

Evolution vs. Revolution: Driving B2B Efficiencies Forward with People, Processes and Technology Tools



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Executive Summary

Simply integrating B2B applications with ERP applications is no longer enough to maintain an edge in increasingly global and competitive marketplaces. Companies that have implemented ERP systems to streamline business operations through automation are recognizing they need to advance to higher levels of efficiency. These new frontiers involve realizing efficiencies system-wide, not simply at isolated points in specific processes. Capturing the fruits of greater efficiency requires a new mindset as well: an approach that considers evolving the business environment to ever greater levels of efficiency through carefully considered and implemented refinements rather than through wholesale revolutions and replacements.

Experience of industry leaders and analysts suggests that best practices involve a systematic evolution rather than revolution, transitioning people, processes and technologies in an organized approach that takes a system-wide view and supports mission critical transactions during the transition.

Essential to the evolutionary approach is a holistic perspective that meshes key elements. Rarely, if ever, do installations of new or more advanced applications take place in virgin environments; in fact, the very nature of the evolutionary approach assumes that an enterprise will not be replacing every system. So initially, an organization's existing B2B processes and applications need to be assessed to identify opportunities for evolutionary change. Usually, this assessment is best undertaken by external professionals who can join with the internal team to play the role of trusted adviser. Once opportunities have been identified, a development and implementation plan to deploy the appropriate technology tools, often involving phases that may span a number of years, can be set into place.

The benefits gained from increased efficiencies are substantial. Organizations can slash their costs of doing business, while speeding up business cycles. Benefits extend beyond the enterprise walls, too, with the facilitation of seamless exchange of business information among trading partners.

Background: Today's Challenges

In today's rapidly evolving business environment, using tried and true B2B processes may no longer provide a competitive edge. True, these solutions used to be—and in many cases still are—enough to enable enterprises to maintain the steady flow of business. Organizations deployed applications to facilitate vital processes, beginning with transferring B2B data electronically via EDI, to integrating this data with back-end applications, to acquiring visibility into B2B transactions.

Today, however, with increasing globalization and fiercely competitive marketplaces, companies are seeking opportunities for operational efficiencies throughout all aspects of business processes, and are exploring advanced B2B technologies as the means to realize the benefits. The continuing trend of mergers and acquisitions, too, means that organizations must integrate previously separate and discrete IT infrastructures.

Often, organizations approach these challenges with a “silver bullet” mentality, seeking a specific technology solution that they can implement for a specific business process or component of a larger process. In real life, the silver bullet approach rarely provides the solution, because the processes themselves are too complex for a single solution (See Snapshot of a B2B Process).

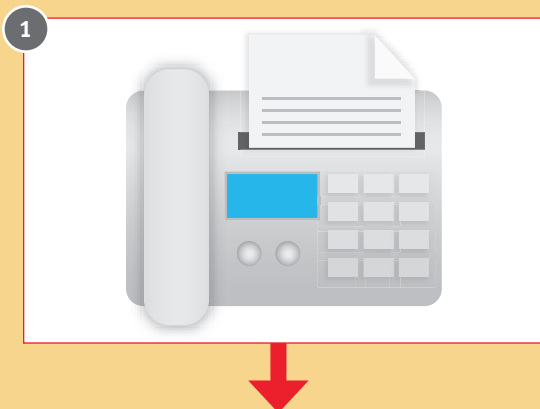
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Snapshot of a B2B Process: Purchase to Pay

A vital B2B process, purchase to pay involves numerous steps: purchase orders arrive, triggering a series of interconnected events and processes that conclude with the shipment of goods, the generation of an invoice, and the receipt of payment on that invoice. The speed and accuracy of the entire cycle enhances the organization's health and vitality; the more rapidly and accurately this process flows, the more value the organization realizes.

Purchase order arrives

At the outset, a purchase order arrives at Company. This can be in a variety of formats: fully electronic, via EDI, or simply by email. Or, the PO can still be paper-based, arriving via fax or even the mail. At this juncture, a host of potential issues arise. The order may be on a rush basis with shipment required within 24 hours. The order may contain a discrepancy; product names may not match product numbers. The PO amount may exceed the customer's approved credit limit. At this critical point, automated order processing solutions may ensure order data accurately enters the Company's workflow.



