## Executive Insights

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# From **Idea to Delivery**: Take a Holistic, End-to-End Approach to **Bringing Products to Market**

*Q&A with Thomas Ohnemus and Richard Howells, SAP*

**For years, executives have been trying to figure out how to break down the longstanding silos within their organizations.** If only the engineers would talk to the buyers, and marketing would share information with manufacturing, all would be right with the enterprise. Despite the best intentions, silos remain in many companies — not because employees are unaware of the benefits of collaboration, but because they fail to see a direct path to collaboration.

But timing is everything, and today there are indications that the silos may indeed be ready for busting. And the right IT strategy can facilitate the collaboration needed to break them down. In fact, when used effectively in combination with organizational change, the right IT systems can enable collaboration beyond a company's four walls and extend out to suppliers, customers, and partners, integrating all processes from idea to delivery.

To learn more about the idea-to-delivery concept, *SAPinsider* recently spoke with SAP's Thomas Ohnemus, Head of Solution Marketing, Product Lifecycle Management, Manufacturing, and Enterprise Asset Management, and Richard Howells, Head of Solution Marketing, Supply Chain Management.

### Q: Can you provide a high-level overview of the idea-to-delivery model and why it's important to SAP customers?

**Ohnemus:** The basic concept of idea-to-delivery is that companies no longer need to be solely focused on optimizing isolated steps in a business process. Instead, they should take a comprehensive view of how they bring new products to market, optimizing *all* of the business processes that work together to turn ideas into viable products and to bring them to market faster and with higher quality. Idea-to-delivery means having a more holistic view of your business, whereas in the past, the focus was on optimizing certain steps or sub-processes.

**Howells:** Gaining that holistic view requires breaking down the silos that reside within an organization. Companies can achieve this by building business processes and using solutions that transcend the artificial boundaries many companies are accustomed to in order to collaborate across all departments of the organization — and beyond, with customers, suppliers, and other trading partners.

Collaboration has to progress beyond one group providing data to another single group; it should be pervasive across the enterprise. The same data means different things to different parts of the business. For example, changes in product demand may tell the product development or manufacturing organization that a change is needed in the product's design or how it's delivered to customers. But that same data could signal to the marketing group that its most recent campaign missed the mark and must be updated. However, if the manufacturing department modifies the product design and if the marketing department builds a new campaign based on the old product, there's a problem.

Decisions based on data shouldn't be made in isolation or within a single silo. Manufacturing may find a way to optimize the production processes to reduce costs and produce a product faster. But that change could increase inventory levels and result in an overall cost increase if other parts of the organization don't realize that production is ramping up.

### Q: Is it fair to say that idea-to-delivery is a "supply chain model, plus"?

**Howells:** Yes, you can think of it that way (see **Figure 1**). A traditional supply chain model doesn't include research and development (R&D), which is the "idea" part of idea-to-delivery. When initially developing a new product, companies need to think about the full life cycle of the product and how they are going to bring it to market down the road — they must consider which channels and logistic networks to go through and to which geographies they will deliver. Idea-to-delivery is what the supply chain model always aspired to be but never quite became, mainly because the supply

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chain transformed into a more silo-based model with defined functions and boundaries. And the potential of the supply chain was limited by the technologies available and a lack of true visibility across the silos.

**Ohnemus:** Another key component of idea-to-delivery is that various departments within a company — and even outside of the company — bear more common responsibility for results. All groups begin to share not only the risk, but also the reward of a product's success with the extended enterprise. It's more of a common approach, which differs from a traditional supply chain model. Sequential processes are transforming in global-acting networks where high flexibility is required to enable parallel work streams for the development, procurement, manufacturing, and supply chain groups.

**Q: Aspirations are great for direction, but execution is where the rubber meets the road. How can companies get to this idea-to-delivery model from their current state?**

**Howells:** A company's first step on this path can be to define how it differentiates itself in the market. For example, a consumer packaged

