

Supplying Innovation: Unlocking innovative behaviours in the supply chain

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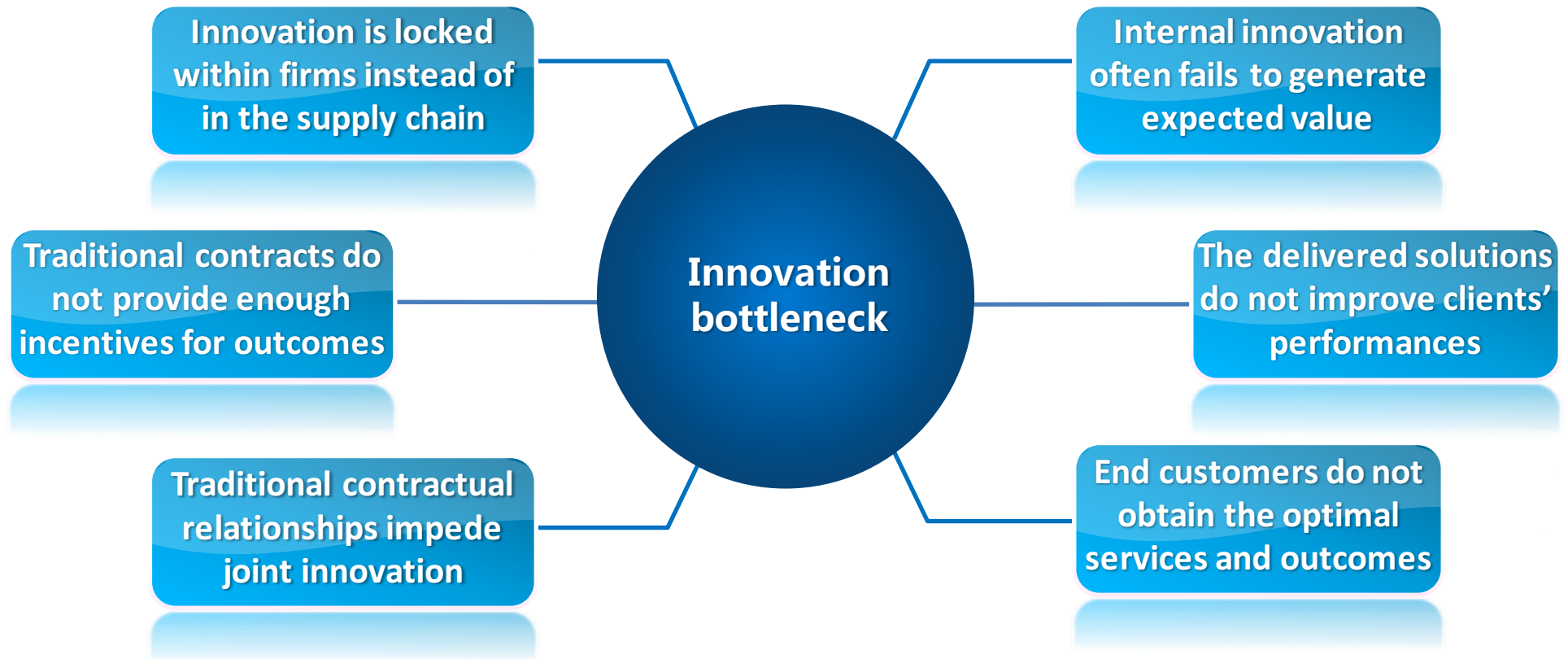
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The background: the changes in industries

- 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.

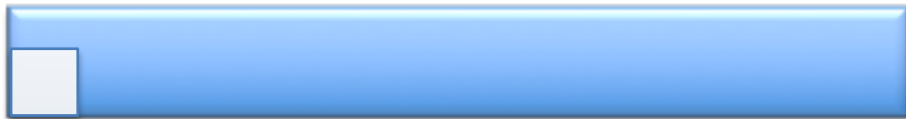
Customer focused	End customers are paid unprecedented attention to.
Outcome oriented	Outcomes instead of outputs are demanded.
High complexity	It is difficult for one company to deliver on its own.
Innovation demanding	Innovation is crucial to fulfill stakeholders' demands.