A Closer Look at Best Practices

Evolving to a higher level of efficiency is rarely an overnight process. Experience of industry leaders and analysts suggests that best practices involve a systematic evolution rather than revolution, transitioning people, processes and technologies into an organized approach that takes a system-wide view.

Teaming with Trusted Advisers

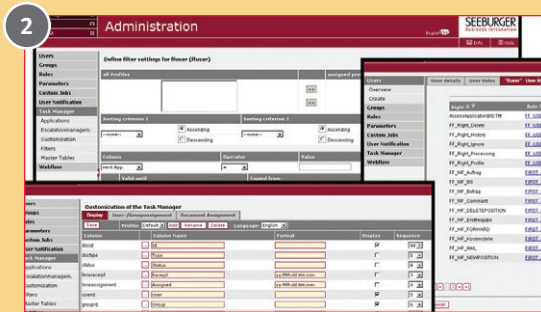
Usually, assessing business processes is best performed by an external professional who specializes in a particular business process. Often, internal professionals are unable to distance themselves from the environment to provide objective analyses. What's more, external professionals can bring a wealth of knowledge from multiple business environments and industries that may provide invaluable insights into the specific operations of a single organization.

For organizations seeking to advance to higher levels of operational efficiency, reliance on a team of trusted professional advisers is vital. Outsiders can provide a clear-eyed examination of a company's workflow and identify opportunities for optimization. In addition, BPM (business process management) experts can identify opportunities for enhancements that leverage investments in existing infrastructure, easing financial impacts of the evolution. Another benefit to utilizing external professionals is their greater knowledge of emerging technology solutions. While enterprise IT professionals focus on day-to-day challenges, BPM professionals can keep current with developing trends and the best solutions available in the marketplace. Given the rapid pace with which new technological tools and applications become available, it is often difficult for an internal staff to be well-versed in the possibilities and benefits of every new technology.

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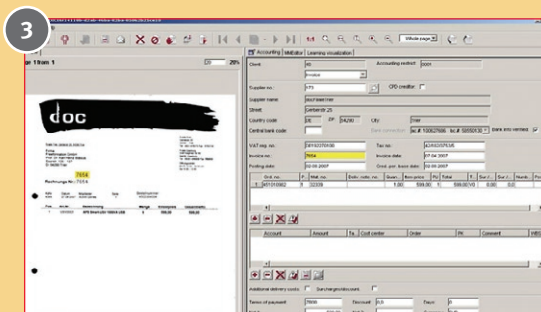
Credit approval by finance department

Suppose the order is from a customer with an overdue balance on previous shipments. Or perhaps the order exceeds the customer's credit limit. The order may even be from a new customer who has no credit established yet with the Company. Here, an exception management approach in the Company's BPM suite will ensure the issue arrives at the appropriate individual's desk for the necessary human intervention. Automated messaging capabilities can alert the individual of the need for their attention.



Order billing and payment

Even at the end of the process, issues can arise. Perhaps the customer has remitted payment with deductions for issues that need to be researched because no documentation was included with payment. With the business process visibility provided by a "dashboard" application, accounts receivable personnel can have full access to any supporting information regarding the order, including shipment dates and quantities, carrier information, and receipt information. With this information, A/R can quickly identify the source of the discrepancy and take steps toward a timely resolution.

