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The Forrester Report

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Pumping Up Internal eBusiness Talent

Firms are beginning to retrain employees to combat the skills crunch and fuel eBusiness growth. But today's efforts fail to define new eBusiness positions and the employees best suited to fill them.

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2

INTERVIEWS

Firms Scramble To Cope With Skills Shortage

Our interviewees confirmed that two-fifths of eBusiness projects get delayed because of a lack of eBusiness talent. Many firms combat this skills shortage by investing heavily in training internal employees. But few have processes for matching employees to eBusiness positions.

THE OFT-DISCUSSED SKILLS SHORTAGE HITS eBUSINESS HARD

Today's eBusiness departments are understaffed by 31%, according to the 50 eBusiness executives we interviewed. Respondents claim that 41% of projects are stalled because of a lack of key people -- with delays averaging three months (see Figure 1-1).

> "We announced our partnership with a marketplace in mid-September. It could have been announced in early August. It kept getting pushed off because we lacked people who have the authority and skills to execute." (Financial company)

> "Every single day we delay another project. We had planned to launch a new product line on our site, but it was delayed by four months. The delay greatly affected our ability to lead the market." (Entertainment retailer)

The Most Critical eBusiness Jobs Are The Most Scarce

Interviewees highlight strategists and technologists as the most essential eBusiness positions in their organization. But these jobs are also the hardest to fill (see Figure 1-2).

> "The most important jobs I need in-house are eStrategists, developers, and Web operations specialists. But they are hard to find. If someone can spell technology and fog a mirror, then they are potential candidates!" (Entertainment company)

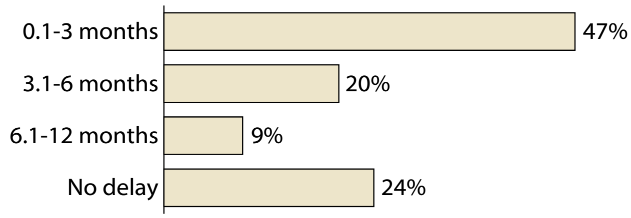
> "Technology specialists and people who understand the business side of the Web are critical. Our biggest gaps are in these jobs -- in part due to retention issues. I just lost a Java developer to another company!" (Healthcare company)

Firms Tap Employees From All Lines Of Business To Fill Gaps . . .

Respondents told us they look anywhere and everywhere for talent. According to interviewees, on average three out of five people on eBusiness projects come from non-IT functional groups like marketing and business development (see Figure 1-3).

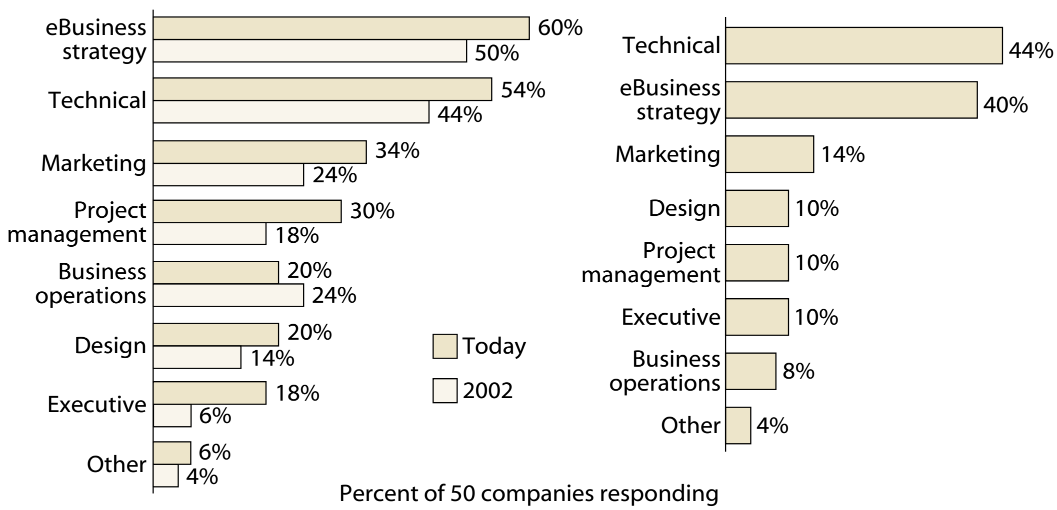
Figure 1 The Lack Of eBusiness Skills Affects eBusiness Projects

1-1 **"How long is the average eBusiness project delay due to a lack of human resources?"**



