs to consider some key changes. The plan has a course of action, the purpose of which is to change position. Position is ruled by environmental factors which, in this case, consist of the electronic publishing markets. Execution of the chosen plan requires a change in perspective, from one of "going it alone"; a consequence of this will be a change in pattern, or the intrinsic way in which the company works.

Viewing MCB in the context of Porter's Five Forces Analysis (Porter, 1985) has highlighted substantial changes in customers, suppliers, substitutes, new entrants and competitors, plus, interestingly, a sixth force in the form of the institution, born of the enabling technologies of electronics. Revenue streams are being affected and the company needs to pursue opportunities arising from the currency of the articles, to synchronize parallel revenues from subscription-based journals and/or articles, and to consider the possibility that sales of individual articles may lead to subscription sales.

Review of material on value chains suggests the possibility of competing in related industries with co-ordinated value chains which could lead to advantage through inter-relationships. Similarly the company could be in a position to promote partnerships which apply new networking technologies, working with libraries, academics and the publishing community.

Writings on strategic architecture have shown the necessity of the processes that MCB has gone through with the advent of electronics. In 1991 much was being written about electronic publishing and the changing market-place, but at the time it seemed safe merely to observe. Less than three years later MCB decided to move. Two years further on, the reality is that the company cannot afford to stop if, as Hamel and Prahalad (1994) suggest, it wants to "intercept the future".

Core competences are the area where I believe the organization needs to concentrate efforts in order to bring them in line with mainstream strategic thinking. Using the tree analogy of Stalk *et al.* (1992), I suggest that MCB should be looking at the whole tree from the roots up, rather than at the fruits (products and markets) alone. It will help senior management to see the importance of the roots in feeding the fruit, i.e. the importance of core competences in producing products and services. The literature suggests a matrix for measuring claims on such resources, be they development of new technology or further strategic initiatives to achieve the organizational mission. Claims on resources for products or projects would be measured by how well these fit with the organization's mission, and how well they use and further develop the organization's core competences.

Strategic alliances are a valuable option to consider, although the theory perhaps transfers more easily than the practice. This is not to suggest they should not be explored, rather that they should be recognized as rocky terrain with benefits to be gained all around. Working closely with global partners would require intense effort and dedicated personnel to manage the overall process.

Finally, I believe that, as electronic publishing matures, the basis of competition will become the quality of the content itself, the value added through related services, effective distribution and marketing, and the fast and efficient technology which drives it. Successful publishers in the EP business will therefore need to:

- employ all appropriate media (paper, CD-ROM, online);
- attract talented authors by developing a reputation for exploiting all appropriate media and leverage relations with them in developing new products;
- bring together and manage the skilled workgroups required for creative electronic projects;
- select or create appropriate distribution and marketing channels for electronic products;
- create a brand-image reputation which provides leverage and recognition in the market-place, for example EMERALD (MCB's electronic management research library database).

Assessing the implications

Business aspects of electronic publishing

Mineo *et al.* (1994) state that "publishing houses [which] have not developed a philosophy towards prototyping have probably not grasped the principles behind either the challenge or the opportunity which exist in the market-place through EP for the future". A recurring central theme in discussion of the EP business is the need to generate market demand. The challenge of creating such demand for products which do not exist is immense.

Conceptualizing new EP products is not only a problem for those who wish to produce and deliver them. The learning required in many publishing houses is immense, not to mention the polarization of prejudice which is either antagonistic to diversification into EP or unduly enthusiastic. Under these circumstances the obvious way forward is experimentation with prototype products. Participation in prototyping should be seen as a means of developing strategy towards EP, whether it is to build a knowledge base from which to pursue acquisition or to develop organic growth within an existing business.

Creativity is synonymous with editorial direction in traditional publishing, but electronic publishing requires a different culture. It needs to be able to manage the interplay between content creativity and exploitation of technology to a greater extent than has previously been needed in print-based publishing. If MCB's content providers, i.e. the authors, are using electronic media to conceive and procure information, then as the supporting publisher, the company needs to provide the framework for them to work within. In essence, the company must ensure that it retains their authorship for itself by being innovative in its approach to electronic delivery. Pre-prints and peer review are merely contained within the confines of the technology. The more innovative authors are using such technology already and it would be prudent as a publisher to support their ventures. Traditional production processes need re-engineering to accommodate electronics. Principally electronics needs to form the basis of traditional production rather than vice versa, otherwise the essence of the medium is lost. In a prototyping exercise the two processes operate in parallel, but total integration requires electronics eventually to supersede traditional methods.

Capabilities (encompassing the entire value chain) and organizational competences, i.e. the technological and production expertise, have to date, in MCB University Press, met the requirements of traditional publishing. Embracing electronics however has meant a steep learning curve and, as described earlier, an electronic publishing initiative was dedicated to achieving this. This initiative worked cross-functionally to ensure that the skills and expertise cultivated in the process of the electronic development would allow the transfer of technology and skills to the appropriate areas.

Publishing via CD-ROM has entailed pulling together a large archive of data with a number of added attributes to assist the users. Publishing via the Internet, however, has meant forays into areas of interactivity. This has proved difficult both to manage and in finding true advocates of the processes, but is deemed essential to the success of true interactive publishing. Simply to replicate our paper-based products would be a disaster and I believe that we are now reaching the point where individuals more skilled in the specifics of multimedia and the relevant technology are essential for the business.

The company does not have the capabilities successfully to embrace electronics, but this would fit with customers' requirements. The organization's distinctive use of action learning (Revans, 1982) has contributed to greater capabilities through learning-by-doing (Drew and Smith, 1995). Such action learning programmes within the organization have meant that the learning process has been institutionalized and resulted in problem solving leading to the implementation of major projects. However, MCB is now at the stage where it needs to address the more fundamental issues of how these products reach the market-place for which they were built, and how to seek new markets and maintain the momentum of delivering the technology to which the users are becoming accustomed. The question now is how to:

- tackle strategic partnering in-house, i.e. learn on the job;
- outsource marketing, i.e. find skills on the ground; and
- develop alliances with appropriate software suppliers.

Industry domination

Financial power in the industry is shifting away from the aggregators and resellers. Traditionally these types of companies have used their dominance of customer relationships to extract favourable terms from the players in different parts of the value chain. Publishers at the time were not in a position to provide their material electronically and so entered into contracts to ensure that it was circulated. MCB University Press had such a contract with a non-traditional publisher to include MCB journals on its electronic product. Whilst MCB never received conclusive evidence of cancelled subscriptions during the period of this contract, the cancellation of the agreement has resulted in customers of the non-traditional publisher contacting MCB to find out how they can maintain their subscription base of the company's products at the same prices.

Data content owners are gradually raising their demands for royalties for access to their intellectual property. The creators of end-user technology to manage and manipulate the outputs are increasingly seizing more of the value creation process and there have been a number of alliances or acquisitions among content owners and end-user technology developers that reinforce this trend. However, new technology must be viewed in the context of how it can add value, as seen through the customer's eyes.

A generic model for success is distilled in the following five key factors in the electronic publishing business:

(1) *An interactive information service will not sell if it lacks the content that customers want.* Electronic delivery via CD-ROM or continuous publishing will aid and assist the market segments that MCB has

penetrated. The content remains the same but with value added extras and smarter delivery mechanisms which enable wider dissemination.

(2) *The industry is mostly one of niche markets, in which the building of customer franchises is crucial.* Delivery of content in various formats to different sub-segments of a niche in which dominance has been established is the most economical way to proceed, e.g. sale of continuous publishing to an already established academic market; subscriptions on demand to the practitioner-based market. This is in preference to the scatter-gun approach in which the media are rolled out to all and sundry in the hope of scoring a few winners.

(3) *Investments in this business come from intangible assets rather than capital goods in the traditional sense.* The predominant assets are market-place assets such as subscriber lists, distribution channels and franchises, and content assets such as copyright, software and licences. Physical assets such as computer hardware and telecommunication networks account for less than a quarter of the value of the companies in this business.

(4) *Technology must be viewed through the question of how it can add value for the customer.* It would be easy to be carried away by exciting technical footwork; the question is how will customers benefit from the added product features that the technology may make possible? Do the features enable one to meet the basic needs of buyers more effectively?

(5) *Investment should be made in efforts to manage developments that produce well-defined products on time and on budget, rather than trying to introduce the technical state-of-the-art.* The electronic publishing industry is littered with examples of failed projects which have resulted in often unmarketable products, which have cost well over budget, hitting the markets years too late. The multimedia industry is one which should apply proven technology in a disciplined way, rather than conduct state-of-the-art R&D.

