Advancing Maturity of B2B Collaboration:

Mission Critical Issues and Solutions

SEEBURGER
BUSINESS INTEGRATION

Index

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Mission Critical Issues and Solutions

Executive Summary

Today, businesses of all shapes and sizes are expanding operations and sales to all points on the globe. Suppliers range from huge multinational corporations with facilities on three different continents to tiny one-person shops located in the owner's garage. Some customers can call five different continents home. Logistics partners, such as shippers, operate in a dizzying range of time zones. This global nature of business demands advanced approaches to collaborating with these partners and customers, approaches that minimize the cost of conducting business for every partner and customer, as well as provide real-time operating capabilities.

The advancing maturity of business-to-business (B2B) collaboration offers operational challenges to companies of all sizes. Mission critical areas include:

- Embracing all these trading partners within one collaborative, electronic community where partners can access vital business information as they need it.

- Adopting an exception management approach to collaborative processes enables participants to recognize and respond to operational requirements as they evolve rather than simply react in crisis mode.

- Providing visibility into these processes helps partners maintain macro and micro views to increase agility and maintain compliance with regulatory requirements.

Building on the foundation of B2B integration applications, technology solutions that address these three critical areas have become available that accommodate the unique needs of both large and small enterprises. Business leaders committed to advancing their companies' collaborative processes can assess where to focus continuing efforts by examining the best practices in each of these mission critical areas. This white paper explores the three critical areas that are vital to advancing maturity in B2B collaboration (enabling trading partners, exception management, and visibility of business processes).

Introduction

As the worldwide marketplace becomes a fact of life, more and more companies are turning their attention to more effective B2B collaboration. Creating real time information exchange among a partner ecosystem separates industry leaders from laggards. Instead of slow, inefficient paper-driven business processes, leaders seek a more streamlined process that includes all players. Some of the drivers for this trend are the ever-present need to reduce costs throughout the supply chain. Just as importantly, enhancing a company's responsiveness to its customers can increase its market share. And, in the face of increasing global competition, boosting agility in business processes only strengthens competitive advantage.

Determining whether a company is a leader or a laggard involves examining the mission critical areas that propel a company toward greater maturity. Is the company still using common practices or is it committed to best practices? Figure 1 illustrates that as the level of maturity in B2B collaboration increases, B2B collaboration value rises.

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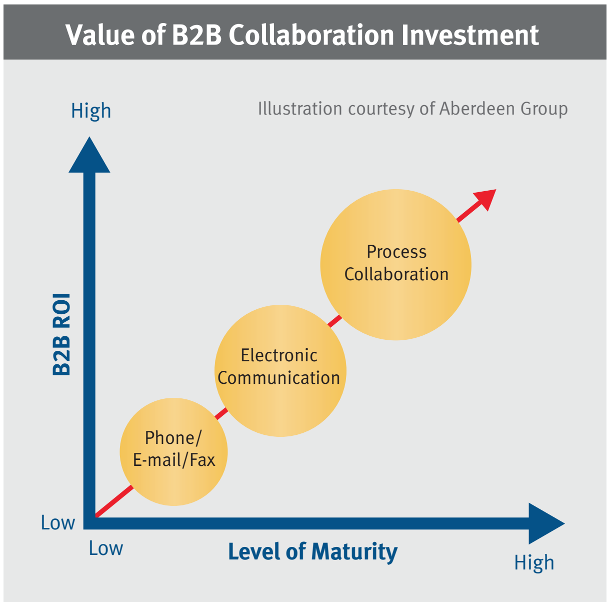

Figure 1: As companies advance their maturity in B2B collaboration, the value of this investment grows as well.

Mission critical areas for B2B collaboration include:

- Enabling an enterprise's trading partners
- Adopting an exception management approach to business processes
- Providing visibility into business processes throughout a trading community

Today, trading partners range from huge multinational corporations with offices on three continents to tiny cottage industries located in the owner's garage. The global nature of business demands advanced approaches to enabling these partners, approaches that minimize the cost of conducting business for both parties, as well as provide real-time operating capabilities. Enabling these trading partners to participate electronically in a trading community with the free flow of business information is such an approach.