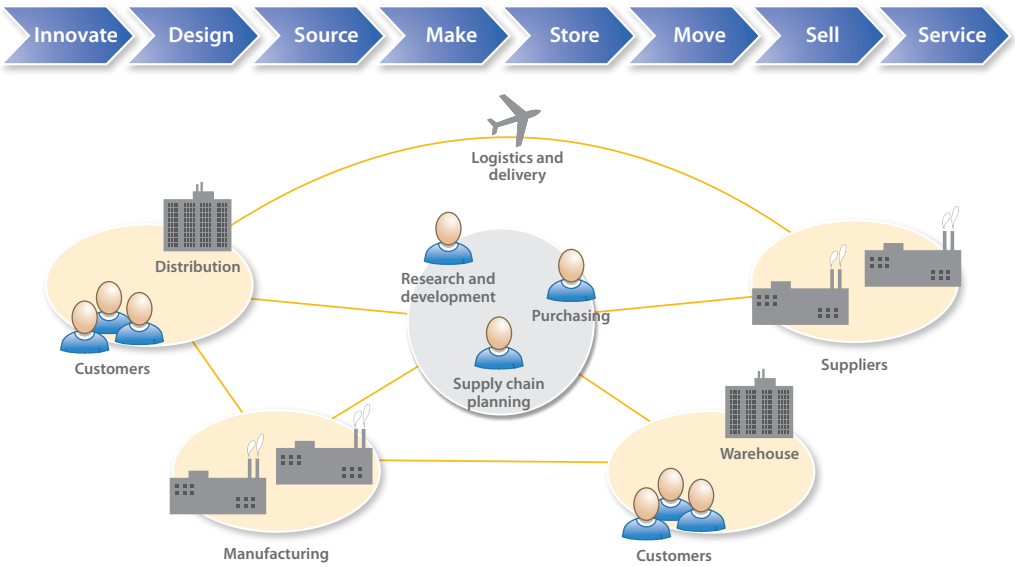


**FIGURE 1** ◀ A company's idea-to-delivery network — from innovation to service — transcends the traditional model of product lifecycle management, supply chain management, procurement, and manufacturing

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goods company might see its supply chain and demand visibility capabilities as its differentiator. And so in that case, it may choose to start with its demand capture processes and analyze how decisions made in other parts of the organization affect those processes. A high-tech company's strength may be its ability to rapidly develop new products based on specific customer demand, so that organization may want to focus on product development first and branch out from there. The key is understanding that all of the processes are interrelated and touch each other in many ways.

**Ohnemus:** To build on that, increasing the speed of innovation is a priority for many companies because they are seeing new competitors emerge in the global market. And innovating faster requires the R&D, manufacturing, and supply chain organizations to work more closely together — that's the point where the idea-to-delivery model comes into play.

Traditionally, these organizations worked as steps in a broader process but used their own IT solutions to support their work — a product lifecycle management solution, a manufacturing solution, and various independent solutions for supply chain areas such as procurement, logistics, and planning. But for these organizations to work collaboratively, their IT systems need to be much more tightly integrated to allow the information to flow between the teams and provide insight across the processes. So, for example, if there is a glitch in the supply chain, it can be tracked back to the cause, which could be an R&D decision made months prior.

"To start down the idea-to-delivery path, a company should first define how it differentiates itself in the market and look at how decisions made in various parts of the organization affect other departments and the business as a whole."

— Richard Howells, SAP

**Q: Are there certain industries that are further along the idea-to-delivery path? Which industries provide a good example of this model?**

**Howells:** Great examples are emerging from different industries, depending on a company's goals. For example, if your priority is sensing and responding to demand signals, then you could look to the consumer packaged goods industry. The automotive industry offers strong examples of lean business processes that extend from idea to delivery. And many companies in the high-tech industry effectively manage and collaborate with a global matrix of contract manufacturers and suppliers.

**Q: Idea generation is an important aspect of the idea-to-delivery model. What can companies do to accelerate or enhance this process?**

**Ohnemus:** Leading-edge companies are moving away from the traditional idea-generation models, in which ideas come solely from the R&D or product development teams, and are starting to collect ideas from the extended enterprise — from sales teams, the service department, and the logistics organization. These groups all deal with the product and the customers, so they should have some useful input on product innovation. Many organizations, particularly consumer packaged goods companies, are also turning to partners, suppliers, Internet platforms, and customers for input.

**Howells:** I would point to the concept of sentiment analysis as an example of how you can extend your idea-generation process out to the crowd. Collecting and analyzing comments and "chatter" online can tell you what the next big thing might be. In theory, everyone in the world who has access to the Internet can be part of your ideation process. The challenge then becomes separating the useful information from the noise. But that's where technology can help, and that is one of the areas that SAP is researching.

**Q: How is SAP driving the silo-busting collaboration that companies have sought for so long?**

**Howells:** I would say it's more about *enabling* collaboration than *driving* collaboration because,

overall, departments know that they need to work together. They just might not have access to solutions that support that need, especially when it comes to the extended supply chain.

We're not just talking about collaboration between departments — we're talking about collaboration between different companies as well. In many businesses today, several functions, such as manufacturing or even product development, are outsourced, so collaboration with your outsourcing providers, suppliers, contractors, and customers is critical.

For example, in the high-tech industry, where the majority of manufacturing is now outsourced, contract manufacturers should be treated as extensions of your organization, so you need visibility into their operations, just as you would with your own manufacturing plants.

**Ohnemus:** SAP sees a lot of the same challenges that our customers do in areas such as global competition, innovation pressure, and cost pressure. Our goal is to help our customers collaborate better, decide better, and operate better from idea formulation to the delivery of their products.

To achieve this goal, we optimize our various solutions with new features and functions, while always keeping in mind the end-to-end process and how our solutions link together.[1]

**Howells:** SAP has also focused on achieving the breadth in its solution portfolio to support the entire idea-to-delivery process for our customers, and our product development teams are committed to continuously improving integration between these solutions. ■

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> — Thomas Ohnemus, SAP

[1] To learn more about the SAP solutions available in the supply chain management, manufacturing, and product lifecycle management areas, please see the feature stories by Michael Lipton, Ganesh Hegde, and Nadine Huelsen in this July-September 2011 issue of *SAPinsider* (sapinsider.wispubs.com).

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