Technology-related issues

Customer requirements were considered early in the product development process of MCB's major electronic product EMERALD and customers were involved in the classification criteria required for such a product. By so doing it was hoped that the ultimate fit between technical aspects and customer needs would be improved (Hakason, 1982). The requirement overall is for the convergence of technology push and market pull. On the supply side, the innovation supplier, MCB, prepares a marketing strategy to push the new technology or innovation. This is influenced by the technical capacity of the innovator, requiring more accessible and easy to use information, together with the nature of the diffusion process in the particular product market in question. As a result of these two pressures, a convergence occurs between the technology push of innovation supplier and the market pull of innovation adopter. Both are considered to be part of the same network of relationships involving suppliers and customers.

The characteristics of the innovation determine the level of adoption in the market. There must, however, be advantages, i.e. higher or better value than that of competitors, for example, quality managerial content, keywording, online thesaurus and classificatory criteria; and then as the preferred supplier there are more options available to MCB for distribution. Whilst the unique selling point for the traditional product is the content, it must be recognized that for the electronic product it is the functionality related to the content. The only effective way to communicate this is by persuading the customer to use the various facilities. It is not surprising then to find that EP product promotion and distribution costs tend to be high.

This has become the most crucial aspect of MCB's development process thus far. For it is recognized that there is a need to develop market awareness and distribution networks, and that there are the established networks of the information providers which could be usefully utilized. It should additionally be borne in mind that any future online publishing must also incorporate a commitment to archival storage which MCB could maintain in perpetuity through the provision of the CD-ROM.

The pricing factor then must be considered. Until EP products have mass market demand, the question of price and its relationship to volume leaves the publisher in a quandary. MCB cannot abandon its traditional products and pricing, but it needs to find a method of running parallel revenue streams without cannibalizing the existing customer base. The company will in the meantime need to look at optimum electronic product pricing using site licensing (a most acceptable method for the networked library), charges based on usage (preferable for the practitioner), volume discounting (used with key customers) and finally composite pricing through product bundling.

Market-related issues for electronics

The information industry is undergoing significant change. Companies are beginning to change their roles in the value chain. Some that were fully vertically integrated have given up parts of the chain, e.g. Dow Jones which no longer originates all the data on its system, but buys some from others. Furthermore, it has begun to distribute information through other organizations' products. Other companies have made acquisitions or formed alliances that bring together different parts of the chain.

Another development has been that emerging technologies have made it possible to string together wholly new distribution channels between content owners and their customers. These systems make it possible to deliver content from large databases cost effectively and in a variety of formats. Companies such as SilverPlatter have developed seamless technology dealing with multiple operating platforms, to take publishers' content and make it available to users no matter what their platforms. Success is also reliant on speed to the market and as wide a distribution as possible.

A further change is that the market-place is more receptive to electronic products and has moved from the early adopter phase to the early majority, with customers who have very different expectations. They are less willing to tolerate almost good enough performance and are impatient with systems that are less than transparent to operate. Information vendors need to apply a whole new pricing and distribution scheme to reflect the types of value propositions and end-user network systems that are expected by the early majority user.

Added value is not just about delivering a piece of news that is of interest (the article), but also the accreditation, the quality control, the ranking of research reports according to journal (the pecking order), the browsing, and the archiving (with accompanying bibliographic control). Publishers need to determine which value added tasks they should themselves undertake. It clearly does not make sense to invest in areas where the value added gain to the publisher is small, or where it is in too weak a position in the value chain to control or benefit. (Value added will be addressed more specifically later in this section.)

Figure 2.1 in "Today's problems" illustrated MCB's distribution channels which clearly defined the traditional print channels, showing the flow of information from the author to the user in its simplest case. Agents and libraries play an important role as intermediaries in this chain. The chain is completed with a feedback loop from user to author, recognizing that the user and the author can be the same person. The electronic information distribution chain is more complex. There are several players and they have multiple functions. Publishers can be the database producers, database producers can be online vendors and both could be CD-ROM producers.

There is an interesting scenario emerging, however, whereby the publisher could be the master of the entire distribution chain. For example, the publisher could be a database producer with an online Web site, thereby making him an online vendor. Users could have direct access via their gateways to MCB's databases. This medium is less controllable by the librarian as gatekeeper and by the publisher. Access codes or passwords could be given to the named end-users to allow them to control and manage the process. Should they, however, decide to pass the access code to others, the publisher is unable to intervene.

Since commencing this study, organizations have emerged which are solely responsible for hosting publishers' data and for controlling access management and subscriptions. They make their money by charging for the set-up and maintenance of journals over a set period of time. The advantages to the publishers lie in the management and administration of their data by a third party. The disadvantages are that the publisher never owns or licenses the technology and, should the third party choose to change its operating methods, the publisher will have no choice but to concede, or start again from scratch.

Finally within the information flow and distribution chart, the publisher can also be the producer of CD-ROMs compiled using material from the database. CD-ROM plays a vital role in the electronic arm of the industry as an archiving medium with networking capabilities, controllable by the librarian. It has been cast as the intermediary technology and is expected to be surpassed by online delivery once acceptable bandwidths are more cost effective and readily available. Except for CD-ROM, which is a discrete technology, the components of the information chain are services or operations, i.e. online, database.

SWOT analysis

> He that will not apply new remedies must expect new evils.
>
> (Francis Bacon)

As a result of my research, I undertook a SWOT analysis (see Appendix 1) to assess whether MCB's experiences of traditional publishing would help the company to transcend the obstacles it might face in the electronic publishing environment and ultimately assist in the organization's electronic future.

The market-place has shown a gradual decline in the hard-copy product and aggressive pricing policies pursued by publishers are being supported by fewer subscribers. Evidence shows that, with the advent of technology, UK and US libraries are being provided with funds to convert to electronic platforms and that collection building requires the inclusion of electronic products. This suggests that MCB seriously needs to consider parallel pricing policies for hard-copy and electronic products, and seek to distribute more widely, at a lower price, with high-volume sales.

Electronic storage of material will allow multiple users access via local or wide area networks, which in turn provides the librarian with the opportunity to measure overall usage. Higher usage of a product suggests cost effectiveness which in turn will ensure its "shelf" life within the institution. Current marketing and distribution through existing channels has served the organization well, but it must now look to wider distribution through companies that have been in the game for some time, i.e. information providers' networks.

As a business MCB is familiar with change and it has adapted and embraced the issues related to electronic production. The important issues now are the marketing and distribution of such products. Globalization of the hard copy is established but it requires a major effort on the part of the electronic publisher to determine those early majority markets that would be most receptive to the electronic product and those markets that have leapfrogged the paper-based format.

The early majority market-place comprises those users who were originally the early adopters. Their expectations have moved on and the electronic publisher needs to ensure that content and technology creatively interact. These users require transparency in the operation of products and creative use of the technology and content. MCB's efforts were focused on the early stages of development, ensuring that the content was user friendly and adding value. More recently it has been considering ways in which it can assist authors and editors to expedite the authoring and accreditation process via the Internet. The size of the organization does, however, mean due consideration would have to be given to any further major investments in the future. Technology, however, continues to evolve and MCB's expertise is limited.

Current capabilities have served MCB well, largely because the organization is renowned for learning by doing. Organizationally MCB has recognized and responded to the changes in the publishing industry. Rather than joining the publishers' caucus in reviewing, assessing and evaluating the future effects of electronics, it has shown by doing that it has the capabilities required to deliver the strategies. This analysis does, however, highlight the opportunities of utilizing outside skills and resources *vis-à-vis* alliances with distributors and software developers who have the requisite expertise. Such alliances could mean the extinction of those information providers that have previously utilized publishers' content with its added value for minimal returns; conversely it could mean the opportunity to forge alliances with each party complementing the other's skills.

In summary, publishers need to recognize the changing face of the librarian and academic, to explore the distribution of those information providers that have established vast, globalized networks, to acclimatize to the marketing requirements of the electronic age, and to embrace new technologies that can enhance content creativity for future developments. The established distribution networks which served the traditional products are inadequate for the electronic requirements, and the resource capabilities are limited in the area of technology and marketing expertise.

Value chain analysis

I conducted this analysis to help establish whereabouts in the value chain MCB is at its strongest and therefore has much to gain, and where at its weakest and therefore needs to divest itself of such activities in an effort to gain competitive advantage. The literature suggests that the best approach for this analysis is to:

- carry out market research to identify the areas where EP products are, or are likely to be, in demand;
- audit one's own company with respect to the value chain, which means identifying internal assets to locate those most suitable for multimedia exploitation, e.g. where there is clear ownership, where assets are in digital form, where the value added potential is good;
- establish access to people, e.g. authors, who can contribute to the development of added value for new media products;
- match the market research to the asset audit to develop exploitation plans.

