

# The Institute for Technology and Enterprise

## Case Series

### Merrill Lynch: The Company, Competitive Objectives and Intranet Initiatives

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This case was written by J. R. Topper, Jr. under the supervision of Professor Mel Horwitch. This case is intended as a basis for learning rather than to illustrate the effective or ineffective handling of an administrative situation.

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### **Key Issue: The Impact of Decision-Making, Culture and Strategy**

Merrill Lynch, in mid-May 1997, confronted the challenge of integrating information technology into its organization, culture and decision-making process and of using

information technology to enhance its key strategic directions for the twenty-first century. Specifically, Merrill Lynch, like a majority of Fortune 500 companies, has developed or is in the process of developing “Intranets”, which it needed to implement wisely and effectively.

*An Intranet is essentially a mini-Internet used exclusively within an organization’s private computer network. Intra meaning within, and net, as in network. Thus, it means the network within. Intranets are internal Webs based upon the same technologies that are found in the worldwide Internet; representing a powerful innovation for interactive communication over corporate networks. They are a newer generation in an evolutionary chain of communications that includes electronic mail and voice messaging.*<sup>1</sup>

Merrill Lynch has three such Intranet initiatives underway. An “Extranet” for private customers, an Intranet for the Merrill Lynch Financial Consultants and the Corporate Intranet. The features of Merrill Lynch’s corporate web are standard and representative of Intranet configurations leading this technological revolution:

- It uses TCP/IP (transmission control protocol/Internet protocol) for both wide-area and local-area transport of information
- It uses HTML (hypertext markup language), SMTP (Simple mail transport protocol) and other open Internet-based standards as the means of moving information from clients to servers. Web servers offer data, voice, text, video and graphics. Beyond the web, there is support at Merrill Lynch for ftp (file transfer protocol) servers.
- It is completely owned by the corporation and not accessible from the Internet-at-large community—the primary distinction between the *Internet* and *Intranet*.
- It is managed, hosted and maintained by the technology infrastructure within the corporation it serves. It doesn’t, however, need to follow the same rules of operation and chaotic anything-goes environment. In other words, while the Internet offers the user an almost infinite array of choices and directions, an Intranet is self-contained within an enterprise.

Intranets present a less challenging development environment, so it no surprise that many organizations prefer to implement Intranets first, perhaps with a modest, network-isolated Internet site, before a full blown, firewall protected Internet site is contemplated.<sup>2</sup>

The following identifies some differences between the *Internet* and an *Intranet*:

<b>Internet</b>	<b>Intranet</b>
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<sup>1</sup> <http://compuserve.com/homepages>

<sup>2</sup><http://www.imagic.com.au/~magi/intra.html>

<b>Client tools diverse</b>	<b>Able to standardize client tools</b>
<b>Browser compliance an issue</b>	<b>Browser compliance generally not an issue</b>
<b>Client connection speeds variable</b>	<b>Network speeds standardized (or at least knowable)</b>
<b>Users have diverse skill sets</b>	<b>Users can be trained (and leading edge tools used)</b>
<b>Animation, video restricted</b>	<b>Full multimedia often possible</b>
<b>Minimal implications for workflow</b>	<b>Implications for work-flow and process re-engineering</b>

The benefits from the technology perspective can be summarized as simplification, unification and cost savings.<sup>3</sup>

- **Simplification (or scalability).** With a simple Web browser as the interface, organizations can cost-effectively take advantage of networking technology they already have in place such as routers, PCs, workstations, distributed applications and databases.
- **Unification (increased choice in applications, greater functionality).** The proposed open standards offer a single foundation on which to build applications eliminating the need to design different versions. This ultimately can free developers to concentrate on innovative functionality rather than systems integration or compatibility.
- **Cost Savings (lowered cost for setup and operation).** A single interface for managing all networks, systems and applications will greatly reduce the complexity that currently frustrates systems administrators.

An Intranet is a network that is contained within an enterprise. It may consist of many interlinked local area networks and also use leased-lines in the wide-area network. It may or may not include connections through one or more gateways to the outside Internet. The main purpose of an Intranet is usually to share company information and computing resources among employees. An Intranet can also be used to facilitate working in-groups and for teleconferences.<sup>4</sup>

This case study provides an overall picture of the largest underwriter of global debt and equity in the world. It deals with the relationship between Merrill's primary competitive objectives and the origination and initiatives of its corporate Intranets (focusing on the Merrill Lynch Web).

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<sup>3</sup> From a lecture given by Dr. Kornel Terplan attended by the case writer. Polytechnic University Apr 18, 1997. The primary focus of the lecture was network management, and the following three benefits are paraphrased from this lecture.

<sup>4</sup> <http://whatis.com/intranet>

Merrill Lynch's Intranet initiatives and key aspects of its corporate strategy are examined. The key issues supporting the underlying theme of this paper:

- An initiative such as an Intranet might start out grass roots and bottom-up, but it eventually assumes the culture of the company. In Merrill Lynch's case, this culture, or philosophy, is conservative, or perhaps "careful" is more accurate. Can a robust, bottom-up technology initiative such as an Intranet exist, with potentials fully realized, in a culture as careful as Merrill Lynch's?
- As Merrill Lynch strives to define its strategy in terms of worldwide expansion, the Intranet may offer benefits more important than its "ability to slash the need for paper". Are Merrill's corporate web and other Intranet initiatives the best means to facilitate its global expansion? Can Merrill Lynch, using its corporate web, unify itself globally?

Intranets can do something far more important. By presenting information in the same way, to every computer, they can do what computer software makers have frequently promised but never actually delivered: pull the computers, software, and databases that dot the corporate landscape into a single system that enables employees to find [any] information wherever it resides."<sup>5</sup>

This final point gives rise to several other more specific questions: What types of information can be retrieved from Intranets? How can this capability, offering information to everyone, help facilitate corporate objectives? It wasn't long ago when information was protected. During the downsizing environment in the late 1980's and early 1990's, many managers felt the only way to protect their jobs was to have more information than their peers did. Today, while information is still power, the ability to share it is as important as the information itself. At National Semiconductor Corp., an engineer has rigged a homepage that lets his department schedule meetings online. "It's like a thousand flowers blooming," says Frank Dietrich, a corporate Web systems manager at Silicon Graphics Inc., whose 7,200 employees have access to 144,000 Web pages stored on 800 internal Web sites.<sup>6</sup>

Merrill Lynch's senior executive in charge of strategic planning for the Firm described the company's number one competitor as technology—or at the very least that it is revolutionizing its business. "Our [Merrill Lynch's] business is technology, it's what drives the business." Yet although having seven-fold the employees of Silicon Graphics, there exist barely one-tenth the internal Web sites. The control features, legal considerations and imbedded prudence to explore fully new technologies before implementing them is more a cultural attribute at the larger, more traditional Merrill

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<sup>5</sup> "Here Comes the Intranet", Business Week, Feb 26, 1996

<sup>6</sup> "Here Comes the Intranet", Business Week, Feb 26, 1996

Lynch. More importantly, full, top-level corporate cooperation and understanding is essential.

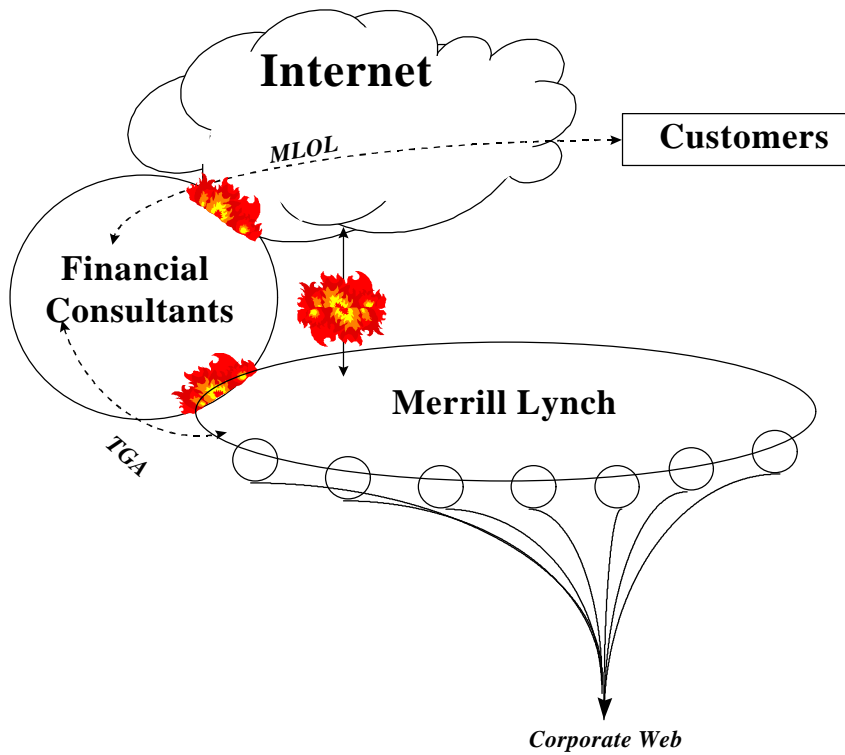
There are essentially three Intranet initiatives at Merrill Lynch in various stages of development:

- The corporate web is a 100-site global network. Originally started by the Operations, Services and Technology Division, it has been in existence for 2-3 years and is growing daily. In mid-May 1997, Marketing and New Media, the marketing and communications organization which is responsible for developing a uniform image to the world for the Firm, launched a revamped Merrill Lynch internal and external site. The site which was well publicized, is organized in a top-down manner and provides links to the home pages of all the various organizations of the Firm.
- Trusted Global Advisor (TGA) hasn't hit the streets yet. This Intranet, not yet related to the corporate web, will allow financial consultants access to Merrill Lynch research and the ability to electronically service their clients.
- Merrill Lynch OnLine (more of an Extranet<sup>7</sup>) has been available since 1996 and offers customers the ability to access their accounts and send e-mail to their financial consultants

A simple graphical representation is depicted below—this is a smaller version of figure (X) discussed later in the case study.