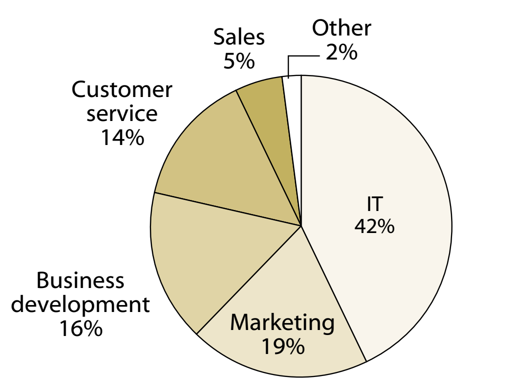
Percent of 34 companies responding

1-2 **"What job types are most critical to eBusiness efforts? In two years?"** **"What job types are most lacking internally?"**



Percent of 50 companies responding
(multiple responses accepted)

1-3 **"What percentage of eBusiness trainees come from the following departments?"**



Percent of 43 companies responding
(percentages do not equal 100 due to rounding)

Source: Forrester Research, Inc.

"Our trainees come from business development, marketing, sales, and customer service -- with only a small percentage from IT. eBusiness is an extension of business. That makes IT the foundation -- not the lead." (Marketing company)

"Although half of our recruits come from IT, sales and marketing drive efforts because they deal with the business issues." (Industrial equipment company)

. . . Causing Dollars Spent On Developing eBusiness Skills Internally To Rise

Respondents spend an average of $1.7 million on eBusiness training today and plan on nearly doubling this investment to $3.1 million by 2002.

"We will double our Internet training budget by 2002, because our employees know our business -- making the ramp-up time minimal." (Electronics company)

"Our $3 million annual training budget will grow exponentially. Retraining our staff is effective because of their loyalty and efficiency." (Healthcare company)

Today's Methods For Matching Employees To eBusiness Jobs Are Crude

Seventy-four percent of users lack formal methods, and 80% lack tools to identify which employees will fit eBusiness positions. Most rely on word of mouth to find talent.

"I have been at the firm for 15 years, so I have personal contacts that I draw on to find people. The guy I report to also knows people." (Financial company)

"We have a homegrown HR system that can't map skill sets. I want people with a grasp of technology and a desire to learn. But at this point, I can't even identify 10 people who have taken extracurricular Web classes." (Manufacturing company)

"We don't use any applications or tools to identify talent. Are there some that exist?" (Rubber products company)

INTERVIEW CONCLUSIONS

From our interviews with 50 Global 2,500 companies, we conclude that:

- **The lack of human resources stymies eBusiness initiatives.** Almost half of today's eBusiness projects are delayed, owing to the Internet skills crunch.
- **Firms plan on nearly doubling eBusiness training budgets.** Firms will almost double budgets because of the value -- and necessity -- of developing employees.
- **Most executives rely on word of mouth to match people to eBusiness jobs.** The majority of firms lack formal processes for identifying eBusiness talent.

ANALYSIS

Firms Must Turn Inward For eBusiness Staff

Today's inefficient processes for identifying and developing eBusiness employees mean that Internet efforts suffer. To build up eBusiness skills internally, companies must go beyond matching job titles and hard skills. Firms must examine individuals' eBusiness behavioral DNA to determine if they are market-facers, connectors, innovators, or enablers.

FIRMS MUST BUILD eBUSINESS SKILLS INTERNALLY

Firms must ramp up their efforts for building internal eBusiness expertise because:

- **Employees know the business.** As eBusiness moves beyond online selling to procurement and supply-chain collaboration, firms must consult employees who know today's process inefficiencies to effectively extend these processes to multiple trading partners over the Net. For example, a purchasing manager in the life-sciences industry who is responsible for buying materials offline can help integrate the firm's procurement efforts with eMarketplaces like Chemdex.

- **External recruiting for eBusiness is a zero-sum game.** Companies employ sophisticated methods -- like signing bonuses, stock options, and even BMWs -- to lure talent. But more firms compete for experienced hires. Witness Andersen Consulting flexing its recruitment muscle beyond the campus: This year, four out of 10 recruits were experienced hires, up from one out of 10 in the mid-90s.

- **Outsourcing to tap eBusiness skills is no silver bullet.** Many of today's eBusiness help providers do not adhere to contractual agreement of knowledge transfer -- turning clients into addicts. One high-tech company relied on an eCommerce integrator (eCI) to code an application server. Poor knowledge transfer meant that when the site ground to a halt a few months after it went live, the eCI agreed to provide a fix -- for an additional several million dollars.

