

# A Chronicle of an Unsuccessful E-Commerce Pioneer

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## ORGANIZATION BACKGROUND

Commerce One was a leading provider of well-developed software assisting in the collaboration of businesses with their partners, customers and suppliers. Founded in 1994 as DistriVision Development Corporation, the company became Commerce One in 1997. In 1999, the company went public (NASDAQ, CMRC). Originally, the organization was based in Pleasanton, California. Supporting processes and transactions, Commerce One created superior online buyer/supplier relationships through the Internet. Being a part of a global e-commerce trading network, Commerce One had been on top of delivering advanced technologies. It brought worldwide diverse firms together to conduct e-commerce on a competent business platform. It also developed libraries and languages that helped to shape many of the concepts behind XML (Extensible Markup Language) and SOAP (Simple Object Access Protocol). Over the years, this organization helped companies adapt their IT assets to business opportunities with new functionality and flexibility in their practices. Commerce One's business services ranged from IT to logistics and management. For instance, the Commerce One Conductor, the company's intelligent platform for composite applications, provided businesses by integrating partner applications, developing adaptable processes and managing infrastructure changes for business networks. Another product was the Commerce One Supplier Relationship Management, which automated the source to pay process by lowering costs and increasing control. Commerce One's major competitors, to name a few, were with Oracle, Ariba, i2, Vitria Technology, webMethods, and BEA Systems.

The workforce of Commerce One at its height, globally, included over 3,800 employees. These individuals were skilled in consulting, integration and customer operations. Mark B. Hoffman, the former Chairman, President and CEO led the executive team and brought organization to the Internet. Mr. Hoffman, prior to joining Commerce One, co-founded and ran the database software company named Sybase for 18 years.

Commerce One's fiscal year was based on the calendar year. The financial statements for Commerce One's last quarter filing for June 30, 2004 showed that the company's revenues decreased to \$4.7 million compared to \$21.4 million at June 30, 2003. However, Commerce One reported about \$4.2 million and also had to raise additional capital to continue with business operations. Since spending on software had declined globally, economic conditions would have a major impact on Commerce One's business operations.

Commerce One's products and services were available for companies, large and small, and could be configured to meet each corporate need. Commerce One made it possible for over 600 companies to work together with their customers, suppliers and partners, including Citicorp, Boeing, Shell, Eastman Chemical, Telecom, Becton Dickinson, Reliant Energy, MTP, British Telecom, Creative Planet, Bell South, Lockheed, Wells Fargo, Nippon Telegraph and Telephone Corp., Royal Dutch/Shell Group and Singapore Telecom Group. Commerce One set up offices in Hong Kong, Korea and Japan. Commerce One's strategic partnerships integrated GM, Chrysler, Mitsubishi, Pentellus, and Columbia/HCA Healthcare Corp. The world was a market place for Commerce One.

## SETTING THE STAGE

Over the web, Commerce One was a leader in the software industry for business transactions. Off-contract buying of small-ticket products can translate into big dollars lost when multiplied by hundreds or thousands of purchases across a global organization. To have formalized procedures for purchasing something as mundane as paper clips, may be overkill, but it makes a good deal of sense. Although most large enterprise resource planning (ERP) systems such as SAP AG's R/3 come with inventory management and procurement modules, they lack the depth and breadth of functionality that the niche systems contain. As Weston (1997) estimated that operational supplies account for one-third of all costs in a company. Software packages targeting this overlooked area of spending were beginning to hit the market. Thus, many of the ERP vendors were partnering with the niche players. These third-party systems were designed to give corporate procurement departments central control over buying allowing them to cut deals for volume discounts with just a few suppliers.

"What business really wants from IT is automation of the processes that make business go" (Windley, 2004). Internet-based companies were created to solve the problems of integrating systems. Commerce One formed a strategic relationship with SAP in December 1997. PeopleSoft had entered into a partnership with Commerce One on June 18, 1999 permitting PeopleSoft joint trading-exchange capabilities into its line of ERP and e-commerce software.

With Commerce One, businesses, envious of its success, sought out its products as did competitor Oracle and others. Mr. Hoffman's strategy was to use the Internet to help companies conduct business with each other. Leading to great company exposure and an augmented customer base, in 1999 Commerce One expanded rapidly as it became General Motor's on-line marketplace. Commerce One had become one of the fastest growing companies on the NASDAQ. Even its number of employees rose to 3,800 (Gynn & Avalos, 2004). Commerce One was a triumph for all industries from automotive to aerospace. After \$33.6 million in sales in 1999, sales soared to \$401 million in 2000.

In April 2000, PricewaterhouseCoopers LLP (PWC), the nation's largest consulting firm, and Commerce One, the biggest e-procurement company, announced that they would jointly market and build Internet trading hubs for Fortune 500 companies (Clark, 2000). PWC would supply the business know-how inherent to exchanges, while Commerce One would deliver the software that would make them work.

On Sept. 26, 2000 Microsoft Corp. and Commerce One announced they were expanding and elevating their longstanding strategic relationship. To collaborate on delivery of the industry's next generation of B2B e-commerce solutions worldwide, Commerce One and Microsoft would align a global go-to-market strategy to drive the growth of e-marketplace adoption. This also included the integration of key technologies, collaboration on XML standards, global marketing and sales initiatives, and joint development programs. Central to the alliance were the companies collaboration on the development

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