



WHITE PAPER

# Enabling Technology Adoption in Supplier Communities

Why Supplier Enablement Programs Fail—And How They Can Succeed

# Enabling Technology Adoption in Supplier Communities

## COMBATING AN AGE-OLD PROBLEM

As long as there have been supply chains, there has been a need for better, more efficient processes within them. With growing globalization, competition, and customer and partner expectations, it's no wonder that supply chain complexity only continues to grow<sup>i</sup> as supply chains fight these pressures.

Companies are combating building complexity in several ways. Outsourcing has long been a popular solution to the effects of globalization, but this can result in companies losing critical supply chain visibility.<sup>ii</sup> Technology is another key way to address supply chain inefficiency; however, understanding and effectively using technology options is not as easy as it sounds.

A June 2011 Aberdeen B2B integration report found that among the top impediments to B2B integration were a lack of awareness of the value proposition of B2B integration and an over-reliance on offline technology. Knowing the vast number of software systems and vendors in the marketplace today, it's easy to understand why a supplier might choose to ignore the technology space altogether and instead rely on a homegrown solution or process that's at least getting the job done, regardless of its effectiveness.

For a large-enterprise, however, this can be immensely frustrating. The larger and more complex a supply chain is, the more it is prone to inefficiency and waste. As the pressures of globalization continue to mount, a company may find itself at an exasperating loss for how to truly enable its suppliers in order to improve its supply chain.

## FIGHTING FIRE WITH GASOLINE

Although the problems of supply chain visibility and inefficiency are well known and documented, the prevailing approaches have largely proven ineffective.

### TRADITIONAL APPROACH ONE: ON A HOPE AND A PROGRAM

Companies have regularly attempted to create their own programs for suppliers. While these programs are well intentioned and perhaps even initially successful, they often lack ongoing attention and sustenance. A program that starts with a formal email announcement from company management and a snazzy online section on the website that lists recommended vendors and offers background information for suppliers about the types of solutions they need and how they can acquire them frequently never lives to see version two. Between employee turnover and more pressing bottom line-driven goals, these programs typically lose momentum almost instantaneously and are relegated to the basement of good ideas until someone new to the company's management asks why a supplier enablement program hasn't been attempted.

### TRADITIONAL APPROACH TWO: ONE SIZE FITS ALL

Similar to the first approach, this attempt at enabling suppliers also comes from the large-enterprise although this time it's more informal. As employees who interface with suppliers are frequently asked for suggestions on systems and vendors, there will often be an initiative at a company to get together a list of recommendations. Well-meaning account representatives want to give their supplier accounts quality suggestions, but because their frame of reference is limited to the perspective of their own company, their software counsel is often inadequate for the needs of the supplier. For example, an Electronic Data Interchange (also known as EDI or B2B) solution that works for a multi-billion enterprise is not a realistic choice for a \$20 million manufacturer.

### TRADITIONAL APPROACH THREE: HELL OR HIGH WATER

When the time and energy cannot be found for creating an in-house program or the initiative for getting together a list of recommendations, many large-enterprises opt for the mandate approach. As suppliers are often beholden to their larger large-enterprise partners, these companies sometimes use this to their advantage by issuing a blanket demand that all suppliers incorporate X technology by Y date or be in danger of Z consequence. This approach works to varying degrees, depending on the extent of the threat for noncompliance and the large-enterprise's ability to follow through. Frequently, a company does not have the desire to actually cutoff its suppliers, especially key partners, and thus never enforces its own mandate.

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Not only does a supplier community not get enabled with this approach, those who do respond to the mandate are frustrated when there are not consequences for non-compliers, and those who get away without acting know that they don't have to take the large-enterprise seriously in the future.

## TRADITIONAL APPROACH FOUR: A SWING AND A MISS

Some forward-thinking large-enterprises, realizing they need to enable their suppliers but understanding they don't have the wherewithal to do it themselves, contract with a technology solution provider to create a program for their supplier community. This is perhaps the most enlightened of the approaches outlined here, as it takes into account the fact that the company needs help recommending the right options to its suppliers.

That said, this approach still falls short for a couple of critical reasons. First, similarly as with the One Size Fits All attempt, it narrows a supplier's choice to only the solutions offered by the provider. Although a technology provider may have a wide array of choices that fit the needs and budgets of a variety of suppliers, it limits a supplier's choice immensely. Second, a technology vendor's job is to create and sell quality solutions, not nurture the needs of one supplier community. Just because a provider sells solutions to suppliers, does not mean it understands how to build and sustain a true program. More than that, because a technology provider sells a set portfolio, they are inherently not interested in adding solutions from other technology vendors that may be a better fit in some circumstances. They are incented to make a solution work, even if it doesn't, and forcing a fit can lead to supplier dissatisfaction and a negative view of the program.