Exception management recognizes that much of the time, business transactions and processes flow smoothly. So, investing personnel and infrastructure resources into ongoing management of these transactions and processes wastes vital resources that can be deployed elsewhere. Exception management, on the other hand, provides the capability to focus precious business resources on the transactions or process points where errors or discrepancies occur to maintain the seamless flow of business without aggravating bottlenecks or delays.

Finally, providing the capability to see into the business process offers all parties the ability to enhance their participation--from the customer who learns when shipments will arrive, to the supplier who forecasts inventory needs more precisely to accommodate the ever-changing market requirements. This visibility enables every participant to respond with agility to meet the demands of the moment more efficiently.

Enabling Trading Partners

Common Practices

Many companies still face a majority of manual processes from their trading partners. Phone, fax and "snail" mail are still the order of the day for as many as 70% of trading partners[1]. For instance, medium to smaller-sized customers of office products giant Avery lack electronic data interchange (EDI) capabilities, and so they continue to fax orders to the manufacturer. The price companies pay for this practice is apparent throughout the supply chain. Costs of conducting business rise. Data errors occur more frequently, bogging down the flow of transactions. Even those companies committed to embracing their trading partners in a collaborative electronic community discover that the process of onboarding them can be lengthy and time-consuming. In fact, industry averages to conduct this process can range from two to three months and involve more than 20-person days of effort, analyst firm AMR Research reported in 2003[2]. This

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lengthy process can involve substantial cost to mid-sized and smaller trading partners who may lack the internal IT resources to implement EDI capabilities and may curb their willingness to participate in an electronic trading partner community.

Best Practices

Leaders in B2B collaboration commit to enabling 100% of their trading partners, regardless of size. While many companies focus only on first-tier trading partners who account for a significant volume of business, innovators realize the critical value of smaller partners throughout their supply chain. As Gartner analyst Frank Kenney notes, although larger trading partners may account for a greater percentage of revenues, smaller partners account for a greater percentage of costs[3].

Whirlpool's experience offers insight into the value of embracing all trading partners. With 16,000 authorized distributors, Whirlpool's network includes large trading partners, such as Lowe's and Best Buy. However, many Whirlpool distributors are small "mom and pop" stores who offer one-on-one customer service to individual consumers in their local neighborhood. Onboarding all of these partners empowers each distributor to provide the level of customer service it chooses. For the small independent Whirlpool dealer, this may mean checking the status of a single order placed for a local homemaker via an easy-to-use Web portal and telephoning their customer with the news their new washing machine will arrive next week. For a larger distributor, it means tracking inventory to ensure adequate supply is available for an upcoming promotion.

Once a leader commits to enabling 100% of its trading partners, the best practice is to identify solutions that will streamline the process of onboarding these partners. Industry experts recommend seeking comprehensive solutions that extend beyond EDI and XML, since the infrastructures of many mid-sized and smaller partners pose obstacles to implementing these. These solutions include Web Forms, Hub and Spoke systems, Paper-to-ERP solutions, and more. Web Forms and Portals enable electronic data exchange via Web browsers with automatic generation of responses, bar codes or other documents. Hub and Spoke modules offer a component a smaller partner can install that integrates directly with the company's B2B integration broker platform as well as its other back-end applications. Paper-to-ERP solutions enable paper documents to be automatically converted to electronic forms.

Global Enablement of Trading Partners

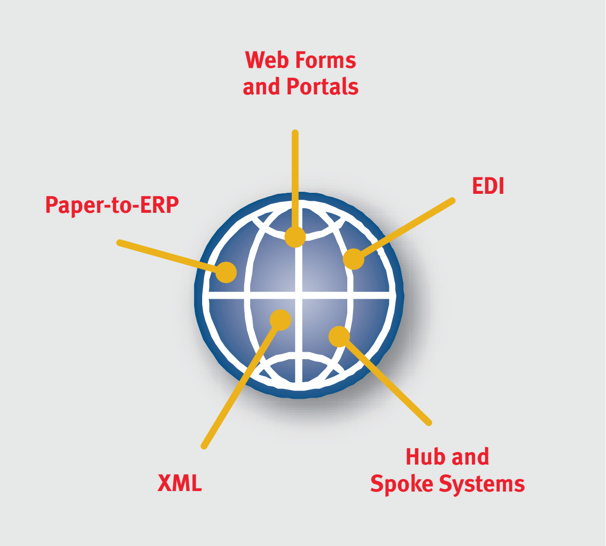

Figure 2: Trading partners of all sizes and from every point on the globe can participate in real time in a trading community via enabling solutions that include EDI, XML, Web Forms and Portals, Paper-to-ERP, and Hub and Spoke systems.

