

Sage ERP X3 | White Paper

Overcoming Barriers to Collaboration with Trading Partners

by Tom Heinricher, Sage ERP X3 Senior Business Consultant

In these days of increasing pressure on companies to become more efficient and reduce the bottom line, improved communication with suppliers, partners and customers through easy-to-use collaboration tools can dramatically optimize business processes, increase responsiveness and enable new levels of achievement throughout the enterprise. As a matter of fact, a recent survey of over 500 midsize enterprises by the Aberdeen Group – sponsored by Sage – reveals that providing higher visibility to business processes across functions and departments has become a priority for 56% of midsize companies, while a record 26% set as a priority action to link their global operations to improve interoperability and collaboration.

That's why CIOs are increasingly turning to Web-based ERP systems that – in addition to integrating all business processes and data into one coherent system – would support multiple communication standards such as XML, UDDI, WSDL and SOAP, integrate Web 2.0 tools for users such as portals, mashups and peer-to-peer networking applications, and simplify the designing and publishing of Web Services to interact with third-party applications over the Internet. Their goal is to offer users more seamless integration and easier access to data, both internally and externally. They see connectivity – associated with easy-to-use Web tools – as a way of addressing time-to-market concerns and the need to access people, information and other resources quickly and easily at any moment in time.

Companies know how critical it is to improve collaboration with business partners in order to compete in the global marketplace, but few have successfully streamlined communications with them. Despite the availability of Web-based tools, they suffer through delays and errors caused by reliance on phone calls, faxes or e-mails and the lack of interoperability between software applications. What's the reason for this? Trading partners have been slow to adopt the technology when they don't see the benefits for themselves.

Partner Acceptance is Critical

Traditionally, suppliers have resisted investing in technology and making changes within their organizations to foster collaboration because they perceive the efforts benefit only the manufacturers. Sure, electronic collaboration with partners, suppliers and customers will help manufacturers manage end-to-end processes in a more efficient and cost-effective way. But, business partners will also benefit in the form of increased reactivity from the manufacturer and reduced paper-based processes.

For example, a manufacturer can authorize a supplier under contract or blank order to connect to its system remotely and be automatically informed of a reorder requirement triggered by a low stock alert.

Providing higher visibility to business processes across functions and departments has become a priority for 56% of midsize companies, while a record 26% set as a priority action to link their global operations to improve interoperability and collaboration.

(continued)



Exchanging purchase orders and invoices electronically speeds up business processes and enables both the business partner and the manufacturer to better manage their supply chain with more accurate data and make better cash management decisions.

Also, suppliers can monitor vendor-managed inventory more effectively if they have electronic access to inventory stock levels. Instead of waiting for orders to come in, real-time information from the manufacturer's enterprise system can alert the supplier when it's time to restock and help its staff adopt a pro-active behavior.

Additionally, by participating in reverse auctions through the manufacturer's vendor portal, suppliers can be sure they're not missing lucrative opportunities to sell more product and grow their business.

Finally, the vendor portal can provide suppliers with key performance information they may not otherwise receive from the manufacturer. Since business is exchanged electronically, data can be automatically analyzed according to pre-determined KPIs (key performance indicators) related to delivery, price and quality. Suppliers have a clear picture of their performance and can make adjustments to improve their ratings and increase their chances of gaining more business in the future.

Trading partner reluctance to connect electronically can be so considerable that collaborative efforts can easily fail, leaving few companies to achieve any significant advantages. Effectively communicating the above benefits and involving partners in the process of establishing the right tools will help breakdown barriers to collaboration. This "win/win" scenario provides the incentive for suppliers to make the process and technology changes that will ensure success for all parties.

Key Components: Control and Visibility

To be successful, collaboration must also include control and visibility, which can be achieved through the use of automated workflow functions found in today's leading web-based ERP systems.

In trying to effectively manage business processes, many challenges arise from offline manual tasks such as notification, investigation, authorization and follow up. Automated workflow controls the flow of information within and outside a business based on

company-specific work practices and procedures for handling important and exceptional events.

For example, messages can be routed to customers and suppliers, alerting them immediately to information such as the contents of a particular shipment or potential delivery delays. These messages can improve inventory management performance, increase delivery accuracy and enhance visibility across the demand and supply network.

While managing the workflow makes it easier to control and administer standard processes through the necessary steps both internally and externally, an ERP system offering automated workflow functionality will immediately reflect any updates in the system database. Because the data is updated in real time, partners have accurate information to more efficiently and proactively provide their goods and services.

Security Fears

Even when partners understand the benefits available to them through electronic collaboration, they may still be reluctant to participate due to security concerns. Both manufacturers and their trading partners need to protect their strategic assets, and they require the highest level of security.

Setting up a secured connection that meets both parties' standards is possible if properly addressed. Not only should user passwords be managed carefully, with various restrictions, such as limiting the number of days a password is valid, allowing a defined period of inactivity before automatic disconnection, etc. Security should also be managed at the system level to restrict access to functions, actions, on-screen fields and data, by user, group of users or profile. More importantly, all transactions should be traced at the user level, and modifications to sensitive data should trigger alerts and additional requests for approval before being processed.

Effective Communication Tools

To be effective, collaboration has to be made simple. Intuitive tools accelerate user acceptance and can, therefore, maximize the results. These tools can be a secret weapon to bring people together, enhance communication and share knowledge.

(continued)

Today's leading ERP vendors offer web-based systems that incorporate Web 2.0 tools such as portals, RSS feeds, wikis, blogs and mashups. A recent Forrester report found that enterprise Web 2.0 is offering substantial business value around collaboration and productivity, and it's high on the priority list for many businesses. A McKinsey & Co. global survey of 2,847 IT executives found that 80% of respondents were either using or planning to use Web 2.0 services in the near future. Of those currently using Web 2.0, 70% were using it to interface with customers, 51% to interface with suppliers and partners and 75% to manage collaboration internally.

While Web 1.0 focused on single-users accessing and clicking around the Internet, Web 2.0 goes beyond collaboration by enabling immediate interaction with other people. For example, a sales manager can use a mashup to pull together sales data from a variety of internal and external sources, create a portal page, then contact colleagues online and do a group analysis of the

data via the portal. Or, a financial manager can also arrange to get a pop-up on his desktop RSS reader every time a customer makes a big payment, or goes into credit-hold status.

Successful Collaboration can be Achieved

To meet the increasing demands of today's market, companies must implement collaborative supply chain solutions that streamline business processes with their trading partners. With real-time visibility and control of supply chain execution to all parties, while addressing supplier issues head on, collaboration can succeed. Manufacturers can implement effective supplier collaboration processes that orchestrate "win/win" outcomes with suppliers, enabling significant advances in reducing costs, enhancing quality and accelerating operations that help ensure they win today's productivity battles.

**Learn more about
Sage ERP X3
for your business**

**(724) 933-1377
www.sageerpx3.us**