NORWEGIAN BUSINESS SCHOOL

NSM-2002-032-CA-EN, March 3, 2003
Revised 2004, 2007, 2015

Catatech Industries:
The Question of Electronic Commerce

In September 1999, Marisa Rivera, CIO of the international electric measuring tools company Catatech Industries, sipped an espresso and gazed at the traffic outside her office window on Paseo de la Castellena in downtown Madrid. She had seen this day coming for quite some time, and had been pondering how she would approach her CEO, Carlos Fernandez, about it. Despite similarities in background and a strong performance record, she and Carlos had never quite connected. Carlos had quietly refused to listen to her warnings about the emerging power of the Internet, commenting that "This is not something we need to get into at this time." The screenshot Marisa held in her hand would change this: It showed the web site of "eHerramientas", a company previously unknown to her. What she saw terrified her; a product line very similar to their own, available overnight anywhere in the world via Federal Express, complete with product descriptions, usage recommendations, and an "ask the experts" help line. Where did this company come from and how could she represent this threat to Carlos so that Catatech could respond to it?

Company Background

Catatech was founded in 1911 by Jose Fernandez, Carlos' grandfather. The products had always been the same: Professional measurement tools for electricians, sold through a sales force of people with expertise and experience. More often than not, the sales representatives would be former electricians themselves. The company had struggled for a number of years, but then began to expand internationally, primarily through small, local acquisitions, which had then grown. Catatech typically kept local management in place, and allowed the local units considerable operational autonomy, provided that they met their numbers. Although each operating unit offered a core set of products, there were considerable variation in pricing structures and levels within each region, and some additional products, customized to the local markets, were selectively offered.

In 1998, Catatech's revenues were nearly US$2 billion, with production and distribution centers many places across the globe. The company had enjoyed steady growth and a healthy cash flow. Carlos was widely credited for staying the course set by his father and grandfather, ensuring that securities analysts and board members were not unduly surprised. Carlos was low-key, quiet, and conservative; a man proud of his company's accomplishments and well known in the community.

Marisa Rivera had been in her position for 5 years, following a 10-year stint as a General Manager of a business unit of Hewlett-Packard in Barcelona. Prior to this, she had been an information technology market analyst and researcher with Morgan Stanley in London. Her main achievement in Catatech had been to oversee their selection and implementation of an ERP package, and to use that technology change as a platform for an ambitious and successful

Sarah Kaull, ICEX Corporation, and Espen Andersen of BI Norwegian Business School prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

Copyright © 1999, 2003 Sarah Kaull and Espen Andersen. May be used for teaching purposes as long as this note is not removed. For further information, please see www.espen.com/papers#cases.

streamlining of the company's global supply chain. This had lowered inventory costs by more than 20% and had improved delivery precision dramatically. During her tenure she had also presided over a major across-the-company desktop upgrade, as well as a sales force automation project based on laptop computers.

These projects had been successful, but Marisa had grown weary of the seemingly endless discussions within the Executive Board at every step of the way. Marisa wished Carlos could just make some decisions and get on with it, but he preferred to stay out of the arguments and let the Board make its way through lengthy negotiations, usually involving other parts of the organization as well. Marisa rarely spoke with Carlos directly, and when she did she sensed tension; while she was outspoken and forthright, Carlos was taciturn and understated. Still, he nearly always supported her point of view, and she never had trouble securing approval for the annual operating budgets and infrastructure investments.

The IT organization was located in three main physical locations, Madrid, Singapore, and Rockford, Illinois. Madrid, with 80 people, was the largest location, while Singapore and Rockford had about 30 staff each. The company had common systems for Finance, ERP, and Manufacturing, although considerable local variation in these systems had been allowed.

The Current Dilemma

Electronic commerce was new in Catatech – the main marketing organization in Madrid was very interested in the topic, and a few informal groups were investigating both the business possibilities and the technology options. The US operation, feeling most acutely the impact of the Internet, had set up a Web site of their own, where customers could view product information and locate dealers. The site was growing in popularity, with a substantial number of hits coming from non-US locations.

Marisa had been watching this development and now felt that a decision on how to approach electronic commerce was overdue. The tentative and localized Internet initiatives would need to be formalized, and soon. This would require education of the Board and Carlos, a preliminary strategy, an organizational initiative, and initial funding. Marisa was worried, because this represented a departure from the corporation's localized, independent culture. The great power of the local sales organizations would make consensus on a strategy hard to achieve, and the local variations in the systems supporting operations might mean that a global electronic commerce strategy would be difficult and expensive to implement. The simple approach would be to let one marketing organization—for example in the US—run electronic commerce globally. But that could be perceived as undermining the local marketing and sales efforts.

"Catatech needs to push forward now, or we may find ourselves out of business!" Marisa thought. She needed to find a way to communicate the urgency of the situation to the company—and to Carlos. Through the regular process, the company could take years to debate the issue and drum up the courage to fund it. What should she do?