Figure 2 Hard Skills Do Not Predict Successful Performance

NASA outlines the job and hard skills required for a position . . .	**Job:** Astronaut for the Mercury Space Program **Description:** Perform space mission for Man In Space Soonest (MISS) Initiative **Hard Skills/Requirements:** • Excellent physical condition • Graduate of military test-pilot school • 1,500 hours flying experience in jets		
. . . six astronauts had the hard skills . . .	Alan Shepard Gus Grissom John Glenn	Scott Carpenter Wally Schirra Gordon Cooper	
. . . but not all were high performers.	**High performance**	**Textbook performance**	**Low performance**
	John Glenn Gordon Cooper	Alan Shepard Wally Schirra	Gus Grissom Scott Carpenter

Source: M. Buckingham, C. Coffman, *"First, Break All the Rules: What the World's Greatest Managers Do Differently."* Simon & Schuster, May 1999, pp. 73-76 and Forrester Research, Inc.

But Today's Tactics For Building The Corporate eBusiness IQ Fall Short

Companies have crude techniques for identifying and developing their employees today. The lack of sophisticated methods undermines firms' efforts to build eBusiness acumen across all lines of business. Why? Because eBusiness hiring managers:

- **Fail to go beyond hard skills.** Today, companies incorrectly address the skills gap by matching people to eBusiness positions based on their hard skills -- like hiring a person to fill a Webmaster job because she has done Java programming. The problem? Hard skills alone don't predict success in jobs -- behavioral elements like whether or not a person communicates effectively under pressure do (see Figure 2).

- **Ignore the new jobs that eBusiness requires.** Our interviewees cited a dearth of eBusiness skills -- from strategy to technology. But most ignore the fact that eBusiness requires individuals who can do more than the obvious first-generation Web jobs -- like "strategists who bridge business and technology" or Web developers. Failing to articulate these new eBusiness jobs will cause firms to fall victim to a "hire first, aim second" approach to finding talent.

- **Lack tools to identify potential talent.** Tools for finding people -- from résumé scanners to competency management modules -- are the domain of HR. While these tools adequately identify an employee's hard skills and experience, they do not highlight behaviors like an individual's ability to draw analogies between dissimilar concepts. Lacking even these imperfect tools, hiring managers for eBusiness initiatives use inefficient word-of-mouth methods -- which don't scale.

SUCCESSFUL DEVELOPMENT BEGINS WITH A FOCUS ON BEHAVIOR

In order to build internal eBusiness skills effectively, firms must abandon identification approaches that begin by matching old world jobs to hard skills. Successful identification and development of internal employees starts with an understanding of a person's behavioral DNA, which Forrester defines as:

> *An individual's dominant mode of processing information and interacting with his or her environment.*

Four types of behavioral DNA emerge with eBusiness: 1) market-facer; 2) connector; 3) innovator; and 4) enabler. Each type of behavioral DNA is best suited for a new eBusiness job -- becoming the foundation for an eBusiness job taxonomy (see Figure 3).

Market-Facers Excel At Attracting Net Customers

Market-facers succeed in jobs targeted at building stickiness across all points of the buying process -- from awareness to post-sales support. Therefore, market-facers:

- **Demonstrate strong observation and empathy traits.** Market-facers rely on strong observation and empathy skills to know how a customer interfaces with a company, its processes, and systems. For example, a market-facer who is a great experience designer knows HTML and human/computer interaction (HCI) principles. But she also relies on observation and empathy in order to understand why a consumer abandons a shopping cart or what level of information a purchasing agent requires before committing to a shipment of bulk steel.

- **Flourish in roles that focus on the customer.** Because of strong observation and empathy traits, market-facers thrive in new eBusiness positions that require a sophisticated understanding of customers and how they process information. Case in point: A customer management director who targets products and services to market segments must first be adept at grouping customers with similar goals, attitudes toward technology, and abilities to purchase -- like young consumers or the emerging affluent.

