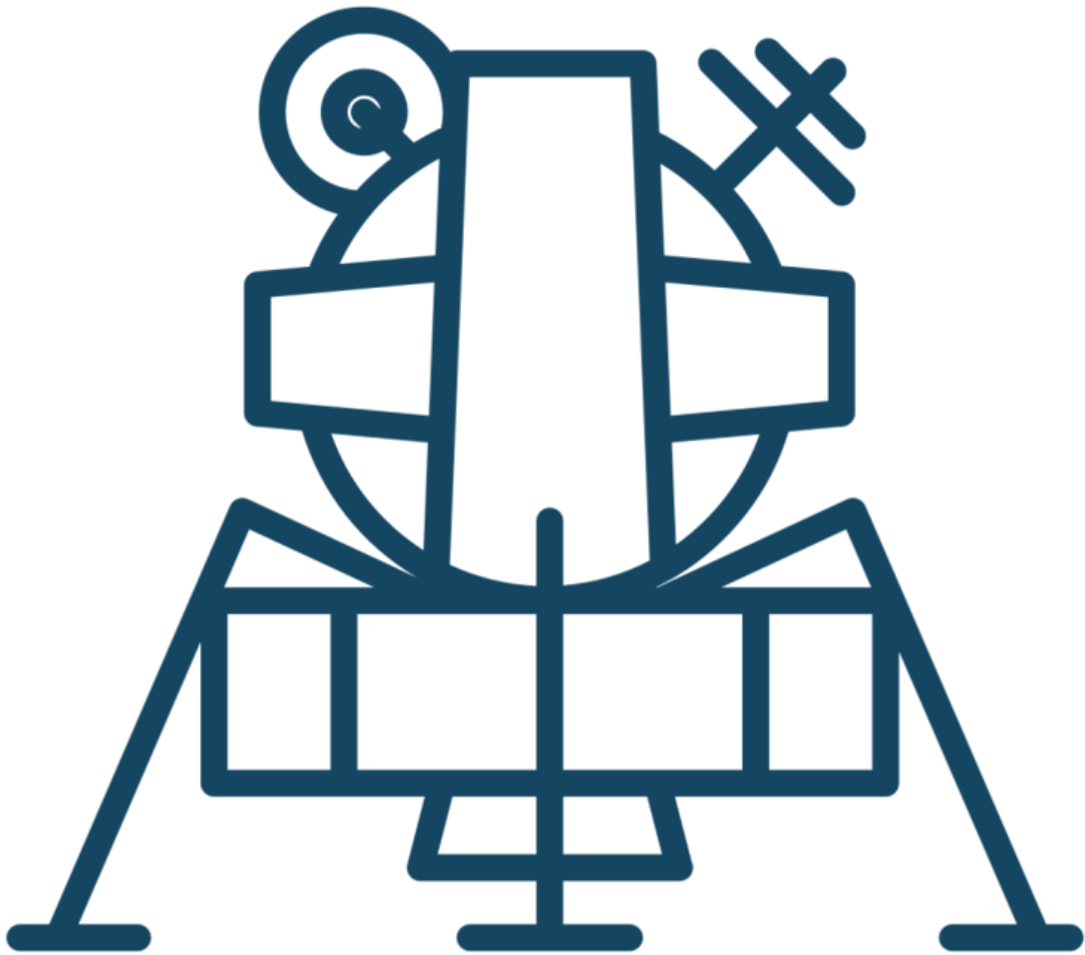


# The Value Creation Observatory an EIPM Laboratory



Towards Edgeless Innovation with Suppliers



---

## **THE AGE OF EDGELESS INNOVATION**

As companies have extensively streamlined their activities around core competencies, their success now depends on external sources of innovation. This offers unique opportunities and challenges to purchasing teams.

---

## **About EIPM**

EIPM is at the intersection of the business and academic worlds, with an approach to education grounded in the reality of business.

Currently with branches in Geneva and Shanghai and partnerships in Brazil, Mexico, USA, Canada, the United Arab Emirates and India, the Institute has developed a complete range of solutions to meet the training needs of its large base of international clients in all sectors of industry and service.

---

## **The Value Creation Observatory**

EIPM has embarked on a major Research project to measure the progress of the Purchasing profession towards Value Creation.

The ongoing research project consists of a series of surveys, workshops, case studies and publications.

The results shed light on important questions, both in terms of achievements and practices and will result in a final report of the findings and recommendation for actions.

The mission of the project is to regularly evaluate and report on:

- The impact of purchasing on company value creation;
- The quality of the practices used to create value with suppliers;
- The KPI and skills needed to create value;
- The challenges and solutions commonly used in this area.

We thank all the interviewees, the Noun Project for the images used, and everyone who contributed to the survey and the finalisation of this study.

---

## **Copyright © 2014 – EIPM**

EIPM

Bâtiment Mont-Blanc 2

Rue Antoine Redier

74160 Archamps

France

Tel: +33 (0)4 50 31 56 86

Fax: +33 (0)4 50 31 56 80

[www.eipm.org](http://www.eipm.org)

# CONTENTS

.....	
<b>Executive summary: the three imperatives of edgeless innovation</b>	<b>07</b>
.....	
<b>1. Winning a seat at the customer's table</b>	<b>11</b>
.....	
<b>2. Fishing for innovation across the ecosystem</b>	<b>19</b>
.....	
<b>3. Innovating with suppliers</b>	<b>25</b>
.....	
<b>Reaching top performance with edgeless innovation</b>	<b>29</b>
.....	
<b>Study methodology and next steps with edgeless innovation</b>	<b>36</b>

# AUTHORS

---

## **Hervé Legenvre**

PhD, EIPM Global Executive MBA Director

Hervé is an expert in the field of operational excellence and innovation. At EIPM, he manages educational programmes for global clients and conducts researches in the fields of innovation, value creation and sustainability across the value chain. Hervé has published articles and book.

---

## **Jury Gualandris**

PhD, Lecturer in Management at UCD Smurfit Graduate Business School

Jury is a young and passionate researcher focused on the exploration of phenomena related to sustainability, risk and innovation in supply chain management. His research has received awards from IPSERA and POMS and has appeared in leading scientific journals.

---

## **Matteo Kalchschmidt**

PhD, Professor of Project and Innovation Management at University of Bergamo

Matteo's research interests are in global supply chain management and sustainability. He has published in several international journals on Supply Chain Management and Demand Planning.

## EXECUTIVE SUMMARY

Over the past 50 year we have seen a vast number of vertically integrated national champions turning into global corporations centred around a handful of core competencies. They continuously rationalize their supply base and leave behind a multi-layer ecosystem of companies and organisations.

*“A significant portion of our growth will come from innovation, delivering leading-edge products into the marketplace. We anticipate that around 70% of our innovations are linked to working with our strategic suppliers.”*  
Unilever Website  
September 2014.

At the same time many start-ups and numerous mid size companies have demonstrated their ability to bring innovative ideas to market. They don't just bring products and new technologies to life, they also favour the emergence of new brands, new customer experiences, new distribution channels, new processes, new forms of organisations and new business models. They sometime disrupt existing markets while on other occasions they complement existing offers.

The simultaneous unfolding of these two trends offers buyers a continuous flow of opportunities that nourish their companies' competitive advantages by creating and capturing value through ***Edgeless innovation***.

However leveraging such opportunities is anything but easy. It requires three breakthrough transformations: ***(1) involving the purchasing function in gathering unmet needs, (2) looking systematically for innovation opportunities within the supplier ecosystem, (3) involving suppliers in innovation projects.***

Companies with outstanding financial and commercial performance have already progressed on these three Imperatives but very few have reached high performance in all 3 dimensions. We trust that exceling in the three imperatives of edgeless innovation call for actions in many companies in the coming years.

