

# What Supply Management Can Learn from MySpace

***The social networking technologies our teenagers have embraced possess capabilities that can be leveraged to tackle some tough supply management challenges.***

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Teenagers the world over have embraced technologies that enable them to share information despite language barriers, time zone differences, and cultural divides. Using chat rooms, blogs, MySpace,

YouTube, and other technologies, they have defined new ways to interact. What does all this have to do with supply management? More than you might think. With up to 80 percent of costs determined in the design process, LCCS and contract manufacturing growing at over 25 percent annually, engineering offshoring to India and China exploding, and Bill Gates bringing collaboration to everyone's desktop—now is the time to begin adopting the MySpace culture in your supply management organization.

To succeed in this quickly changing tech-savvy world, companies must think, even “work,” differently. In fact, if supply management leaders took a page out of the book these teens are carrying, they could achieve significant benefits. If these technologies can revolutionize the way our teenagers interact, couldn't they have the potential to bring together internal and external resources—from procurement and engineering to marketing and suppliers?

Consider several of the main advantages MySpace and similar technologies bring: communication (instant, structured, unstructured, and syndicated), globalization, and on-demand collaboration. These technologies provide a powerful means for exchanging information between and within enterprises. And, they have the added benefits of being inexpensive, innovative, and fast. Embracing some of these technologies in the same way teenagers have welcomed

social software like MySpace and FaceBook, could go a long way in overcoming some longstanding supply management challenges.

## Supply Management Challenges

Engineering and design-intensive industries have had cost-management challenges for decades. Cost structures and supplier relationships are defined early in the development process, often with limited input from procurement. Often, this forecloses on the ability to leverage opportunities across programs or build on supply-side capabilities. Product proliferation and time-to-market pressures have exacerbated supply chain, manufacturing, warranty, and after-sales service complexity.

For most managers, such challenges have become a fact of life. Internally, they must also address functional divides, program and product-based organizational islands, and delayed or hidden visibility into the effects of engineering or design changes on costs and consistency. Then there are the issues of non-integrated systems and disjointed data architectures.

On the external side, technology, globalization, and competitive economics continuously increase the amount of interaction required among procurement, engineering, marketing and suppliers. However, this interaction rarely translates into sustainable and effective collaboration.

## Technologies and Trends

This is where technology comes to the rescue. Our teenagers are demonstrating how new technologies have the potential to enable much deeper interaction among vast and disparate groups. Business equivalents of MySpace are doing the same thing. They significantly improve the ability to link internal and

external resources, such as procurement, engineering, marketing and suppliers. The following are just a few examples:

- Broader-based adoption of product lifecycle management technologies. Industries such as consumer products and retail are embracing PLM, innovating through its use and collaborating in real-time with suppliers.
- Emergence of CAD- and PDM-lite technologies. These formats (e.g. JT visualization format) enable broader and cheaper data exchange with smaller and emerging market suppliers.
- Standardization of collaborative features. Ubiquitous visualization, collaboration and social software formats are becoming standard at both the enterprise and peer-to-peer platform levels. With Microsoft 2007 product releases and upgrades, including Vista, SharePoint, Office, Groove and InfoPath, the use of collaboration functionalities will explode globally.
- Unilateral migration to service-oriented architectures and adoption of RSS (Really Simple Syndication) and other content-sharing enablers provide instant access to rapidly changing information and analytics and enable wholly redefined business processes.

### Impact on Procurement

So what does all this mean for procurement? In a nutshell... *get current or get out of the way*. To achieve long-term success, companies must embrace the collaborative technologies available to them. Here are some examples:

- Envision the next generation spend cube combining ERP and PDM data sets. Managers will be able to check spend by specification or supplier manufacturing process requirements across products and programs. They can also actively engage engineering and manufacturing on reuse, specification management, and design for manufacture.
- Category managers will be able to build and sustain communities of internal and external stakeholders—engineering, quality, business sponsors, legal, finance, and transportation—by enrolling them in their collaboration sites. Managers can then assign roles and responsibilities, and provide relevant information, such as supply market and supplier performance data, contract terms and compliance patterns. While all data can be posted, membership privileges can establish levels of access.
- On-demand access to technical specifications will be available. Anticipate drag-and-drop PDM data directly to e-sourcing from engineering. This integration will also automate supplier pricing updates associated with the engineering change process directly to the eBOM, thereby reducing cycle times and process costs while improving audit trails and accuracy.
- The time, speed, and cost to create and roll out sustainable business processes are vastly improved. Global sourcing processes are already being redesigned as companies are finding creative solutions to international procurement offices, leveraging collaboration tools to share both internal and external resources.

- Service-oriented architectures and inexpensive collaboration tools are connecting large, small, domestic and emerging market suppliers faster for exchanging technical data, self-service reporting, tracking of problems and issues, and joint-program management.

Just one collaborative network could link disparate functions, such as outsourced engineering services, tooling production, component manufacturing and logistics services. These could all be provided by different partners to ultimately go to a completely separate retailer in another corner of the world. Further, this could be established in hours using captive or third-party hosted technologies. This is happening today on limited and large-scale initiatives—and it is exploding.

### Piloting Your Future

Going forward, multidisciplinary team building, tools, and analytics are integral to best-practice strategies. Organizations that encourage communities to create forums to access data, apply analytics, make decisions, shape Web 2.0 processes connecting resources and the like, will create competitive advantage. If your organization is not actively driving these changes already, consider jump starting the effort with some pilot programs to create natural networking opportunities. A few options include:

- Offshoring strategy. The pressure to accelerate low-cost-country sourcing (LCCS) is a natural use case. Engineering, procurement, supply chain, quality, finance, and legal, to name a few all have challenges addressing LCCS efficiently and quickly. It is a “glove fit” application for collaboration tools to bridge time zones, manage programs, and address technical and business issues.
- Category management. Pick a commodity and build a cat-

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egory management community around domestic resources to craft your new processes. Enroll your stakeholders in a “visibility site” to monitor supplier performance, discuss requirements, examine supplier strategies or manage compliance issues.

- Data management. If you have well-established PLM practices with standardized ePDM architecture, consider linking the product and spend data.

Each of these avenues creates a platform for teaming with engineering and business owners and secures a path for a vibrant leadership role for supply management going forward. Examples of companies applying the mentioned elements can be found at Best Buy, GE, Target Stores, P&G, GlaxoSmithKline, Toyota, Visteon, and others. So, experiment a little and bring elements of the MySpace culture into your supply management organization.