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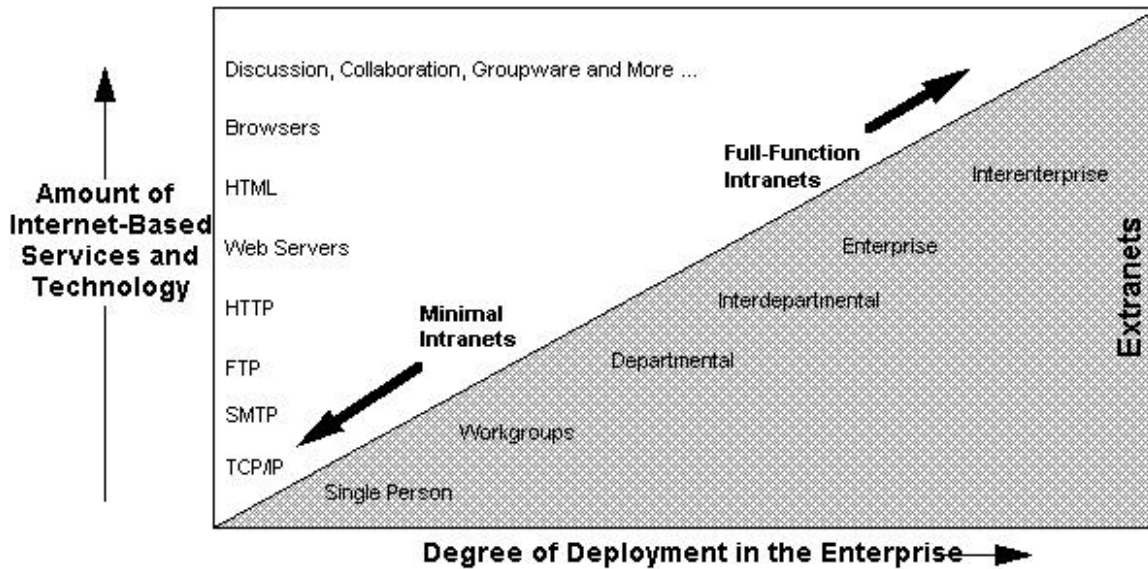
<sup>7</sup> An Extranet is a collaborative network that uses Internet technology to link businesses with their suppliers, customers, or other businesses that share common goals. The term has been used by Jim Barksdale and Mark Andreessen of Netscape Communications to describe software that facilitates inter-company relationships. An Extranet can be viewed as part of a company's Intranet that is made accessible to other companies or that is collaboration with other companies. The shared information might be accessible only to the collaborating parties or, in some cases, might be public.



The three initiatives are designed, controlled and managed by three different departments within Merrill Lynch. There does not seem to be a common infrastructure between these initiatives, although there are future plans to enable TGA to communicate fully

within the corporate web. A final issue, therefore, is whether or not there exists a substantial reason somehow to tie these three Intranet initiatives together, offering single access, differentiated only by a series of firewalls, with design, maintenance and control centrally located leaving the content, or power, distributed to the business units. The main focus of this case study is the corporate web, which represents a true Intranet—contained entirely inside of Merrill Lynch. TGA is similarly planned to encompass Merrill Lynch, but is not fully implemented and affects more the “outside” Merrill Lynch world of financial consultants than corporate Merrill Lynch.

ML



(Note: The ordering of technology options is not significant)

Figure 0.

In any event, the multiple Intranet initiatives at Merrill Lynch are certainly pervasive and massive. The graph above, taken from the Gartner Group's "Internet Development: Mastering New Tools", by M. West, N. Jones, D. Plummer and D. Bosik, places intranets according to different functions Intranets offer a corporation and according to their degree of deployment. The indicated "ML", where Merrill Lynch's Intranet is located on this graph. Based on this perspective, Merrill Lynch's Intranet thrust is massive and ambitious—especially given their essentially traditional culture and sheer magnitude of scope. But its success and position impact depends on several factors, not simply technological ones.

**Merrill Lynch: Overview of the Enterprise and its Competitive Environment**

Merrill Lynch is a client focused, financial management and advisory company, concentrating on client relationships and on integrated delivery of services worldwide.<sup>8</sup> It has over four million household and business clients. Merrill Lynch is a hundred-year-old company that, through its subsidiaries and affiliates, provides investment, financing, insurance, and related services on a global basis. It currently manages over \$800 billion in client assets and within the next decade it is not unreasonable to assume this will top \$1 trillion. It was founded in 1885 as the Burrill & Housman firm and in 1914 changed its name, through acquisition and mergers, to Merrill, Lynch & Co.

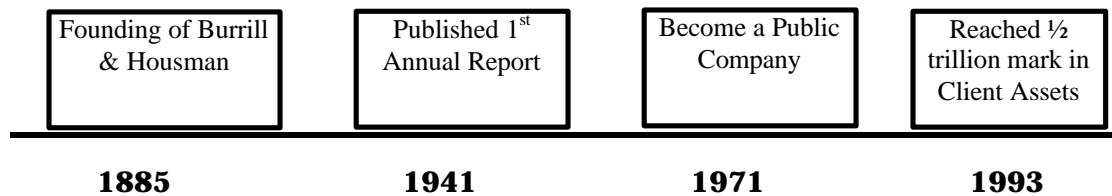


Figure 1. Timeline.<sup>9</sup>

Merrill Lynch has more than 46,000 employees in over 40 countries. **Exhibit (1)**<sup>10</sup> is an on-line information tool of “global market, trading and custody information developed for internal Merrill Lynch use. The 46 countries profiled are listed in **exhibit (1)**, as is China’s profile, which is indicative of what each of the other countries’ profiles represent.

Prior to March 1997, Merrill Lynch was essentially two companies. One is an investment bank based in lower Manhattan, which serves the capital needs of corporations and governments. The other is a retail financial services firm based in Princeton, NJ that operates out of 600 nationwide offices.”<sup>11</sup> However, in March 1997 Merrill Lynch & Co., Inc. announced an organizational realignment.

The new organizational structure, effective April 15<sup>th</sup>, [is] composed of four business sectors representing the company’s key strategic growth opportunities.<sup>12</sup>

<sup>8</sup> 1996 Annual Report

<sup>9</sup> <http://www.ml.com>

<sup>10</sup> Merrill Lynch Web - Global Operations Services. The author spent several days working at Merrill Lynch and a portion of this time was spent navigating ML’s corporate web.

<sup>11</sup> “Merrillizing the World”, *Forbes*, Feb 10, 1997

<sup>12</sup> ML Corporate Communications Press Release, March 20, 1997

- Private Client Group (PCG)
  - Corporate and Institutional Client Group (CICG)
  - Asset Management Group
  - International Private Client Group

The first two, PCG and CICG has revenues and profits higher than those of all of Merrill Lynch in 1990.

The Merrill Lynch Private Client Group provides planning-based financial management services to over four million households and 225,000 small to mid-sized businesses and regional financial institutions. Some key facts about the Private Client Group:<sup>13</sup>

- It has a network of over 13,700 Financial Consultants and Private bankers in 550+ sales offices worldwide.
- At year-end 1995, client assets totaled more than \$703 billion. 1996 total asset estimate is \$803 billion. Of this, approximately \$35 billion is in 401k's and \$90 billion in planned assets and retirement accounts.
- Merrill Lynch is the most active trading firm on the New York Stock Exchange, with a 1995 market share of 11.7%.
- As quoted from the 1996 Annual Report: "In our Private Client businesses we remain determined to be the undisputed leader in planning-based financial advice and management for individuals and small businesses."

The Corporate and Institutional Client Group includes Investment banking; Institutional Client, serving more than 7,000 corporations, institutions worldwide; Institutional Investment Management Services; and Global Client Products. Some facts about the Corporate Client Group:<sup>14</sup>

- In 1995, Merrill Lynch's share of global debt and equity underwriting rose to 14%.
- Merrill Lynch is a member of securities and futures exchanges in New York, Chicago, Toronto, London, Tokyo, Frankfurt, Hong Kong, Sydney, Luxembourg, Singapore, Zurich, Mexico City and Buenos Aires.
- From the 1996 Annual Report: "The needs of our Corporate and Institutional Clients are equally complex. To raise capital on the most favorable terms, to manage risk and investment returns, and to enhance shareholder value demand a financial advisor with a broad product leadership, expertise, and creativity; the ability to manage client relationships; global presence; and financial strength."

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<sup>13</sup> <http://www.ml.com>

<sup>14</sup> <http://www.ml.com>

Asset Management manages one of the largest mutual fund groups in the world providing both private portfolio and institutional asset management services. The International Client Group provides financial planning, private banking and investment services to high-net-worth clients outside the U.S. through a network of over 1000 Private Bankers.

In 1995, Merrill Lynch U.S. equity ranked number one on long-term liabilities plus stockholders equity. It ranked number one in total client assets (as shown in figure 2), number one in total research strength and number one in annual fixed-income trading. Total Capital was \$23,481,000,000. Figures (3)-(5) illustrate 1995 and 1996 consolidated balance sheets. Of significant note, during 1996, the Dow Jones Industrial Average rose 26% and the Dow Jones World Index rose 11%.

