



# Best Practices for Extending the Breadth and Depth of Supply Chain Integration

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## Section 1: Introduction

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Nothing resonates more strongly with large companies that have hundreds or even thousands of suppliers than the concept of supply chain integration. True integration, often called universal supply chain connectivity, can result in constant improvements in the breadth and depth of the electronic interactions with suppliers, which can ultimately mean increased profitability. Building this universal connectivity can take multiple forms. Though many members of the Fortune 1000 already have significantly integrated with their Tier 1 suppliers, universal connectivity could mean extending that integration to the small and mid-sized, or Tier 2 and Tier 3, suppliers. Or it could mean deepening the level of integration with suppliers that are already electronically enabled by adding new transaction sets or even collaborative business processes to the current platform. Either approach can deliver substantial savings related to decreased manual labor, inventory, logistics, and other supply chain efficiencies. In addition, increased customer satisfaction and a healthier bottom line are certain to be natural by-products of any integration effort. Many companies estimate that increased supply chain efficiency saves millions per year.

### Universal Supply Chain Connectivity

To be honest, the idea of universal supply chain connectivity is one that has been floating around for several years. In fact, the original vision of EDI certainly had such a concept in mind, as have the more recent phenomena of the Internet, Web services, XML, and SOAP. So why aren't we closer? The real answer has more to do with psychology than technology. Tough as the technological challenges may be, the real issue is convincing suppliers to participate in an electronic integration initiative when and how you want them to. To make this integration process worthwhile, businesses must maximize supplier participation without disrupting their supplier relationships. That means treating each supplier as an individual entity as opposed to a commodity. It also means giving suppliers some freedom when it comes to the technology option that works best for them while offering the help they need to get set up. Smaller suppliers in particular need special attention because using an electronic solution means a change in behavior from the status quo of the fax machine. At organizations where a cooperative attitude towards suppliers, and the subsequent individual attention, is firmly in place, the odds of a successful supplier integration effort are considerably higher.

## Section 2: What Works

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### Non-Exclusive Process

In addition to fostering the attitudes mentioned above, there is also a three-pronged set of best practices for supplier enablement that can help companies avoid the horror stories of failed integration attempts, angry suppliers, and a combination of low or slow adoption rates. The first practice has to do with process, specifically a non-exclusive process. A non-exclusive process looks at enablement from the supplier's perspective, and includes a heavy dose of planning and project management. Think of this practice as getting the proverbial ducks in a row by developing exact technology guidelines and specifications upfront, while remembering to give suppliers the freedom to integrate using whatever method they want. The only caveat, of course, is that they must comply with the guidelines. Interestingly, successful enablement programs often result in as many as half of the suppliers testing a solution they already have which happens to measure up to such guidelines. However, remember that even suppliers whose existing solutions don't make the mark should be able to choose how they want to become enabled.

### Explain the Enablement Cycle

It's also important that as part of the planning process, you explain to suppliers exactly how the enablement cycle will work. For that job, you probably want to pick someone with whom suppliers are familiar and with whom they already have a good rapport. In the retail space, for example, the vice president of merchandising may be the ideal person to present the goals of the enablement plan along with the guidelines to the suppliers. Again, making sure suppliers are comfortable with and can relate to the messenger is critical.

### Group Buy-In

There are also a few groups that need to be onboard from the hub company side to ensure the supplier enablement project is successful. The first and most important group to approach resides in the executive suite. To guarantee that an enablement program will truly return its weight in gold, there must be an executive or business sponsor who is keenly aware of the return on investment that universal supply chain connectivity can deliver. In addition, the information technology group must be onboard as they will be intimately involved in the implementation and support of the suppliers. Finally, the individual or group that is most involved with the suppliers must fully endorse the project and be fully engaged. This may be a vice president of merchandising, vendor relations or whomever heads up the buying group within the organization. Getting these individuals on the same page is a critical part of the initial planning phases.

### Realistic Rollout Plan

In addition to securing the buy-off of all involved parties from the hub, developing a realistic rollout plan is also an important part of this non-exclusive process phase. There's no need to be overly ambitious here. Most organizations can only handle turning on a subset of their suppliers at once, so a phased project plan is likely to be the most efficient and the most effective in the long run.