Primary activities of the value chain

Inbound logistics. This analysis took the form of identifying the processes that were considered key in adding value to content received by authors. They included:

- editors' acceptance of submitted material;
- reviewers' rejection, revision, acceptance of material;
- editors' and reviewers' common aims and objectives with regard to quality material;
- MCB's internal benchmarking of quality;
- editors' mix of material to form issue/volume;
- submission of issues/volumes to abstracting and indexing services;
- assessment by citation indices for inclusion;
- procurement of research registers to establish who researchers are, how they are funded, delivery dates of their research.

The procedures entail, in effect, taking the author's raw material, its endorsement by the editor, reviewers and managing editors, benchmarking it against quality criteria, and publicizing it through the journal brand, abstracting and indexing services, citation indices and research registers. The accumulated benefits may include promotion for the author within the institution through his writings, a high rating for the institutions in terms of funding and funding for the institution.

Production. The following activities were identified in the area of production.

(1) Paper-based production:
   - raw material copy-edited for typographical errors, grammar, references and mark-up, and in some cases it is rewritten if the author's mother tongue is not English;
   - first proof following typesetting;
   - corrections made;
   - second proof, sent to author, editor, managing editor, and all corrections included;
   - third proof – an internal check;
   - final corrections;
   - final camera-ready copy is dispatched to printer.

(2) Electronic-based production. Includes the same processes as for paper-based, plus the following:
   - software load of typeset data;
   - automatic SGML (standardized general mark-up language) tagging;
   - data load of tagged data into software engine;
   - gold disk dispatched to publisher.

This procedure takes the accepted raw material and puts it into a readable, logical format with typographical input to make the material easy to read. In the case of the electronic-based inputs the data are tagged in such a way as to make the material searchable and retrievable. It also ensures formats are standardized to allow manipulation at a later date to permit multiple access via various delivery mechanisms.

Outbound logistics. The following activities were identified:

- paper-based journal is distributed from printer to the end-user and agents for onward distribution;
- extra copies are retained for authors to disseminate;
- library copies retained for archive.

CD-ROM products will be distributed as above with the addition of the mounting of the CD on alternative networks. Online products will be distributed via the MCB server in addition to their mounting on alternative networks.

The traditional product could only be distributed via mail, either by the publisher or the agent. The electronic product can use mail methods, but technology now means the end-user can collect the material from the publisher direct, via an online vendor or it can be delivered directly to their desktop.

Sales and marketing. The following activities were identified:

- promotional material compiled;
- target audiences selected via lists, conferences, exhibitions or salesforce;
- target audiences mailed or visited.

This analysis may look simple but the overall activity requires the largest investment per annum by the publisher. It ensures publicity for the journal brand which in turn publicizes the authors' content within. This activity would be high risk for the authors and is one which they undoubtedly would be unable to afford.

Customer services. The following activities were identified:

- order processing of customers' new subscriptions and renewals;
- collection of added value data to ensure accurate targeting of customers;
- queries, claims on behalf of the librarian and consumer;
- electronic-based products will entail distribution of encryption keys to access data.

These processes include the front-end customer-focused activity which for paper-based products is fairly simple. The introduction of electronic products, however, requires a complete retraining programme to understand the dynamics of the products, their benefits and unique selling points.

Analysis of value chain costs and values

The value attributable to the various parts of the value chain is forecast in 1996 at £18 million, the aggregated value of the published material. The overall analysis for this is in Appendix 2. Table 2.1 shows the differences in value apportionment between print-based and electronic publishing.

Costs for the value chain analysis can be found in Appendix 2 and allocation has been itemized on the basis of headcount, overhead budgets and terminals per department. EPI costs were divided equally between production and outbound logistics on the basis that the EPI department is responsible for the development of the production processes and the deliverability of the product. Internet customer development department costs were apportioned largely to sales and marketing, given its promotional value, with 10 per cent apportioned to production for electronic journals and 10 per cent to customer services for customer accessibility and frequently asked questions.

The value chain analysis focused on an evaluation of costs and value apportioned to each of the primary activities. It must be noted, however, that this was done from the publishing perspective, i.e. experienced individuals within the business gave their considered opinions as to where the value was apportioned in the chain. Costs were taken from the company accounts. Having concluded this exercise I realized that, given the fact that the customers are responsible for product value, a customer focus should have been taken. It highlighted the reality that as an organization MCB frequently interprets the customer's requirements and that, despite the refocus some years ago from product- to customer-orientation, rather than ask them, senior management have drawn their own conclusions.

Costs and value apportionment highlighted a number of the differences between paper-based and electronic publishing. Also note that data values applied to the hypothetical electronic scenario were the same as those attributed to paper-based turnover. This comparison is difficult to argue. I realize that as a publisher MCB is addressing changing markets which are less profitable, with a perception from the customer of "more for less". Under this theoretical premise, however, there was a decrease in value apportionment to inbound logistics, outbound logistics, and sales and marketing, whereas customer services has doubled in value and production increased in the region of 6 per cent. The argument from a publisher's perspective to support is based on the following:

- *Inbound logistics* – electronically the circulation of pre-prints and open peer review should stand the author in better stead for acceptance of submissions; time to publication will be shorter with less involvement

Primary function	Print-based publishing £000s	Electronic-based publishing £000s
Inbound logistics	50	43
Production	14	20
Outbound logistics	6	5
Sales and marketing	24	20
Customer services	6	12
Total (%)	100	100

Table 2.1
Value chain analysis of print and electronic publishing (percentages)

from editors; mix of material is less of a concern as the article will be the unit of currency. The publisher may even make available unformatted data to those researchers that would pay for it.

- *Outbound logistics* – collection by customers of material held electronically will mean a reduction in costs for the publisher.
- *Sales and marketing* – wider distribution networks will save on promotion through traditional means.
- *Production* – more manipulable material will add greater value to content and make it more accessible providing standards are used, e.g. SGML tagged data, PDF images.
- *Customer services* – after-sales service and a help desk will be necessary for any electronic product; lack of high-quality customer care will be the quickest route to losing customers.

Whilst this observation may be biased, I realize that the same value will not be absorbed by the customer for electronic products. What is apparent, though, is that costs will increase because there are a number of processes involved that will be essential in the production, sales and marketing, and customer service, for example:

- production costs which will allow data to be manipulated and dispatched according to customers' requirements, multiple document type definitions (hierarchical structure applied to SGML tagging) for standardizing data capture;
- skills in marketing electronic media will require more interaction than traditional paper – they can either be developed or can be acquired via partnering with those more proficient in the area;
- competent staff will be needed to deal with technical queries, understand electronic products and site licensing, etc – this too could be outsourced or dealt with via an alliance once the prototyping exercise is bedded in.

Procurement costs should drop because of the interim processes of pre-prints and peer review, thereby reducing the role of the editor. Postage costs for outbound logistics will reduce with electronic products, although wider distribution outlets should be sought via strategic alliances.

What this analysis does show is that, from the publisher's point of view, the primary activities of paper-based publishing cannot be carried out in isolation. Procurement of content is of no value unless the product is typographically set. This is necessary to enable the words to be printed on paper. Because of MCB's aggressive pricing policy it is necessary to outlay marketing funds to promote to new customers in order to achieve the required revenues year on year despite non-renewals. Outbound logistics is necessary to distribute to the customer, customer services to fulfil orders.

Therefore it is in the front-end activities, i.e. inbound logistics and production, that MCB as a publisher is most accomplished; outbound logistics, marketing and customer services are areas that could be outsourced through alliances.

MCB's channels, i.e. agents and librarians, need to be analysed to realize the value of their activities. In short, currently a user goes through a library, or a library goes through an agent, because of the price they are prepared to pay for the perceived value of their services. Electronics is now enabling the user to access material directly from either the publishers, the agents, the online vendors, or the abstracting and indexing services, thereby circumventing the library.

In conclusion, for the publisher, it is those front-end activities that need to add even more value to ensure customer retention. Added value together with user-friendly, precise search and retrieval software, archived material and reach will be essential to ensure competitive advantage. MCB has an opportunity to exploit this with its electronic management library EMERALD through:

- value added data;
- archived material;
- creating a brand image, which reflects the quality required to maintain customers;
- reach via distribution networks.