Figure 3 Behavioral DNA Is The Foundation For An eBusiness Job Taxonomy

	Market-facer	Connector	Innovator	Enabler
Behaviors	• Displays strong empathy • Possesses strong observation skills	• Makes decisions quickly • Communicates effectively	• Finds patterns in unlike concepts • Deals well with ambiguity	• Thinks methodically • Pays attention to detail
Sample eBusiness job taxonomy	**Customer management director:** Creates, prices, and promotes offerings to clusters of customers with similar needs **Experience designer:** Creates interfaces for multiple devices that support a user's process -- whether buying a product or gathering information **Customer service analyst:** Identifies interruptions in a user's process that can be preempted at the source	**Web application development producer:** Links strategists, creatives, and technologists for the development of Web applications **Brokered partner integrator:** Assembles and dissolves relationships with trading partners based on market demand **Connection integrator:** Manages the connections between multiple service providers like ASPs, hosters, eCIs, and process outsourcers	**Business process engineers:** Defines and creates new process maps and works with industry consortia on XML vocabularies **Broadband merchandiser:** Explores new Net merchandising techniques like 3-D images of high-price furniture	**Director of customer-facing technology:** Integrates and maintains front-office systems like call center apps and Web-based CRM **Privacy advocate:** Enforces companywide privacy policies, monitors partners' adherence to policies, determines the impact of local regulation on data collection **Security analyst:** Evaluates the business risks of alternative security approaches and trading partners' security processes
Where you'll find this talent internally	• Employees in front-office functions who have done direct marketing • Sales managers in charge of pipeline reporting and forecasting • Organizational design and HR	• Process owners in groups like logistics and manufacturing • IT program offices	• Centralized eBusiness groups • IT developers who dabble in emerging technologies like artificial intelligence and new devices • Research and development	• Legal and corporate finance • Process members for procurement and logistics • IT • Operations
Why tap these internal sources for talent	Possess both the data-analysis and measurement skills required to build customer scenarios from historical data	Unlike traditional alliance managers, they understand: 1) partners' roles in business processes, and 2) technology standards that enable multicompany partnerships	Individuals within these groups are most connected to emerging eBusiness opportunities	Employees within these groups have an affinity for systematic methods and processes important to B2B trade like risk calculation and asset management across trading partners

Source: Forrester Research, Inc.

- **Require training in ethnography or quantitative analysis skills.** Companies must begin developing the hard skills that market-facers need for eBusiness efforts by offering training on the buying behaviors of Net consumers and businesses. Specialized training should provide instruction on either: 1) ethnography, the study of cultural behavior, to build qualitative customer research skills, or 2) data analysis techniques, using tools ranging from OLAP to sophisticated data mining like SPSS, to build quantitative measurement skills.

Connectors Thrive On Linking Internal And External Constituents

Connectors are adept at facilitating relationships -- whether they are with buyers and sellers over the Net, multiple service providers, or a centralized eBusiness group and lines of business. Connectors:

- **Demonstrate strong decision-making and communication traits.** Connectors use strong decision-making and communication skills to create and disband partnerships in Internet time. For example, a connector who manages a company's network of trading partners must efficiently synthesize, prioritize, and act on large amounts of information -- and communicate with clarity actions taken. Without these rapid decision-makers, a company cannot quickly act on critical information -- like which partner can do available-to-promise in seven days or less.

- **Flourish in jobs requiring the orchestration of multiple constituents.** Rapid decision-making and communication traits make connectors ideal candidates for new eBusiness positions that manage the interactions of diverse constituents -- whether they are individuals or organizations. Connectors thrive in new jobs like connection integrator -- an individual who ensures the smooth connection of development and operations services by managing the links between eCIs, ASPs, and hosters.

- **Require training in high-velocity partnerships and negotiation techniques.** To equip connectors with the hard skills, firms should focus training on negotiation and Net partnering. Negotiation training outlines methods for conflict-resolution and consensus-building so connectors can negotiate with multiple parties. Net-partnering training details how to partner in a high-velocity environment and addresses issues like which eMarketplaces are best for strategic investments and which are better as normal channel partners (see the July 2000 Forrester Report "Unraveling eMarketplace Deals").

Innovators Are Best At Creating New eBusiness Concepts

Innovators excel as catalysts within an organization who develop eBusiness strategies, create Net-native business processes, and spearhead the adoption of emerging technologies within an organization. Innovators:

- **Demonstrate strong pattern recognition and comfort with ambiguity.** Innovators handle the ambiguity of eBusiness through analogies -- which help to diagnose patterns in unlike situations. For example, an innovator in an automotive OEM creates a process for built-to-order of cars in seven days by adopting supply chain efficiencies from the high-tech industry -- like Dell Computer's use of the Web to partner with Ingram Micro and Ryder for real-time assembly and delivery of PCs.

- **Flourish in positions that define new eBusiness opportunities.** Due to their high pattern-recognition and comfort with ambiguity, innovators thrive in creative positions that explore emerging Net-native processes like that of exception-based procurement and the business impact of new technologies like WAP phones. Innovators are best at positions like business process engineer, which defines how a process such as order fulfillment cuts across companies and trading partners.

- **Require training on local cultures and the impact of emerging technologies.** Firms should develop the hard skills an innovator requires by providing development tracts on emerging technologies like peer-to-peer file sharing à la Gnutella. Innovators in positions that focus on the global expansion of eBusiness require training to understand a geography's specific cultural, legal, and regulatory environments -- like France's EDI-centric B2B infrastructure.