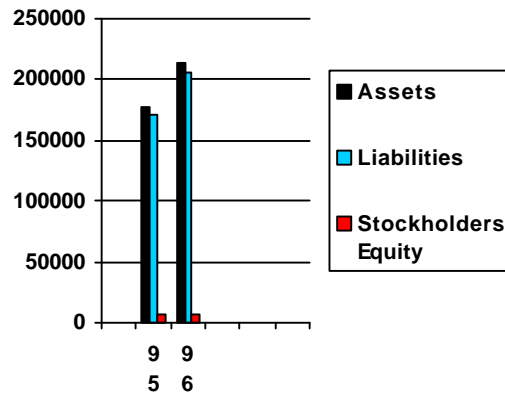
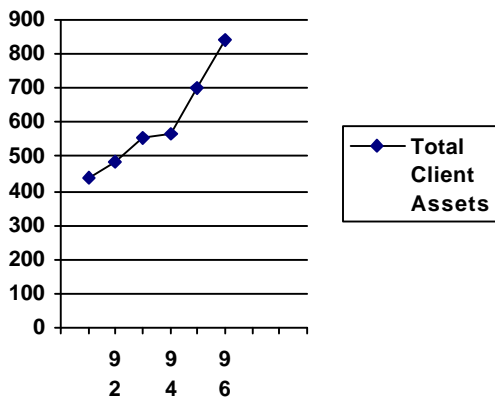


Figure (2). Total managed assets (\$billion)<sup>15</sup>

Figure (3). Consolidated Balance Sheets<sup>16</sup>

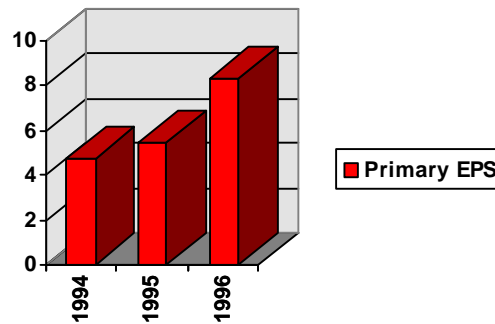
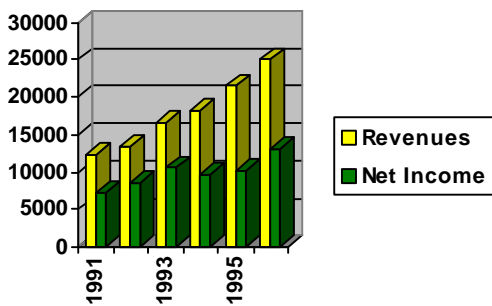


Figure 4. Merrill Lynch's Revenues<sup>17</sup>

Figure 5. Earnings Per Share<sup>18</sup>

<sup>15</sup> 1996 Annual Report

<sup>16</sup> 1996 Annual Report

<sup>17</sup> 1996 Annual Report

<sup>18</sup> 1996 Annual Report

Morgan Stanley, a chief competitor, had 1995 revenues of \$4.6 billion in comparison with Merrill Lynch's \$25 billion. Total revenues are defined as a sum-total of commissions, interest, dividends and transaction fees.

Merrill Lynch is striving to become stronger and grow internationally. Figures (6)-(9) offer a picture of Merrill Lynch's growth by continent. Figure (11) is a graph displaying pictorially the rate of growth of net revenues.

<b>(in millions)</b>	<b>1996</b>	<b>1995</b>	<b>1994</b>
Total Revenues	\$ 5,336	\$ 3,981	\$ 3,464
Assets	\$75,901	\$56,948	\$44,297
Employees	4600	4100	2850

Figure 6. Europe, Africa, Middle East<sup>19</sup>

Numbers in figure (6) include the 1996 acquisition of FG Inversiones Bursatiles, the largest independent Spanish broker-dealer.<sup>20</sup>

<b>(in millions)</b>	<b>1996</b>	<b>1995</b>	<b>1994</b>
Total Revenues	\$ 1,539	\$ 1,232	\$ 963
Assets	\$17,905	\$16,914	\$11,389
Employees	2,075	1,775	1,400

Figure 7. Asia and Australia<sup>21</sup>

In December 1996, Merrill Lynch acquired McIntosh Securities Limited, one of the largest securities brokerage firms in Australia (500 employees). This information is not included in the table above.<sup>22</sup>

<b>(in millions)</b>	<b>1996</b>	<b>1995</b>	<b>1994</b>
Total Revenues	\$ 826	\$ 704	\$ 617
Assets	\$ 5,205	\$4,997	\$4,216
Employees	925	875	800

Figure 8. Americas (Primarily Canada and Latin America)<sup>23</sup>

<sup>19</sup> 1996 Annual Report

<sup>20</sup> 1996 Annual Report

<sup>21</sup> 1996 Annual Report

<sup>22</sup> 1996 Annual Report

<sup>23</sup> 1996 Annual Report

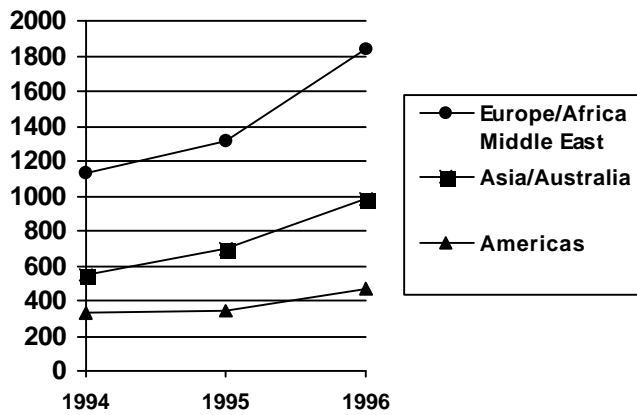


Figure 9. Global Net Revenues<sup>24</sup>

Therefore, Merrill is quite complex, serving multiple segments and striving to strengthen its global presence.

Merrill Lynch competes in several segments. Figures (10) and (11) offer a view of Merrill Lynch from a comparative perspective. While these figures seem to paint Merrill Lynch in a very positive light, there are some reasons for concern. In February 1997, Morgan Stanley and Dean Witter announced a merger that will create the world's largest securities firm. The merged company, Morgan Stanley, Dean Witter, Discover & Co., will control \$270 billion in assets, roughly one-third Merrill Lynch's managed assets. Competitively, the new merger represents a continuation of efforts to expand beyond its corporate clients into mainstream America.<sup>25</sup> This, then, represents a direct threat to both the Private Client and CIGG groups at Merrill Lynch.

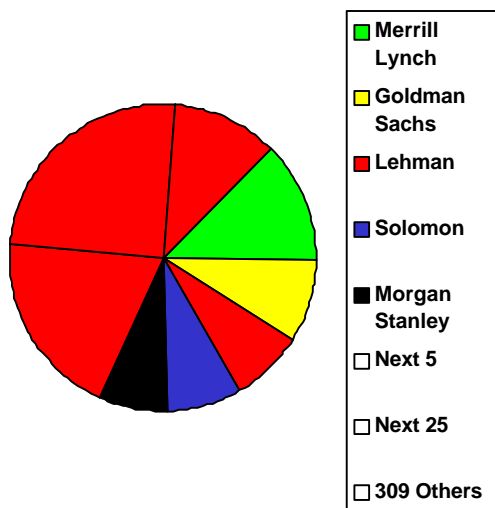


Figure 10. Top Underwriters Global Debt Strength

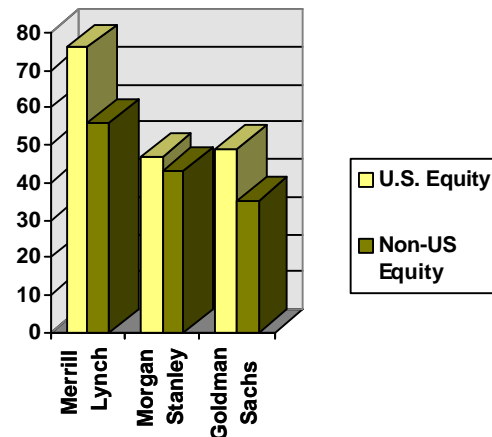


Figure 11. Overall Research

<sup>24</sup> 1996 Annual Report

<sup>25</sup> USA Today, Money, Feb 5, 1997

& Equity<sup>26</sup>

(Team Positions)<sup>27</sup>

PaineWebber, an independent full-service securities firm, is another major competitor of Merrill Lynch. They employ approximately 16,000 people, with 6,000 “Investment Executives” with 300 offices worldwide. While its \$45 billion in total assets is a fraction of Merrill Lynch’s, what possibilities await pending the natural tendency of consolidation within this industry. “A merger of this sort comes as no surprise. Consolidation is an industry trend that we’ve been predicting and anticipating for some time...[it parallels] our own business strategy that has been in place for over two decades and that is working extremely well.”<sup>28</sup>

One of the greatest challengers of Merrill Lynch will be represented by the merger of Morgan Stanley, Dean Witter, Discover and Co. Assuming this merger is approved, the comparisons are inevitable and are depicted in figure 12.

	<b>Morgan Stanley/Dean Witter</b>	<b>Merrill Lynch</b>
<b>Employees</b>	<b>28,000</b>	<b>49,800</b>
<b>Offices World-Wide</b>	<b>409</b>	<b>660</b>
<b>Brokers</b>	<b>9,300</b>	<b>14,424</b>
<b>Retail Customers</b>	<b>3.2 million</b>	<b>7.0 million</b>
<b>1996 Revenue (pro forma)</b>	<b>\$22.1 billion</b>	<b>\$25.0 billion</b>
<b>Revenue per Employee*</b>	<b>\$789 thousand</b>	<b>\$502 thousand</b>
<b>1996 net income (pro forma)</b>	<b>\$1.98 billion</b>	<b>\$1.60 billion</b>

Figure 12. Matching up to Merrill<sup>29</sup>

The re-organization discussed previously is in part due to meeting some of the new competitive challenges for Merrill Lynch, and their charge into international markets.

In the words of the Firm’s senior managers: “Our new structure, built around our four global business priorities, will advance our commitment to delivering a world-class standard of service to our clients, exceptional returns to our shareholders, and unmatched opportunities for our employees. In addition, we are strengthening our

<sup>26</sup> Securities Data Co.

<sup>27</sup> Institutional Investor

<sup>28</sup> As quoted in USA Today, Feb 5, 1997, by an unnamed Merrill Lynch spokesman in response to the proposed merger of Morgan Stanley and Dean Witter. Of note: In 1969 ML acquired Lionel D. Edie & Co. (asset management), and in 1978 it acquired White Weld & Co. (investment banking).

<sup>29</sup> “Taking a Run at the Bull”, Wall Street Journal, Feb 4, 1997 \* deduced from chart

international regional management structure to recognize both the substantial growth and future opportunity in our business services outside the U.S.”

### **Merrill Lynch: Culture and Overall Strategy**

Merrill Lynch possesses an explicit corporate culture, and is proud of its “Merrill Lynch Principles” given on its homepage. This statement declares:

Our corporate culture at Merrill Lynch is the sum total of what we believe and think, how we work together as colleagues and how we conduct ourselves as individuals. It is the way we treat our clients, our shareholders, our fellow employees, our neighbors and the public in general. It is *who we are*. And while our corporate culture is by nature indefinable, it begins and ends with certain principles that underline our success as a business and as individuals. Our future growth and prosperity depend on our continued commitment to these principles and our ability to instill them in others.