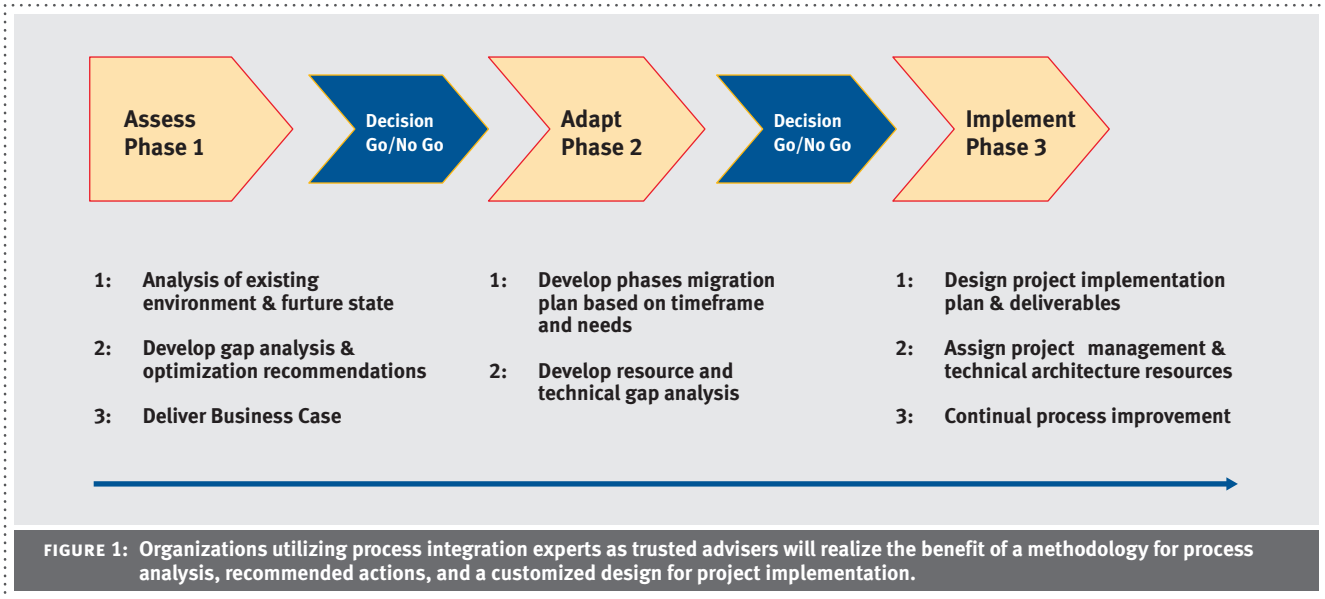


Using a team of trusted advisers can be particularly beneficial when an organization is working to integrate disparate infrastructures as the result of a merger or acquisition. In these circumstances, organizational IT resources are often overloaded simply trying to integrate daily workflow. Rather than piecing together a patchwork of applications from two formerly independent organizations, calling on a team of trusted advisers can bring system-wide benefits, as marine electronics manufacturer Navico discovered.

Evolving Processes after a Merger: Navico

Navico, a leading developer of navigation instruments and other marine electronics products, was facing a host of challenges. The company, formed from a 2006 merger of Tulsa-based Lowrance Electronics and Norwegian-based Simrad Yachting, was operating its EDI system on an outsourced basis. In addition to being quite expensive (costs ranged between \$150,000 to \$200,000 annually), this approach often resulted in inconsistent message delivery and frustrated trading partners. Faced with merging two sets of business processes as well as onboarding several large new customers within six months, the company engaged industry experts to provide assistance with transitioning the EDI operation to a more stable, cost-effective position. Leveraging their expertise in B2B integration as well as their experience with a technology solution capable of supporting any ERP platform and a global communications protocol, the team was able to implement an in-house system that reliably met Navico's needs.¹