# THE THREE IMPERATIVES OF EDGELESS INNOVATION





# THE THREE IMPERATIVES OF EDGELESS INNOVATION

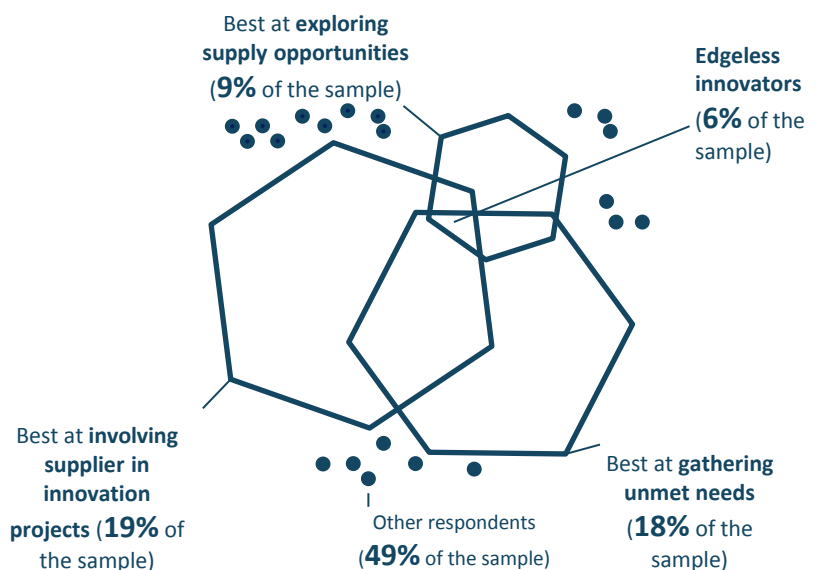
Our research shows that companies which have outstanding financial and commercial performance excel in the following 3 Imperatives:

***They involve the purchasing organization in gathering unmet needs.*** Step by step a purchasing organization can win its seat at the table where decisions are taken. It becomes closer to clients and gains opportunities to anticipate market changes and contributes to building competitive advantages

***They look for innovation opportunities within their supplier ecosystem.*** 65% of the companies we have surveyed, believe buyers will be increasingly expected to engage with Tier 2, Tier 3 suppliers, new players and start-ups. Furthermore a new set of practices are currently being developed and refined in order to access innovation opportunities in the ecosystem.

***They involve suppliers in innovation projects.*** Best performing companies display high levels of collaboration with key suppliers especially on innovation projects that aim at increasing efficiency and at minimizing risks. Other innovation projects tend to call for a wider mix of existing and new players. This goes well beyond product or technology innovation

**Figure 1**  
Purchasing functions at top performing companies excel in the three Imperatives: Gathering unmet needs, Exploring supply opportunities, Involving suppliers in innovation projects.



## WHEN SHOULD YOU FOCUS ON VALUE CREATION AND VALUE CAPTURE?

The focus on edgeless innovation, on creating and capturing value with the supply ecosystem depends on both the business strategy and on the nature of the supply market.

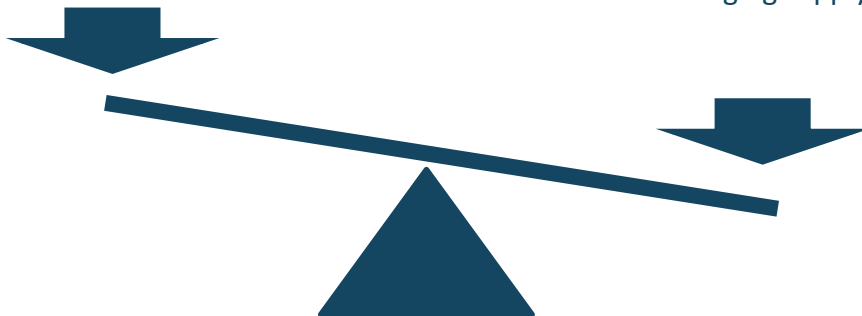
If on the one hand your company works in a dynamic business environment where differentiation and outsourcing prevails and if on the other hand the supply market is knowledge intensive and fast changing; then creating and capturing value should be an imperative for the purchasing function. If on the contrary your industry is mature and focused on cost, if you source a stable set of labour intensive products then it is likely that your main procurement focus will be on cost optimisation. The following diagram illustrates this.

### ***focusing on cost***

- Strategic focus on cost
- Fairly stable industry
- Low levels of outsourcing
- Purchase of labour intensive products and service
- Fairly stable supply market

### ***creating and capturing Value***

- Strategic focus on differentiation
  - Dynamic industry
  - High level of outsourcing
  - Purchase of knowledge intensive products and service
- Fast changing supply market



Title: When should a company be interested in edgeless innovation?

---

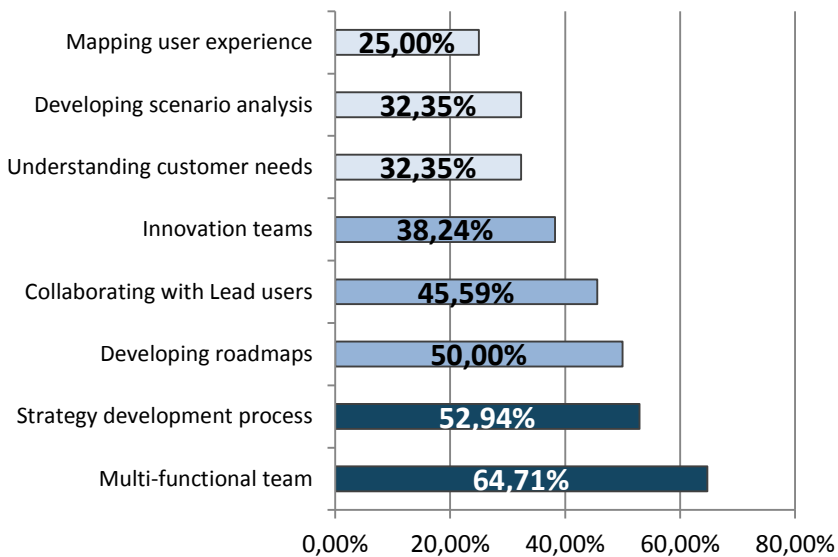
## **1. WINNING A SEAT AT THE CUSTOMER'S TABLE**

Gathering unmet needs calls for strong internal partnerships, client orientation and anticipation.

# IMPERATIVE #1: INVOLVING PURCHASING IN GATHERING UNMET NEEDS

Unmet needs consist of expectations, constraints and problems of internal business partners and external customers without identified or immediate solutions. Identifying, understanding and prioritizing such needs is of paramount importance in today's business environment.

For the purchasing function, gathering unmet needs starts with its involvement in multi-functional teams and strategy development processes. From this, it can gain a seat in the development of roadmaps, collaborations with lead users and innovation teams. All these offer first hand access to the company's unmet needs. Furthermore, participating in understanding customer needs, mapping user needs and performing scenario analysis provides an opportunity to act ahead of time and anticipate future innovations .

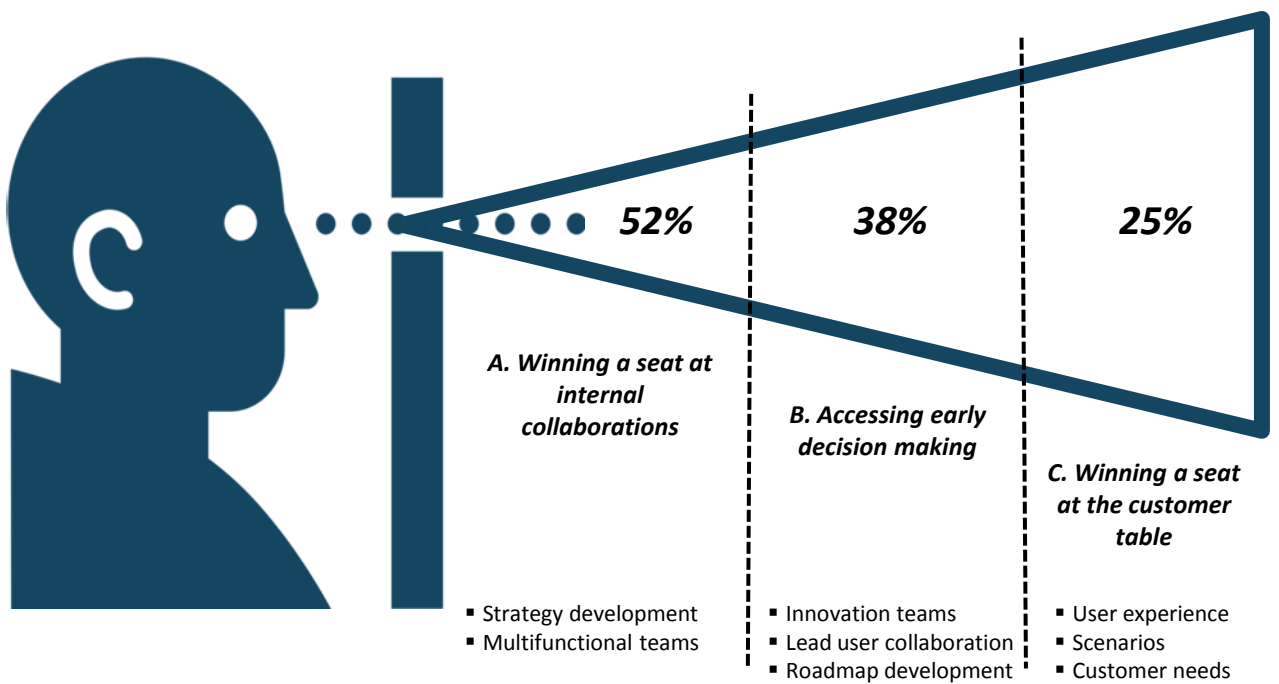


**Graph 1**  
Percentage of companies indicating high or very high involvement of their purchasing function in activities aimed at gathering unmet needs.