The problem: the innovation bottleneck



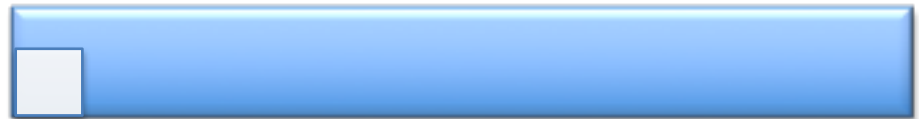
The solution: form an alliance to deliver outcomes

The shift from outputs to outcomes



- ☐ Suppliers are rewarded on outcomes for end customers and other stakeholders.
- ☐ End customers are included for consideration as key stakeholders.
- ☐ Some responsibilities and related risks are transferred from clients to suppliers.

The formation of an alliance

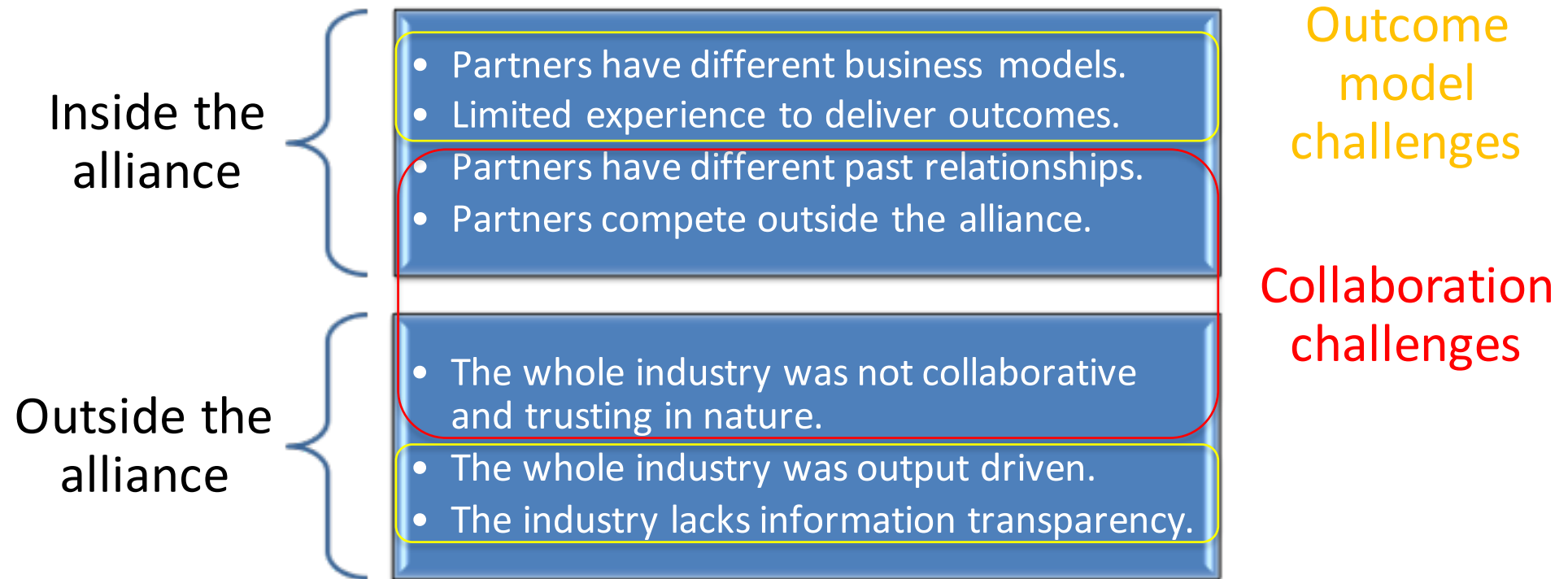


- ☐ Multiple suppliers and the client form an alliance to jointly deliver outcomes.
- ☐ The alliance is relatively independent of its partner companies.
- ☐ The clear distinctions between suppliers and the client fade away.