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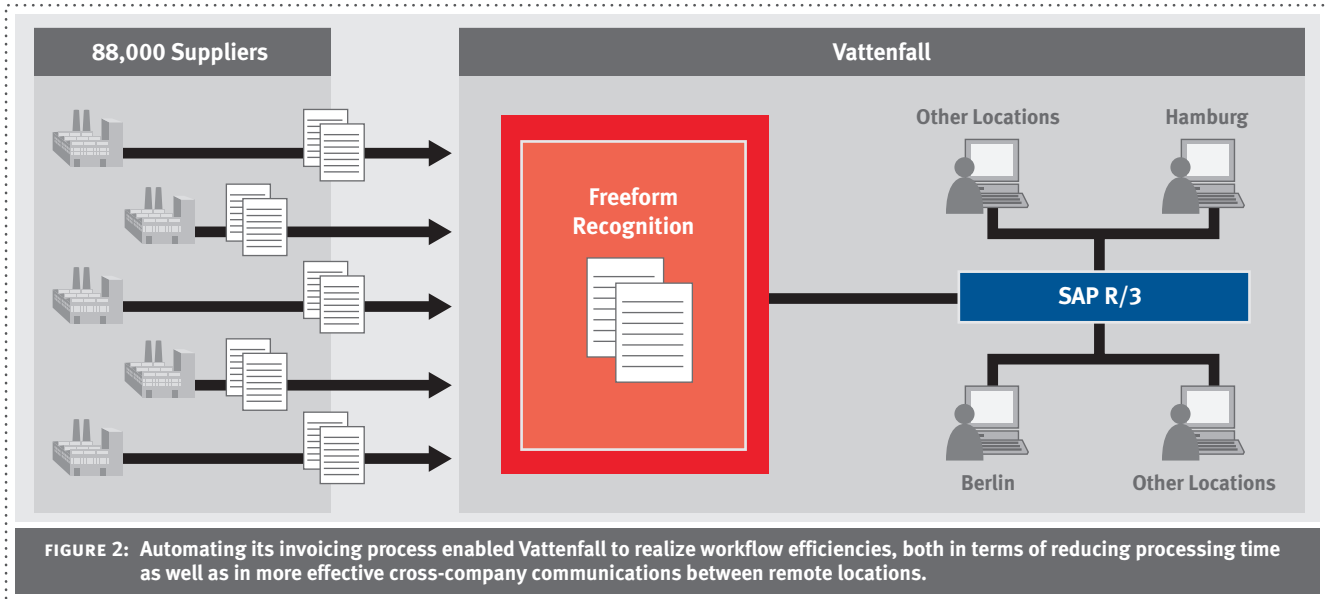
Assessing and Re-engineering Processes

A recommended starting point for IT professionals is to begin by assessing the BPM processes already in use by the company. Determine whether the current processes and workflow continue to meet the company’s business objectives. In some cases, a careful analysis will reveal a disconnect that creates inefficiencies. For instance, a large manufacturer organization may promise its customers order fulfillment within two business days of order receipt while still continuing to accept a majority of those orders by fax or mail and performing manual data entry. Clearly, these two processes require synchronization; either the value proposition to the customer must be revised or the fulfillment process streamlined to enable two-day order turnaround. In other cases, an analysis will identify the need to upgrade a specific process, as European energy provider Vattenfall recognized.

Refining the Process: Vattenfall Europe

A major producer of electricity and heat in Europe, Vattenfall maintains operations in Sweden, Denmark, Finland, Germany and Poland. The company operates in all parts of the electricity value chain (e.g., generation, transmission, distribution, and sales), and also generates, distributes and sells heat, and conducts energy trading and lignite mining. In total, Vattenfall receives approximately 3,500 invoices daily, and conducts business with 88,000 suppliers. Vattenfall personnel work together from offices in Berlin, Hamburg, Cottbus and other locations. For Vattenfall, it made sense to refine the workflow to automate invoice processing. Not only would it ensure error-free data but would simplify the exchange of data among employees across the company regardless of physical location. By implementing an innovative solution employing freeform recognition technology, the company was able to automate its invoice processing seamlessly within its SAP work environment.²

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Deploying Effective Technology Tools

The final element in the mix is the appropriate use of technology tools. Best practices suggest the implementation of technology solutions that maximize the efficiencies of organizational processes system-wide, as well as increase visibility throughout the process. This need for visibility and integration extends beyond the four walls of the enterprise itself, to encompass suppliers, customers, and other transaction participants, such as transportation partners. The entire value delivery chain becomes more fluid and capable of response to changing events. With a process-oriented approach to enhancing the value chain, organizations can deploy tools that enable system-wide synergies. Applied effectively, the current generation of technology solutions provides much more functionality and flexibility, enabling businesses to achieve higher levels of efficiency and visibility throughout all business processes, as Osram Opto Semiconductors can attest.