Market research

MCB has rarely conducted market research. Its approach is to launch a product using the funding that would ordinarily be allocated to the research. With electronic products the costs are more prohibitive. CD-ROM developments have enabled MCB to offer value added enhancements of traditional products and exploit a ready-made distribution network via the existing customer base. Segmentation of paper-based customer groups has, however, showed an alarming downturn in the number of new sales within particular geographic regions. This is borne out by sales into the US markets, particularly where the electronic revolution began some time ago.

Multimedia growth

The online information industry in the USA had in 1994 already passed US$12 billion in annual revenues. The unit volume in electronic encyclopaedias now exceeds that of the printed versions and as a result traditional industry leaders are having a hard time sustaining their expensive field salesforces. Services such as Compuserve, America Online and Prodigy now reach millions of users and the growth in their collective subscriber base is in excess of 20 per cent per annum. The market-place is more receptive to multimedia products than it was two to three years ago.

Europe is around two to four years behind the US markets in terms of adoption of the media, roughly paralleling the state of the US market five years ago. PC penetration increases with prosperity and also with time, as prices fall. Therefore by studying the US market five years ago, one can develop some strong models of the types of products that are likely to appeal to specific customers in particular time frames (Sacerdote and Little, 1994). CD-ROM data analysis shows that in 1994 the consumer market embraced the multimedia PC CD-ROM which became the norm for desktop computers. This surge led to sales of more than 10 million multimedia PCs worldwide. This adoption rate by consumers has largely refocused the PC industry away from its traditional desktop productivity focus to the new emphasis on a growing consumer market, largely driven by multimedia-oriented titles, although a strong commercial market for text-based CD-ROM databases continues to grow. The key factor for the CD-ROM industry is that 1994 represented a turning point in the historic "chicken and egg" dilemma as the installed base in both consumer and commercial markets began to approach mass market proportions. More critically, the cost of base-case CD-ROM drives has dropped to near floppy drive levels, making them an all but standard option on most new PCs.

Latest figures on Internet statistics suggest that there are more than 12 million sites on the World Wide Web. Compuserve currently logs 4.5 million users; if this represents approxiamtely 10 per cent of the market connections, then this assumes 45 million users worldwide. This roughly equates to 10 per cent of the population of Europe and the USA, and is therefore not an unreasonable assumption with regard to Internet accessibility.

In the Far East there has been a leap in some cases to an entirely electronic market. Libraries in China are not in a position to catch up in terms of paper archives and therefore have a propensity to purchase the electronics.

Conclusions of the value chain analysis

As expected, MCB's focus is on the procurement and ultimate value added processes of the raw material. The value chain for electronic publishing is not yet established and is a best guess based on the known activities. Taking a long-term view of where the publishing business may end up, I consider that the publisher will be the owner of the database and copyright, with the article becoming the unit of currency. Customers and end-users will then be in a position where they can use the article:

- as a selection tool to assist in the decision to acquire new subscriptions;
- in lieu of a new subscription, e.g. where journals are too expensive to justify purchase;
- in lieu of current subscriptions, i.e. cancelling low use publications;
- to supplement current interlibrary loan services.

Access to authors. In 1991 MCB created a database of authors to provide a repository of information initially to be used when copy was in short supply. This initiative, dubbed the Literati Club, evolved to become a key factor in developing relationships with the authors, offering, for example, regular newslines, photocopying rights and help in getting published. Authors and editors are recognized for their contributions through annual awards for excellence. The scheme developed further with initiatives for identifying new authors through sponsorship by existing Literati members. More recently, editors have been able to apply for a research award to help them in their particular field of interest. There are currently 11,000 Literati members.

Matching research to audit. Matching of the market research to the value chain audit has highlighted the following:

- The market research shows a distinct move towards the use of electronic media with the US leading, followed by Europe with a four-year gap and apparently similar demographic developments, and finally the Far East, parts of which have leapfrogged the paper-based publication in favour of electronic delivery.
- Multimedia growth is established and therefore MCB needs a distinct strategy to exploit it in the relevant geographic regions.
- Authors and editors who have been nurtured by the Literati Club have stood the company in good stead regarding access to people who can contribute to the development of added value for new media products. Current prototyping of electronic peer review also suggests suppliers are interested in the speedy and timely delivery of future content.
- Inbound logistics is the part of the organization's value chain where the publisher with its value added content and copyright ownership has competitive advantage.
- As content provider the publisher needs to establish alliances with distributors of electronic media.

MCB now has to decide how it can add further value to the content and provide unique benefits via delivery of electronic products. Whether this is through traditional products with electronic enhancements sold at a high price to low-volume markets, or through electronic products or databases for article delivery at lower prices than competitors for the equivalent benefits, both still require the distribution mechanisms and the technological innovations with which to deliver them. Marketing of the electronics needs to be understood and embraced wholly by the organization, or outsourced, if it is to have any chance of success. I submit therefore that alliances would be the best course of action for distribution, technology and marketing.

Organizational competences

> The trouble with the future is that it usually arrives before we're ready for it.
>
> (Arnold H. Glasgow)

The organizational competences of MCB University Press are:

- procurement and transformation of content;
- innovation and adaptation to change;
- aggressive marketing strategies;
- pricing;
- aggressive acquisitions;
- a strong management development ethos.

The question now is, given the company's current skills, what share of future opportunities is it likely to capture? Which new competences would it have to build and how would its current markets have to change for it to capture a larger share of such opportunities? Within an existing market or industry most of the rules of competition have already been established. For example, prices that the market will stand, which distribution channels the customers will use, the ways in which products can be differentiated. With the emergence of multimedia publishing the rules are waiting to be written, which means having a commitment to building the competences in new areas, before the precise form and structure of future markets can be seen. The sheer size, scope and complexity of such future opportunities will require a corporate perspective to agree on the way things are done. This was discussed in "Tomorrow's solutions" and I suggested that MCB would have to change its perspective to accommodate a new position in the market-place of electronics. Such major opportunities do not yield well to skunk works or undirected entrepreneurship. Hamel and Prahalad (1994) suggest that consistent, focused competence-building requires something more than "thriving on chaos". Changes within MCB over the years show that, as an organization, it recognizes that the skills of others may help to contribute to its current capabilities. Marketing alliances have been developed with major agents; consultants have been called upon to assist in the acquisition process; and more recently the technological capabilities of third parties have helped move the company forward in terms of online publishing. Tangential to this is the recognition that varied pricing structures need to be brought into play to meet the requirements of the electronic markets.

Lei (1993) focuses on the relationship between learning, skills acquisition and strategic alliances to build competitive advantage, and discusses how senior management can structure their alliances as learning platforms to assimilate new technologies and skills to revitalize their core operations and to find new uses for existing skills. Co-operation or interaction with an alliance partner in entering new markets or developing new products also leads to competition in learning new skills and deriving insights from one another.

One such tool for strategic assessment of competences is the mission and core competences (MCC) matrix. This matrix classifies any claim on resources (products or projects) as a drive, drain, distraction or dilution. An organization is considered strongest when all its resources are devoted to drives and none to drains, when everything it does helps to fulfil its mission while using and strengthening core competences. Those products/projects which fit mission and core competences are called drives and are to be cherished. Those which fit neither should be discarded. Distractions fit core competences but detract from competitive focus because they do not fit mission. Dilutions fit mission but dilute concentration on core competences because they do not use or develop them. The model was further extrapolated by adding to each axis the measure of fit, which was determined as high, medium or low, which in effect forces any claim on resources of either product or project to be placed in one of nine segments.

This matrix has been applied to the following within MCB:

- electronic distribution networks;
- technology alliances;
- electronic marketing alliances.

Electronic distribution is not a core competence of MCB. It does, however, have a high degree of fit with the mission. The MCC matrix suggests that a joint venture/alliance should be sought. With regard to technological competences, MCB has developed low to medium competences within the area of electronic publishing. Once more this has a high fit with mission although it is recognized that this may not necessarily be the strategic perception of all members of the Board. On the basis of high fit, the competences should be developed further. Electronic marketing is a new area of the business, though once again it may be perceived that current competences will see the business through this technological minefield. Marketing competences are medium to high and the company prides itself on its aggressive marketing strategy. Marketing of electronics is crucial to the organization and should have a high fit, although the same strategic perception noted with regard to technological competences should be borne in mind. The MCC matrix also suggests building these competences. The competences required to fill these gaps will be addressed in the following section on strategic alliances and will be evaluated in the options.

