

REAL WORLD CASE 2

GE Power Systems and Corporate Express: The Business Case for Enterprise Application Integration

GE Power Systems. Enterprise application integration is not new at GE Power Systems in Atlanta (www.gepower.com), which began an EAI project three years ago and is now reaping the benefits. The subsidiary of General Electric Co. had “a collection of business units running as independent operations, with the majority of their systems not interconnected,” says Alan Boehme, former e-technology CIO at GE Power who recently left to join Best Software Inc. as executive vice president and CIO. GE Power used the WebMethods EAI development system to build an EAI platform to share data among a variety of legacy systems, ERP software, and Web-based applications. The benefits have included the ability to send data in real time from one system to another, and improved quality and accuracy of the data.

EAI involves using software to connect a variety of applications into a cohesive unit and thereby helps enterprises align systems more closely with business processes. It’s become a critical part of the IT strategy at many organizations looking to meld disparate systems and quickly deliver data to employees, customers, and partners.

EAI was the third most-cited project Premier 100 IT Leaders said they plan to undertake in 2003. And while IT managers who have completed or launched EAI projects say there can be significant benefits, they also point out that such efforts require specific IT skills and extensive coordination among multiple departments, which can be a major challenge in some organizations.

For example, the IT department at GE Power set up a project management office to manage the implementation of EAI by various business units and track its benefits to the company, Boehme says. Although it’s centrally managed, EAI is funded by individual projects run by various functional units within the business divisions. “That’s where the benefit accrues, so we pushed the cost and the actual physical work into the functional units.” Boehme says. The decision on whether to invest in EAI was determined by each functional unit based on the estimated cost of implementing EAI interfaces among their systems, compared with the perceived benefits.

Corporate Express. Corporate Express Inc. (www.corporate-express.com), a fast-growing office supplies distributor in Broomfield, Colorado, used an EAI project to dramatically improve customer service by almost doubling the number of its Web-based interfaces to the systems of its business partners, from 120 to more than 200. The aim of Corporate Express was to cut costs both internally and for its customers, so it would remain attractive as a preferred supplier. The company has also completed a handful of other EAI projects recently, including integrating its warehouse management application with its PeopleSoft enterprise resource planning system.

“The integration effort is probably even more successful than we planned,” says Andy Miller, vice president of technical architecture at Corporate Express. “We didn’t think that we would replace as many legacy interfaces as we did. We actually went back to quite a few older interfaces between applications and retrofitted them.”

One of the results was that the company set a new record for online sales this past January, selling more than \$7 million in office products online in one day. Online sales now represent more than 50 percent of its total sales. In addition, Corporate Express’s integrated business-to-business systems, which include EDI and XML interfaces with customers’ e-procurement systems, achieved a new daily high of more than \$2 million. Corporate Express has integrated with more than 250 customer e-procurement systems, including platforms such as SAP AG, Oracle Corp., Ariba Inc., and Commerce One Inc. The company expects its 2003 e-commerce sales to exceed \$1.5 billion.

Corporate Express is using EAI development technology from WebMethods Inc. By the end of 2003, Miller says, he expects to complete five more strategic EAI projects that will, among other things, expand the company’s products and enhance its delivery capabilities. “We haven’t measured it officially, but we know of cases where we’ve won business because of our integration capability with customers,” he says.

“A lot of IT departments held off on investing in EAI because they were waiting for a maturation in the technology and for the market to shake out and a few clear leaders to emerge,” says Mark Ehr of Enterprise Management Associates. “EAI products have reached a maturation level in the past couple of years that make them considerably easier to implement, resulting in a more rapid ROI than was possible before.”

Case Study Questions

1. Why has EAI recently “become a critical part of the IT strategy at many organizations,” and a high-ranking project of top IT executives? Use GE Power and Corporate Express as examples.
2. What is the major difference in the business value of the EAI projects at GE Power and Corporate Express?
3. What are some of the challenges in developing and implementing EAI systems? How can companies meet these challenges?

Source: Adapted from Bob Violino, “How Will You Integrate Technology with Business?” *Computerworld*, January 6, 2003, pp. 20–21; and Maria Trombly, “Piecing It All Together,” *Computerworld*, July 7, 2003, p. 40.