Less than a third of surveyed purchasing functions have been involved in advanced activities such as scenario analysis or mapping user experience. Only purchasing functions within top performing organizations have been able to build and leverage strategic relationships with internal business partners and to get direct access to external customer and users.

## TOWARDS ANTICIPATION AND CLIENT ORIENTATION

The present diagram is built using the data from the previous graph

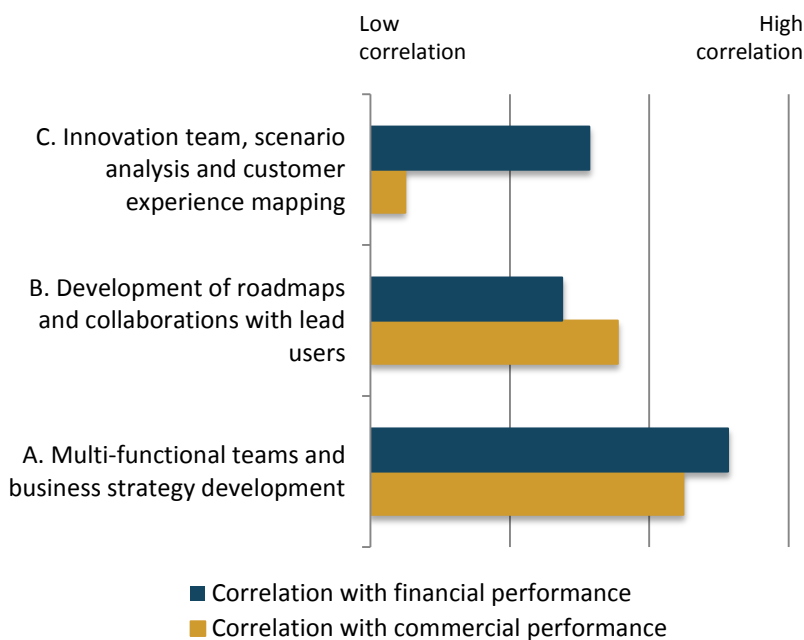


## THE LINK WITH PERFORMANCE...

The diagram underneath outlines the correlation between:

- the 3 steps presented above
- Commercial (growth, reputation, market share) or financial performance (Profit, productivity, return on investment)

Our analysis shows that purchasing involvement into multi-functional teams and strategy development helps to address immediate, diverse unmet needs leading to superior performance.



### Graph 2

Correlation between the involvement of the purchasing function in gathering unmet needs and the companies' commercial and financial performance.

In a second step, purchasing involvement in the early decision making process enhances the ability to access within the ecosystem effective and differentiating technology and solutions. The correlation with both commercial and financial performance is solid.

In the third stage, the involvement of the purchasing function in advanced activities mainly associates with financial performance. Here the limited impact in terms of commercial performance could be due to a focus on simplification as opposed to improved satisfaction through value enhancement.

A series of facilitated workshops with practitioners has enabled us to create a dual ladder to measure the ability of a purchasing function to contribute to edgeless innovation. On the left side a 3 steps maturity grid helps you to map progress in terms of business partnering. On the right side, another 3 steps maturity grid helps you to map progress related to gathering unmet needs.

## Gathering Unmet Needs

### Building Relationships

**3**

You are working with people who have a transformational role in the business. You highlight that past success were achieved through teamwork. People praise and value your contribution, no need for self promotion.

**2**

You explain the full rationale behind sourcing decisions and emphasize all positive impacts not just cost issues. You demonstrate your understanding of what your business partners care for and use their language effectively. You tend to share targets with them.

**1**

Your internal business partners have a clear understanding of your role, your mission and how you can contribute to address the challenges they face. As you involve them, they involve you.



**3**

Progressively, you are integrated in the core team that maps the customer experience and foresees emerging needs. Your contribution to developing scenarios and anticipating future industry changes is valued

**2**

Your contribution to activities such as technology developments or marketing roadmap is now welcome. You are increasingly invited to participate in innovation teams

**1**

You are involved in cross functional activities and strategy development processes. This provides you with access to people and to their unmet needs

## INTERVIEW

Jean Philippe Collin,  
Chief Procurement  
Officer – Sanofi

### **EIPM: What does it mean to create value when you work for procurement?**

**Jean Philippe Collin:** In Procurement we have a Pyramid of deliverables with 3 layers. At the bottom, we simply need to get the basics done. This means offering our stakeholders a competitive solution that matches their needs and delivers the expected performance. It can be measured through a set of relevant key performance indicators. This is not always about spending less. Think of a category such as Digital marketing, delivering the right solution is about helping them to make the most out of their budget: spending less in an area and spending more on new developments. The middle of the Pyramid consists of mastering the risk. We have to prevent undesirable issues for a very diverse set of stakeholders. Whether this relates to price volatility, single sourcing situations or technology gaps, we need to avoid these unwanted situations. Now, the third layer is the delight factor: we need to go beyond delivering “what’s in the plan” we can be ahead of the needs of our stakeholders and enable true strategic priorities. This can mean anticipating a technology roadmap or being prepared for the compliance challenges in China. By nature buyers can be conservative because of the first two layers of deliverables, however it is possible to anticipate and delight. This goes well beyond technology; it can include new processes, business models or organizational setups.

### **EIPM: Any example you could provide here?**

**JPC:** Yes. For instance we have a Lean lab initiative. Our scientists do not want to spend time searching for equipment or calibrating equipment. They want to focus on science. This is an area where we can innovate, we can help them save time and focus on the value adding part of their work. This is actually what we have set up for them with very few global partners servicing all kind of peripheral needs : maintenance , calibration , 5S shop floor mapping , lab consumables ordering process .... They just loved it!

### **EIPM: How do you organize yourself to support your internal partners?**

**JPC:** This is the role of the category management structure. We have people on the business side who act as “*lead specifiers*”; they represent the business and help formulate their needs. The challenge is then to segment those needs and to find and align a portfolio of solutions. We also have within our team people who own the role of Global Business partners; they can span different geographic areas, support functions and categories to create synergies. They have access to people and can help bring it all together. You know, the way we structure our category team can be quite rigid. The end users don’t care about our segmentations; they want their needs to be fulfilled. We therefore sometimes need to work and cooperate across categories. Let me take two simple examples. Think of events and travels: we can find synergies around hotels if we look across these two categories. Also Travel and fleet, carpooling is connected to both. This was also the case for the Lean lab initiative mentioned above, it involved looking across categories.



**EIPM: And how do people gain credibility then?**

**JPC:** They need to make sure that all this is systematically integrated in the category strategies. This is not about being creative. It also calls for deep relevant discussions with the business around the category strategies. For Digital media for instance, you can start identifying and nursing some disruptive solutions that have the power to amplify the value creation and can free up resources to re-invest them in other priority areas: this is a huge paradigm shift in the way the business sense and feel procurement. All the sudden, we are becoming embedded into their business: a kind of “wearable procurement”! This also requires being systematic and consistent over time and space. When, as part of our green technology initiative, we have implemented more than 12 co-generation projects we had to demonstrate this sense of continuity from the early talks till the business models were developed and actually set up: here we move from a strategy approach towards a project mode.

**EIPM: From a people management point of view, what does this mean?**

**JPC:** You cannot work alone in a category. You need a mix of people, a good level of confidence and some repetitive processes. The intelligence is in the network; first we need people who create and take part in such deep dialogues. Then we may also need to find the right skills outside of the company. For the energy project I have mentioned, we had to involve outsiders with the right expertise to help shape the contract and build the financial models. Soft skills are critical to enable people to orchestrate and engage others to deliver new standards in term of competitive solutions, to address risks and to anticipate what comes next. In terms of recruitment this means we need to export and import talent, we need people from the business or global experts to join Procurement.

**EIPM: What is your leadership team expected to focus on to help this happen?**

**JPC:** There are a few things we need to pay attention to. First, we need to free up time to focus on the business itself as opposed to fire fighting and handling transactional activities (although we need to make sure that those basics are covered!). Then, continuously we need to better articulate the global and local dimensions of our work. Also, we need to design more and more our processes as learning experiences and build on an effective feedback mechanism. Leading systematic and effective strategy reviews that engage stakeholders are critical here.

And talent development calls for care, focus and time dedicated to it (for top management 20 % is a good but not easy target to achieve).

Aligning all those mechanisms within an open Procurement Operating System should indeed create and deliver value to the business and change perception about Procurement. We really want to be a “Change Agent”.

## INTERVIEW

Marco Burigana – EIPM  
Executive MBA Alumni

**EIPM: Marco, your classmate during your EIPM MBA often saw you as a corporate entrepreneur. How can you bring such a spirit within the purchasing function?**

**Marco Burigana (MB):** Wow! This is quite something to be called a corporate entrepreneur.... In my view, there are two important things to imbed in your practices if you want to do this. The first one is to make sure that together with suppliers you can bring value to your company's customers which call for a first-hand experience of their needs. The second one is to accept that it is impossible to use a single measure for value creation projects. This requires mapping the impact of each single value creation project on the company Business model.