Such solutions require little or no infrastructure investment, and can reduce the onboarding process to as little as ten days. For instance, Corporate Express onboarded more than 5,000 customers in less than three years, using a suite of solutions that included XML, EDI, and proprietary ERP file formats for its larger customers, as well as Web Forms and email solutions for its smaller customers. The results have been impressive, with the company realizing an increase of 48% in electronic orders while reducing its order management staff from 15 to eight employees[4].

The best solutions will include partner portals that enable the onboarding partner to download the entire certification process, including a detailed chronology of activities that must be completed, such as communication requirements, guidelines, and self testing procedures. This enables both the company and the partner to track its progress, and focus assistance from the company on specific areas where partner aid is most needed.

Gartner analyst Frank Kenney also notes that leading companies seek out vendors of B2B collaboration solutions that offer strong global expertise and perspectives. In today's global oriented business environment, operating in different countries or regions involves different languages, business cultures, and technical standards. Solution providers with global experience provide solutions that account for these differences.

Adopting an Exception Management Approach

Common Practices

Business process management continues to be a largely paper-driven and manual process in spite of the advent of electronic commerce. In invoicing, for instance, Aberdeen Group estimates that 83% of domestic companies and 86% of international entities continue to receive bills on paper[5]. On average, these paper invoices take 27.6 days to process. And all this paper represents costs. According to a 2004 study by The Hackett Group, processing an electronic invoice line item costs about 15% of the cost to process a paper-based invoice–$0.58 per line item, compared to $3.84 per line item for a paper-based invoice[6].

Even companies that have automated business processes continue to manage the errors that arise throughout these processes manually. Some analysts estimate that as many as 25% of all business transactions contain some type of error that requires human intervention. The Yankee Group characterizes these errors as structural content errors, such as inaccurate message headers or missing fields; sequencing errors that arise when transaction documents arrive in the wrong order; or business content errors, such as incorrect information within a B2B message[7]. Not only are business content errors the most common, they are also the most expensive to resolve and the hardest to eliminate. For instance, common business content errors include incorrect price information and part numbers on invoices, discrepancies between invoices and related purchase orders, and inaccurate shipping information. These types of errors can result in significant downstream problems, such as payment disputes, misdelivered goods and inaccurate inventory forecasts. While no company can completely eliminate the existence of business content errors, laggard companies still manage the error resolution process manually, bogging down the workflow, and creating bottlenecks.

Best Practices

Adopting an exception management approach in automating business processes makes good economic sense. It enables appropriate personnel to focus manual intervention only in those points of a transaction where an error occurs, rather than manually supervising the entire transactional process. Implementing an automated exception management approach reduces the overall person-hours spent maintaining a seamless business process.

Leading companies seek solutions that automatically route an error or discrepancy to the appropriate individual for intervention, and provide the capability for that individual to manually resolve the error.

This reduces inefficiencies and eliminates potential operational risks that can derail the process. For instance, a customer may submit an order that exceeds their documented credit limit with the manufacturer. Instead of rejecting the order out of hand, an exception management approach automatically routes this order to the individual responsible for credit decisions, proactively sends a task note to that individual as to the nature of the task (e.g., review and approve an increase in credit), and enables the easy resolution of this decision (e.g., adjust the customer's credit limit for a specified time period). The use of an exception management approach in this example creates an additional transaction. Business leaders recognize the added value of this approach, not just from a single transaction, but in enhancing the overall relationship between the manufacturer partner and the customer partner.

