Supplying Innovation: Unlocking innovative behaviours in the supply chain

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The background: the changes in industries

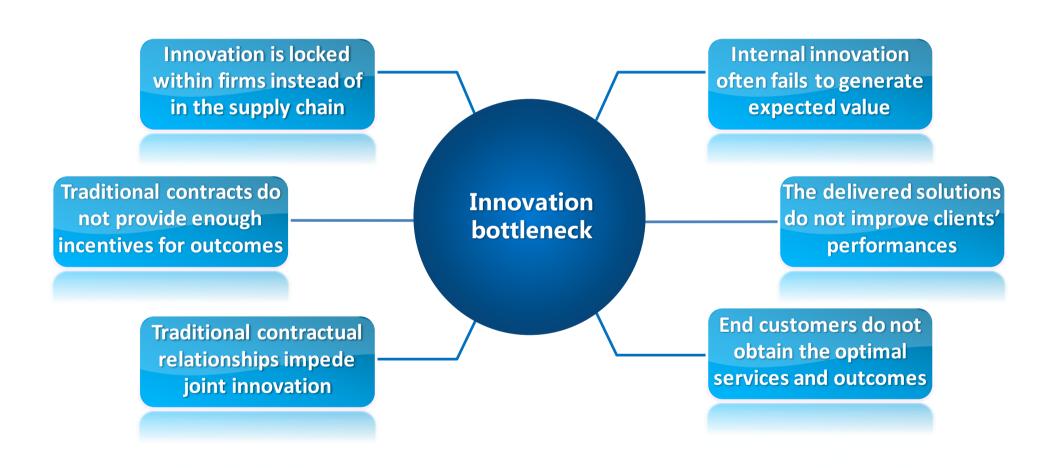
 We conducted this case study in an utility industry in the UK, but the following changes are not limited to one industry and can be observed in many industries.

Customer focused	End customers are paid unprecedented attention to.	
Outcome oriented	Outcomes instead of outputs are demanded.	
High complexity	It is difficult for one company to deliver on its own.	
Innovation demanding	Innovation is crucial to fulfill stakeholders' demands.	





The problem: the innovation bottleneck







The solution: form an alliance to deliver outcomes

The shift from outputs to The formation of an outcomes alliance Suppliers are rewarded on outcomes for Multiple suppliers and the client form an end customers and other stakeholders. alliance to jointly deliver outcomes. End customers are included for The alliance is relatively independent of consideration as key stakeholders. its partner companies. Some responsibilities and related risks The clear distinctions between suppliers are transferred from clients to suppliers. and the client fade away.





Major stakeholders of the alliance







Key challenges

Inside the alliance

- Partners have different business models.
- Limited experience to deliver outcomes.
- Partners have different past relationships.
- Partners compete outside the alliance.

Outside the alliance

- The whole industry was not collaborative and trusting in nature.
- The whole industry was output driven.
- The industry lacks information transparency.

Outcome model challenges

Collaboration challenges





Key success themes

Key success themes

Collaboration



Strategic objectives
Organizational culture
Engender trust
Educational communications

Commercial solution



Totex focus
Risk & reward sharing
Benefits realization
Incentivize suppliers

Operational design

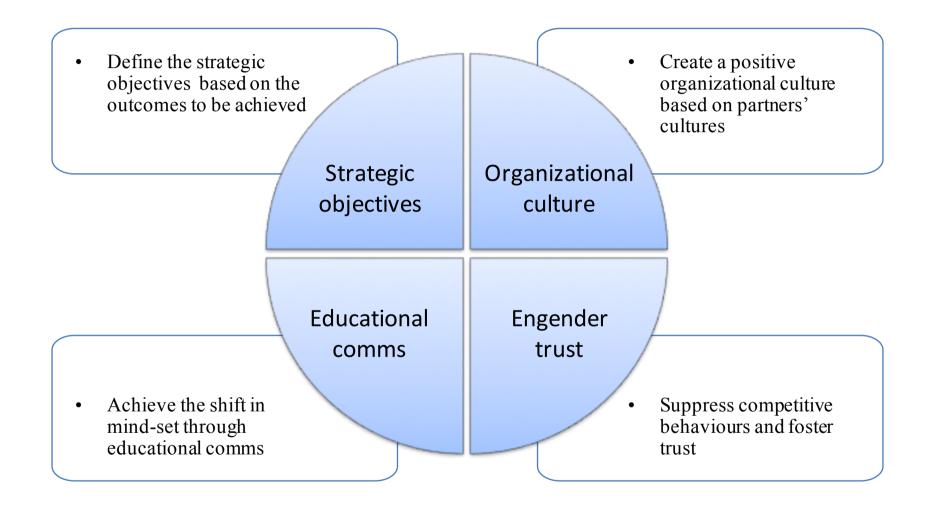


Continuing education
Information platform
Process design
Metrics / Measurements





Key success theme – collaboration







Key success theme – commercial solution

The boundaries between Benefits and risks are capital and operational shared among partners; expenditures are outcome KPIs are eliminated transferred to the alliance Totex Risk & reward focus sharing Incentive Benefits realization suppliers Facilitate the choice of Incentivize extended optimal solutions that suppliers on outcomes where possible deliver outcomes





Key success theme – operational design

Design platforms for the Training sessions on customer focus and sharing of data, outcome thinking knowledge, and capabilities Continuing Information platforms education Metrics & **Process** design measurements Measure contributions of Design processes for partners, track the everyday operations achievements, etc.





Discussions and conclusions

- The three key success themes collaboration, commercial solution and operational design – mutually reinforce each other.
- The shift from outputs to outcomes implies increased responsibilities and related risks for suppliers, but also flexibility and opportunities.
- The formation of an alliance to deliver outcome-based projects provides opportunities to unlock innovation in the supply chain and to accumulate capabilities from multiple partners to meet customer demands, to fulfill regulators' requirements, and to generate benefits for partners.
- There are real challenges for delivering outcome-based contracts with an alliance. So this model is not for every project, and decisions should be made carefully.





Thank you

The white paper is written by Jingchen Hou, Keith Wishart, Jonathan Baker-Brian and Claire Vine. It can be accessed from http://cambridgeservicealliance.eng.cam.ac.uk/news/2016MarchPaper





Forthcoming Webinars

Date 14:30hr GMT	Topic	Invited speaker
April 11 th	Mapping Ecosystems: Identifying Service Innovations. ***TOOL***	Prof. Andy Neely
May 9 th	Supplying innovation: unlocking innovative behaviours in the supply chain	Dr. Jingchen Hou
June 13th	Facilitating Co-Creation in Living Labs – The Josephs Study	Katharina Greve
July 18th	Service in the Platform Context: a review of the state of the art	Xia Han
Sept 12th	Tools webinar	Prof Andy Neely