**EIPM: Tell me more about connecting with client needs?**

**MB:** Too often we wait patiently for the right information to reach us. But, as you know, we are always at risk to be anesthetised by the division of roles around the management of information. Often when the information arrives to you it has already been digested 3 or 4 times. So what you need to do is to win the license to start talking with customers. Anyone can be proactive and look for the opportunity to talk to them. Don't wait to get everyone's green light before making a move, just find the right occasion to move into the front line and start interacting with them. Asking the right questions will provide you with valuable insight on which you can act. After, when people become used to seeing you bring some valuable suggestions and turning them into profit, they will open the door for you in a more systematic basis. But only those who dare get rewarded.

**EIPM: Tell us more about mapping impacts across the business models why would this be useful?**

**MB:** In purchasing we tend to think savings all the time so when we have an opportunity to impact the business positively beyond savings we don't always see the full picture. Here it is critical to work with the internal business partners and, as a team, to understand the impact of a value creation project on the different dimensions of the business model. On one hand, impacts on the revenue stream can be identified; this can be linked to opportunities in terms of customer segments, channels, relationships and value proposition. On the other hand impacts on the cost structure can be identified by looking at resources, activities and partners. This basic discipline of looking at the impact of our projects on the business model canvas is a useful exercise that we should practice more.

---

## **2. FISHING FOR INNOVATION ACROSS THE ECOSYSTEM**

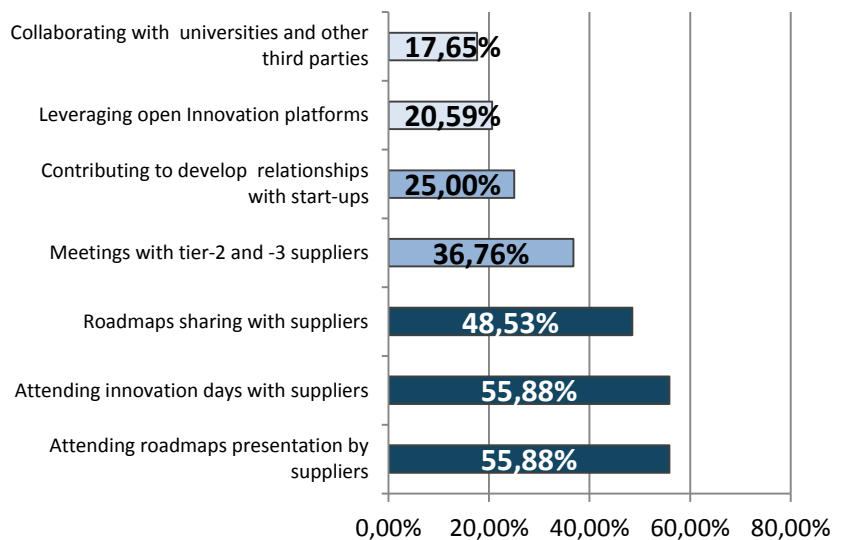
If you want to find innovation opportunities within the supply ecosystem, you should be prepared to look beyond the obvious.

## IMPERATIVE #2: EXPLORING SUPPLY OPPORTUNITIES

Supply opportunities include ideas, resources, capabilities and/or solutions that can be leveraged to create and capture value for your company. They can come from existing players or from new players and they might be one of the critical advantages your company needs in order to compete effectively.

To begin with, companies tend to look into their existing network of suppliers to find innovation opportunities. Innovation days and roadmap sharing activities are increasingly popular for this.

**Graph 3**  
Percentage of companies in our sample indicating high or very high involvement of their purchasing function in activities aimed at exploring supply opportunities.



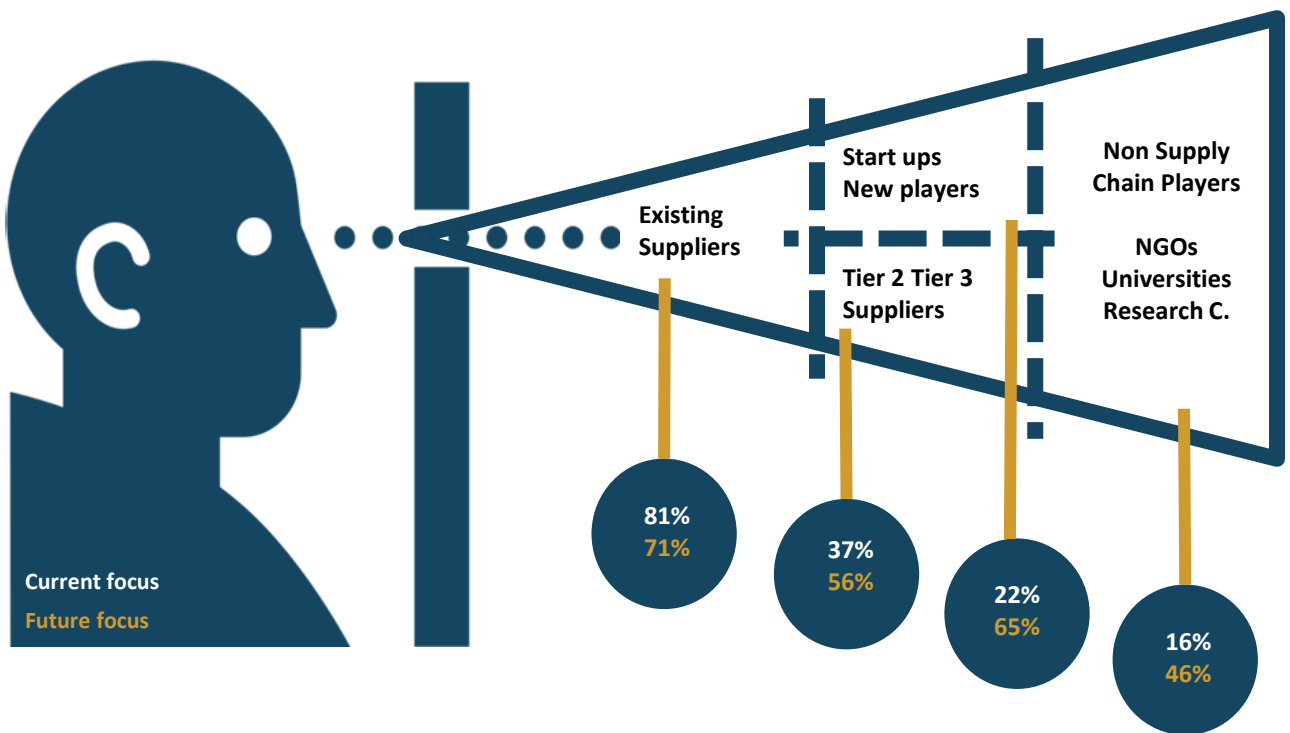
This being done, they turn to players that are further down within the supply network, they engage with tier-2 and tier 3 suppliers who can contribute to enhancing the long term performance of the company. They start to build relationships with start-ups.

Finally they look into universities, third parties, non profit organisations and networks of problem solvers that can be accessed using innovation platforms

While most of purchasing functions are organizing innovation days with suppliers, less than 21% of purchasing organizations surveyed leverage open innovation platforms.

## TOWARDS ANTICIPATION, NEW IDEAS AND NEW PLAYERS

% represent the number of companies that have engaged and will engage with the listed actors to a high or very high extent

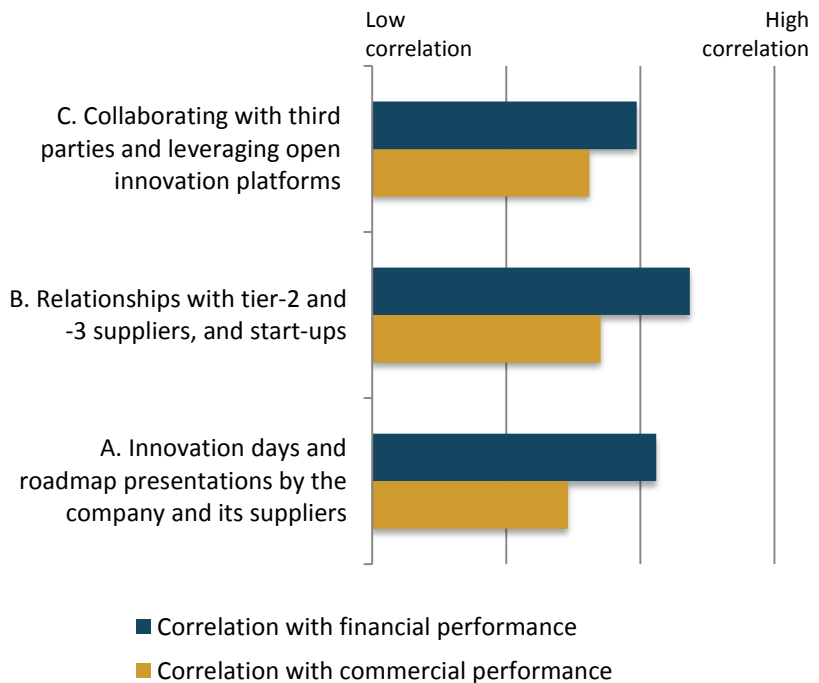


This diagram is based on data provided by respondents on their existing and future focus in terms of ecosystem exploration.