In a letter to shareholders in the 1995 Annual Report (a joint letter by outgoing Chairman of the Board Daniel Tully and incoming Chairman David Komansky), principled leadership is identified as a guiding principle for the future. “By this we mean vigorous leadership, both by Merrill Lynch and within Merrill Lynch at all levels—leadership that is rooted firmly in our principles, directed toward our objectives and suited to our exacting standards...Principled leadership requires encouraging and systematically preparing future generations of Merrill Lynch leaders.” Merrill Lynch boasts five principles. These are found in the hallways of all of Merrill’s corporate offices across the world, in Annual Reports, and engraved in the minds of its senior employees.

The Principles, developed in 1992 are:

- 1 **Client focus.**  
*“Our clients are the driving force behind what we do.”*
- 2 **Respect for the individual.**  
*“We respect the dignity of each individual, whether an employee, shareholder, client or member of the general public.”*
- 3 **Teamwork.**  
*“We strive for seamless integration of services. In our clients’ eyes, there is only one Merrill Lynch.”*
- 4 **Responsible Citizenship.**

*“As a company that brought Wall Street to Main Street and the world, we seek to improve the quality of life in the communities where our employees live and work.”*

## **5 Integrity.**

*“No one’s personal bottom line is more important than the reputation of our firm.”*

Merrill Lynch lists client focus first. The financial consultants must have close interaction with the client. More remote services by Merrill Lynch are de-emphasized. Homegrown talent is prevalent. For example, both Komansky and Tully worked literally decades at Merrill Lynch before rising to the top.

A key aspect of Merrill Lynch’s strategy is global expansion. The firm, according to Tully and Komansky’s letter, envisions “a future as one world-class company—integrated and coordinated, whose parts function as a whole. Our [Merrill Lynch’s] future is as a company preeminent in our field, global in our outlook, perfectionist in our standards, embracing changes as we lead the way to ever-new heights of performance, and bringing our shareholders returns fully commensurate with that performance. We are engaged in an enterprise vital to the prosperity of the world.”

There is a discussion at Merrill Lynch on whether the availability of information to everyone could affect the culture. States a strategist: “I can imagine people saying ‘why should I let everything I do be available to someone new to the firm?’, and getting very nervous.” In an expanding area, research, the concern is heightened. “If everything is available to all researchers at every level, it would mean that the fact that you were here longer with the firm, and have more friends is no longer important” and “new people could have the information just as quickly and that would level the ground.” The leveling is not welcome nor unwelcome—merely a concern.

Merrill Lynch has published its view of the Strategic Market Overview on its corporate web. In this document taken from the 1995 Annual Report, the following observations are made:

- The security industry has global over-capacity in its traditional business—underwriting, trading and operations—and a surplus of capital relative to profitable opportunities.
- With global markets becoming ever more interdependent, cross-border transactions grow in both volume and importance. Global dominance will require strong cross-border competence and presence in select local markets.
- The barriers separating banks and securities firms have been steadily disintegrating, even while awaiting definitive reform by the U. S. Congress.
- Advances in technology now permit clients to perform for themselves many tasks that previously required our help. Ever more sophisticated systems that can deliver value-added services and market intelligence are vital to creating value for our clients and maintaining a competitive edge in our business.

More specifically is Merrill Lynch's desire to become a global enterprise, which practically all internal strategy documents and articles highlight. The opening letter of the 1996 Financial Report states:

We are building a world-class company for the next century. To do so, we must first complete our long-term transition from being a sales-and-transaction-driven organization to one that is marketing-and relationship-driven. All of our strategies are designed to reinforce this shift and to help us establish long-term relationships with clients who want and need expert advice, guidance and execution to meet their full range of financial needs...As [the] global marketplace grows, fed by the revolution in information technology and the erosion of international trade barriers, it will actively foster winners. By unfettering creativity, the larger, more competitive marketplace promotes unintended benefits, led by what Adam Smith two centuries ago described as "an invisible hand". This helping hand...transforms cottage industries almost overnight into global giants, and just as quickly compels established companies to jettison outdated products and practices in order to achieve a higher degree of excellence. These changes present enormous challenges for any organization that operates on a global scale. For Merrill Lynch, the globalization of the capital markets has a paradoxical effect of leading us to pursue a strategy of becoming more local at the same time we are becoming more global.

Merrill Lynch is developing a cohesive global strategy, growing out of its traditional domestic culture. It is working towards "One Merrill for all". David H. Komansky, two months before succeeding Daniel P. Tully as chief executive stated: "The U.S. market is mature, and to some extent overbanked".<sup>30</sup> It is apparent that one of Merrill Lynch's key strategies now and into the 21st century is to thrive in global markets. Merrill Lynch's financial consultants are bringing in assets at a rate of more than \$200 million a day, but only 6% of its \$838 billion in client assets are from overseas investors. Komansky further states: "Visit our offices, whether it be in Thailand, Malaysia, South Africa or Germany, and you will see the same plaques on the wall with those same Merrill principles in the local language".<sup>31</sup> With offices in Singapore, London, Japan and over 40 other countries, acquisitions are an important element in this globalization effort. Merrill has bought British brokerage Smith New Court, Spain's FG Inversiones, and stakes in brokerage firms in India, Thailand, Indonesia and Italy.<sup>32</sup> As recently as February 1997, Merrill Lynch announced it had reached an agreement in principle with Smith Borkum (Pty) Ltd to acquire the 49%

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<sup>30</sup> "Merrillizing the World", Forbes, February 10, 1997

<sup>31</sup> Ibid

<sup>32</sup> "Merrillizing the World", Forbes, Feb 10, 1997

balance of the South African securities firm (in November 1995 Merrill acquired the other 51%). Founded in 1921, it is one of the largest securities firms in South Africa and is the largest corporate broker representing 75% of the market capitalization of the Johannesburg Stock Exchange.<sup>33</sup> Merrill Lynch's goal is for 50% of all its revenues to come from foreign markets.

Therefore, critical distinguishing features of Merrill Lynch as an enterprise—its strong culture and its massive globalization push—would be affected by its equally ambitious, yet more decentralized initiative into Intranets.

### **Merrill Lynch: The Organization**

April 15<sup>th</sup>, 1997, David Komansky assumed the responsibilities as the Chairman of the Board for Merrill Lynch, adding to his previous responsibility of Chief Executive Officer. He replaced Daniel Tully. Herb Allison is the President and Chief Operating Officer. There are 14 Executive or Senior Vice Presidents. Edward Goldberg is the Executive Vice President, Operations, Services and Technology (OS&T). Goldberg started at Merrill Lynch nearly 36 years ago and has worked in nearly every aspect of the company.

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<sup>33</sup> <http://www.ml.com>

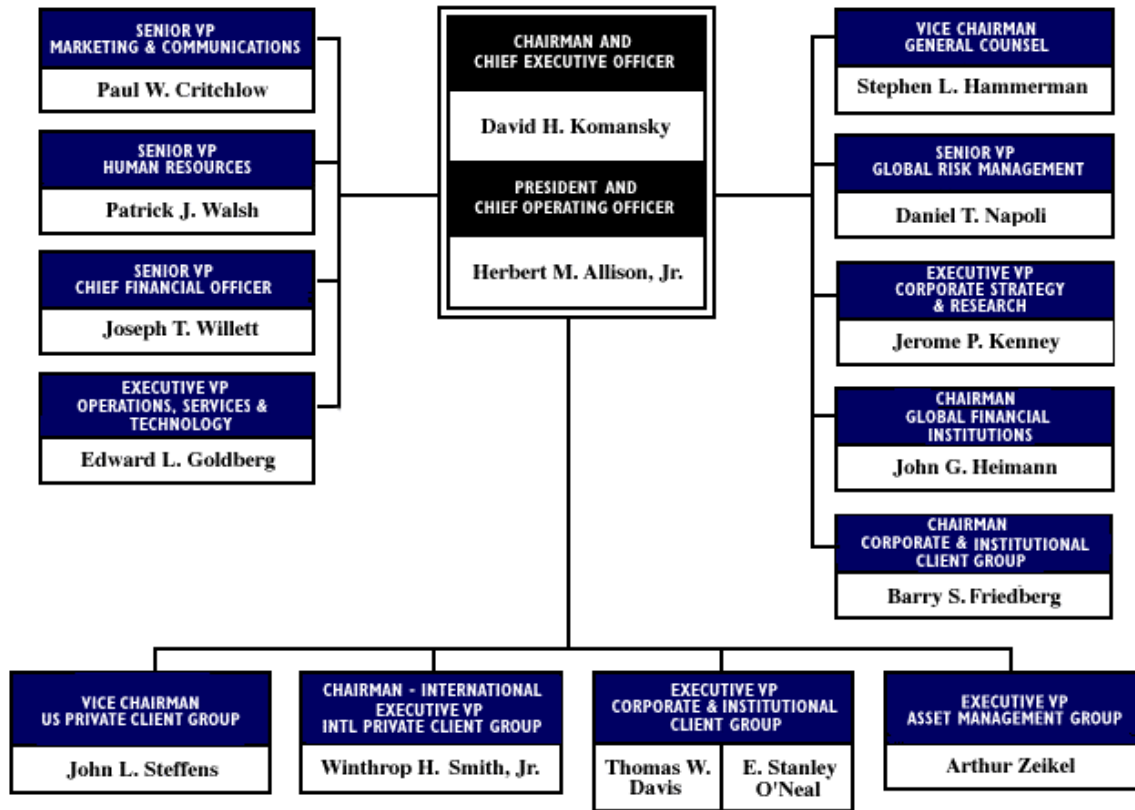


Figure 13. Executive Management at Merrill Lynch

Total OS&T Gross Expenses	\$1.9 Billion
Total Technology	\$1.2 Billion
Total Operations	\$500 Million
Total Other	\$200 Million
Total Headcount	11,357

Figure 14. OS&T Statistics<sup>34</sup>

OS&T, under Ed Goldberg, had a financial profile as indicated in figure 14. OS&T's mission is "To become the number one client-driven team providing unsurpassed products, information services and innovative technology throughout the world in order to safe guard and enhance our clients' and shareholders' wealth". They have offices or representation in Canada, South America, Africa, Europe, Asia and Australia. Operations are described as "everything that Merrill Lynch does, servicing all business clients, private clients, clearance and settlement".<sup>35</sup>

Senior managers at OS&T strive to balance the need for community access to information with information overload and waste. One

<sup>34</sup>Internal OS&T Document

<sup>35</sup>From an interview with Ed Goldberg.

of them stated: "There are only 24 hours in a day and people work, eat and sleep. So it's only a very small window that you actually do your business, and that's why we don't like people playing [on Intranets]. That's why we don't like an overkill of information—it must be actionable information."