Strategic alliances

Rosabeth Moss Kanter suggests that alliances between companies provide collaborative advantage to those that embark upon them: “Business alliances are living systems, evolving progressively in their possibilities. In the global economy a well-developed ability to create and sustain fruitful collaborations gives companies a significant leg up” (Kanter, 1994). Analysis so far has suggested that as a publisher MCB’s strength lies in the procurement of raw material and value adding processes, electronic production and the manipulation of the material. The weak areas are the distribution networks required to handle the electronic products and potentially the marketing of them. The senior management recognize the changing shifts in customer-buying patterns, the need for more realistic pricing of electronic products and the necessary access to the critical mass that will enable the company to achieve this. As an organization it is in a vulnerable position strategically and has recognized the necessity for developing electronic distribution networks. Eisenhardt and Schoonhoven (1996) suggest that just such vulnerability is likely to drive organizations to alliances.

MCB also recognizes the need to find the required technology investment to provide material online and the resources to manage and administer the process. As an organization it is wary of incurring further debt to service such research and development, which is not surprising because, until the management buy-out, it was able to fund such projects internally. Entering into an alliance can be a quicker path to an expanded market range, increased market share and potential competitive advantage. Porter (1986) contends, however, that alliances are rarely a solution because they always involve significant costs in terms of co-ordination, reconciling goals with an independent entity, creating a competitor and giving up profits. Yoshino and Rangan Srinivasa (1995) argue that implicit in this criticism is the suggestion that alliances should be avoided because they are difficult to manage. Should organizations therefore forego the use of a potentially powerful weapon because of the complexity of managing them? Managerially they are a key challenge and therefore an organization needs to find novel and imaginative ways of resolving that challenge. Alliances enable firms to focus on and invest in a few selected core competences, to leverage the competences of other firms, and thereby grow into formidable global competitors.

Quinn (1992) urges every organization “to do only those things that contribute to your competitive advantage, try to joint venture or ally with others, or source the rest from the world’s best suppliers”. Porter (1985) views competitive advantage as building blocks made up of value activities, pointing out that they are not independent activities but are related by linkages within the value chain. These linkages can lead to competitive advantage in two ways: optimization and co-ordination. For instance, the linkages often reflect trade-offs among activities to achieve the same overall result, i.e. high quality material or sophisticated technology costs, but service and help-desk costs may in turn be reduced. More importantly though, linkages occur not just in the organization’s value chain, but in the value chains of channels and suppliers. An alliance with a distribution channel therefore would need to be optimized and co-ordinated in such a way that costs could be lowered and/or products differentiated in some way. For example, the information provider that can offer the greatest number of sites within the network it operates should typically be able to offer a lower price, or conversely if it is niched material, at a higher price, and provide an avenue for MCB’s content. Aiken and Hage (1968) noted that organizations face such interdependence "because of their need for resources . . . not only money, but also resources such as specialized skills, access to particular kinds of markets, and the like".

Overtly seeking alliances in the field of either distribution or technology does make the organization prey to acquisitive corporations, and MCB must be prepared for that to happen. In many cases, according to Bleeke and Ernst (1995), an alliance really means an eventual transfer of ownership. The life-span of an alliance is about seven years and nearly 80 per cent of joint ventures ultimately end in a sale by one of the partners. If this outcome is not anticipated, what begins as a strategic partnership can lead to an unplanned sale that may erode the shareholders' value. If the evolution is planned, however, an alliance can be a good acquisition or divestiture opportunity. The well-considered choice of partner can help advance the organization's long-term strategic plan. A better understanding of whether an alliance is likely to lead to a sale improves the bargaining power of the alliance partners which in essence depends on three factors:

(1) *Initial strengths and weaknesses of the partners*. This entails identifying what specific business strengths, such as products, market access, technologies, functional skills, each partner has (Tables 2.2, 2.3). Which partner controls the customers that will be served by such an alliance? Which partner is more able and willing to invest in an alliance based on strategic importance, profitability, or cash available?

(2) *How these strengths and weaknesses change over time*. No matter how balanced an alliance may be at the outset, strengths can and will change.

Table 2.2
Strengths and weaknesses of distribution and marketing alliances

Strengths	Weaknesses
Partner's market and customers	MCB does not control customers
Partner's technology to deliver	MCB does not have technology to deliver
Partner's salesforce	MCB does not have salesforces
MCB's content	Partner does not own content
MCB's product, e.g. EMERALD	Partner does not own product
MCB's flexibility and learning culture	

Table 2.3
Strengths and weaknesses of technology alliances

Strengths	Weaknesses
Partner's expertise in developing technology	MCB's lack of competences
MCB's innovation in conceptualizing electronic publishing model	Partner's restriction in developing models with internal publishing resources
MCB's flexibility and learning culture	
Partner's future markets with developed technology	
MCB's ability to deliver via the Internet	
Partner funding	MCB's lack of funding

The literature suggests that initially the product and technology provider has the most power. Unless, however, the product or technology is unique, then the power may shift to the partner that controls distribution channels and customers. Investment of time becomes increasingly important as the alliance progresses, as does investment of capital for expansion or shortfalls. Which of the partners will this fall to? A company that is good at learning stands at an advantage in as much as it will structure itself to access and learn from the partner's capabilities. Investment for expansion still poses a problem for MCB. Content, however, will be the key to any distribution alliance, together with the receptiveness of the company culture to learn.

(3) The potential for competitive conflict. If both parties are bringing distinctive qualities to the table, then there is less likelihood of conflict. Where markets, products or customers overlap then there is an obvious reason for discord. The result would be either the acquisition of one partner by the other or the dissolving of the alliance.

Categorizing alliances

Bleeke and Ernst (1995) suggest that there are six categories of alliance, naming them according to their likely outcomes:

(1) collisions between competitors;
(2) alliances of the weak;
(3) disguised sales;
(4) bootstrap alliances;
(5) evolutions to a sale; and
(6) alliances of complementary equals.

The first two, collisions between competitors and alliances of the weak, will almost always fail. Competitors with overlapping markets or products tend to make the worst partners and they are better placed to acquire one another or focus on different market regions. Alliances of the weak are where two weak companies ally in the hope that they can improve their positions. Neither usually has the resources or funding to work comfortably at the alliance. Disguised sales and bootstrap alliances are where strong companies pair with weak ones, and they usually end in a sale. The weaker partner remains weak although the intention is to improve its capabilities. The last two, evolutions to sale and alliances of complementary equals, usually involve strong companies pairing together and generally lead to successful alliances. In the case of evolutions to a sale, the alliance may commence with strong partners with the power shifting later, or the companies may become competitive, with one partner ultimately selling out to the other.

Small and medium-sized publishers, which are often undercapitalized, are ideal acquisition targets for larger companies since they frequently have strong positions in niche markets and profound expertise in their field of activity. More recently the publishing industry has also seen important international mergers and acquisitions by the larger publishing houses. The drivers for these mergers and acquisitions are:

- gaining market access;
- achieving access to and control of distribution channels;
- exploiting copyright in an international framework or across media to aid the emergence of global publishing concepts;
- the search for economies of scale.

The sale of the company may well be the ultimate requirement of the owners of MCB University Press but an alliance should not be entered into under such an understanding. MCB needs to maintain and pursue a progressive business strategy for innovative electronic publishing. It needs to show that it is a strong company in terms of the value and skills it brings to the table, its innovative approach and willingness to learn.

The British Library/Anbar alliance case study

The one actual example I can discuss in the context of the above analysis is the alliance between the British Library and MCB's abstracting service Anbar. I was involved in the initial discussions with the British Library and Mercury which had recently formed an alliance to produce online delivery from databases to desktops. They were discussing with publishers the feasibility of holding journal material electronically. Their alliance collapsed shortly afterwards, with Mercury undertaking corporate downsizing. Together with two colleagues, I then approached the British Library to pursue an alternative alliance whereby, under the auspices of copyright permissions, Anbar would be able to access all the material it had included in its abstracting services.

The Anbar value chain was such that document delivery was considered low value added. Conversely, for the British Library document delivery was a major strength. In terms of complementary skills there was a perfect fit in that Anbar would be able to concentrate on developing existing and new products and services, extending its customer base and focusing efforts on customer retention. The British Library could focus on document delivery, including agreements with publishers through the Copyright Licensing Association. The British Library is obviously interested in boosting Anbar sales in order to boost its own document delivery activities. The British Library, as a government-owned body, also wanted to be seen to be working with the private sector.

From the management perspective, the first challenge after the alliance was signed was to sell the idea within MCB and the British Library. Key people in the marketing, business development and document delivery services were involved. There was some consternation amongst the ranks at MCB, given the fact that individuals currently employed in the role of document delivery saw their roles diminishing. There was a reluctance on the part of the British

Library to include its logos on Anbar material, being conscious of its good name and unwilling to risk its being tainted in any way. The public service ethos cannot understand market-driven pricing and is basically risk averse. The storms to date have come from a collective lack of understanding of one another's culture.

