skilled workers, and an aging labor force with heavy associated social costs to be able to compete effectively; they see little choice but to use the technology and process base for e-commerce to seek out a more effective combination of cost and skill level.

The fourth quadrant of high skill and high cost marks the Creative Economy – innovation, design, and inventive customer service.

The low skill row, whether low cost or high cost, is a growth killer. The top row of high skills is the key to growth policy. Very roughly, developed economies must find ways to innovate and developing ones must exploit the opportunity to provide specialist services.

3. The policy agenda

National growth policy must explicitly include e-commerce. The alternative is to be excluded from the mainstream of economic, organizational and market development over the coming years. There are three main priorities:

1. Commit at the national level to ensuring at least adequacy in the infrastructure base of e-commerce: Internet access, reliable phone, data communications and public utilities, and adoption at the policy level of the key technology standards and interfaces that link e-commerce players.

2. Provide policies for public education that help build distinctive specialist skill pools in such areas as customer service support, call centers, document management, back office administration, manufacturing research and development, IT operations, development and technical support, and engineering, at both the high school and university level.

3. Avoid high risk capital investments in e-commerce and IT infrastructures and make use of regional resource-sharing and pay-as-you-go partnerships with leading providers of e-commerce technology capabilities.

Overall, the policy agenda is simple in concept, however complex it may be in implementation: e-commerce marks the shift from financial capital to intellectual capital as the driver of growth. It is now a talent hunt at all levels of process and service. It is the responsibility and opportunity of national leaders to help build that talent and provide the infrastructure base for it to be integrated into the e-commerce global space.

E-commerce is the world's growth engine now. Not to move with e-commerce is to limit your nation's growth.

Electronic Commerce:
Setting The Agenda
For Economic And Social Growth:
The Bled Manifesto

A manifesto is a declaration of policy and intent. E-Commerce needs such a manifesto because it is now a key element in the new wealth of nations: economic, social and community wealth. This moves it from being primarily centered on individual business and industry strategy to national policy.

Here is the Bled Manifesto for helping national leaders shape economic and social growth policy for exploiting e-commerce opportunities. It has three components: (1) a declaration of the self-evident "truths" of e-commerce, (2) a summary of the key trends and impacts, and (3) a statement of the policy agenda.

Peter G.W. Keen
June 2004

www.BledConference.org
## 1. The Self-Evident Truths about E-Commerce

The profitability and continued growth of e-commerce are proven. Even in the era of dot com crashes, most e-commerce firms were profitable and many apparently overoptimistic forecasts of e-commerce revenue growth made around 2000 have turned out to be too conservative. While it is still a small percentage of Gross National Product, e-commerce expands by around 30 percent per year and that small fraction means that it will not saturate its markets within this decade. The implication of this for growth policy is that there will be more and more opportunities for any region or nation, however small, to offer specialist skills and services to players in the ever-expanding e-commerce value space.

E-commerce is an integral part of every large organization’s basic operations. It is no longer a dot com phenomenon. It is part of overall process, service and coordination capabilities. The most distinctive impacts of e-commerce are as much on how organizations are now using it to optimize and extend their internal resources through external electronic relationships as on generating online revenues. The implication for growth policy is that every large company is looking to source process capabilities across the globe, especially in areas of customer support, back office administration and IT operations.

The Internet is no longer “the” Web but a complex of standardized interfaces: tools that enable direct links between disparate systems, information resources, and services. This standardization permits organizations to access capabilities from many parties across the globe and for any organization that adopts these Web Services to be a player in the manufacturing, distribution, customer service and supply chain complexes that are the value “webs” of modern global business. The implication for growth policy is that the entry fee for being a player in the e-commerce space as a supplier of services is to be in the mainstream of Web Services in terms of infrastructure, support for technology standards, and government uses of IT.

The technology platforms of e-commerce no longer demand huge investments in fixed cost capital. While a minimal level of infrastructure must be in place – telecommunications links and reliable electrical services – the cost burden for entering the e-commerce arena has dropped rapidly, to the degree that size no longer constrains the opportunity to become e-Big.

### SKILL LEVELS vs LABOR COSTS Matrix

<table>
<thead>
<tr>
<th>Skill Levels</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialist services</td>
<td>Creative economy</td>
<td></td>
</tr>
<tr>
<td>Assembly economy</td>
<td>Outsourcing crisis creator</td>
<td></td>
</tr>
</tbody>
</table>

The simple diagram below captures these e-commerce dynamics and highlights this talent hunt.

The top left-hand quadrant – high skill levels at low cost – is the development opportunity for any region and nation. It lies behind the success of so many cities, regions and countries becoming eBig: providing IT skills, handling many elements of customer service, taking on back office administration providing expertise in medical services, engineering, finance and many other fields.

The bottom left-hand quadrant – low skills and low costs – has been the traditional area for outsourcing prior to e-commerce. E-commerce makes skills the premium; the assembly economy made cost just about the only criterion. The assembly economy offers no growth opportunity for either the nation or for its workers; it traps them in low wages, with often poor working conditions and exploitative management.

Nor does the bottom right-hand side of high cost and low skills. It is this combination that is fueling global outsourcing. Too many U.S., Japanese and European companies are burdened by high overhead, semi-

## 2. Key E-Commerce Trends and Impacts

The technology base of e-commerce now makes it practical to access capabilities in services, research, back office administration, and other functions on the very same basis as companies now access manufacturing: components that they link to via standardized interfaces. Just as most consumer electronic products are now assembly of components within a branded design, supply chain management, manufacturing, and many element of customer service are tailored assemblies of process components – with the choice of sourcing increasingly based on the balance between skill levels and relative costs. This choice is driving business strategy in all leading companies and it is the e-commerce base that makes it practical.

E-commerce is now a global talent hunt, with firms making their choices of process and capability sourcing on the basis of the trade-off between labor skills and costs. It is this trade-off that is reshaping business and is the base for national policy, especially for small countries.

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