There are 12 Vice Presidents and Senior Vice Presidents who work directly for Goldberg. One of these, George Lieberman, is in charge of Technology Strategy and Planning (TS&P). Lieberman describes his Group's responsibility as ensuring "the organization is working on the right projects and that these efforts are aligned with corporate strategy." TS&P is within the first level in the organization which has various groups supporting and maintaining web pages on the Merrill Lynch Web. Of the objectives and goals of TS&P (taken from the corporate web), its mission is: "To create and deploy an organization that is committed to the growth, dissemination and nurturing of world class practices which ensure the continuously aligned, effective use of technology, enabling the firm to be the premier global financial services company".

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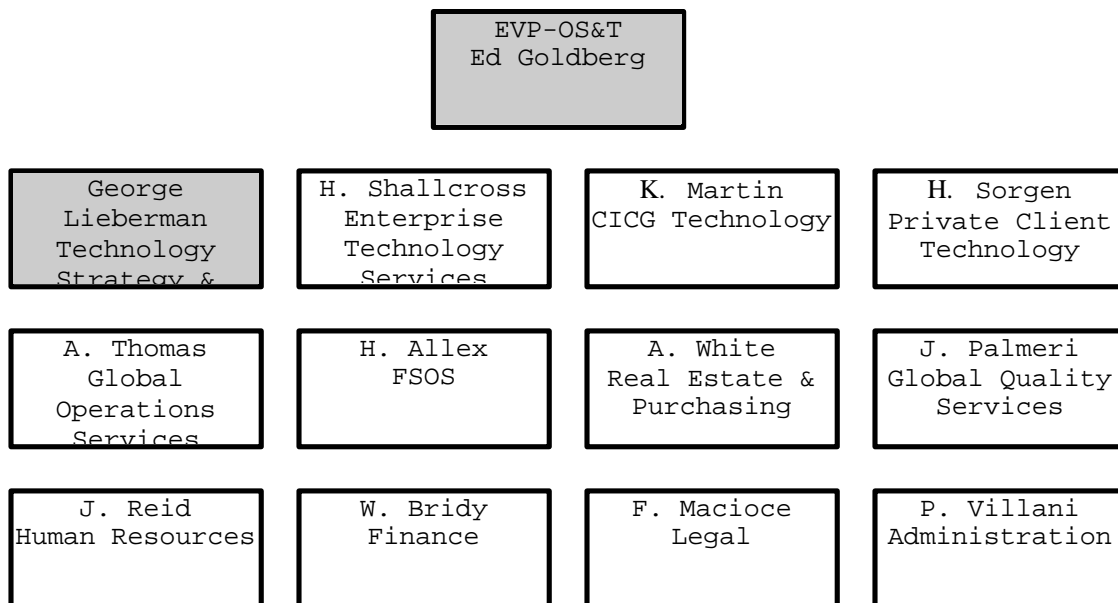


Figure 15 (previous page). Operations, Services & Technology<sup>37</sup>

TS&P identifies strategic options for OS&T. In 1997, one of OS&T's key missions is to support the Corporate Institutional & Client Group (CICG) and the Private Client Group (PCG). Below are some of the strategic goals TS&P identified for OS&T support:

Corporate Institutional & Client Group (CICG)<sup>38</sup>

<sup>36</sup> Merrill Lynch Web - TS&P Homepage

<sup>37</sup> Internal OS&T Document

- Maximize profitability
- Diversify the revenue stream
- Differentiate ML from competitors
- Strengthen our International Equity Business
- Maximize profitability of Client Relationships
- Maintain and improve position in Global Debt Markets
- Improve control of market, credit and legal risk.
- Be profitable in any interest rate environment.
- Continue to reap rewards from high-margin products and services.
- Ensure the highest level of client satisfaction.
- Retain leadership in the utilization of functional specialization.

#### Private Client Group (PCG)<sup>39</sup>

- Unification of Financial Planning Services
- Transition to Asset-Based Financial Management
- Redefinition of Performance
- Redefinition of Client and Market Perception
- Redefinition of the Branch Manager's Role
- The Financial Consultant as "Trusted Global Advisor"
- Strategically-Linked Complementary Distribution
- Integration of Accounts and Services
- Management of the "Generational Transfer" of Assets
- Establishment of Financial Consultant Team
- Extension of the "Private Banking" Concept
- Improve Profiling and Simplify Planning
- Improve marketing targeting of clients.
- Survey, educate, market, model, and create and implement financial plans with clients.
- Position ourselves [sic] as the Global Advisor to our most strategically important clients.

A major challenge for OS&T, therefore, was to design and implement a corporate intranet that would enhance the performance of CICG and PCG.

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<sup>38</sup> Taken from an internal presentation delivered June 1996

<sup>39</sup> Taken from an internal presentation delivered June 1996

## **The Merrill Lynch Corporate Web**

Merrill Lynch's Intranet initiative is part of a larger trend in the corporate world. According to *U.S. News and World Report*, 16 percent of major U.S. businesses have set up Intranets, and according to Forrester Research, in 1997, 50 percent of all U.S. companies are either evaluating or planning Intranets. "As they proliferate, Intranet systems may help to bring legions of global employees together."<sup>40</sup>

At Merrill Lynch, a spokesman stated in 1996, "the firm plans initially to use the Intranet to post human resources and product information. It's like a library from the employees. In terms of future uses for the Merrill Intranet, the project is in its initial stages, so it's too early to tell what it may be used for in the future."<sup>41</sup> Since then some progress has been made to define the Intranets' uses. But Merrill's culture, which emphasizes careful and deliberate planning and implementation, has kept the pace of the official corporate Intranet introduction linked to its global strategy. The "grass roots" efforts that initiated the intranet, on the other hand, moved somewhat more rapidly. This is attributed to their origin within technology departments.

Internal structure, sheer size and proud history define most of Merrill Lynch's culture. The Firm is an innovator, creating global financial opportunities that are often imitated - as was the case with the CMA account. Its speed of implementation matches its culture: Strategic, planned and deliberate. There is a clear sense that the culture as defined previously, seeking a position of sustainable - not cyclical - leadership, has more control over technology initiatives (like the internal corporate web) than vice-versa. For example, Merrill Lynch publishes information protection standards for Merrill Lynch Web Services (the internal corporate web). In it the internal web at Merrill Lynch is defined as a "...distribution mechanism [and] internal electronic communications resource designed to facilitate discourse and the exchange of information between multiple organizations within the corporation."

There is also a set of explicit standards published that govern the use of the external and internal Merrill Lynch Web sites:

- MLWS [the internal corporate web] may only be used for approved Merrill Lynch business transactions.
- Transmission of any material in violation of federal or state copyright law or regulation is prohibited.
- All users must act in a professional, responsible and ethical manner while conducting business on the internet or intranet.

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<sup>40</sup> "Weaving a New Web", U.S. *News Online*, circa 1996

<sup>41</sup> *Inside Market Data*, May 30, 1996

- All users of the internet and intranet services will be held fully accountable for their activities conducted on the network.
- Statements that could defame, embarrass or harm a Merrill Lynch employee or third party are prohibited.
- Information that could cause Merrill Lynch or its clients' embarrassment or financial harm is prohibited.
- All users must access the network via corporate approved software that supports international security standards by employing U.S. government endorsed encryption technology.
- All files downloaded should be scanned for viruses with approved anti-virus software or hardware prior to use.

One of the organizations that make up OS&T is Enterprise Technology Services (ETS). Within ETS (from figure 13) is Intranet Solutions. Its mission is “To develop and maintain an organization that delivers world class information exchange products and services and is recognized as high performing, innovative and responsive.” It is chartered with providing firm-wide product management, support and infrastructure for Merrill Lynch business and systems groups using WWW technology for corporate publishing through the internal network.

It is from Intranet Solutions that the Merrill Lynch Corporate Web first originated. The Web Services unit publishes the Merrill Lynch Web Standards. **Exhibit (2)** is a detailed summary of Merrill Lynch Web Standards. Information Exchange Products and Services maintain the page from the corporate Intranet. “The Merrill Lynch Standards & Guidelines govern the development of internal Merrill Lynch Web sites. These standards and guidelines focus on issues of design, format, naming standards and testing. The internal Merrill Lynch Web is a corporate electronic communications resource. All information delivered via the Merrill Lynch Web must be of an appropriate business nature, must not violate the legal rights of Merrill Lynch as third parties, and must be transmitted, stored and accessed in a manner that safeguards confidentiality.”<sup>42</sup>

Figure (16) below depicts the direct organizational chain from the CEO to Web Services group.

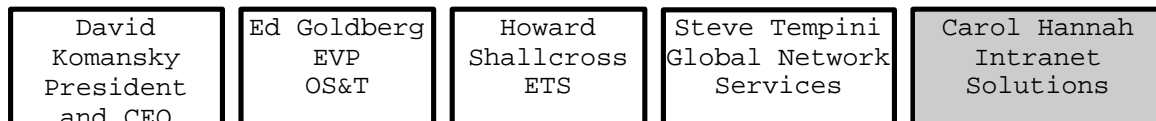


Figure 16.

<sup>42</sup> Merrill Lynch Web, Web Standards

The Merrill Lynch Web is a corporate, web-based information system started only three years ago and now approaching 100 independently managed web sites. One of the managers in Operations Services and Technology explains the Merrill Lynch Web as “growing over the last couple of years from a few sites, very grass roots in origination, to over 100 sites company-wide. It started mostly as systems’ people trying out new approaches to communication—it was not managed. The exact origination of the corporate web isn’t formally documented, but it may have started in London. As

As one of the executives explains, as early as three years ago there was little structure in place. She was one of the first to use HTML conversion applications, less user-friendly and more crude than today’s endless supply, and TS&P had one of the first sites.