Providing Visibility into Business Processes throughout a Trading Community

Common Practices

Across the business landscape today, varying levels of visibility into collaborative processes are present. A typical scenario common to many companies is visibility for internal information technology (IT) teams only, or internal business users. This internal focus provides the ability to maintain orderly data and processes internally, but as business pressure mounts to advance collaboration among trading partners, an external-facing focus is more desirable. Research conducted by Aberdeen reveals that providing visibility throughout the supply chain is a high priority of as many as 80% of supply chain management professionals[8]. Top drivers for improving visibility include enhancing the customer's experience, improving operational efficiency and agility, and simplifying regulatory and oversight obligations[9].

Best practices

Leading companies are committed to implementing increasingly comprehensive levels of visibility. Various visibility practices can be visualized as an inverse pyramid, with lower, technical levels of visibility at the bottom, trending toward more comprehensive, process-oriented levels of visibility at the top (see Figure 3), with four distinct levels of possible visibility.

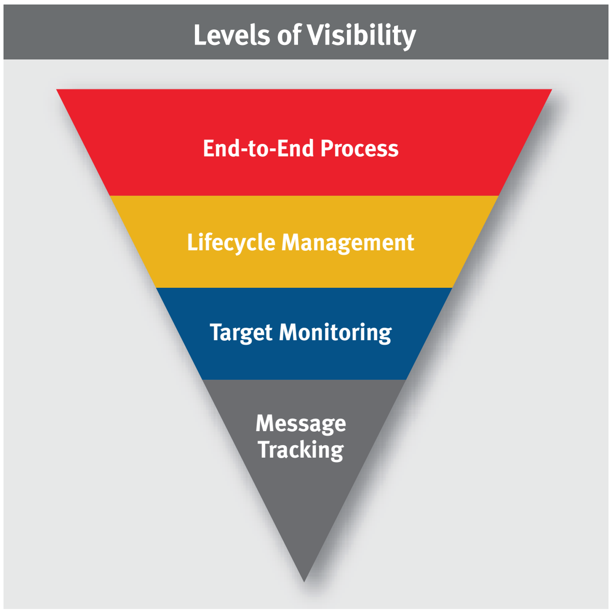

Figure 3: Visibility into collabortive business processes ranges from specific functionality such as message tracking to comprehensive process-wide functionality.

At the lowest level, message tracking visibility enables a partner to view the status of a specific document. For instance, a supplier can ensure, at a glance, whether the order received from their customer has been translated and posted into their back-end ERP system.

At the next level, target monitoring provides the capability to locate a specific business transaction at a specific time and date within an ongoing relationship. For example, an electronic components supplier is allowed to invoice a major personal computer manufacturer on a specific date each month. If the supplier fails to submit its invoice on the appropriate date, the next invoice opportunity will occur 30 days later, resulting in a payment window of 60 days. Target monitoring enables the supplier to ensure, at a glance, that a specific invoice arrived at the computer manufacturer on the required date.

The third level of visibility, lifecycle management, enables partners to view in a single user interface all the related documents for a specific set of transactions. For example, some consumer product enterprises have a 20 minute turn around window to respond with an order acknowledgement upon receipt of a purchase order from their major retailer customers. Lifecycle visibility allows personnel to easily run a report on all those POs to quickly identify those without a corresponding order acknowledgment message. Additionally, it is common to have multiple shipments from a bulk purchase order. The Lifecycle visibility allows an analyst to easily see every corresponding advanced shipping notice that relates to a single purchase order along with invoicing and payment status in one concrete view.

Finally, at the most comprehensive top level, visibility of end-to-end processes provides the partner a snapshot of the entire supply chain, enabling them to view inventory levels at specific locations, goods in transit, and more. With this level of comprehensive visibility, leading companies are able to better manage production schedules, align inventories on hand more closely with scheduled production, eliminate shortages and automate inventory replenishment.

SEEBURGER Solutions

SEEBURGER's portfolio of B2B collaboration solutions builds on its business integration server, the SEEBURGER B2B Gateway. The most comprehensive and cost-effective business integration platform in the industry, it is the only middleware solution capable of integrating 100% of an organization's applications and trading partners–including smaller customers and suppliers that still conduct business on paper. A scalable platform, the B2B Gateway incorporates the most current technologies for seamless integration of internal systems, business processes, and trading partners. (For more information on SEEBURGER's B2B Gateway, visit www.seeburger.com/b2bgateway/.)

