

## **GXS Will Remain a Top Electronic Data Interchange Vendor**

L. Frank Kenney

General Electric (GE) agreed to sell GE Global eXchange Services (GXS), its business-to-business e-commerce network, to Francisco Partners. Expect a smooth change of ownership as long as GXS aggressively grows revenue.

## NEWS ANALYSIS

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### Event

On 24 June 2002, General Electric (GE) agreed to sell GXS, its business-to-business e-commerce network, to Francisco Partners, a large technology buyout fund. According to GE's CIO Gary Reiner, "GXS does not fit GE's core services and growth strategies." The companies expect the transaction to close by 31 October 2002. Harvey Seegers, president and CEO of GXS, will continue to lead the company, and GE will retain a 10 percent ownership stake.

### Analysis

This deal, if it goes through, has benefits as well as potential drawbacks for GXS customers.

On the positive side, Francisco Partners is a technology fund that, if past performance is an indicator, is willing to give current management an opportunity to execute a much-needed long-term technology strategy. GXS will have the opportunity to effectively develop, market and deliver solutions and services to the application integration broker suite market, and to the electronic data interchange (EDI) solutions and service market, which is considered GXS' core market.

Francisco Partners indicated to Gartner that it will adopt a hands-off strategy with GXS. Harvey Seegers will remain as CEO and management will stay in place. GXS management has indicated it will now have the opportunity to:

- Add to the GXS portfolio of products and services by acquisition
- Increase the overall functionality of its products and services by acquisition and development

GE's stringent but well-balanced business practices should carry over to GXS, resulting in accountability and a focus on profitability.

But the deal also has potential disadvantages. Francisco Partners, private funding company whose primary goal is to make money, will look for GXS to aggressively grow revenue. The moment that it appears GXS is slipping in this regard, management changes will likely be considered. Also, the two most obvious benefits of being a GE division — visibility and viability — are now gone. Now no longer part of GE, GXS will lose its corporate "insurance."

Overall, however, Gartner believes GXS will continue to be a premier vendor of EDI software and services, and will continue to mature its application integration broker offerings. Customers should be prepared for some changes. Although these changes may affect the presentation and delivery of products and services, they should not affect their quality or functionality. However, the market will have to get accustomed to a GXS without the insurance of GE, and potential management and strategy changes.

**Analytical Source:** Frank Kenney, Gartner Research

### Recommended Reading and Related Research

- "EDI Translators: New Offerings Present New Opportunities" (COM-15-9499). A growing number of EDI application integration options give enterprises new opportunities to implement cost-effective translation solutions. **By Frank Kenney and Benoit Lheureux**

- "GXS Adds Content to Its Book of Network Services" (E-13-4961). GXS's acquisition of TPN Register demonstrates its commitment to supporting a wider range of B2B needs.  
**By Cathy Spencer, David Hope-Ross and Tracey Doyon**

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