If a business unit or technology department wants a site on the corporate web, it must first register it with the Intranet Solutions department, within OS&T. There is no content control, per se, as each business manager has final approval authority for content. While there is no direct control over this content, the culture discourages rogue designers or improprieties. Intranet Solutions however, logs the site, catalogues it, and ensures it is properly indexed for search capabilities. Right now, the web is primarily under the auspices of OS&T, with several aggressive business units participating purely on a volunteer basis.

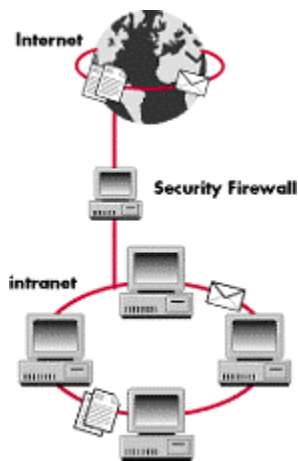


Figure 17. A simple view of an Intranet<sup>43</sup>  
web<sup>44</sup>

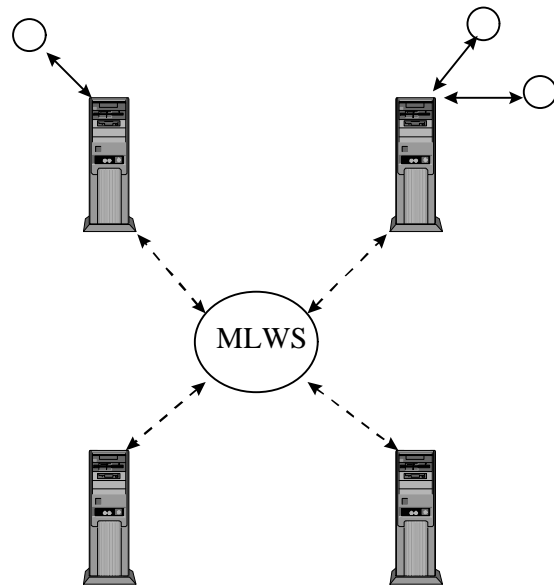


Figure 18. The corporate web

<sup>43</sup> <http://www.novell.com>

The corporate Intranet, therefore, started as a grass roots effort. Of the 85 web sites currently maintained as of April 1, 1997, over 75 are related directly to technology. But the potential user base is huge. Once the financial consultants are added, the number of users could jump by 14,000 literally overnight. Currently roughly 21,000 people within Merrill Lynch have the capability to access the corporate web. This means they have the protocols and browser capabilities on their desktop, but do not necessarily utilize the service.

Of these, some 7500 users can go out through the firewall onto the Internet. In order to have this access, users must meet three criteria: First, they must be able to articulate a business reason for access to the Internet. Second, they must have the necessary protocols on the desktop, and third, they must seek management approval. More and more employees are seeking this approval. This is attributable to the increased awareness of Internet uses across the population as a whole.

The firewall software, as mentioned, can monitor access by user. In other words, a manager can request to know what sites employee "X" has visited during any defined period. There is no way yet to track how many people actually access the *corporate* web. A sampling from the list of all web sites on the Merrill Lynch Web includes:

#### CICG - Institutional Client

This site is geared to the institutional sales force and management and contains private information. It requires a sign-on and password for access. One must register before access or contact...to get additional help in order to sign on.

#### Infrastructure Support Department

Responsible for managing Merrill Lynch's mainframe Systems environment. The ISD Home Page offers information on new software announcements and offerings, ISD major projects and initiatives, organization chart, technical documentation, standard documentation, configuration charts and more...

#### Human Resources Systems

#### Merrill Lynch London Desktop Support

This WWW server provides technology data, including system guides, contact lists and vendor information.

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<sup>44</sup> MLWS is a de facto center of the web, but the dotted lines indicate there isn't usually icons on the spokes to return to this site. The solid lines indicate that some sites have secondary, divisional sites within their department with direct links back—spoked wheels off a particular spoke.

### Remote Access Project Office homepage

For information on Enterprise Technology Service's initiative to implement a "world Class" remote access service to allow authorized users from external and or public communication networks to access the Firm's internal data network and associated computer systems.

Information technology personnel within OS&T community started the Intranet. The primary contributors and probably users are still within that narrow band.

One exception to the heavy IT slant is the Human Resources page where employees can access information regarding tuition assistance, 401K plans, corporate rules & regulations and review changes in policy. This particular initiative might be Merrill Lynch's finest Intranet success story thus far. It is a very user-friendly site that is updated frequently. As a model for internal communications and frequency visited, it serves its customer well. This is an expected outcome.

The parts of the company that will have the most routine need to apply their efforts to the Intranet are the staff functions, which include departments like Human Resources (HR) and Finance. Because HR and Finance (payroll!) touch every employee, every employee will benefit from having administrative materials on the Intranet. Best of all, you will see, HR will benefit from the Intranet features too. For example, all employees need to find things in personnel manuals, but they frequently have to call HR because of the inadequacy of the paper versions. Having the manual online in hypertext will help everyone.<sup>45</sup>

How does the Intranet help meet some of Merrill's global goals and challenges? Of the 85 web sites, less than 10 are originated from foreign offices, and only two are obviously home pages of the corporate office in another country—Australia and Japan. From these two foreign sites the user can enter a mini-Intranet into the corporate offices of these respective countries. The Intranet is basically linear—or more spoked fashion roughly as shown on the previous page in figures (16) and (17). There are few and then only scattered links to pages within the Intranet. In most cases the user must use the "back" button to return to the site listings page.

The corporate Intranet does exploit several current needs-based opportunities. These include facilitating cultural changes or consistencies, reducing greatly paperwork and creating a forum for discussion/analysis and testing new products. A major accomplishment in this area is one project which placed research at users' fingertips. The department chairperson commented, "I have three data bases that are dynamic. They are in Lotus Notes format using the Domino Web Server and available on the Intranet. These databases are updated at least twice per week. On an Intranet you

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<sup>45</sup> "The Intranet Advantage", PC Week, Ziff-Davis Press, 1996, p. XXI

don't care where it comes from". This is one of the major advantages as shown in figure 17.

So this exception to the static, technology-heavy content are the databases this department makes available to all users of the Intranet. Of these, three are currently available: Forrester Research, DataPro, and Gartner Group.

But not everyone views all aspects of the Intranet as a completely strategic force. A senior OS&T manager wants the information current. When recently surfing the corporate Intranet himself, he found a page that was over five months old. "The author of that page had left the firm. I don't want that". Information overload can get out of hand, this manager notes, "some people can become information hogs. You give them the ability to put information anyplace and they almost feel obligated to continuously put more out".

When it comes to the development of the Intranet as a strategic force at the Firm, Marketing and New Media and OS&T share is one central belief: Every aspect of the Intranet belongs to Merrill Lynch and should be of real use to it. This includes the hardware, software, content, access and employees' time spent on the Intranet. Therefore, the development must benefit Merrill Lynch.

As is the case in many corporations, the more aware the senior leadership of the firm becomes of the potential of their Intranet - the more they become involved in making it a tool that is aligned with the global strategy of their company. This process, usually cautious at first, is gaining momentum as corporate leaders become more technologically aware.

Intranet Solutions is "driving the corporate initiative to bring the ML intranet to every desktop in the company, worldwide, by the end of calendar year 1996".<sup>46</sup> Intranet Solutions and Corporate Communications have set some very ambitious goals for the Firm's Intranet. A more direct, top-down developmental support will ultimately facilitate the achievement of these goals. Now that Merrill is moving towards a more global strategy, with high level consistencies on all fronts, possibly many of the "grass roots" initiatives will increasingly converge with the top-down approach.

Another need being met by the Merrill Lynch Web is less paper processing - a major benefit to the Firm. On the private client side alone, nearly seven million pounds of paper per year is sent to the 15,000 financial consultants. Consultants had to order literature from headquarters. A form of ad hoc information retrieval could help Merrill Lynch cut down on paper-based materials 90%.

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<sup>46</sup> Merrill Lynch Corporate Web, Into to the Intranet, Oct 1996 (seen May 1997)

An executive in OS&T adds that one goal is “getting away from the inordinate amount of paper and training people to use the web as a source of information”. A senior official at OS&T goes further: “I would like to see every customer someday be presented with a laptop from Merrill to do away with statements, confirmations and all other correspondence. That’s my dream. And I’ll do it. If I don’t, the people that follow me will do it.” This is not insignificant. In an indirect way, the less people worry about paper, the more they can concentrate on other more important corporate initiatives.

### **Two Other Intranet Initiatives at Merrill Lynch**

In addition to the Merrill Lynch Web, Merrill Lynch has developed an “Extranet” for private client use. An Extranet is a collaborative network that uses Internet Technology to link businesses with their suppliers, customers, or other businesses that share common goals. An Extranet can be viewed as part of a company’s Intranet that is made accessible to other companies or that is a collaboration with other companies. The shared information might be accessible only to collaborating parties or, in some cases, might be public.<sup>47</sup> For this paper, an Extranet will be identical to an Intranet in every way except two: 1) Its user base is extended to customers, and 2) It is accessed through the Internet.

This Extranet - Merrill Lynch OnLine (MLOL) - is a set of selected internal Merrill Lynch Services geared toward the external clients via Internet services. It is an internet-based service that provides Merrill Lynch clients with access to Merrill Lynch 24 hours a day through the Internet. Specifically, it offers the following:

- Access to Account Information
- Communications with Financial Consultants

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<sup>47</sup> <http://whatis.com/extranet>

- Stock Quotes
- Access to Research Information
- Electronic Bill Paying

“With the explosive interest and maturity of the Internet, Merrill Lynch realized the opportunity to better serve our clients with on-line delivery of information through this new technology. Merrill Lynch OnLine (MLOL) is an internet-based information service that is designed to enhance relationships between the FC’s and their clients. MLOL is a direct response to customer-demographics. Merrill Lynch is targeting what they call the “Next Gen”, or those in the 45-60 year range. This new market values ease of trading and commodity-like trading prices.

The service consists of access to:

- 1 Merrill Lynch client account data (balances, holdings and activity)
- 2 Market indices and individual stock quotes
- 3 Merrill Lynch research reports
- 4 The internet
- 5 An email facility
- 6 A non-web-based electronic bill paying facility.”<sup>48</sup> As of December 1996, 19,000 users had enrolled in MLOL and 2,100 in the electronic bill paying service.