## THE LINK WITH PERFORMANCE...

All activities that support the exploration of innovation opportunities within the supply ecosystem are correlated with higher financial performance such as profit, return on investment and productivity. The historical orientation of purchasing professionals toward savings and total cost optimisation is fully recognisable here.

**Graph 4**  
Correlation between the involvement of the purchasing function in exploring supply opportunities and companies' commercial and financial performance.



Engaging with existing supplies to understand their overall potential for innovation offers initial financial benefits and commercial benefits.

However, only the purchasing engagement with start-ups and tier-2 and -3 suppliers has the potential to spark significant improvements, both financially and commercially. This could be explained by the opportunity to find and understand the significance of more radical opportunities deeper within the ecosystem.

Developing relationships with universities, third parties and the network of problem solvers provide further benefits, even if such are less extensive. Looking deep within the ecosystem is a lengthy and uncertain process, and many issues can occur before results materialise.

## INTERVIEW

Guillaume Bierce,  
Customer Project  
Sourcing Europe –  
Orange Business  
Services

**EIPM: Guillaume, in our Observatory we talk about Ecosystem, you are looking at triads what is the difference?**

**Guillaume Bierce (GB):** An ecosystem includes all existing and potential participants within a supply chain. These players can have relationship with the buying company and have relationships amongst each other. A triad is a more restrictive concept, it focuses on three players, one of them is the customer and the other two are suppliers who interact with each other to serve the customer. Like in an ecosystem, all of them are engaged in critical relationships. The strengths and quality of these relationships impact the individual and combined performance of the three players and their competitive position. In my industry, we are facing a very competitive and fast changing environment and the challenge of triads needs to be taken into account.

**EIPM: Therefore there is a need to perform a strategic analysis?**

**GB:** Yes, and this is a challenging job as it is very different from measuring the relative position of two players in a static world, in a fast changing triadic environment, you need to look beyond the status quo and explore openly the forthcoming opportunities the three players could take.

**EIPM: How do you do this?**

**GB:** Here, I am applying a three step process. First, you need to develop an objective understanding of the factors that influence the relationships amongst the players. It is essential to gain insights into the current balance of power amongst the players. Following this, you need to bring dynamics and a forward looking perspective into the analysis. This can be done by performing an in-depth investigation of the trends that will influence the balance of power and ultimately the share of profit for each player. The challenge is to find the right balance between exhaustiveness and simplicity, focusing on the vital few trends that can really impact relationships is essential. After analysing the trends, the quality of the model can be tested through interviews with industry experts. In ecosystems or in triadic relationships, key actors have difficulties to predict the future positions of the players, by building a model based on the trends, you can rationalise the decision making process and manage options over time. In the third steps, when you move from analysis to decisions, you have to avoid jumping on a single solution. It is better to list a few strategic options than can be evaluated using the predictive model. Over time you can manage this portfolio of solutions as hypotheses become confirmed or not.

**EIPM: This is a demanding process. What are the long term benefits?**

**GB:** Taking the wrong strategic decision has even more important cost implications. Such a process helps the assumptions behind your decision and behind your understanding of the competitive dynamics of the markets. After the initial investment, you have a solid base to assess market evolutions, perform deep dive analysis where it matters and consider alternative strategic actions. This brings true agility into the decision making process. In the future we will see less and less linear value chains and the need to think strategically in terms of triads or ecosystems will be even more critical.

## INTERVIEW

Govind Khandelwal,  
VP Network Category  
Management –  
Vodafone India

**EIPM: Dear Govind, how do you ensure that Suppliers and Partners contribute to innovation?**

**Govind Khandelwal (GK):** Incremental and breakthrough innovations are a critical component of our business strategy. Increasingly, management is looking to supply management to generate these innovations and suppliers are expected to play a central role in the process. We have an innovation eco-system consisting of a worldwide network of companies, research departments, scientists and technology experts. This network takes care of the development of radical innovations. Together with our partners' "most creative minds", we investigate how the world will look in the future - and conceive solutions that influence the future. More specifically, once a year, we organize Innovation Days with key suppliers, customers and internal stakeholders. During such sessions, we look "beyond the obvious"; this helps all of us, in our fast changing industry, to find solutions for the unmet needs we need to address.

**EIPM: What happens during these Innovation days?**

**GK:** Our innovation days are governed by a number of strong credos. First they need to help all participants from Vodafone and suppliers understand the business background of our customers. Second, by organizing such events, we aim at both strengthening relationships and becoming more effective across the value chain. Finally we like to include Demos so we can witness everyone's immediate reactions and better understand the impact of innovative ideas in terms of total cost and total value. All this helps us to speed up innovation but also to take informed decisions.

**EIPM: But what is delivered at the end of an innovation day?**

**GK:** The purpose is to develop a list of recommended innovations these need to include a few critical points: a brief, descriptive name for an idea, a statement of the required resources, identification of tradeoffs, if any, on existing products, features, or procedures. It is also important to develop an understanding of innovation that complements each other. All this leads to the development of a priority list, a living list, open to changes and evolutions.

**EIPM: What are the critical success factors to make this effective?**

**GK:** The first success factor is to be selective. For each idea singled out, it is important to identify potential constraints rapidly and to progress with short decision loops. After the innovation day, we allow everyone 3 days to a week so they can exchange with colleagues, discussing implications and understanding the consequences of the ideas suggested. The second success factors are to continuously feed the list with ideas that could be relevant to the business. We need this to enhance the company's competitive edge and alacrity, reduce digression and the accompanying waste of resources, and keep innovators prepared for the times when business circumstances call for more dramatic or urgent changes.



---

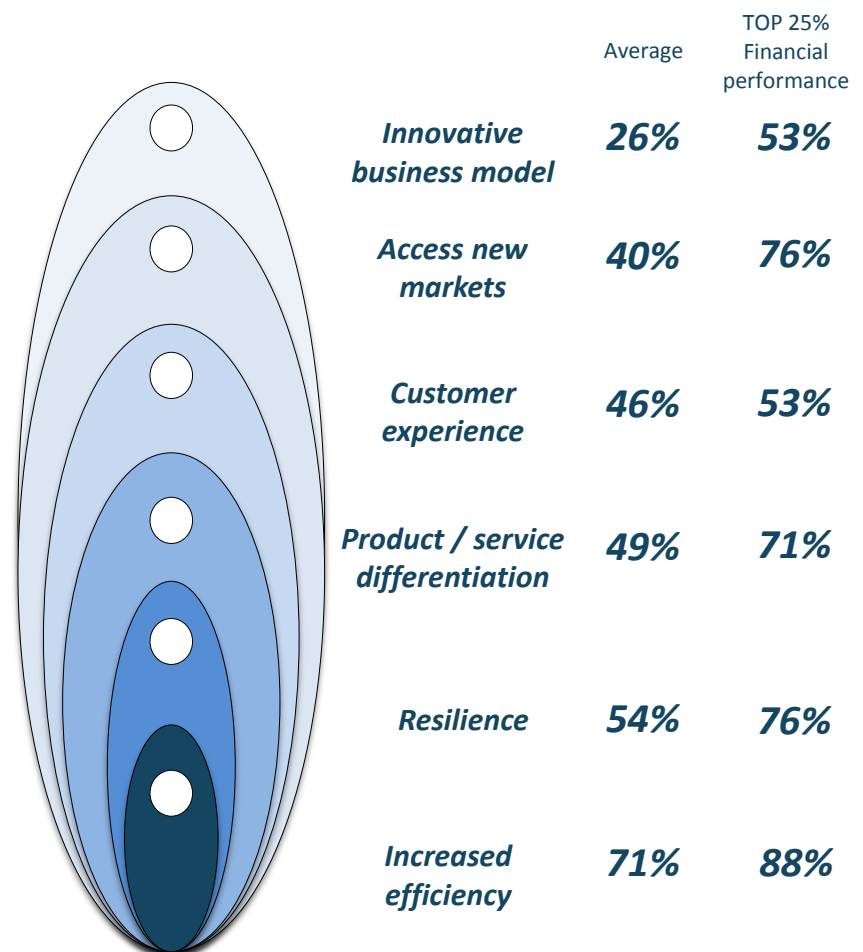
### **3. INNOVATING WITH SUPPLIERS**

To turn ideas into results you need a balanced portfolio of co-innovation projects with existing suppliers and innovative players.