The risk factor for Anbar is the running down of the document delivery service. If the British Library should ever withdraw from the agreement, document delivery would be a problem. The agreement runs until 1998 and the long-term consideration is that by that time, publishers should be electronically connected through links on the Internet. As long as the alliance remains strong, then document delivery is safe. The British Library is unlikely to go bankrupt or cease trading. Essentially the only other thing that could go wrong is if there was a change in status imposed by the government.

Evaluating the options

Example is not the main thing in influencing others; it is the only thing.

(Albert Schweitzer)

I used the MCC directional policy matrix in the generation and evaluation of options as a guide to the appropriate action, albeit adapting it for what I consider is the best fit. All segments of the described matrix require an action, therefore the "do nothing" option does not apply. The options identified are detailed in the following.

Option one: electronic distribution of paper-based publications

This option would entail sending MCB's paper-based publications to information providers for scanning and electronic distribution. The publications would be free of charge to the information provider which in turn would disseminate the material through its own search engines. An annual royalty would be paid to the publisher for the sale of the electronic medium.

This option would save MCB sending electronic data and being involved in the low value added operation of document delivery. MCB currently has a document delivery library employing six people who are responsible for the sourcing, photocopying and mailing of articles to users of the Anbar database. A strategic alliance with a third party enables document delivery of all non-MCB articles via the copyright agreements with the respective journals and the third party. Royalties in the region of US$87,000 over four years have been derived from agreements with such information providers. The data held on the information provider's search engine would, however, preclude any value added data such as the classificatory system, quality indicators, thesaurus and novice or advanced search techniques that have been included for MCB's own customers' ease of use. Whilst MCB initially only had minimal evidence of the cancellation of subscriptions in favour of using information providers' products, the subsequent termination of such an agreement led to a number of queries from the information provider's customers, as to how they could source the MCB material. The resumption of such an option would therefore require:

- further investigation into loss of subscriptions;
- addition of value added;
- higher royalty negotiations;
- document delivery only (no access for customers to the full text via the search engine).

On the MCC matrix such an option would be considered low in terms of fit with mission and low in terms of competences.

I also believe that low pricing of electronic products has been brought about by the games market and the information providers which once received the content free of charge. If more publishers withdraw from such agreements, providers will have to purchase content to keep their databases stocked, which in turn will mean price increases to distribute the product.

This option is not recommended.

Option two: formation of a subsidiary and strategic alliances for electronic publishing

> Listen to those who defend, counsel those who doubt, but remove the cynics.
>
> (Lauletta, 1994)

A further option would be to develop a company subsidiary. However, creating a subsidiary suggests that the core competences for electronic publishing are high and fit with mission is low, which may indeed be the opinion of some members of the MCB board. The dilemma is that, as a publishing company with high expectations for the future, MCB's expansion of further electronic developments should be high in terms of fit with mission, with core competences in this area benefiting from further development. This scenario suggests looking for a joint venture and development by building the competences suggested in the MCC directional policy matrix. Joint ventures or alliances will be explored more fully in option three. Development by building competences therefore is the option discussed, with the added dimension of forming a subsidiary to do this. This contravenes the MCC model but I believe the model can be adapted whilst still allowing for pursuit of strategic alliances.

Development in competence building suggests further electronic investment by MCB during a period when it is in the invidious position of keeping a healthy bank balance. As an organization it is used to funding new initiatives internally and it may well balk at the idea of borrowing yet further money to fund future electronic initiatives. A considered strategy may be to apply the investor's philosophy which would be to borrow money to fund research and development. This suggests to any potential investor or acquirer that the company is prepared to invest in the future and show that it is a "sunrise", forward-thinking company. In essence the parent company could consider a portfolio strategy of milking the cash cows, divesting the dogs or problem children, paring down costs and funding the electronic future. This option, however, will assume that further funding via the bank or the parent company is not on the agenda, so therefore the option appears to be one of identifying other methods of funding to enable any future electronic ventures to succeed.

MCB was recently approached by a technology developer wishing to work with and fund an innovative publishing company, to create electronic publishing software for the Internet. Such a venture could provide the developer with the innovation and functional specification it requires and MCB with a technological solution to supplying its material via continuous publishing. MCB's Electronic Publishing Initiative is also keen to develop a total electronic publishing model which includes circulating authors' pre-prints to accelerate their dissemination to a wider audience, electronic peer review in a controlled environment; electronic tagging of the digitized material and placing it in a database, distributing notices of availability of the material via list servers, creating a virtual library of MCB information, and finally providing a virtual academy with course structures freely available to people who wish to search them. This model will be difficult to pursue within the mainstream business given the workloads of the individuals concerned and for some the fear of change. A prototyping exercise needs to take place outside the mainstream publishing activity which could then be integrated gradually if successful.

This alliance with the MCB subsidiary would be attractive in ensuring that both parties are tied in collaboratively and, between them, they would be creating an asset. If MCB allowed such a subsidiary to be formed it would be sanctioning the operation of electronic developments outside its mainstream publishing activities. This technological aspect of the alliance could consist of the EPI and the electronic production element of MCB's production department and its resources to work and ally with a technology party in developing a new product that would be beneficial to both. The EPI could provide the innovation and become the skunk works for the technological partner; and potentially "the subsidiary" could, in turn, form an alliance with the parent MCB to make its content electronic.

Both parties would benefit whilst building a potential asset. The technology company would have a successful example of the implementation of its database technology, which would form the basis for selling to other publishers. The publishing arm of the company would have a successful database to deliver material continuously via the Internet and upon which it could further develop future alliances with publishers to form a larger information warehouse. Such a venture would in essence protect the mainstream paper-based publishing arm and allow its activities to continue without too much upheaval from the electronic innovations.

The subsidiary could and should also be used to prototype other functions required in electronic delivery. Whilst developing the electronic publishing system the EPI has found that trying to adapt to the print rules is not an option. All processes appear to be unique and handling by functional areas has meant reorganization or re-engineering. This has been the case with production, value added content from editorial, customer services, help-desk facilities and more recently in the marketing area.

I believe that, if the marketing of electronics is left to current resources, it will simply be subsumed in the promotional activities used for traditional products and will not get the dedication or resources it requires. Direct mail will not be sufficiently interactive and new methods of promotion are required, such as those currently being deployed with the launch of MCB's electronic management library. These include list server notification of themed monthly issues which are available via the Internet, free of charge. This is structured in such a way that the lively debate put forward via the electronic editorial is acting as a taster for the discerning management palate and as a lead in to encourage the purchase of the CD-ROM product. In fact the activities of the Internet department would effectively act as the shop front to both MCB's traditional and electronic products. Much work has gone into developing a community around the traditional journal and more recently focusing on customer-oriented pages. The current Web site is in effect providing customers and suppliers with an interactive option to try and buy, view illustrative material, join "dedicated" clubs and communicate through conferencing. The overall aspects will then be streamlined for visitors and customers to navigate seamlessly through their chosen routes. Models will emerge for the publishing processes, customer service and marketing.

Moving to electronic publishing has involved major business process and organizational culture change, which has entailed, in some cases, pulling people along. Further organizational changes will be required such as editorial management of content and scheduling for continuous publishing, streamlining data entry, splitting out the distribution processes and quality control, to name but a few. The return on investment is some way down the road and for now we should expect expenses to increase. There should be a recognition that there are short-term expenses for long-term gains.

In summary such a venture would entail:

- setting up a subsidiary;
- seeking funding from the bank;
- seeking funding from an alliance;
- allying with MCB to produce electronic products;
- allying with MCB to market its content as wholly electronic products, i.e. no paper-based delivery;
- allying with other publishers to create a co-operative of management databases;
- creation of an asset in software intellectual property;
- feeding back into mainstream publishing once the processes are coherent and adopted.

Revenues could be drawn from the alliances with MCB to produce and market its electronic products and from other publishers in the creation of their databases. Potentially it should have part-ownership in the intellectual property or concept, developed by the technology alliance. A SWOT analysis of the possible subsidiary can be seen in Figure 2.2.

This option would ensure that MCB University Press would be in a position to measure more accurately the position of its traditional products without the clouding or immersion of funds in the mainstream business by R&D investments or initiatives. Individuals currently within the EPI have skills in financial management, project management and marketing. Inclusion of the production and Internet customer development team would provide the current electronic complement of staff.