Enablers Succeed At eBusiness Operations And Support

Enablers are best equipped to maintain the technical and process operations of an eBusiness -- be it internal processes like legal, finance, and HR -- or external processes like procurement, logistics, and fulfillment. Therefore, enablers:

- **Demonstrate methodical thinking and attention to detail.** Enablers process information with logic and rigor and are extremely systematic in their approach to business operations and technologies. For example, an enabler who is a security analyst must be highly analytical in order to evaluate the business risk of alternative security approaches like encryption and authentication and calculate the impact of a trading partner's security processes on your firm's customer.

- **Flourish in technical integration and process monitoring roles.** Strong analytical thinking and attention to detail make enablers suitable candidates for new eBusiness roles focused on technical integration or process monitoring.

Enablers do extremely well in jobs like that of director of customer-facing technology -- a position that integrates and maintains front-office systems like call center apps and Web-based CRM technologies to provide marketing, merchandising, and service across all phases of a customer's buying process.

- **Require training in hands-free processes.** Companies must extend training for enablers beyond learning tracks focused on hardware, software, and network skills. Why? Because enablers develop and maintain systems that aren't merely Web-recreations of traditional business processes (see the January 24, 2000 Forrester Brief "Hands-Free: A New Trajectory For Business Apps"). Enablers require training on exception-based rules engines and XML integration -- both of which support automated business processes.

PUTTING THE BEHAVIORAL DNA MODEL TO WORK

To make the behavioral DNA model a success, firms must know how to: 1) identify and develop people based on their behavioral DNA, and 2) populate their lines of business with the right mix of talent.

Invest In Identification And Development Solutions

To jump-start identification and development initiatives, firms should expect to spend $1.9 million for initial investments in software and consulting services (see Figure 4). Software and consulting investments include solutions for both identifying and developing employees (see Figure 5).

- **Identification solutions focus first on behavior.** To identify employees by their behavioral DNA, firms must extend beyond traditional HR tools that catalog hard skills and experience. Identifying behaviors requires the use of psychological instruments like the California Psychological Inventory and organizations that know how to administer these instruments correctly like The Impact Group and the Center for Creative Leadership (CCL).

- **Development requires online and offline solutions.** For successful employee development, firms should use both low-cost online tools from vendors like Centra Software and high-impact classroom-based training from providers like MindView (see the August 2000 Forrester Report "Online Training Needs A New Course"). For hard-skills development -- like providing enablers with Java training -- online simulations of coding environments are effective. But firms should use in-person training for behavior-based development -- like providing connectors with facilitation training.

Figure 4 The Cost Of Identifying And Developing Employees For eBusiness

Costs based on initial software and services investment and the annual training investment for 250 employees

	Costs in US dollars	
	Product	**Labor**
IDENTIFY		
Determine employee's behavioral DNA	N/A	$870,000
• Hire organizational psychologists to administer behavioral indicators and 360-degree assessments • Provide feedback to employees who participate in assessment		
Build skills and behaviors database	$150,000*	$36,000
• Identify the hard skills and behaviors needed for eBusiness efforts • Buy competency management software		
Create eBusiness job taxonomy	N/A	$36,000
• Segment new positions that fit four behavior types		
Support employee to job matching	$25,000	N/A
• Invest in matching software		
IDENTIFY subtotal	$175,000	$942,000
DEVELOP**		
Build online training programs for hard skills and development	$128,250	N/A
• Invest in program administration tools and prepackaged content • Purchase Web-collaboration tools		
Create in-person classes for behavior-based training	N/A	$643,500
• Send directors and VPs to eBusiness seminars • Hire training vendors for on-site workshops		
DEVELOP subtotal	$128,250	$643,500
Cost	$303,250	$1,585,500
Total cost: product and labor	**$1,888,750**	

*PeopleSoft 6 and higher and SAP HR 4.5 have competency management as native functionality. If using these systems, cost is zero.

**Recognizing that development is a process and not an event, firms should also consider the cost of on-the-job learning. For example, if 250 employees spend 20% of time a year on eBusiness, the annual ongoing development will cost $3 million.

Source: Forrester Research, Inc.