## IMPERATIVE #3: INVOLVING SUPPLIERS IN INNOVATION PROJECTS

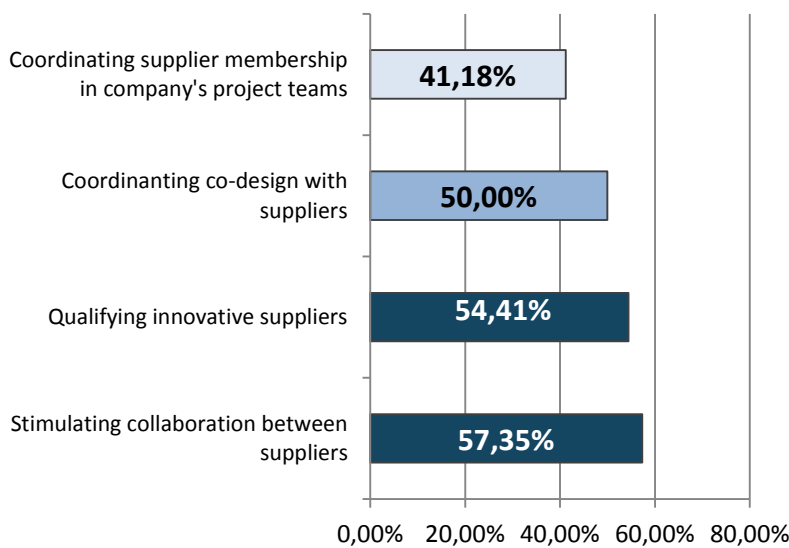
Reaching edgeless innovation requires managing a portfolio of innovation projects where suppliers are involved. As illustrated by the figures underneath, this is not solely about product innovation. On one hand it can include projects that aim at lowering risk exposure and therefore increase the resilience of the supply chain. It can also focus on improving efficiency through supplier development, lean initiatives and more technical forms of collaboration. Such project types are more common than product or service innovation projects. On the other hand it also includes projects that aim at improving customer experience, enhancing the value of the brand, accessing new markets or implementing innovative business models with suppliers. These are less common than Product innovation projects but are still significant.

**Figure 2**  
Percentage of companies in our sample indicating high or very high levels of supplier involvement in different innovation projects. Same data for Top 25% of financial performers



Companies with outstanding financial performance involve more suppliers in all types of projects. However, the difference is very significant for projects that aim at accessing new markets or at creating different business models.

Innovation is not solely about a collaboration between a buyer and a seller. The respondents to the survey acknowledge that purchasing functions dedicate significant attention to shaping their supplier base and their supplier ecosystems. They stimulate coordination and collaborations amongst suppliers. This offers significant opportunities to progress in efficiency and resilience



**Graph 5**  
Percentage of companies in our sample indicating high or very high involvement of their purchasing function in activities aimed at involving suppliers in innovation projects.

As innovation often emerges from developing relationships with new players, qualifying innovative suppliers is common practice for half of the respondents of the survey.

Collaboration with suppliers often results in specific co-design projects with them. But the true benefit from a collaboration comes from involving suppliers across a diversity of projects and activities within the company. By doing this, the purchasing function facilitates integration and communication and increases the likelihood of future fruitful projects to develop.

It is interesting to note that companies with the best financial performance focus significantly on both coordinating co-design projects with suppliers and stimulating collaborations between suppliers. They maintain a sort of balance between the internal and external type of collaborations.

## INTERVIEW

Omar Ceola,  
Global Tender Supply  
Chain Manager –  
Alstom

**EIPM: Dear Omar, you are adamant that companies need to become the customer of choice for their suppliers. Why?**

**Omar Ceola (OC):** Yes I believe this is the new imperative to attract innovative suppliers. We seldom rely on signing exclusive technology agreements with innovative suppliers. And when Intellectual Property agreements are not central or when competitors already get better treatment from suppliers; we need to pay special attention to this. In other words we need to become more attractive to them. Being a customer of choice, goes well beyond the traditional approach of supplier relationship management. To me, it is much more than that.

**EIPM: So by being customer of choice what advantage can you expect?**

**OC:** You can have the preference for scarce resources from a critical mass of suppliers. The customer of choice is given priority for technology, resources, constant supply, and unique cost reduction opportunities. Also you often want to have access to the best people for the development of new products. Altogether this could easily bring you 2-4% saving of the company's total expenditure without looking at the potential impact on the revenue line.

**EIPM: In practice what does this mean?**

**OC:** Striving to become a customer of choice requires promoting your company to suppliers. You need to understand how you can gain importance for the supply base and therefore access to the advantages already highlighted. This does not come without effort. Companies are not attractive only by the purchased volume; other elements relating to technology or culture are important. It is necessary to identify the criteria for which a supplier considers a buyer as a customer of choice

**EIPM: Could you be more precise about the criteria you mention?**

**OC:** First, you need to do your homework and understand what is critical in your own context but here are a few points to start from. According to discussions I have had with my peers and with suppliers, the first key points consist in being open and willing to discuss with suppliers. Then you will not be surprised to hear that you should be willing to invest in the long term. Now other aspects that go well beyond the behaviour of the supply chain function should be considered. Suppliers pay attention to the ability of your company to take products to market and to establish trust based relationships. A few other factors can also be important, this includes the cost associated with doing business with you as a client, your ability to develop an innovation partnership, your financial solidity, the perceived strategic fit with your company, the wider customer market you are addressing, and your company appreciation of suppliers' technical expertise. Innovation is also a tough process and your willingness as a customer to stick with the supplier, even when solutions do not come immediately is fundamental. Within an industry, people talk and a bad reputation is hard to fight. Now, by making sure that you are perceived as customer of choice by some of your important suppliers you can reap multiple benefits. This is something we should strive to achieve.

---

## **REACHING TOP PERFORMANCE WITH EDGELESS INNOVATION**

Top Performance requires an enhanced performance in all three imperatives.

## **EDGELESS INNOVATION MAKES A DIFFERENCE!**

What makes the difference between the best and average performers?

In business, people have been reflecting on this question over the past 30 years, at least since Tom Peters and Robert Waterman published their Best sellers “in search of Excellence”. We have learned to accept that there is not a single answer to this question; that context matters and that the answers might change over time. But today based on the present survey, there is a strong case to say that Edgeless Innovation should feature high on a list of differentiation factors.

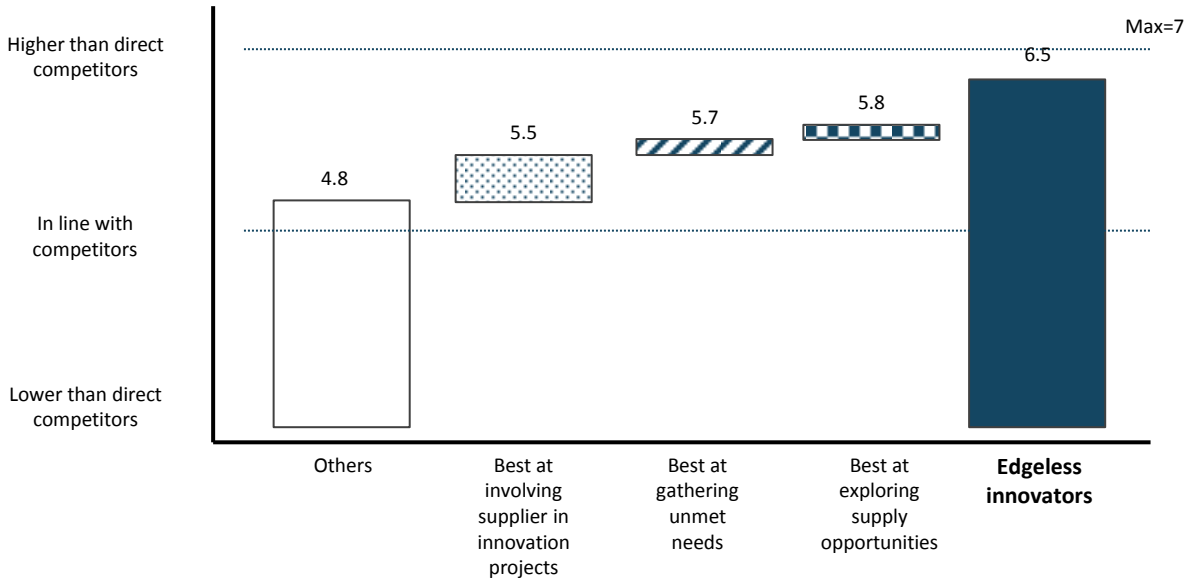
The graphs on next page show that Edgeless Innovation helps to make a difference between an average and an outstanding performance. Looking at financial performance, mastering the involvement of suppliers in innovation projects is a strong foundation. And mastering the 3 imperatives together clearly creates a performance differential. Now if we look at commercial performance, gathering unmet needs is a first case toward outstanding performance. Here again mastering the 3 imperatives leads to Excellence.