MCB Electronic Ltd	
Strengths	**Weaknesses**
Provide functional specification	No funding
Flexible and innovative	
More focused on the R&D (without other MCB agendas)	
Existing skills	
Sunrise business (young culture)	Lack of mature culture of parent company
Electronic functions under one banner	
Explicit understanding of electronic processes	
Opportunities	**Threats**
Long-term orientation to electronics	
Opportunity to further develop skills	More innovative software on the market
Part-ownership in intellectual property	A developer prevents use of software
Authorized to use software	Different agendas from the partner
Ally with MCB and charge to develop electronic products	Alliance fails
Keep abreast of electronic marketing initiatives	Initiatives change too rapidly
Source low-price market segments	No such market exists
Sell MCB electronic products to high-volume/low-price markets	
Act as co-operative to vacuum in other publishers to build database content	Other publishers do it themselves

Figure 2.2
MCB Electronic Ltd SWOT analysis

More importantly, given the fact that MCB is in a potential transition period, where market flotation is still a possibility, as is the sale of the company, this is a strategic course that the business could adopt whilst keeping its options open. Any future sale could mean, however, that the subsidiary and its assets could be sold with the parent company or separated, depending on the acquirer's preference.

This option is recommended.

Option three: formation of strategic alliances – an evolution to buy and sell!

The analysis as processes currently stand shows that MCB's value lies in the procurement of copy and the added value it is able to provide; more recently, production, in terms of the benefits of manipulable data and its subsequent organization, has added yet further value to the typographical material. Outbound logistics via the postal system has served the paper-based product well. However, telecommunication networks and digitization of data mean that electronic material can be accessed and distributed ever more widely. In MCB this method of distribution requires an investment in terms of either:

- the purchase of an existing organization with the relevant market distributions MCB requires;
- technology to transform digital data for online delivery;
- a worldwide super server to which customers can easily gain access and retrieve material;
- several online vendors to distribute directly to the customers; or
- human resources to establish alliances with relevant parties.

I had initially discounted the purchase of a distribution network, because it would require further financing by banks and because MCB's skills lie in the development and digitization of content. However, should an alliance be formed whereby the distribution network, for instance, becomes attractive, or the company develops sufficient skills and becomes the stronger partner, then acquisition would seem a reasonable option. The remaining items incorporate an alliance approach and one which, in the current financial climate, is more likely to achieve success. Having assumed such an approach, choosing and managing such an alliance is fundamental to achieving the objectives.

Partners in the alliance need to share some common assumptions about the business: where it is going, what kind of environment they are operating in, how best to approach the problems together. It is essential that the common goals lead to a partnership in which each partner can confidently deal with the other and act to the advantage of both. In essence both parties have what Cortada (1995) refers to as "skin in the game", i.e. a shared set of responsibilities, risks and assessment of benefits to be gained. Both parties come to the table with investments of time, money and people; those are the essentials. It is akin to a marriage in that there should be some good practices that ensure the partnership works, such as:

- learning from each other and sharing information;
- spending time together to determine what needs to be done and agreeing to do it;
- finding a way in which to manage and measure the relationship so that both parties know when it is working or when there is a problem;
- creating a team ethos: this is one time when different groups of people from different backgrounds and company cultures are required by default to work together;
- using technology as an enabler.

Brouthers *et al.* (1995) undertook an extensive study and analysis of the existing research on strategic alliances and established a common theme which they labelled the "Four Cs of strategic alliances" (Brouthers *et al.*, 1995). These suggest that strategic alliances should be utilized when:

- complementary skills are offered by the partners;
- co-operative cultures exist between the companies;
- compatible goals exist between both companies;
- commensurate levels of risk are involved.

When choosing an ally the basis for review should include examining their skills, technologies and markets. MCB should insist that an alliance partner produce something specific or, as the searching company, it should identify clearly what it needs to know. In addition to this a company should consider the partner's experience, capabilities and potential for making a real contribution. Look at a potential alliance from the market's vantage point – might such an alliance create the strength we are looking for? Both parties should need one another. Assess the alliance from the partner's position to be sure it will be the best combination for both parties.

Complementary skills make an important contribution to the success of alliances, as is very much the case in the pharmaceutical and biotechnology industry. Pharmaceutical giants possess management and marketing expertise and substantial resources, but lack the technical expertise in biotechnology. Working together and pooling their skills, they create a formidable competitive advantage. Early on there is a need to list respective strengths, available resources, strategic needs and expectations. Finding an ideal distributor with worldwide networks or a technology provider to build a total electronic publishing system would fulfil MCB's requirements. In return MCB would provide the value added content required for the distributor or in the case of the technology provider the concepts, innovations and experience of electronic publishing thus far.

Co-operative cultures in terms of management styles can become especially difficult when dealing with companies in different parts of the world. Poor chemistry and unpleasant management styles will subsume any great plans for technology innovations or successful distribution alliances. Peer relationships between top management of the allies must be established. Personal visits to one another's sites are an effective means of measuring cultural wants and desires. Neither can alliances function from the top down, requiring substantial delegation to take place instead. Once delegation happens, a learning process occurs and it is recognized that some cultures are better at this than others.

Prior to forming an alliance, management must be sure their participation is based on their particular firm's goals and strategies. Earlier in this study it was argued that there were strategic moves required by MCB to embrace the changing needs of its customers and the developments of the electronic markets. The company's position in the market-place is changing, therefore its perspective (going it alone) must adapt too. Strategic objectives that could not ordinarily have been achieved should be fulfilled through the alliance. A partner's conflicting goals may result in poor performance or restrict the results so that only one partner benefits. Clarity of focus is vital. Ambiguity, unco-ordinated activities or unclear direction will be a recipe for disaster. Goals need to be synchronized from the outset and revisited regularly to allow the overall objectives to be achieved.

Commensurate levels of risk are needed to act as the glue for the alliance. If there is nothing at risk, there is less of an incentive to stay together. The primary question relates to how important or essential such an alliance is to your partner. The acknowledgement of mutual dependency is clearly a strength in the alliance.

Having defined the reasons for embarking on an alliance, the management requires a clear and strategic understanding of:

- the nature, scope, importance and likely evolutionary path, i.e. the plan;
- all aspects related to the augmentation and protection of the company's core competences;
- the preferred mindset of the managers designated to deal with the alliance;
- the resource requirements;
- the management of cross-functional and interfunctional co-ordination;
- the possibility and potential of a network of alliances evolving.

The nature, scope, importance and evolutionary path need to be clearly understood by all levels of management within the organization. The precise span of the alliance and its strategic objectives must be communicated. It is not sufficient for one or two managers to handle it and disseminate the information as and when they choose. All personnel involved need to be briefed on all aspects to ensure that there is no disclosure of crucial information that may in any way jeopardize the alliance. If the ultimate aim of the alliance is to sell, then the choice of partner can essentially help advance this path.

Potential alliances should complement one another's value chains. For instance, a distribution ally would have valuable distribution networks and MCB would have equally valuable content. Technology allies would provide skills in development of software with conceptual specification from MCB. Both parties would be in a position to augment their core competences through learning from one another; at the same time they would need to be aware of protecting core activities from competitors. The alliances described earlier, however, would be less problematic than if MCB, for one reason or another, allied with a publisher with which it is essentially in competition.

Nothing is perhaps more important to the success of an alliance than the attitude of the managers associated with it. Changing a negative perspective is critical. The alliance may be perceived as a threat to managerial jobs within the organization. It is therefore the senior management's responsibility to ensure the correct positioning of the alliance within the organization's overall strategy.

Rather than conserving resources, alliances generally require expending additional resources. Dedicated personnel are essential and an organization must be aware that funds need to be made available, particularly if a foreign partner is selected. A less obvious resource need is the managerial time it takes to get the alliances off the ground and, once this is achieved, time to train or work with others in ensuring commitment.

Having established the alliance, time must then be committed to co-ordinating those functions that will be part of the alliance. These may range from the mundane to the most strategic. Without overall commitment and co-ordination, departments will be unaware of what is expected of them.

The likelihood of there being only one alliance is small. Distribution and information providers are many and the net should be spread as widely as possible for maximum impact. It is therefore reasonable to recommend that the organization harnesses several alliances at once.

The correct choice of partner can help advance the organization's long-term strategic plan. If that plan is to sell, then the evolution of any alliance must be planned to allow for acquisition or divestiture opportunities. A better understanding of whether an alliance will ultimately lead to a sale can improve the bargaining power of the partners which is dependent on the three factors identified earlier: the initial strengths and weaknesses of the partners, how those strengths and weaknesses change over time, and the potential for competitive conflict.

This option is recommended.