The research reports enable the customer to “view a selection of research reports from Merrill Lynch’s Global Securities and Economics Group. These reports, which provide general market commentary and investment highlights, will be available periodically.<sup>49</sup> And while this initiative addresses a new customer base that values and exploits technology, it is not a means of eliminating the middleman as in the popular E-Trade<sup>50</sup> or National Discount Brokers<sup>51</sup>. Merrill Lynch is dedicated to its financial consultants, and instead of abandoning them they are using technology to put them even more at the disposal of their clients. Merrill Lynch views its competition in this arena as Charles Schwab<sup>52</sup> and possibly Morgan Stanley, Dean Witter, Discover & Co. “We are to Schwab what they [Schwab] are to E-trade,” clarifies a senior official at Merrill Lynch. And while he recognizes Schwab’s discount philosophy, he sees the Firm as more a full-service discount broker. “Schwab only discounts one product—equities—and they don’t send your statements until at least three weeks after your trade. And when someone answers [the customer’s] call, it may not be somebody they ever knew.” In this regard Merrill Lynch, guided by its

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<sup>48</sup> Merrill Lynch Web

<sup>49</sup> <http://www.ml.com>

<sup>50</sup> E-Trade, according to Fortune’s March 3, 1997 edition, is profiled as the leading Internet trading firm, opening a 500 worth \$8 million every day.

<sup>51</sup> Another discount trading firm offering \$12/trade on-line regardless of volume.

<sup>52</sup> 3.4 million customers and \$181.7 billion in customer assets managed as of their 1995 Annual report (1996 figures unavailable) compared to Merrill’s 1995 \$702.7 billion the same year.

Operations, Strategy and Technology chief, still believes in its core value: establishing personal and long-lasting relationships with clients.

To date, no customer can trade on-line; first contact must be made with the financial consultant. But this “contact” has a price. While a trade with NDB or E-trade might run \$10-20, each trade with Merrill Lynch is \$150-\$250.<sup>53</sup> This capability might be around the corner, not due to potential sales, but rather “it enhances that image of being on the cutting edge.”<sup>54</sup>

A third Intranet initiative (The Merrill Lynch Web being the first, and Merrill Lynch OnLine being the second), is the Trusted Global Advisor (TGA) retail broker workstation. This is a replacement for the current broker workstation configuration. Merrill Lynch is planning to use this Intranet to disseminate its own research internally. Once in place, more than 14,000 financial consultants will use this system to access massive amounts of research documents from Merrill Lynch’s own research department.<sup>55</sup> Merrill Lynch estimates that it supplies its consultants with seven million pounds of paper annually<sup>56</sup>, so TGA could provide a return of investment on materials and mailing savings alone.

In summary, figure 19 is a basic diagram of the three Merrill Lynch Intranet Initiatives. The primary focus of this paper is the corporate web, which connects Merrill Lynch users (minus the financial consultants), to the internal information system. TGA, while not yet fully developed, will connect corporate Merrill Lynch with the financial consultants. It is as yet undecided to what extent, if any, these consultants will have access to the internal web. The final piece is MLOL, which allows customers to connect to their financial consultants via the Internet.

A press release outlining the introduction of Merrill Lynch On-Line, and released May 22, 1997, is included in the final pages of the case study.

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<sup>53</sup> Computer World, March 3, 1997, R.L. Scheier

<sup>54</sup> Ibid

<sup>55</sup> Inside Market Data, Aug 12 1996

<sup>56</sup> Ibid

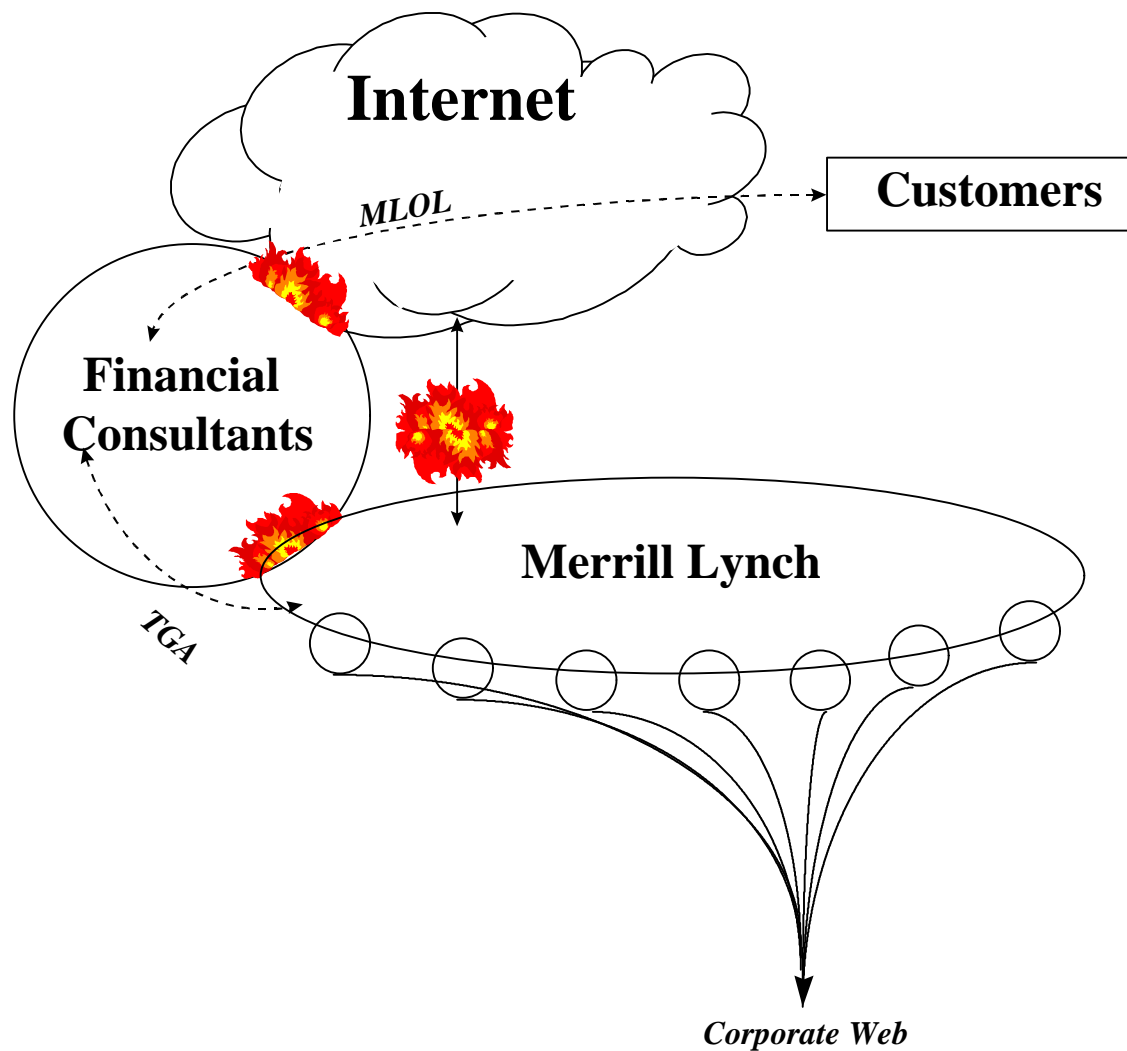


Figure 19. A View of 3 Intranets.

### **The Current IT/Intranet-related Challenges at Merrill Lynch**

Below, in figure 20, is a listing of benefits of a web-based environment as noted in Webmaster Magazine. A good test of Merrill's corporate web could be how well the benefits offered in platform independence are working towards some of their competitive objectives, particularly global strategy, and how can the web-based communications system be come more fully utilized.

<i>Then</i>	<i>Now</i>
Multiple Platforms	Platform Independence
Multiple Data Formats	Multiple Data Formats
Multiple Interfaces	One Interface
Multiple Protocols	Common Protocols
	Access to New Systems
	Ease in Publishing
Islands of Information	Rich Information Environment
Hard to Share Info	Wide range/Type of Info
Can't Access all Info	Quick and easy Access
Different Platform Capabilities	

Figure 21 Benefits of Web Environment<sup>57</sup>

The Merrill Lynch Web can provide decentralized decision-making and promote learning throughout the firm. Merrill Lynch, however, for strategic reasons, wants to retain some form of centralized oversight. There are two such avenues for exercising it.

Marketing and New Media performs the duties of quality assurance of the Intranet and Internet. One responsibility it has, as explained by a manager who is involved in these issues is to “manage the whole [Internet] project and make sure Merrill has a uniform face to the outside world, reflecting its strengths and thus aligning its presence on the net with its global marketing strategy.”

In July, 1996, Merrill Lynch commissioned a study of 100 companies and their MIS personnel to understand how large organizations are using Internets and Intranets to support electronic collaboration. Collaborative Strategies<sup>58</sup> asked, “What kinds of work are being supported by the Internet and Intranets? They found that collaboration is more prevalent within a company than it is between companies, and that Intranets supported most collaborative functions. Of these functions there were five main categories.

<sup>57</sup> Within Webmaster Magazine is a slide presentation. This chart is from one of those slides.

<sup>58</sup> Commissioned to conduct the study. Information from this survey was taken from its findings posted on the corporate web.

- Document Management: Document publication coordination and routing.
- Group Calendaring/Scheduling: Staff and facilities calendar updates, meeting management support, distributed meeting.
- Project Management including distributed project management, sales force automation.
- Communication by information sharing and threaded discussion forums.
- Knowledge management or sharing and recycling corporate knowledge and creating a corporate memory.

Merrill's web, from the basic five functions above ordered by today's configuration dominance, is used for the following functions:

- Communication—rudimentary threaded forums
- Knowledge sharing
- Document Management (although Research does manage its documents off the Intranet)

A sixth main reason or category that explains why companies are leaning towards Intranet initiatives more and more is they are simply in vogue. A better question today is "Who *isn't* developing Intranet initiatives?" And "have companies truly grasped the reasons behind implementing them?"