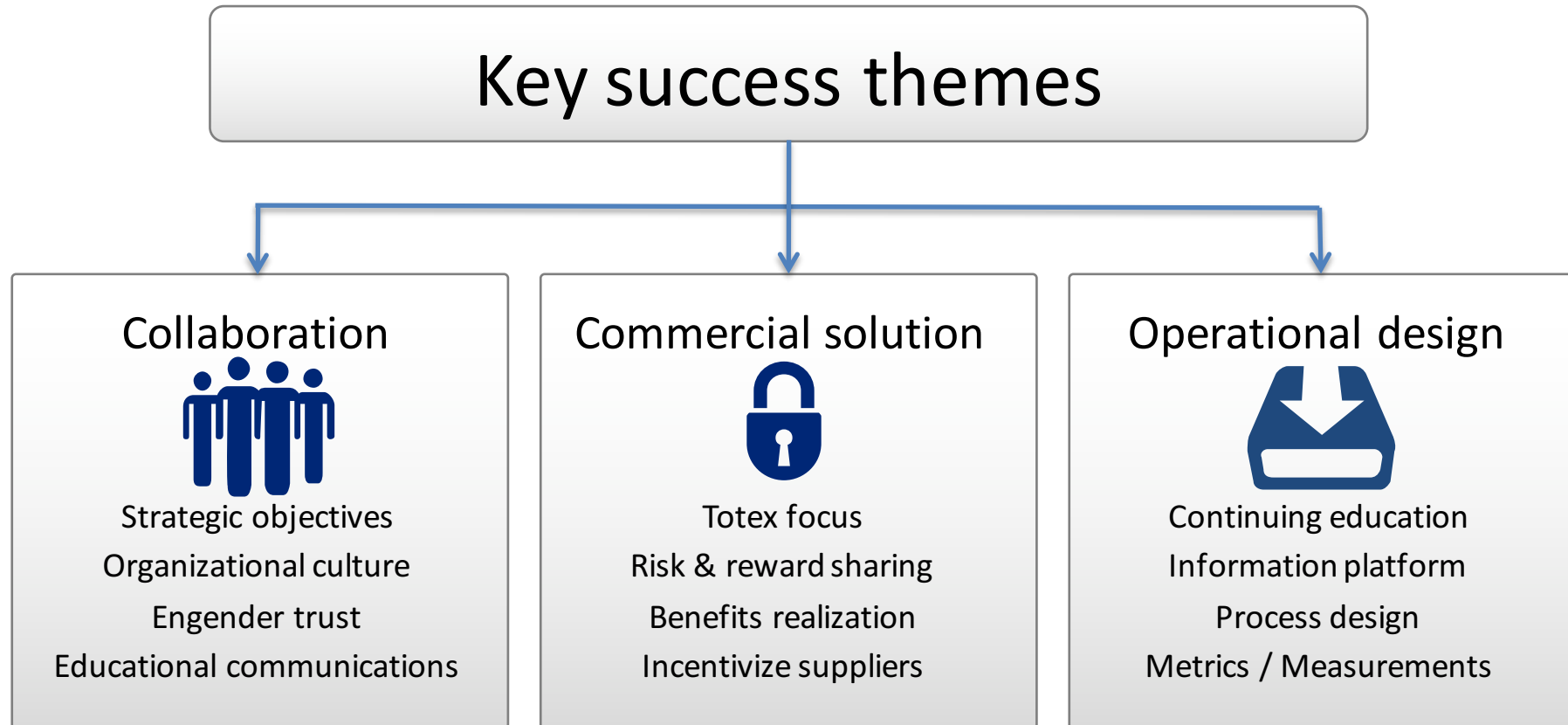
Major stakeholders of the alliance



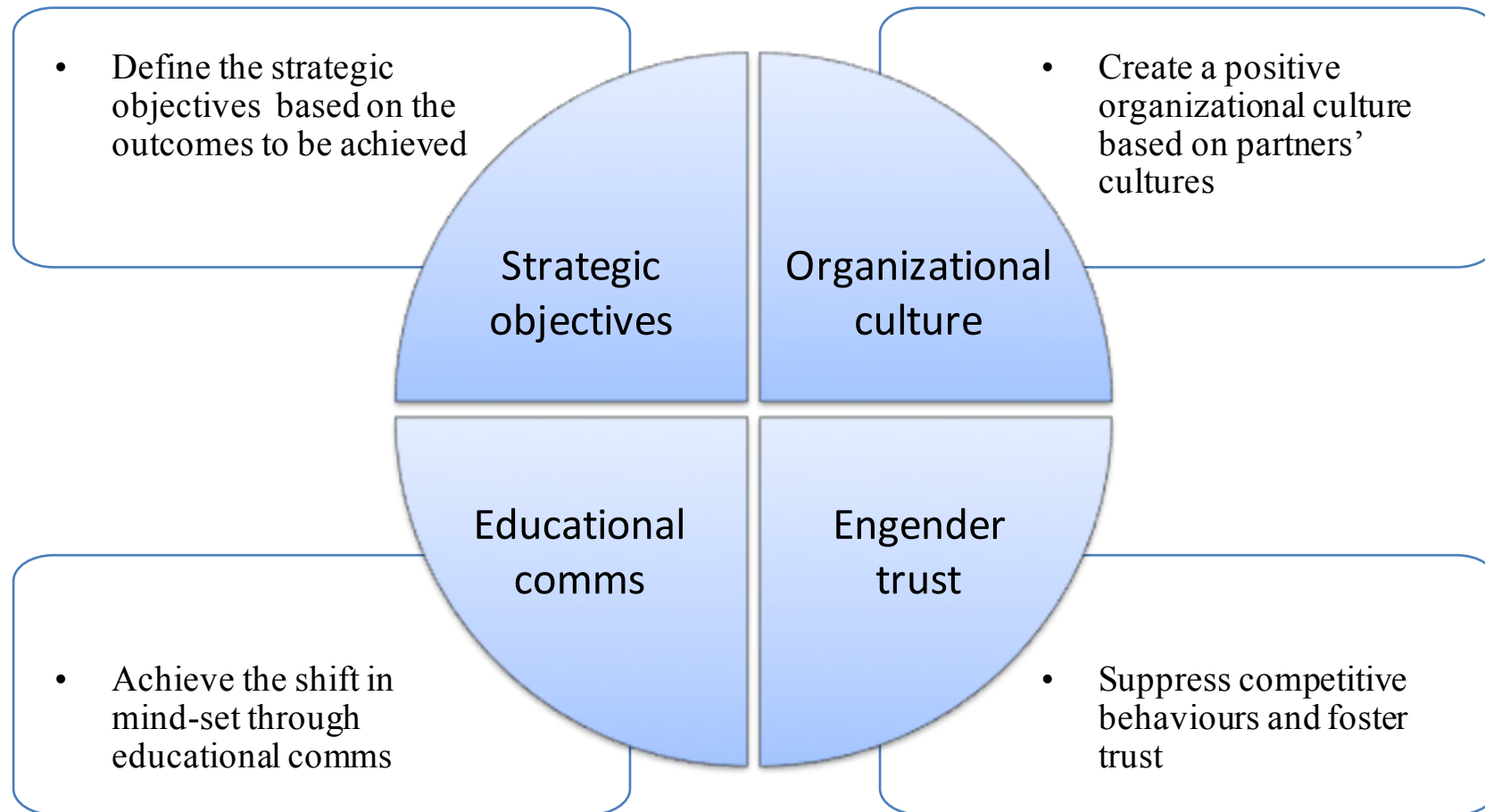
Key challenges