Advancing Efficiencies: Osram Opto Semiconductors

Facing a corporate restructuring, leading LED

manufacturer Osram Opto Semiconductors needed to migrate to a new EDI platform. The stakes were high; more than 60% of the company's global LED business flows through EDI channels, with roughly 28,000 electronic messages in transit every month. Raising the stakes even higher, many of the electronically-enabled trading partners are manufacturers who purchase LEDs for JIT production, ordering LEDs early in the morning for pickup at third-party warehouses only a few hours later. By implementing an integrated B2B Gateway solution, Osram leveraged the vendor's global capabilities as well as its SAP adapter that ensured seamless integration with all relevant SAP functions. The global nature of the implementation has also produced significant benefits. Having a single production server rather than multiple EDI systems simplified the company's IT infrastructure, reduced hardware and maintenance costs, and lowered communication fees by allowing all EDI messages to be routed through one value-added network (VAN). In addition, the EDI teams in each office around the globe can assist each other on various projects because they are using the same development tools.³

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Lessons Learned

Leaders in advancing their enterprises' efficiencies in B2B processes have learned some key lessons. The keys to success for driving B2B efficiencies throughout an organization rely upon your ability to successfully balance the impact of changes to your business processes, the people in your organization and the technology behind the solution.

People

The role of a trusted external advisor cannot be overstated. Such an objective expert can provide invaluable insight into how a company operates and where the best opportunities lie to optimize information exchange and integration.

Processes

It is critical to maintain compatibility with a company's existing B2B processes, as well as enhance them further, with the right technology solutions. While many solutions may be effective, they often require a company to alter its internal processes to accommodate the solution. Often, this creates friction and loss of productivity, resulting in new inefficiencies rather than the desired enhancements. For instance, an enterprise with an existing ERP system may decide to implement a new finance module, but fails to take into account the current workflow, which brings new invoices in through customer service and then flows the data to finance. Implementing a new finance module, without considering the impact this may have on customer service may result in a situation where both departments now need to perform manual data entry. The net result is inefficiency introduced into the process, rather than process improvements.

Technology

Successful B2B implementations apply technology tools that can seamlessly adapt to the business environment, enabling the enterprise to retain effective processes and existing infrastructure as it continues to evolve to a new level of efficiency. In fact, best practices suggest IT professionals seek out technology solutions that provide both compatibility with legacy applications and the capability to streamline operations. Any selection of new tools should also be executed with an eye to planned evolutions or migrations already scheduled for the future. This will ensure that solutions implemented now will continue to be prudent investments in an organization's future IT infrastructure.

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SEEBURGER Solutions

SEEBURGER, a world leader in B2B integration technology, offers powerful and complementary tools and services for seamless business integration and meeting the challenges of global collaboration. The secret to success for SEEBURGER is its unique combination of industry experts, processes and tools the company leverages to implement its business integration platform.

The foundation of SEEBURGER's expertise lays in its process-oriented approach to business integration, and its commitment to strong relationships with other business software solutions providers, such as SAP, Oracle, and others. Developing the full range of its product solutions internally, SEEBURGER focuses on the core characteristics of business processes, from process development, execution, and management to monitoring, analytics, and human interaction.

This approach ensures that SEEBURGER solutions seamlessly integrate all types of business operations software. The company relies on its BPM experts, who bring experience in virtually every major business sector to bear when assessing the needs of individual clients.

A scalable business integration platform, the SEEBURGER **Business Integration Server (BIS)** utilizes cutting-edge technologies for seamless integration of internal systems, business processes, and trading partners. The BIS features SOA-based development and deployment capabilities, enhancing enterprise agility by maximizing existing IT resources while minimizing the necessity for costly new applications.

Complementary to the BIS is the **BIS Portal**, which provides tools for trading partner enablement as well as process visibility. To enable trading partners to the maximum extent possible and provide maximal process visibility, the B2B Portal includes Rollout Services, partner self-service, small supplier connectivity solutions, and process visibility tools such as Message Tracking, Target Monitoring, Task Manager, and SCM Portal.

About SEEBURGER

SEEBURGER is a leading provider of global business integration solutions designed to optimize transactions throughout the extended enterprise by automating trading relationships with all partners regardless of their size and technical resources. Launched in 1986 to provide integration solutions to the automotive industry in Germany, the company today is ranked among the top business-to-business gateway providers by industry analysts, and serves more than 7,500 customers in 50 countries and more than 15 industries through its flagship BIS and related products and services. SEEBURGER has global offices in Europe, Asia Pacific and North America, including a U.S. office that opened in 1998.

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