ORACLE

HOW TO

Leverage suppliers to accelerate innovation and time to market

Position for growth

Shrinking product lifecycles, demand for innovation, and increasing product complexity often strain a company's R&D capabilities. Innovation is the key to profitable growth and competitive advantage for many companies. However, relying solely on internal R&D often results in higher costs and slower time to market.

Research shows that up to 80 percent of product lifecycle costs are determined during the early design stages[1] and collaborating with key suppliers can optimize costs, improve innovation, and accelerate time to market. Procurement organizations can work with R&D during early design cycles by researching supply options and pricing inputs to understand risks and control costs. They're also playing an increasing role in identifying and partnering with strategic suppliers whose expertise can turbocharge new product development and speed commercialization.

However, making these partnerships work is not easy. Collaboration requires companies to rethink how they manage supplier relationships that have traditionally focused primarily on cost reduction. Strategically focused procurement organizations recognize that successful partnering requires a systematic approach leveraging a single end-to-end solution to standardize how they qualify, source, collaborate with, and integrate suppliers into the process. This allows development and engineering teams at both the manufacturer and supplier to work together efficiently on new product designs.
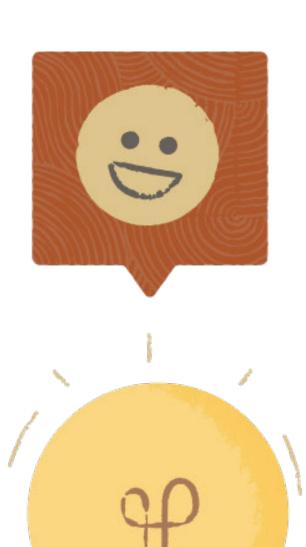
[1] Collaborative Product and Service Life Cycle Management for a Sustainable World; Proceedings of the 15th ISPE International Conference on Concurrent Engineering
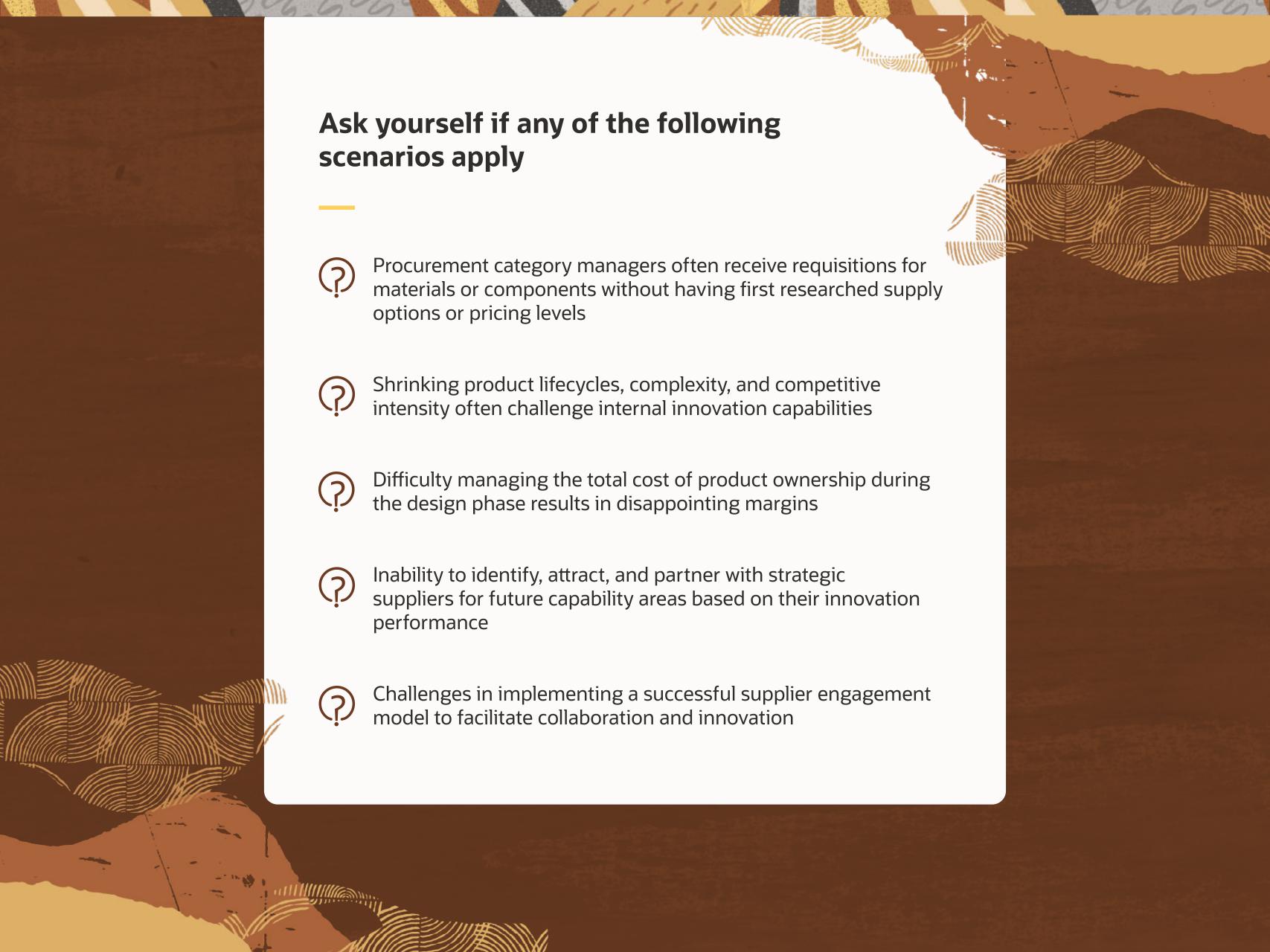
Did you know?