Merrill Lynch, like most corporations, will have to move towards enterprise-wide plans for its corporate web in regards to meeting strategic goals. Most of the focus and planning at this stage seem centered more around aligning web development with the Firm's culture. However, nearly everyone recognizes potential. The head of the Intranet Solutions department likens the web to the famous Field of Dreams quote: "You build it, they will come". But she also recognizes that within the culture of Merrill Lynch, arrival may not be immediate. "It takes a long time for a very diverse company, spread out with home offices in six buildings and two states, to recognize the web as a vehicle for bringing information to every desktop." There may not be any other way. It doesn't seem likely that a memo could be directed to every employee any more expeditiously than through the web. The real challenge is mastering the growing pains associated with operating two completely different systems: The web, and traditional paper. While many in this technology-rich company embrace the change, several powerful people, with long histories at Merrill Lynch, are in the process of learning more about this new space and its opportunities.

TS&P has several initiatives to address this learning process. It hosts a semi-annual web forum where personnel from all walks of Merrill's business come to hear of recent initiatives and web capabilities. This can help stimulate ideas, helps align the business units with the technology and provides a source of education for those seeking it. Most importantly - it provides exposure in a safe environment. As these conferences

grow—they started as yearly events with a few dozen participants and have grown to semi-annual events with hundreds)—more and more people will hopefully jump on the Intranet bandwagon perpetuating further the growth of ideas and applications within the corporate web.

As previously mentioned, Merrill Lynch has contracted services with Forrester Research, Inc., The Gartner Group and more recently DataPro.

Forrester analyzes and predicts the impact of technology change on large companies, consumers, and society. They do this through innovative research that combines valuable insight and perspective with a business-focused review of emerging technologies. Over 2000 leading corporations around the world have found that Forrester's research takes them beyond "what it is" and quickly helps them understand "what it means". Forrester takes this a step further by giving prescriptive guidance about what you should be doing, and when.<sup>59</sup>

Gartner Group, Inc., is the world's leading independent advisor of research and analysis to business professionals making information technology (IT) decisions, including users, purchasers, and vendors of IT products and services. Its primary business consists of research and analysis of significant IT industry developments and trends, the packaging of such analysis into subscription-based products called personal advisory services, and the distribution of such products through various print and electronic media.<sup>60</sup>

DataPro Information Services Group has been serving IT users and vendors for 28 years. It is a division of the McGraw-Hill Companies, a global \$2.8B company that has set the standard of excellence in information services and publishing for more than 100 years. DataPro Reports provides a multitude of documents pertaining to industry topics and products, including software, hardware and miscellaneous products. DataPro Specs is a larger database that features detailed information on hardware and software specifications.

In essence, these three services provide Merrill Lynch employees with the ability to peruse any subject area within these two subscription services. For example, a marketing representative, with access to the corporate web, can access Forrester and Gartner through TS&P's homepage. Once there, He/she could do a search on "technology in the Marketplace", or "Electronic Commerce". What was once available only through Lotus Notes and CD-ROM has become nearly universally available to all employees. The major exceptions are the financial consultants. They

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<sup>59</sup> Quoted from "Corporate Overview at <http://www.forrester.com>

<sup>60</sup> Quoted from "About Gartner Group" at <http://www.gartner.com>

do not as yet have access to the corporate web, and if/when they do, no determination has been made to their access level.

Another exception is user-defined. While 21,000 may have potential access to the Intranet, not nearly that many people utilize it. In this sense, education is necessary not only to teach the technologically untrained, but also to publicize the web's great capabilities.

## **Overall Matters and Issues Regarding the Intranet at Merrill Lynch**

There is little doubt that the Internet will play greater roles in “Open Finance”.<sup>61</sup> An emerging factoid: Age 25-44 with annual income of \$50,000 to \$100,000 represent 12% of total households.<sup>62</sup> Merrill Lynch, as mentioned, has an eye on this market segment. Other financial servers are taking different approaches. Companies like Merrill Lynch and Paine Webber require the investor to establish direct communications with their financial consultants. In the long run this may prove very wise, particularly if the market heads towards and stays in a bull market for any period of time, when investors will surely want to speak to “live” consultants.

As Merrill Lynch moves its Extranet initiative toward Online trading, they enter into competition with the non-consultant, bargain traders like ETrade and Charles Schwab. Determining their competitors now and in the future could be a key factor in Merrill Lynch’s success or failure in this market. Anticipating tomorrow’s Internet and Intranet capabilities is another key ingredient to success. It seems that any prophecy of any new technology should be taken with a grain of salt—no one anticipated the PC’s rise to glory. For example, Forrester believes that the Internet will emerge as the “fourth channel,” as a medium to exchange information and book transactions.<sup>63</sup> But even one of the staunchest supporters of information sharing believes that “nothing beats relational management—face-to-face. However, the Intranet can be used to bring people together to make this happen.”

The development and advancement of network management tools may help define tomorrow’s Intranet. For example, Merrill Lynch is investigating new software that will automatically purge the Intranet of expired data or pages.

As it stands now, the global Internet is an autonomous entity, with no true regulation, no governing body, and no restrictions. With the number of its users increasing at an astonishing rate, intervention into this ‘web’ of information and entertainment is a subject of concern among users. The Internet is a completely unique technology. The Federal government, its original creator, has never faced a regulation task quite this large.<sup>64</sup> How will the Internet in general play out in the future? What started as a government group of networks and expanded into the world of academia now has

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<sup>61</sup> Forrester’s “Money & Technology, by D. Weisman, W. Bluestein, C. Wooley, defines open finance as a “Emerging affluent consumers enjoying the best-of-breed financial services with the easy electronic movement of money”. Or, “[the] flexible and inexpensive distribution channel [to] provide upper-middle income Americans with best-of-breed financial services that are now offered only to the wealthy...Despite incomes ranging from \$50,000-\$150,000 they lack the assets to attract full-service brokers or private bankers...”

<sup>62</sup> Ibid

<sup>63</sup> Ibid. The other three mediums are person-to-person, direct mail and the telephone.

<sup>64</sup> <http://www.cwrl.utexas.edu/~benjamin/309mspr95/finals/control/index.html>

experienced an explosive growth of users—twice as many each year. This means a new user of the Internet is in the upper 50% of experienced users after one year!

Lastly, the Internet and Intranets pose some challenges that should be addressed now and in the future:<sup>65</sup>

- Security has yet to be adequately handled. It might be several years before this is fully addressed. Users “hack” into systems from outside and within. It might be years before this problem is adequately solved.
- Internet standards in general are still evolving, immature, unformed and inadequate. For example, HTTP does not yet support a continuous session because it is a request for information. This creates a problem for transaction management.
- Web presences, especially internally, are an ongoing expense and require high maintenance—and most importantly dedicated people-hours.
- The business value of Intranets (or even the Internet) is still unproven.

Therefore, among the issues facing Merrill with regard to the Intranet are the following:

- Merrill Lynch considers itself a technology company. Some key personnel even consider the company’s main competitor as technology. Can a company which lists its principles as summarized again below harness a fast-moving technology like Intranets?

**Client focus.**

**Respect for the individual.**

**Teamwork.**

**Responsible Citizenship.**

**Integrity.**

- For Merrill Lynch, the globalization of the capital markets has a paradoxical effect of leading it to pursue a strategy of becoming more local at the same time as it is becoming more global. Can the Intranet initiatives at Merrill Lynch help facilitate this major shift towards globalization? Can they work somehow in harmony together with three separate enterprise objectives and if so, how? What planning is required?
- What Corporate Communications and OS&T share is one central belief: Every aspect of the Intranet belongs to Merrill Lynch and should benefit it. Can this

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<sup>65</sup> These questions are paraphrased from “Internet Development: Mastering New Tools, a strategic analysis report by the Gartner Group (M. West, N. Jones, D. Plummer, D. Bosik), March 25, 1997.

belief co-exist with the entrepreneurial spirit Intranets foster? What challenges must be explored and overcome?

- There is a growing need for top-down leadership and decision-making. How can each senior executive participate in this Intranet Strategy?
- How will the new equation of “information sharing equals power” fit in with “a very strong culture” made up of people “who know everything about the business. Many in management have been here 25-30 years starting out as clerks.”
- Finally is the issue of quality assurance and strategic alignment versus innovation. Finding the right mix of the two (preventing one from diluting the other) could be the key to any Intranet’s success. First defining what the Intranet should be developed for as opposed to developing it and fitting it to a need or strategy. Secondly, should the company’s culture define the workings of its Intranet(s), or should the Intranet conform to the company culture. In a company as large and “storied” as Merrill Lynch, is anything but the latter possible?

Still, the bottom line may well be: “Enterprises cannot win if they do not play”.<sup>66</sup>

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<sup>66</sup> Ibid

## **Addendum**

NEW YORK, May 22 – Merrill Lynch & Co., Inc., today launched an expanded site on the World Wide Web. “The World of Merrill Lynch,” designed to help present the company’s global resources to clients and potential clients around the world.

The site incorporates content for individual investors that had existed at the same address since 1995, and which recently has been receiving more than two million hits per day. It includes expanded information about Merrill Lynch and its diverse financial services for corporations, institutions, governments as well as individuals around the world.

“With its growing popularity as a communications medium, the World Wide Web provides a tremendous opportunity to enhance our relationships with existing clients, create new relationships, and engage in the time-honored Merrill Lynch tradition of informing the general public about financial matters. Our expanded web site is easy to use and contains information that will interest everyone from novice investors to sophisticated participants in the global capital markets,” says Paul W. Critchlow, Senior Vice President, Marketing and Communications.

Features of the site include:

- Extensive information for individual investors, including a discussion of strategies for various financial objectives and stages of life; worksheets; and a glossary of financial terms and services.
- An in-depth guide to capabilities and services for corporate and institutional clients.
- Daily market commentary and longer-range securities and economics research.
- Market data on securities, including historical charting.
- Shareholder information, including the full text of Merrill Lynch & Co., Inc. Annual Report, other financial reports, and executive speeches.
- Information about Merrill Lynch around the world.
- An educational section, with articles, contests, and activities for children and families.
- Merrill Lynch OnLine, for enrolled clients, a service offering secure access to account balances, electronic bill payment and other information.

Launched in December 1996, Merrill Lynch OnLine already has more than 153,000 enrolled users, with assets totaling more than \$88 billion. The service has been enrolling an average of about 1500 clients every business day.

