



UNLOCKING **SUPPLIER** INNOVATION

by David Harrison



Best practice procurement is no longer about the 'price vs risk paradigm', but increasingly it involves leveraging suppliers' innovation. I recently heard Neil Rainey, Telstra's general manager - Strategic Relations, define the telco's strategic partners as vendors who show thought leadership and help deliver a competitive advantage while enhancing Telstra's customer experience.

Research and experience tell us that while more supply contracts specifically call for supplier innovation, this is hard to monitor, even more difficult to enforce and often forgotten. Indeed, my own procurement journey has been littered with vendors who pledge innovation, but soon forget all that as they focus on delivering 'business as usual'. And then we repeated the cycle of RPF's and new suppliers, as we searched for something different or at least a vendor who understood continuous improvement.

In my previous role at a leading financial institution, I was determined to enforce the innovation clauses, but struggled to find ways of doing this that didn't involve confrontation and potential friction.



SUPPLIER VALUE SUPERCHARGE



GETTING TOGETHER

We chalked up some big wins using the Innovation Tank process. The solution involved bringing the relevant parties together in a neutral venue for a facilitated exchange that follows an effective seven-step process.

My team used the high-tech Innovation Tank facility in Sydney for a number of supplier interactions.

We found that the structured approach was effective in shaking us, and our suppliers, out of the status quo by forcing us to focus on innovation and the issues around it.

In one of our most successful encounters, we undertook the Innovation Tank Supplier Value Supercharge process to improve our relationship with an \$80 million per annum vendor who had failed to deliver on its innovation promises.

Our encounter benefited from the external perspective of the Innovation Tank facilitators who held both sides to account, ensuring a neutral engagement.

Freed from the issues of day-to-day service delivery, we were able to come up with new, more efficient ways of doing things that delivered added value to our organisation and improved

efficiency and, therefore, profitability for the vendor.

In another case, we brought in a vendor very early in the process of developing a new product and were able to benefit from their knowledge as we shaped the offering.

The Innovation Tank process was also extremely effective in bringing under performing suppliers up to speed. The two-day session clearly identified the key stakeholders and their expectations. During the interaction, innovation was transformed from a vague concept into a set of deliverables – which improved both parties' margins (a real win-win), with realistic timelines and the appropriate allocation of responsibilities.

We even used an Innovation Tank session to bolster one of our inhouse teams by clarifying the structure, defining roles and embedding innovation processes in a sustainable fashion.

Of course, the same discipline was used for other challenges like cost reductions and procurement process improvements.

What really stood out was the speed of the Innovation Tank process, which delivered outcomes in a fraction of the time it would take using other means. This translated into a significant rate of return – both on the investment and on the time commitment.

WHY IT WORKS

The Innovation Tank approach has been successful because it brings together key stakeholders and external experts in a neutral environment.

Lance Orsmond and the Innovation Tank team undertake extensive analysis beforehand so that by the time the relevant parties get together in the room, all the elements are in place and they can maximise the use of time to clearly identify challenges, opportunities, risks and impediments.

The thorough interaction process helps everyone move from the “as is” state towards a “to be” scenario, identifying the steps needed to achieve the goal.

But the Innovation Tank service doesn't end when the participants leave the room.

The Innovation Tank team documents all the discussions and resolutions – and catalogues the strategy and roadmap that emerge.

They say that the whole is often greater than the sum of its parts, and procurement innovation is seldom delivered purely by one party. And even if both buyer and vendor work together, that's no guarantee of success. We found that the Innovation Tank was the missing ingredient that inevitably allowed all sides to perform way above their previous levels, boosting relationships and achieving unprecedented outcomes for all.

Over the past 26 years, **David Harrison** has worked across 20+ industries with some of the biggest multinational brands around the world in and around procurement, innovation, solution selling and margin growth. These include Westpac, Vodafone, Procter & Gamble, Goodman Fielder and many more.



He was so impressed with the Innovation Tank process that he now serves on the advisory board.