## A NEW APPROACH TO AN OLD PROBLEM

If creating a program isn't the right answer, nor is mandating supplier conformity, nor relying on a vendor, what's left but a whole new beginning?

First and foremost, the needs of the large-enterprise (and the vendors for that matter) must not be the only needs considered if a truly effective, growing enablement program is to be established. Although the requirements and objectives of a large-enterprise are to be considered, the suppliers' needs must be kept forefront as neither a large-enterprise nor a technology vendor can wholly and successfully prescribe an enablement solution.

Second, the large-enterprise must be an ally, not a dictator. To achieve this, the large-enterprise must be enabled as much as the suppliers, offering a program that makes the discovery and decision process easy but thorough so that a supplier finds the right solution, not just any solution. Buying technology is hard and removing barriers to its adoption is key. Using the carrot rather than the stick is imperative.

Third, technology solutions that will work beyond the initial large-enterprise partnership must be provided. Investing in software is an enormous decision for many suppliers and the technology they leverage cannot be a system that only enables its connection to one large-enterprise partner. While a company may not be as interested in improving its suppliers' relationships beyond its own needs, there are a couple of critical rewards that may be reaped: less resistance from suppliers to adopt technology and a relationship solidified by the guidance the supplier received by choosing technology through the large-enterprise's sponsored program.

Fourth, a program that goes unmaintained will inevitably fail. Technology improves, business needs change, and regulations and requirements evolve. A program must also grow and change over time so that new technology can be added and old technology can be discontinued and so that suppliers truly feel that they're visiting a resource that's built and maintained for them.

Finally, all bases must be covered for a program to gain credibility and use. In its 2010 "B2B Integration and Collaboration" report, Aberdeen laid out its Best-in-Class Steps to Success and among them was the recommendation of 'implementing outsourced B2B trading community management wherever applicable.'<sup>iii</sup>

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There are several key components any successful enablement program must include:

## MULTI-TIER (PERHAPS EVEN MULTI-VENDOR) SOLUTIONS

More than anything, an effective program needs to provide options that fit varying supplier needs. Providers and solutions should be deliberately chosen to cover the gamut of needs in a specific community without overwhelming suppliers with many similar options.

## AUTOMATED TESTING AND CERTIFICATION

Getting suppliers connected correctly and efficiently to a large-enterprise through implemented software can put an enormous burden on the large-enterprise's IT department, as this task routinely falls to them. With all the other pressures and demands already falling to the IT group, suppliers may end up sitting in a holding pattern waiting for someone to have time for them. With automated testing and certification, the supplier is able to integrate to the large-enterprise and validate for itself if everything is working correctly. Allowing a supplier to work as fast as it is willing only makes a program more effective.

## SUPPLIER SUPPORT

The bottom line is that buying and implementing software is hard and if a program doesn't make it easy, it has no chance to actually enable a supplier community. Support services help suppliers through the entire cycle of software selection from starting on a solid foundation of understanding their business challenges through a thorough business assessment, to navigating the field of solutions to compare and contrast the benefits of solutions, to finally choosing and properly implementing the right system with project management oversight. Ensuring the correct solution is acquired and accurately implemented is crucial to the ongoing success of an enablement program.

## BEYOND BOTTOM LINES

Creating, implementing, and growing a successful supplier enablement program provides benefits to everyone within a supply chain. Foremost, with more suppliers adopting technology and better integrating to the large-enterprise as well as to their own partners, processes and time to market are greatly decreased, as well as purchase order creation and processing, and transaction costs.<sup>iv</sup>

Beyond the hard figures, relationships are grown and maintained when everyone can work better together. Suppliers feel valued because their large-enterprise partner has created a program that's truly for them. Large-enterprises cultivate a more efficient and productive supply chain and retain customers better over time.

With the right program offering and the right methodology for providing it, a supplier enablement program affords more than just a conduit for getting suppliers to embrace technology. It becomes a way to improve supply chains, grow relationships, and improve businesses.

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<sup>i</sup> "B2B Integration and Collaboration: Strategies for Building a ROI Business Case." Aberdeen Group, June 2011. Page 1.

<sup>ii</sup> "B2B Integration and Collaboration: Strategies for Building a ROI Business Case." Aberdeen Group, June 2011. Page 2.

<sup>iii</sup> "B2B Integration and Collaboration: Trading Partner Enablement for Multi-Enterprise Supply Chains." Aberdeen Group, March 2010. Page 22.

<sup>iv</sup> "B2B Integration and Collaboration: Strategies for Building a ROI Business Case." Aberdeen Group, June 2011. Page 8.