More than 80% of companies struggle to integrate suppliers early in their innovation process.[1]

- Companies that regularly collaborated with suppliers **demonstrated higher growth, lower operating costs, and greater profitability** than their industry peers. Leaders in supplier development and innovation tend to beat industry trends by about 2X in growth and other metrics.[2]

- Externally sourced innovations are typically **commercialized 40% faster than home-grown ideas**, often because they have been partially validated by the supplier.[3]

- **65% of procurement practitioners** say procurement at their company is becoming more collaborative with suppliers.[4]

- **47% of procurement managers** said they are introducing processes and technology to improve supplier collaboration.[5]

[1] Oliver Wyman, "Supplier Innovation as Driver for Profitable Growth" 2020.

[2] McKinsey & Company, "Taking supplier collaboration to the next level," July 2020.

[3] McKinsey & Company, "Managing your external supply system for innovation," October 2019.

[4] Oxford Economics, "The Future of Procurement, Making Collaboration Pay Off," January 2021.

[5] Supply Chain Digital, "Procurement research shows suppliers are next frontier for innovation", August 2020.)

Ask yourself if any of the following scenarios apply

❓ Procurement category managers often receive requisitions for materials or components without having first researched supply options or pricing levels

❓ Shrinking product lifecycles, complexity, and competitive intensity often challenge internal innovation capabilities

❓ Difficulty managing the total cost of product ownership during the design phase results in disappointing margins

❓ Inability to identify, attract, and partner with strategic suppliers for future capability areas based on their innovation performance

❓ Challenges in implementing a successful supplier engagement model to facilitate collaboration and innovation

How can procurement help suppliers accelerate innovation?

Define

They help define which product areas could benefit from supplier co-innovation and which supply partners offer the best capabilities.

Focus

They focus on innovation by streamlining and automating supplier assessment, qualification, and sourcing to provide greater visibility into supplier capabilities and innovation performance.

Structure

They should structure agreements with supply partners so that risks are managed, innovation objectives are clearly defined, and sufficient incentives are implemented to ensure supplier engagement.

How can Oracle help you?

✓ **Gain early insights into supplier capabilities through systematic assessment, qualification, and sourcing.** This makes innovation partner selection more transparent and enduring by managing risks and analyzing capabilities and innovation performance.

✓ **Unlock continuous innovation by aligning and standardizing all your data and processes— from idea to service—on a single cloud solution.** Efficiently view and share information in real time across internal teams and suppliers while managing new offerings and change requirements.

✓ **Feed the innovation pipeline with a steady stream of qualified ideas that are achievable, linked to customer requirements, and aligned with go-to-market strategies.** Gain deep insights from customers, products, factories, and supplier capabilities to optimize your innovation portfolio.

" With a unified solution, we are able to source the raw materials we need early in the new product development process to reduce lead time and qualify the best supplies that are cost effective, so that we are ready to start manufacturing right away and can offer great prices to our customers."

—Stefano Mariani
Manager of IT, Alcar Ruote

3 steps to enable collaborative innovation

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Involve procurement early.
Collaborate with procurement early in the design and development cycle to better understand supply availability and materials options, and to more closely examine pricing inputs to develop more accurate product cost estimates.

Invest in the right solutions.
An integrated suite of supplier qualification, sourcing, contract management, and purchasing solutions enables procurement to find the best suppliers, minimize risks, and assess their performance as potential collaboration partners.

Create an innovation ecosystem.
Empower your procurement professionals to search for and qualify supply partners with the best capabilities to help the company accelerate innovation.

To learn more about how you can turn your best ideas into profitable innovations, visit our Unlock Continuous Innovation page.

Learn more