I have not recommended a single, exclusive option. I believe that the thinking outlined in both recommended options means that they could happen concurrently. This would allow MCB University Press to fulfil its strategic objectives for selling high-price subscriptions to low-volume niched markets for paper-based publishing via traditional and electronic methods. It would also allow the electronic-based publishing arm to exploit alliances and prototype new products, in addition to providing the parent company with electronic enchancements, marketing and distribution to the low-price, high-volume market segments, whilst potentially exploring initiatives with other publishers.

The plan

Formation of a subsidiary and strategic alliances for electronic publishing

The recommended option of forming a subsidiary would obviously require approval by the board of MCB University Press and a definitive business plan would need to be prepared to outline the subsidiary's strategic objectives and operating structures. The whole process of getting started requires:

- the planning process;
- defining the business and how it fits in with the parent company;
- identifying resources that would move into the subsidiary;
- identifying the "niches" within which the subsidiary would operate;
- identifying the alliances to support the subsidiary;
- sales and marketing strategy;
- performance evaluators;
- expenditure forecasts.

Formation of strategic alliances – an evolution to buy and sell!

In true action learning style, work has already commenced on identifying potential alliances for distribution networks and as stated earlier an approach has been made to MCB by a technology developer to develop a total electronic publishing model. In early February a candidate was approached with a view to an alliance but the agendas were markedly different and negotiations were not continued. The technology alliance is one that is crucial to MCB and the outcome of a presentation to the prospective alliance partner's board of directors will be known in mid-June. Approaches have been made to another key distributor in the USA and this will be followed up with a meeting in early June. As there should be no limitation or mutually exclusive agreements the personnel responsible for alliances should establish a list of criteria for identifying further candidates. The fundamental process for any further steps will apply to the electronic subsidiary outlined in option one and should include:

- getting to know the key people;
- understanding how everyone will work together;
- determining how partners have performed in other alliances;
- looking for policy level commitments.

Once satisfied regarding with these basic understandings, the alliance will then need to adopt the following structures:

- *The written plan*. A prerequisite to all of this is a written document of some sort. It will add clarity to what can be an exercise in ambiguity. The initial plan should include the mission statement that outlines the basic beliefs of the partners and answers the question "Who are we?" It also requires a statement of strategic objectives that sets specific realistic goals and answers the question "Where do we want to go?" This does need to incorporate any considered options for the sale of the company.
- *Designation of an owner*. The alliances may well be split in terms of ownership with the required skills pursuing the relevant issues. My own role is as the owner of the technology alliance whilst another senior manager within the organization has been given responsibility to manage distribution and marketing alliances. The owners will need resource support in delivering the required strategy.
- *Communications*. Information and its transmission are crucial, particularly across continents and time zones. One should organize the lines of communication early on so that the right information gets to the right parties at the right time, then decide upon the style of communication, i.e. formal or informal, given the parties involved. Methods of communication also need to be established given that some prefer face-to-face contact, telephone calls or e-mail.
- *Performance evaluations*. This will not be an easy task but milestones should be identified as clearly as possible. Both parties need to know what their performance evaluators are and when they are to be delivered. Technology alliances are particularly difficult because of the numerous problems that can arise through neither party's fault. This will also require recognition of such events without retribution. Apportioning blame will not move the project along and post mortems (as the term implies) can happen after the event.

When risk and uncertainty are high, profitability by itself can be a poor measure of an alliance. In general terms an alliance may operate in settings where current financial results are bound to suggest poor performance, yet in actual fact the alliance may be making satisfactory progress towards longer term goals or be meeting current goals that are not financial in nature, for instance, the time taken by a distribution ally to introduce new products/content (owned by MCB) to the market. The usual methods of alerting customers to new products may take place fairly rapidly, but encouraging the use of those products through the efforts of the salesforce will take a lot longer. And as pointed out earlier, electronic products require demonstration rather than being sold by paper communications as is the case with traditional products. The goal of many alliances has to be seen as information sharing and education, not profit or payment of costs!

- *A "get out" plan*. Nothing is forever, and therefore there must be a plan to extricate oneself from the alliance. This could entail disbanding the alliance or simply a change in ownership or leadership. Terms under which both parties can separate need to be agreed up front.
- *Putting it all in writing*. Whilst legal documentation can be laborious in the extreme, it is essential that both parties have a detailed agreement whereby each other's intentions are understood and honoured. Clauses may be included that penalize parties for non-delivery, but this should be handled in such a way that both parties are satisfied with such statements.

Conclusion

Our moral responsibility is not to stop the future, but to shape it . . . to channel our destiny in humane directions and to ease the trauma of transition.

(Alvin Toffler)

It could be argued that the best way to predict the future is to invent it. The best way to know what is coming is to create the situation ourselves. As an organization MCB does not have a complete picture of the future but its top management know that mobilization is needed now. They have to accept the past and the success they have made of traditional publishing, and now focus on the future. They need to consider what is coming, what needs to happen and how they can rise to the occasion.

Electronic publishing is a major input to the development of the company strategy and it must be specific to the needs of the company. MCB's top management know the business they are in and how they can add value to the products. The notion that publishers will gain the same strong position in electronic publishing as in print-based publishing is not realistic. Content is only part of the equation: publishers have limited know-how and will need to change their familiar processes. Their markets are changing and so are the revenue streams. Nor are they in a position to determine the full impact of technological change. If too narrow a view is taken of the business, then it could ultimately be eliminated by technologies. What should be recognized, however, is what the technologies can and will do, to assist us, the importance of value added content, and the creation of a quality brand image to retain the publishing and information provision role.

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Appendix 1

	Strengths	Weaknesses	Opportunities	Threats
Market-related				
Traditional paper-based	Successful print products			
Electronic-based		Emulating paper	Content and technology (alliance)	
Pricing PB		High prices; reduction in subscribers		Eroding subscriber base
Pricing EB		No clear idea of market prices	Run parallel pricing, segment markets; pricing more attractive on per usage basis	Cannibalization
Promotion PB	Direct mail for traditional			
Promotion EB		Promotion unclear in electronics	Exploit new medium, interactivity	
Customer groups PB	Libraries and practitioners	Reduced library funding, diminishing subscriber base		
Customer groups EB			Funding for networking of libraries, practitioners buying information on demand, attract new groups on the basis of pricing and geography	
Niche markets PB	Established for paper			
Niche markets EB			Specialist products, customize, publishing on demand	
Marketing and distribution PB	Traditional via agents			
Marketing and distribution EB		Unknown area to traditional publisher	Direct to user, information providers' networks, utilize agent's new channels	

(Continued)

Table A.1
SWOT analysis of market-, business-, product- and technology-related issues

	Strengths	Weaknesses	Opportunities	Threats
Business aspects				
Organizational policy		Editorial structure does not fit electronic developments		
Organizational culture PB and EB	Ability to change			
Company size		Medium size – financial investment, workforce resources		
Company size			Ally with software developer, other publishers	Non-traditional publishers buy into large publishers
Globalization PB	Traditional established worldwide			
Globalization EB		Unknown for electronic	Source the early majority of markets, e.g. USA, Far East	Non-traditional publishers globalized
Motivation PB		No commercial need to address the issue		
Motivation EB	Strong advocates of electronics		Protect existing markets with electronics	
Alliances PB		Minimal experience within MCB		Strength of large publishers and non-traditional
Alliances EB			Complement skills and distribution channels	Strength of large publishers and non-traditional publisher
Product development				
Production PB	Clear for traditional products			

(Continued)

Table A.1

	Strengths	Weaknesses	Opportunities	Threats
Production EB	Prototype near completion	Budgeting and earned income related to paper-based, paper-based approach	Continue prototyping electronic processes, utilize electronic database for paper rather than vice versa	
Technology-related				
Technical platforms, expertise EB		Lack of knowledge	Ally with software developer	Strength of IT industry, software developers
Network infrastructure PB	Understood for print			
Network infrastructure EB		Not yet developed, uncertain for electronics		

Key:
PB= paper-based
EB = electronic-based

Table A.1

Appendix 2

Table A.2
Value chain analysis of print and electronic publishing (percentages)

	Print value chain analysis				Aggregate	Electronic value chain analysis				Aggregate
Inbound logistics	49	40	50	50	50	35	40	30	65	43
Production	16	20	5	15	14	20	25	15	20	20
Outbound logistics	6	10	5	2	6	5	5	5	5	5
Sales and marketing	25	20	30	20	24	30	10	35	5	20
Customer services	4	10	10	3	6	10	20	15	5	12
Total (%)	100	100	100	100	100	100	100	100	100	100