Figure 5 Solutions For Identifying And Developing eBusiness Talent

		Description	Examples	Comments
IDENTIFY	Behavioral indicators	Instruments administered to identify a person's dominant behaviors	Myers-Briggs Type Indicator, California Psychological Inventory	+ Good for identification and development – Unethical when used to pigeonhole people
	360-degree assessment	Tools given to supervisors, peers, and direct reports that access a person's behaviors	Leadership Effectiveness Inventory (LEI), CCL Benchmarks	+ Highly accurate in providing behavior profiles – Unethical if administered without giving feedback
	Competency management system	Software for cataloging competencies, job models, and employee profiles	SAP, PeopleSoft, SuccessFactors.com	+ Centralized data store for identification – Requires significant customization for content
	Online testing and certification	Web-based examinations for gauging an individual's hard skills and behaviors	Brainbench, TechTarget.com	+ Best at testing for hard skills – Behavior-based testing is underdeveloped
	Matching software	Software for matching an employee with an open job recommendation	WCC Services, Center for Creative Leadership (CCL)	+ Best at matching jobs to résumés and curricula vitae – Does not match based on behavior profiles
	Organizational consultants	Administration of behavioral indicators and 360-degree assessment tools	The Impact Group	+ Highly trained consultants with Ph.D.s in psychology and organizational design – High cost
DEVELOP	Learning management systems	Administrative tools for registering and tracking students	Docent, Saba Software	+ Web-based instructional material often included – No collaboration support for interactive learning
	Content providers	Rental or sale of Web-based instructional material	DigitalThink, SmartForce	+ Extensive content catalogs – Static HTML content with little interactivity
	Presentation tools	Suite of live-collaboration tools, including chat, online whiteboards, and display software	Centra Software, PlaceWare	+ Good collaboration platform – Ill-suited for behavior-based training
	eBusiness seminars	Cross-company training programs usually focused on training executives	C-bridge Internet Solutions	+ Suited for teaching eBusiness fundamentals – Poor environment for deep skills education
	Classroom-based training	On-site training sessions -- usually 3 days to 1 week in duration	Valtech, MindView, Interaction Associates	+ Good for hard-skills and behavior-based training – High cost

Source: Forrester Research, Inc.

Hire A Mix Of Behavioral DNA For Functional Groups

Hiring managers within functional groups must identify and develop the appropriate mix of the four eBusiness behavioral types based on their business units' needs.

- **Front-office units: market-facers and innovators dominate.** Lines of business in charge of sales, customer service, and marketing require a high percentage of market-facers to extend beyond today's integrated Web sites and call centers to provide a consistent experience in all media and sales channels. But these groups also require innovators who explore alternative customer touchpoints made possible by new devices and enablers who integrate front-office sales, marketing, and customer service systems.
- **Product/service units: innovators, market-facers, and connectors are critical.** R&D groups require a large number of innovators who create new products and services made possible by the Internet. In addition, product/service groups need: 1) market-facers to gauge how receptive customers are to new products and services, and 2) connectors to manage hyperpartnering for both product assembly and the bundling of value-added services like online package/pallet tracking.
- **Process groups: connectors top the list, followed by innovators.** Process groups require connectors for plug-and-play partnerships -- like linking into procurement malls from either W.W. Grainger or Ingram Micro. They also need innovators who focus on creating Net-native processes like exception-based procurement and enablers who ensure the infrastructure evolves to support new hands-free processes like procurement.
- **Operations: enablers and connectors tag team.** Operation lines of businesses -- like IT and HR -- are the horizontal support of other business units. Therefore, they consist primarily of enablers who maintain process and technical infrastructures. Operations groups also require connectors who interface with external partners to ensure that business partners are able to tap internal systems like inventory management.

ACTION

To make behavior-based identification and development a success, companies should:

Develop behavioral DNA career scenarios to aid in retention.

Matching eBusiness jobs to behavioral DNA allows people to use their strengths -- thus keeping them satisfied, which, in turn, increases retention rates. To further buttress retention efforts, executives should develop career scenarios that outline multiple paths for each behavior type. So, when selling a market-facer on a user experience position, show her the potential to: 1) become a customer heuristics manager who weaves marketing, merchandising, and service into the buying process, or 2) director of cross-device experience who creates consistent user experiences across the Web, PDAs, and other devices.

Provide immersive eBusiness learning environments.

Learning by doing has the highest retention rate of any method. Firms should copy providers like Cap Gemini Ernst & Young -- which runs consultants through its accelerated development centers for immersive eBusiness training. How? By offering high-performing employees the opportunity to spend six months in the centralized eCommerce group. Pair market-facers with employees focused on interactive marketing and task connectors with interfacing with the lines of business. The payback? eCommerce groups get topnotch individuals, and when their stint is over, the business unit gets an experienced employee.

Encourage collaboration across lines of business.