In conclusion, best performing companies are companies who have mastered the 3 imperatives of edgeless innovation. They have progressed holistically along the three dimensions without losing track of the business focus. A strong financial focus might call for special attention to involving suppliers in innovation projects that deliver productivity gains. A business focus on growth and market share might call for specific attention to internal partnering practices and enable access to unmet needs. Nevertheless, excellence can only be achieved when these three imperatives are jointly mastered.

Companies need to realise that their long term competitive advantage depends on their ability to create and capture value through Edgeless Innovation. Suppliers and the purchasing function have not been at the forefront of open innovation. It might be time for them to regain centre stage.

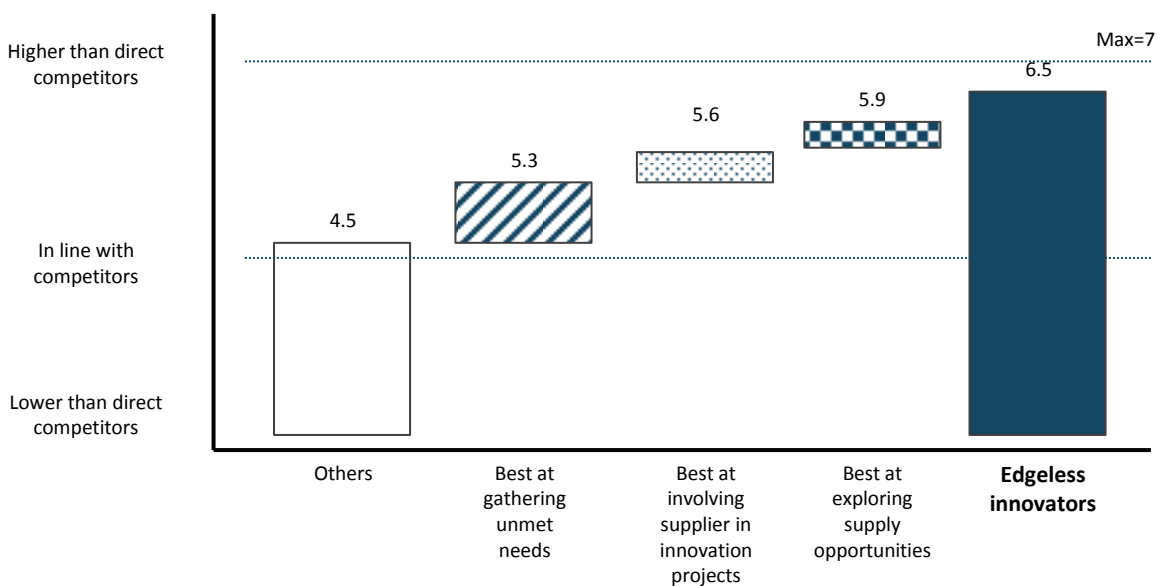
## IMPACT ON FINANCIAL PERFORMANCE

(profit, return on investment, productivity)



## IMPACT ON COMMERCIAL PERFORMANCE

(sales growth, reputation, market share)



## INTERVIEW

Philippe Armengaud,  
Senior Vice President –  
Bekaert

**EIPM: Many companies are experimenting with innovation days or innovation workshop with suppliers. This is something you have developed at Bekaert, what is the objective of such workshops?**

**Philippe Armengaud:** Indeed we are running innovation workshops with suppliers. This is part of the development of Bekaert innovation culture. The objective is to benefit from new ideas, initiatives and projects that can help our business to grow. We do not ask suppliers to come up with innovative ideas, we ask them to identify how they can help our business to grow. We want them to understand what prevents our people from sleeping at night and then to suggest what could be done from their side to help us develop a competitive position.

**EIPM: Can you provide examples of the outcome of such workshop**

**PA:** Yes. You know people tend to associate innovation with development of new products. Here we have a much broader scope. Innovation is much more than new products and services. Some of the ideas we work on with suppliers following the workshop include improved processes, joint lean projects, improved time to market, environmental performance improvement, cost reduction activities, new commercial models and some innovations related to product and services. Furthermore the benefits are not just about getting new ideas; this is also about opening minds and doors. We want to create open communication channels from which we can benefit in the long run.

**EIPM: How do you prepare such workshops?**

**PA:** It is imperative to get the right people in these workshops, the right people from both the supplier's side and from the business side. I personally invest my time upfront to make sure I will have them on board. To be successful, you need to start early.

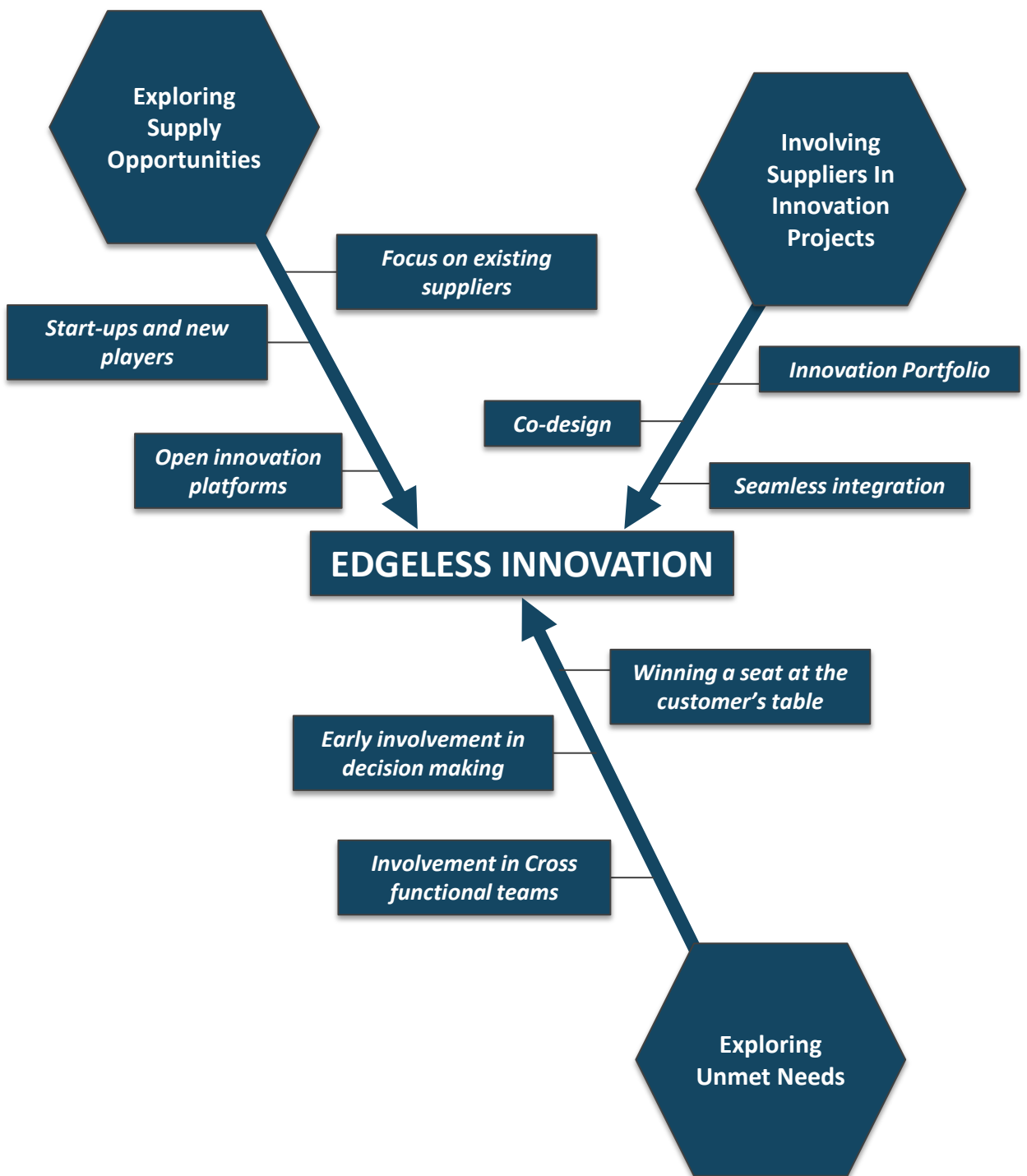


**EIPM: I understand that you expect the suppliers to interview people from the business; can you tell us more about this?**

**PA:** Yes, the art of listening is very important here. This is the foundation for open and valuable communication. We expect representatives from suppliers, preferably the CEO, to conduct a contextual interview with the right people at Bekaert. This means that they first need to understand the different steps of the value chain they contribute to. Then, they ask the right questions to understand the main points of the business and discover unmet needs they can contribute to address. When you understand intimately the job your client is performing and the issues faced, you are in a great position to propose appealing value propositions to them. And if these propositions make everyone happy all along the value chain, this is a winning formula!