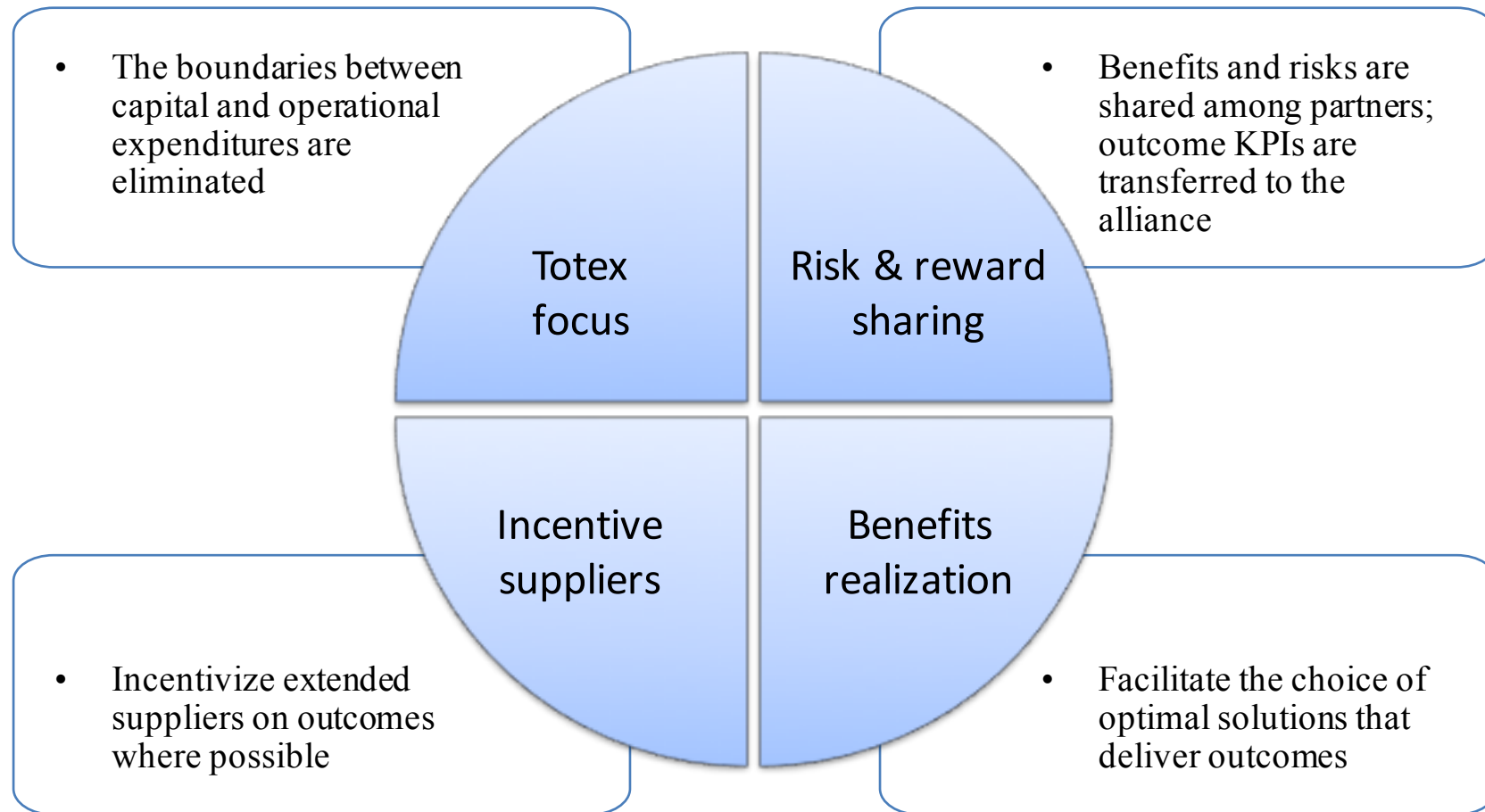
Key success themes



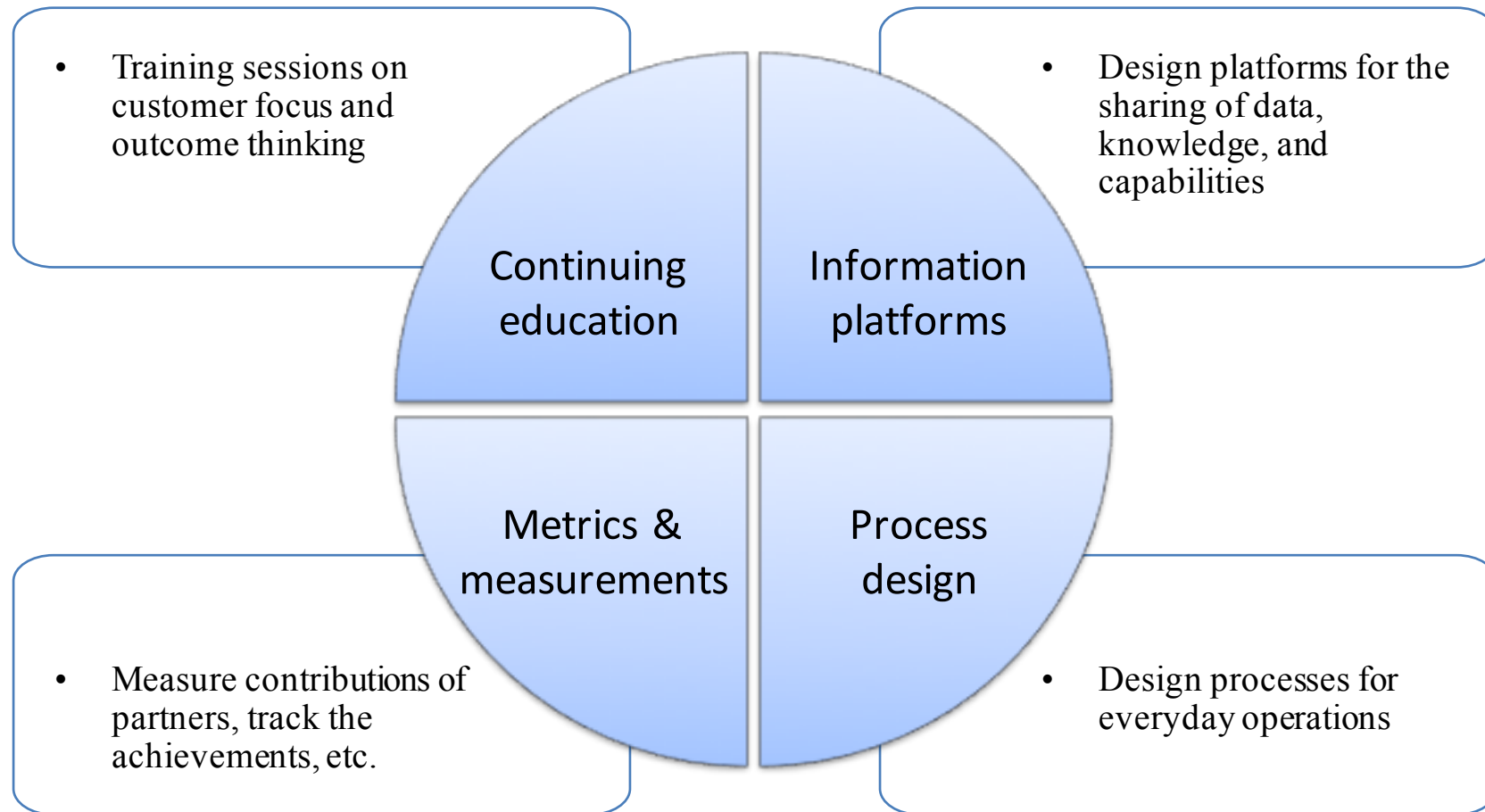
Key success theme – collaboration



Key success theme – commercial solution



Key success theme – operational design



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 18 th	Service in the Platform Context: a review of the state of the art	Xia Han
Sept 12 th	Tools webinar	Prof Andy Neely