Business unit managers will save on eBusiness training costs by: 1) identifying similar projects proposed by other units, and 2) collaborating with those units to share people and financial resources. A business unit manager who wants to entice cooperation should build a case for the value of her project. To build the case, extend beyond ROI measurement and apply metrics like hyperpartnering efficiency, end-customer success, and multicompany financial performance (see the September 2000 Forrester Report "Measuring eBusiness Success").

Overcommunicate with employees.

If a firm keeps a tight lip on behavioral identification practices, most individuals will view behavior-based hiring as invasive. To avoid this, firms must maintain a continual dialogue with employees about its use of behavioral profiles. An example: set up one-to-one conversations with an employee to discuss 360-degree assessments and possible job opportunities unearthed by this assessment.

WHAT IT MEANS

Connectors dominate CEO positions.

To participate in eBusiness opportunity, companies will deconstruct existing stovepiped structures and create specialized organizations focused on a discrete function -- like acquiring customers, manufacturing goods, or operating technologies (see the July 2000 Forrester Report "The eBusiness Organization"). In this new model, companies will buy and sell these specialized organizations based upon market demand -- requiring a connector in the CEO position who has mastered partnering in a high-velocity environment.

The recruitment industry gets reinvented -- from the outside in.

Recruitment firms like Spencer Stuart and Russell Reynolds Associates will tear a page from Fortune 1,000 firms by increasing their use of behavioral identification. Why? Because behavioral identification is a better indicator of culture fit than of hard skills. Watch for recruitment firms that are compensated by retainer to publicize the higher success rates that result in matching behavior to job -- thereby attracting more companies that pay ongoing fees.

ACLU battles a new glass ceiling.

The American Civil Liberties Union (ACLU) and other watchdog groups will fight a new glass ceiling as unscrupulous managers use behavioral DNA as a veil for unfair hiring practices. Watch for a class-action lawsuit to bring behavior-based hiring to the 5:00 p.m. news. To ensure against both negative publicity and the unethical treatment of employees, firms will pair internal hiring managers and HR people with outside organization psychologists who have training in administering and providing feedback on behavioral indicators and 360-degree assessments.

Behavior identification first takes off in Europe.

European countries like France will be among the first to use a person's behavioral DNA to identify and develop employees for eBusiness. Why? Because not only do these countries have a heritage of tailoring education to personality types beginning in secondary schools, but they also know how to manage sensitive personnel data. Look for countries like France to reach the commerce threshold sooner than expected -- fueled by the higher productivity created by matching eBusiness jobs to peoples' strengths (see the October 1998 Forrester Report "The Commerce Threshold").

RELATED MATERIAL

Research Methodology

Forrester conducted 10 case studies, one of which was confidential, with organizations that have undertaken significant retraining efforts to build eBusiness staff. In addition, we spoke with service providers, human resource tool vendors, and Professor Faison P. Gibson of the University of Michigan Business School.

Companies Interviewed For This Report

Angami Systems
www.angami.com

Bain & Company
www.bain.com

Booz·Allen & Hamilton
www.bah.com

C-bridge Internet Solutions
www.c-bridge.com

Center for Creative Leadership
www.ccl.org

Christian & Timbers
www.ctnet.com

Development Dimensions International
www.ddiworld.com

Genesys Software
www.genesyssoftware.com

HotDispatch
www.hotdispatch.com

Niku
www.niku.com

Noise to Signal
www.noisetosignal.com

Peopleclick.com
www.peopleclick.com

PeopleSoft
www.peoplesoft.com

SAP
www.sap.com

SkillsVillage
www.skillsvillage.com

Spencer Stuart
www.spencerstuart.com

SuccessFactors.com
www.successfactors.com

The Center for True Leadership

the Feld Group
www.feldgroup.com

The Impact Group

WCC Services
www.wcc.nl

Case Studies Interviewed For This Report

Andersen Consulting
www.ac.com

A.T. Kearney
www.atkearney.com

Cap Gemini Ernst & Young
www.capgemini.com

Deloitte Consulting
www.dc.com

EDS
www.eds.com

IBM Global Services
www.ibm.com/services

KPMG Consulting
www.kpmgconsulting.com

PricewaterhouseCoopers
www.pwcglobal.com

Wachovia
www.wachovia.com

Related Research

August 2000 Forrester Report "Online Training Needs A New Course"
May 28, 1999 Forrester Brief "External IT Demands New Skills"
February 1999 Forrester Report "Becoming A Magnet For IT Talent"

Outside Resources

Marcus Buckingham, Curt Coffman, "First, Break All the Rules: What the World's Greatest Managers Do Differently," 1999.

