

Innovative Supply Management

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Abstract. Supply managers can play one of three roles in their firms' new product evolution processes: reactive, participative, or innovative. *Reactive* managers *respond* to requisitions and specifications for components for new products/services by obtaining the requested inputs from reliable vendors. *Participative* professionals *join* cross-functional teams from the outset of a new product/service process (early involvement). *Innovative* supply leaders *initiate* product/service enhancement/development processes by continually scanning the supply market and bringing new technologies and service capabilities to their employers. They work closely with a select group of high-profile partners to foster the development of advanced capabilities. And they gain rights to these leading-edge approaches to drive their companies' success in the marketplace. In this visionary session, you will learn how to move your team from a reactive response mode to an innovative leadership mode and obtain metrics for determining your progress.

The Opportunity. Traditionally, purchasing managers learned about their companies' new products at the end of their development processes in the form of requisitions. By this time, the design was frozen and the production and marketing schedules set, leaving purchasing little chance to add any value. In fact, since tight deadlines and budgets had to be met to seize perceived marketplace opportunities before the competition moved in, purchasing had to obtain needed inputs from vendors in a hurry. Since they were treated like an afterthought, purchasing managers and their sources were condemned to reactive roles.

As the profession evolved, so did the caliber and role of supply professionals. Given their expertise in understanding the supply marketplace, evolving technologies, and the capabilities of supplier partners, they became valued members of cross-functional new product teams. They now join new product project teams from the very outset, often accompanied by key supplier representatives. Early involvement in this participative mode brings three major benefits to the process: improved quality, cost savings, and time savings. These benefits result because supply professionals and their supplier partners can proactively contribute suggestions and ideas when they can really make a difference. They can help design or redesign the product, including computer aided design linkages and collaboration across continents and oceans. They can suggest alternative materials or technologies. They can share in the financing and risks of the project and can help eliminate or avoid unnecessary steps and costs.

The greatest contribution to their organizations, however, is made by supply leaders who *initiate* processes to develop new product offerings or enhance current offerings. Based on their thorough knowledge of supply markets around the world and their familiarity with the latest materials, components, software solutions, and services, they trigger product updates and entries into emerging markets. Their close working relationships with strategically allied suppliers keep them up to date with new technologies and supplier capabilities. As change

agents, they make sure that both their own companies and their supplier partners remain at the cutting edge of technology and market trends, using their worldwide network of superior sources to drive sustainable competitive advantage.

Transforming Your Organization. Figure 1 depicts the differences between the three methods of new product management. In the *reactive* mode, all departments act independently and use essentially over-the-wall processes. In the *participative* mode, supply management is an integral part of the cross-functional new product team. The *innovative* mode features supply leadership as the initiator and integrator of interorganizational new product processes.

Figure 1: New Product Processes – Three Scenarios

Steps	<i>Reactive Mode</i>	<i>Participative Mode</i>	<i>Innovative Mode</i>
Marketing Research	Marketing Department	Cross-Functional Team	Extended Enterprise Team
Product Design	Product Engineering	Cross-Functional Team	Extended Enterprise Team
Production Planning	Production Department	Cross-Functional Team	Extended Enterprise Team
Input Acquisition	Purchasing Department	Supply Management Team	Extended Enterprise Team
Production	Production Department	Production Department	Extended Enterprise Team
Product Launch	Marketing Department	Marketing Department	Extended Enterprise Team

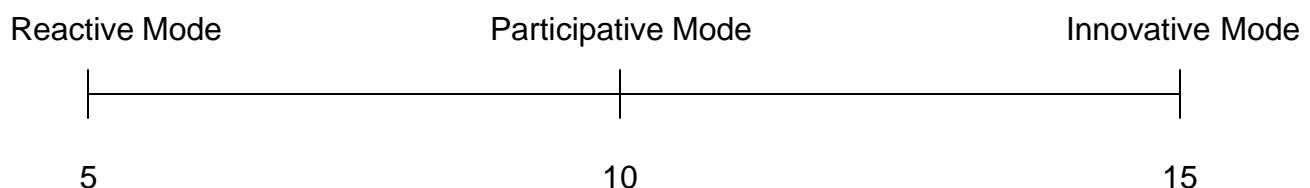
Innovativeness Metrics. To determine where your organization stands on this evolutionary scale, you can use the scorecard presented in Figure 2. For each criterion, select the statement that best describes your firm's current state and enter the score in the last column. The sum of these individual scores provides the overall rating of your company on the innovativeness scale.

Figure 2: Supply Management Innovativeness Scorecard

Criterion	Reactive Mode	Participative Mode	Innovative Mode	Score
Rating Scale	1	2	3	
Internal Relationships	Purchasing buys materials as requested	Supply Management participates in new product teams	Supply Leadership initiates new product processes	
Supplier Selection	Purchasing places orders with vendors selected by others	Supply Management participates in supplier selection by c.-f. team	Supply Leadership recruits leading suppliers as partners	
Supplier Relationships	Purchasing expects vendors to ship as ordered	Supply Management asks suppliers for improvement ideas	Supply Leadership invites key suppliers to join projects	
Cost Management	Purchasing uses Competitive bidding to get lowest price	Supply Management Uses target costing To manage cost	Supply Leadership Applies Total System Cost Management	
Quality Management	Purchasing forwards Quality complaints To vendors	Supply Management Measures Supplier Quality	Supply Leadership Challenges Suppliers To improve quality	
Totals				

You can now determine where your organization stands on the supply management innovativeness continuum by comparing its score from Figure 2 with the scale shown in Figure 3.

Figure 3: Supply Management Innovativeness Continuum



The Challenge. If your company's score falls short of the ideal score of 15, you have a genuine opportunity to make a difference in your organization. To move your organization up on this scale, you need to identify and woo leading edge suppliers who are willing to invest the effort to move forward jointly. But you must also mount an internal marketing effort to gain cooperation and support from your colleagues across a variety of disciplines. Such is the challenge and opportunity of supply leadership to make a real difference in making an organization more competitive and profitable.