With the B2B Gateway as a solid foundation for implementing or advancing collaborative processes, SEEBURGER offers a suite of specific solutions tailored to the mission critical areas described in this paper. Today, SEEBURGER offers the only business integration solution that provides 100% trading partner enablement using a single platform. These solutions include Paper-to-ERP, XMLMail, WebForms/Portal, a Hub & Spoke module, as well as EDI, XML and Web services. Regardless of trading partner size or geographic location, SEEBURGER's enablement modules puts the right tools in the partner's hands. Additionally, SEEBURGER's trading partner roll out services offer a Web portal that provides step-by-step guidance to onboarding partners, with comprehensive checklists and automated oversight to ensure the onboarding process is speedy and accurate. For business leaders committed to implementing an exception management approach to their business process management, SEEBURGER offers specific solution modules. Task Manager automatically routes errors or discrepancies to the appropriate individual with proactive notification (see Figure 4). WebFlow enables that individual to easily resolve the issue using an intuitive, Web-based interface.

Task Manager offers automated exception management

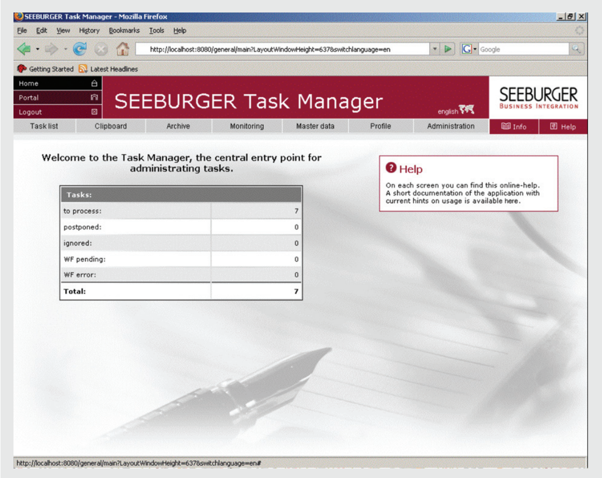

Figure 4: SEEBURGER's Task Manager creates a human interaction "to do" list that ensures no tasks are forgotten and provides automatic escalation for non-responses. For instance, tasks may include corrections of scanned Paper2ERP documents or other error resolution processes.

Business leaders committed to maximizing visibility throughout their collaborative business processes have implemented solutions from SEEBURGER's suite of visibility applications. Completely configurable to meet a company's unique needs, Message Tracking allows internal staff and external business partners to conduct research on specific messages exchanged such as purchase orders, advanced shipping notifications, and more. Industry leaders use other visibility applications such as Inventory Monitor, which enables supplier partners to view their own inventory levels based on parameters set by the company, as well as implement alerts related to min/max inventory levels. Other SEEBURGER visibility applications include SCM Portal, which features RFID capabilities. The Bosch Group, the world's largest automotive supplier, has adopted SEEBURGER'S cutting-edge RFID Gateway to improve its internal logistics. Used in 60 production lines, the technology enables greater transparency of goods, material and information flows and helps the company achieve greater throughput.

Conclusion

As business leaders assess their company's level of maturity in B2B collaboration, they recognize the ongoing nature of the process. This often parallels their company's continued evolution toward a global model of conducting business. The vital element is the recognition of the value that collaborative processes bring to the entire enterprise and beyond it to a company's trading partners. As some industry analysts have observed, competition in the future may no longer occur between individual companies, but between entire supply chains. By focusing on the three areas discussed in this paper, and progressively working toward advancing B2B collaborative processes, a company can improve operational efficiency and agility, not only within its own walls but throughout the business processes of its partners.

New technological developments in B2B collaboration solutions bring these opportunities to enterprises of every size. No longer is 100% enablement of trading partners a pipedream—a host of solutions exist for partners of all sizes. Exception management approaches permeate business integration solutions at every level. And, visibility applications provide macro and micro views throughout entire business processes.

The choice between leading and lagging these advances no longer rests on business circumstances beyond a company's control, such as geographic location, cost of local labor, or a thousand other factors. Today, and in the future, companies can control their own destinies by forging effective and efficient collaborative processes with their partners.

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