GRAPEVINE

Don't even think about handcuffing eBusiness talent.
An entertainment company executive spoke what many feel when he told us that his company "secures eBusiness talent by chaining them to their desks, feeding them raw meat every now and then, and hoping they don't escape!" As much as this tactic might appeal to managers' desire not to lose talent, pushing flat food under a locked door does little to retain people. Successful retention programs should target a cultural fit upfront, develop solid career paths, and deliver nonfinancial incentives -- a much tastier enticement than raw meat (see the February 1999 Forrester Report "Becoming A Magnet For IT Talent").

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Not all companies belong on the Net-sales frontlines.
Ever feel like the Internet market noise leads to projects that don't fit your company's needs? The manager for Web projects at a metal products manufacturer gave us this perspective: "We have to put all of the eBusiness hype about online sales in perspective. We need to know how this technology will help us process steel and make gas grill tanks." Forrester agrees -- for two reasons: 1) Internet-enabled communication, collaboration, and service can impact 100% of a firm's customers, suppliers, and trading partners -- while online sales will gain only 17% of B2B trade by 2004, and 2) as the Internet economy evolves, many companies will specialize in manufacturing, relying on distributors and resellers to do the fancy Internet sales and marketing (see the July 2000 Forrester Report "The eBusiness Organization").

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Change tolerance will become an eBusiness survival trait.
A lot gets written about the skills needed to deliver eBusiness, like Web site development and one-to-one marketing. But little gets said about the impact of change. The director of eBusiness at a major petrochemical company put it this way: "Acceptance of the uncertainty associated with change is our biggest people challenge. Some things we try fail -- which can be hard to take -- so those used to stable jobs, like accountants, will have trouble in our eBusiness group. As a result, we recruit M.B.A.s who work well with uncertainty, confident that they will find other opportunities if this one doesn't work out." Forrester doesn't believe that change-tolerant people only come fresh from graduate business programs, but the point hits the mark -- successful eBusiness staff must thrive on change.

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Pumping Up Internal eBusiness Talent

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QUICK VIEW

Firms are beginning to retrain employees to combat the skills crunch and fuel eBusiness growth. But today's efforts fail to define new eBusiness positions and the employees best suited to fill them.

INTERVIEWS

- eBusiness groups are understaffed by 31%.
- This skills shortage delays 41% of eBusiness projects.

ANALYSIS

- Firms must identify people by behaviors, not hard skills.
- Companies should expect to make an initial investment of $1.9 million to identify and develop eBusiness talent.

ACTION

- Create career scenarios for retention efforts.
- Immerse employees in eBusiness learning environments.

WHAT IT MEANS

- Future CEOs come from the ranks of connectors.
- Europe embraces behavioral DNA first.

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ACTION

To make behavior-based identification and development a success, companies should:

Develop behavioral DNA career scenarios to aid in retention.

Matching eBusiness jobs to behavioral DNA allows people to use their strengths -- thus keeping them satisfied, which, in turn, increases retention rates. To further buttress retention efforts, executives should develop career scenarios that outline multiple paths for each behavior type. So, when selling a market-facer on a user experience position, show her the potential to: 1) become a customer heuristics manager who weaves marketing, merchandising, and service into the buying process, or 2) director of cross-device experience who creates consistent user experiences across the Web, PDAs, and other devices.

Provide immersive eBusiness learning environments.

Learning by doing has the highest retention rate of any method. Firms should copy providers like Cap Gemini Ernst & Young -- which runs consultants through its accelerated development centers for immersive eBusiness training. How? By offering high-performing employees the opportunity to spend six months in the centralized eCommerce group. Pair market-facers with employees focused on interactive marketing and task connectors with interfacing with the lines of business. The payback? eCommerce groups get topnotch individuals, and when their stint is over, the business unit gets an experienced employee.

Encourage collaboration across lines of business.

Business unit managers will save on eBusiness training costs by: 1) identifying similar projects proposed by other units, and 2) collaborating with those units to share people and financial resources. A business unit manager who wants to entice cooperation should build a case for the value of her project. To build the case, extend beyond ROI measurement and apply metrics like hyperpartnering efficiency, end-customer success, and multicompany financial performance (see the September 2000 Forrester Report "Measuring eBusiness Success").

Overcommunicate with employees.

If a firm keeps a tight lip on behavioral identification practices, most individuals will view behavior-based hiring as invasive. To avoid this, firms must maintain a continual dialogue with employees about its use of behavioral profiles. An example: set up one-to-one conversations with an employee to discuss 360-degree assessments and possible job opportunities unearthed by this assessment.