Even though suppliers will be enabled in a phased manner, it's still a terrific idea to have a formal, orchestrated kick-off of the entire program. Promote a scheduled Webcast or make it part of a supplier meeting or convention. In fact, make it a big party if possible. This accomplishes several important goals. It lets suppliers know that the hub company is absolutely committed, that this is important to everyone's financial health, and that participation from all parties will be a cornerstone of the program's success. Once that's done, it's time to roll up the integration sleeves and help the first batch of suppliers get going. Count on some 50% of suppliers wanting to update and test their current set up with your company guidelines. Smaller suppliers may want to look at other options, such as an inexpensive, easy-to-use hosted solution. This is where the second prong of the best practices trio comes in – technology options.

## Section 3: Technology Options

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### Testing Platform

When you consider that an enablement program will typically involve hundreds or even thousands of suppliers that may vary in size from \$1 billion in revenue per year to less than \$10 million, it's no surprise that providing a broad range of technology options is an essential best practice. One of the most essential of those options is a top-notch and easy-to-use testing platform so suppliers can certify their existing solution. Do not underestimate the importance of this. Though many companies believe they know the number of suppliers who have EDI software, they almost always underestimate how many have intentionally kept it a secret. The result is higher than expected demand from hundreds or thousands of suppliers that will be looking to test in a short period of time.

In the best-case scenario, the testing platform will let companies confirm sender and receiver identification set-ups. It will test Value Added Network (VAN) information set-up, and will validate transport, syntax, and content. It will also either pass or fail the vendor on compliance. And for those that fail, the testing platform or service will provide the vendor with diagnostic feedback so they can quickly make adjustments and re-test their system successfully.

### Solution Options

For many small and mid-sized enterprises (SMEs), the existing solution will be the fax machine. To minimize resistance, vendors need an easy, inexpensive way to quickly meet your guidelines without causing a big change in behavior. Thankfully, numerous hosted solutions that specifically address the needs of SMEs are available – and have been available for some time. The best solutions provide the vendors with a suite of hosted options. The options help high volume vendors to integrate a service directly into their back-end system. Medium and low volume vendors often utilize intelligent Web forms to minimize manual entry wherever possible. And for the slow adopters, services are available that will convert their faxes into electronic data formats on their behalf. In most cases, these services can be utilized with multiple customers over time – not just with the hub that causes the initial adoption.

Once the enablement program is unveiled, there are several truisms that have emerged regarding suppliers and their adoption rates. Expect around 40% of suppliers to actually sign up early and completely embrace the program. Another 30% will sign up at the last minute. These will be the least problematic groups. Another 20% will complain bitterly about enablement and will struggle to comply or may even attempt to ignore the program. Don't be discouraged. These vendors may not necessarily have a problem with universal supply chain connectivity. More than likely, they are merely the same 20% that always complain, and you probably already know who they are. Then there is the 10% of suppliers that prove the exception to the rule. These are the ones that you may need to deal with separately because of special needs. They may have extremely low volume, for example, where asking a vendor to utilize a solution or service for 3 documents a year just isn't worth it. And that brings us to the third and final best practice – maintaining universal supply chain connectivity is a process that never really ends.

## Section 4: Keeping It Going

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To maintain a successful program, never think of integration as a one-time event. The third and final best practice we offer has to do with thinking of integration as a journey that involves ongoing, dedicated support of suppliers. It means staying on top of planning for the next enablement event from the perspective of the hub company, helping suppliers stay informed about the necessary requirements, and making sure that technology problems are taken care of swiftly and properly. This will all be less painful as integration layers are added.

### Hosted Integration Service

There are some proven approaches that can be effective here. One way to solve the problem of providing ongoing support is by offering a hosted integration service. Companies that have done so have interesting business models where they provide enablement and management programs as a means to acquire new customers. This model is cost effective for all parties since the costs are spread across hundreds or even thousands of companies. Also, suppliers can make their own decisions about how to meet compliance requirements, including the certification of software or services they already have in place.

However, regardless of whether you choose this approach or develop an alternate one, remember to think strategically about how support is provided. The goal is to have suppliers continually moving towards that magical state of universal supply chain connectivity.

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## Section 5: Conclusion

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Though it may seem like a massive challenge for those companies just beginning, the level of integration discussed here is attainable, even if you have hundreds or thousands of suppliers that need to be connected. Many companies have had great success by closely following the best practices outlined in this article. Starting with a non-exclusive process allows hub companies to get suppliers on their team by listening to their concerns and giving them choices when it comes to integrating with the hub-company computer systems. Providing a broad range of technology options is step two in keeping with the idea of leaving the decision of how to connect up to the supplier. And, finally, delivering ongoing, strategic customer support for both the hub-company and suppliers will keep the enablement process moving forward and will keep all parties engaged. Following these practices is sure to make the path to universal supply chain connectivity much smoother – and ultimately more profitable.