



Trusted Commerce: The Tsunami Upon Us

As the 21st century accelerates, digital devices connected to the Net will continue to be indispensable to modern life. But those devices, and the services provided through them, remain vulnerable to human judgment—the 21st century winners will be those who earn and sustain the trust of those using the devices and the services—whether those are consumers, employees, shareholders, lenders or service providers.

Trust is—and always has been—inherently subjective, reflecting human emotional values. Trust also is inherently economic; trust is withdrawn when the price for assured performance exceeds the value of the services performed. Ultimately, trust is a measure of whether a service, a product or a machine meets our objectives in an accurate, reliable and safe manner—have our rules been met for what we require to be done? Trust, therefore, is rule-based. In a Net-based world, that simple truth will profoundly shape the future direction of commerce and the profitability of any business.

The next wave of innovation, competition and selection will be driven by several converging forces, each of which anchors an important dimension of trust. All of these forces must each be successfully navigated for companies to be present and thriving at the end of the next wave:

- Transparency of Business Information—The information assets of a company, including their most strategic performance data, are becoming transparent, visible to a larger and larger audience. The age of “two sets of books” has ended; the time for hand-written notations serving as official records has expired. Companies will be judged increasingly by the accuracy and accessibility of all types of information regarding their operations. Those unable to produce the data, and to demonstrate against all relevant standards the reliability and integrity of their information, will be significantly discounted in any competitive measurement.
- Extended Enterprise Services—The current outsourcing trends will be further extended through web-based services, and the further realization of the vision of distributed operations. The success of these extensions of the enterprise will be measured by a new metric—the capacity of service providers to adopt, perform and measure the execution of the primary company’s standards and rules. In effect, each service provider must become part of the primary company’s trusted enterprise.
 - This requires expansion of a company’s current state. Its rules must be capable themselves of being expressed in automated means, and implemented efficiently—with minimal human capital expended for programming, audit and enforcement—in order for trusted enterprises to emerge.

- The newly automated rules will facilitate automated negotiations with greater agility and speed; companies will be able to electronically seek, acquire (and replace) services with agents, minimizing contract-based, human-intensive negotiations (and their associated costs in time and capital).
- Automated Workforce—Corporations will continue to replace human assets with machines, including significant management functions, such as supervision, audit and enforcement. Doing so requires significant continuity to assure that the machines accurately perform their functions, and to enhance the trusted value of the enterprise in doing so. At the same time, innovative tools can and will significantly improve the oversight of human conduct, overruling improper actions before damages can occur, enhancing compliance and mitigating the consequences of errors.
- Governance and Compliance—As information becomes transparent, the expression of business rules becomes more comprehensive, and the automation of the workforce accelerates, effective governance of the corporation and the enterprise will justify significant automation of performance reporting. Quite simply, the 21st century will witness a fundamental shift, in which the costs of assuring compliance are significantly lower than the profits that may be realized from non-compliance. Compliance with external rules (statutes, regulations, contracts, trade practices) will be automated, and the ability to prove compliance will be largely automated as well.
- Self-defense—The increased sophistication of bad actors, the greater impact of their bad conduct, and the decreased capacity of governments to provide meaningful enforcement transform the traditional formulae through which companies evaluate risk, allocate risk to their insurers or governments and spend capital on protective resources. To avoid catastrophic incidents, companies must develop and implement improved capabilities to defend themselves, maintain resilience and ensure continuity of operations when adverse incidents occur.
- Open Source; Standards—The increased use of open source-based applications and standards-based solutions for quality assurance, data structures and interdependent services improves operating costs for developing and maintaining one-off solutions, but also increases the degree to which companies look and feel the same. Trust-based choices involve differentiation; companies must develop strategies for employing open source materials and standards-based solutions while also delivering competitive features that convey differentiated trustworthiness.

These forces, individually and collectively, will control and define the field on which commerce will be conducted during the next decade. Their impacts already are being felt, but only a very few sense the implications. To succeed, companies must develop and employ, without failure, sustained strategies leveraging IT and information for governance and competitive advantage. They must do so in an environment where differentiation is harder to establish and revenues harder to acquire and sustain, thus making success all the more essential to achieve.

Within this environment, success will be measured by progress in achieving these measures better, faster and with a higher confidence in their likelihood:

- **Global compliance**, achieved through the strategic design and management of business processes and IT to map compliance across the global rules and requirements facing any competitive business.
- **Significantly improved operating expenses**, with reduced costs for compliance, service ventures, oversight and incident management.
- **Accelerated revenue**, gained from improved services in trusted computing, faster negotiation of service and customer relationships and more flexible responsiveness to customer requirements.
- **Improved corporate valuation**, reflecting stronger governance, reduced expenses and increased competitive advantage.