**EIPM: How do you ensure that the interviews are conducted appropriately?**

**PA:** Our innovation workshop with suppliers takes place over two days. During the first day, I train suppliers on two things; the first one is to map the value chain so they understand the full chain of customers, decision makers and influencers they serve. The second one is to perform the contextual interview from establishing the right contact to developing value propositions for all key actors along the value chain. Today we need to be the preferred customer of our supplier in order to gain preferential treatment. This requires the right attitude from both sides and a mastery in the art of questioning and listening. Our workshops are all about making this happen.



**TOWARDS EDGELESS INNOVATION: PROGRESSING HOLISTICALLY ALONG THE THREE IMPERATIVES**

## TEN SIGNS THAT YOU ARE MOVING TOWARDS EDGELESS INNOVATION

	YES	NO
<b>1.</b> Due to your participation in cross functional activities, you understand the long term needs and main points of your internal business partners .	<input type="radio"/>	<input type="radio"/>
<b>2.</b> You work closely with existing suppliers to identify innovation opportunities through workshops, innovation days or the sharing of future roadmaps.	<input type="radio"/>	<input type="radio"/>
<b>3.</b> You manage a portfolio of innovation projects where suppliers are involved. This portfolio includes different types of innovation, not just product innovation.	<input type="radio"/>	<input type="radio"/>
<b>4.</b> You are involved in the development of the technology or marketing roadmaps of the company, this provides insights to what comes next.	<input type="radio"/>	<input type="radio"/>
<b>5.</b> As a result of your understanding of where innovation might come from, you develop appropriate relationships with tier 2, tier 3, start-ups and new players.	<input type="radio"/>	<input type="radio"/>
<b>6.</b> The participation of suppliers in co-design activities is managed in a systematic and effective way.	<input type="radio"/>	<input type="radio"/>
<b>7.</b> Your contribution to foreseeing customer needs and anticipating future industry changes is valued by the people who have a transformational role in the company.	<input type="radio"/>	<input type="radio"/>
<b>8.</b> You increasingly use open innovation tools to connect with players who are outside your existing value chain. You work with NGO's and universities.	<input type="radio"/>	<input type="radio"/>
<b>9.</b> There is a seamless and effective integration of suppliers in some key business activities.	<input type="radio"/>	<input type="radio"/>
<b>10.</b> All previous points are nicely integrated in teams and individual's agendas leaving time to seize unexpected opportunities.	<input type="radio"/>	<input type="radio"/>

## STUDY METHODOLOGY

Data were collected by means of an e-survey. The questionnaire was built on the base of existing scientific literature on innovation, purchasing and supply management. It was refined, based on the feedback from a mixed group of practitioners and academics. Respondents include a sub-set of EIPM business contacts and a control sample outside of the EIPM network. Respondents are global purchasing executives from 22 countries in North America, Europe and Asia. Collectively, these executives lead procurement operations in a wide range of industries.

We analysed how responses from the top performers differed from those of average performers in our study sample. Advanced statistics techniques have been applied to verify the reliability of our measurements and results.

We defined leading purchasing functions as those that excel in the three imperatives mentioned above. Overall, 6% of respondents exhibited all of these attributes in concert. Their responses were examined in detail so that all procurement organizations could benefit from their collective wisdom. To interpret the results and deepen the understanding of how the purchasing function can contribute to create and capture value, a series of workshops, webinars and field interviews followed survey data collection and analysis.

## NEXT STEPS WITH EDGELESS INNOVATION

In 2016 we intend to run a new survey to measure progress.

In the meantime, in 2015 we intend to perform a number of research deep dive on specific topics using case studies, workshops and action research.

Today we are already in a position to offer:

- An assessment of your current level of performance leading to the development of an implementation roadmap.
- Action learning Programmes: we can offer customized solutions from a keynote presentation at your annual workshop to people development initiatives. Our focus is on helping people address their business issues.

To gain a competitive edge, learn more and support our research initiative, you can join our events in 2015 or participate in our EIPM Club:

### **Workshop “Internal Business Partnering”**

Paris, France – 25 March 2015

### **Workshop “Sourcing Alliances”**

Archamps, France – 9 April 2015

### **European CPO Round Table “Strategies & Organisations”**

Montreux, Switzerland – 4 & 5 June 2015

### **Workshop “TCO Metrics”**

Archamps, France – 18 June 2015

### **Workshop “Advanced R&D Purchasing”**

Archamps, France – 24 September 2015

### **Webinar “Contracts Implementation”**

on line – 5 November 2015

### **EIPM Annual Master Classes**

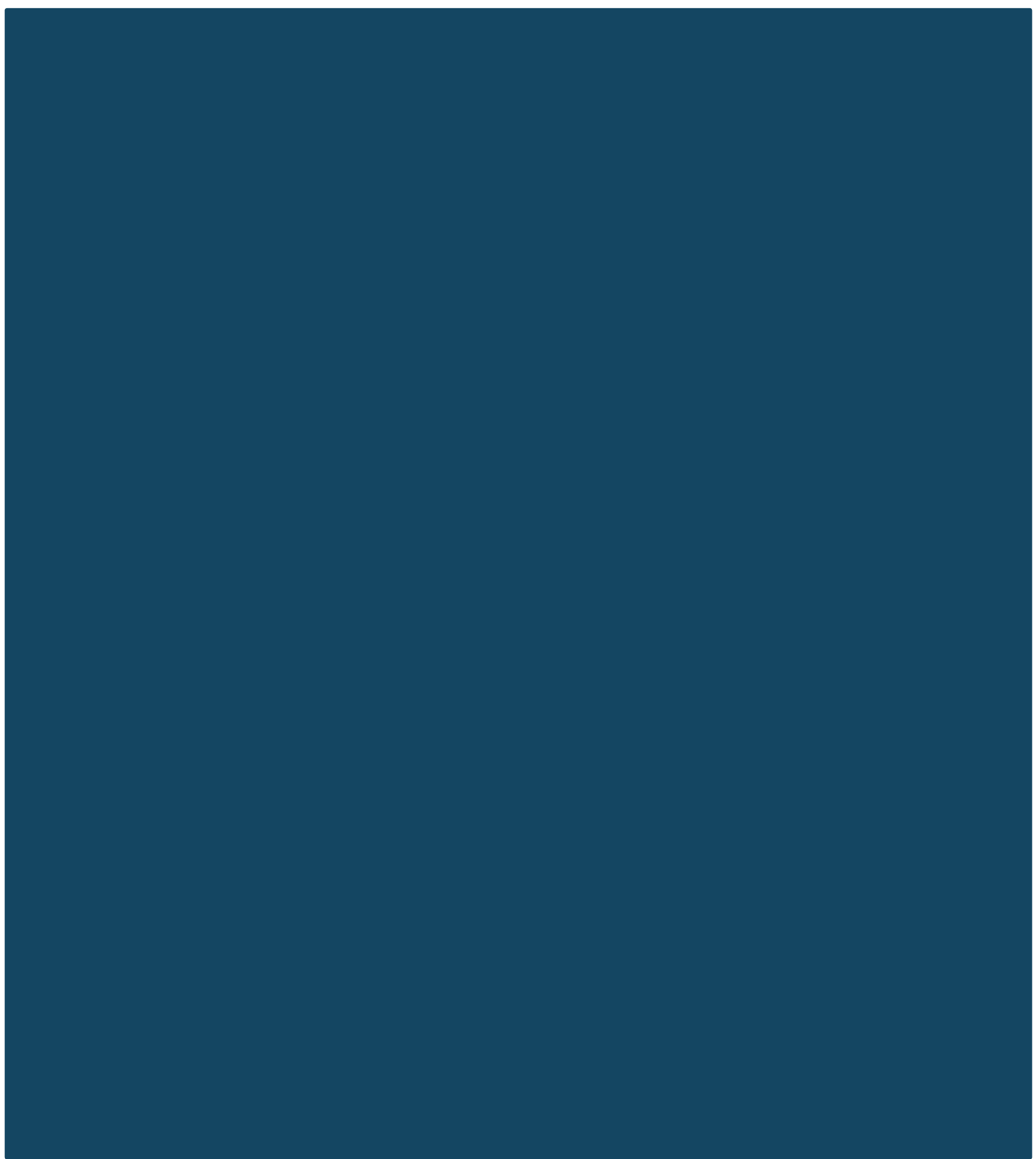
Archamps, France – 7, 8 & 9 December 2015

### **EIPM Annual Conference “New Financial & Performance Models in Purchasing”**

Archamps, France – 10 & 11 December 2015







**EIPM**

The source for Excellence