



FOCUS STUDY

Implementing Supplier Innovation: Case Study Findings

A CAPS Research
Initiative

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Forward

Innovation of products, services and processes is a critical strategic element at companies such as P&G, Whirlpool, Philips, Ford and others worldwide. Important innovations are developed internally, externally or jointly established.

However, firms have not yet fully established how they will most effectively leverage external supplier capabilities to accelerate innovation to the benefit of both buyers and suppliers. Innovation sourcing requires aligned and linked customer-driven strategies between senior company executives, supply and strategic suppliers, which are in early development at most firms.

In this and a complementary report, *Accelerating Innovation through Effective Supplier Collaboration*, CAPS Research explains how leading companies and their suppliers are engaging in supplier innovation. The research examines the strategies and approaches that are in place in a number of companies to accelerate and obtain supplier innovations. Company case examples describe these strategic approaches, barriers to success, enablers and overall critical issues.

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Executive Summary

“Innovate or die.” What Tom Peters first said years ago becomes more and more prescient with each passing year.

The hard part is learning how to innovate. Who should be involved, internally and externally? How can trust be developed with external partners? How should the process be managed?

There is an increasing corporate focus on innovation, especially around engaging the supply base. Firms worldwide are recognizing that suppliers can serve as important sources of innovation by bringing new thinking and even finished concepts, shortening new product and service development time significantly.

To explore this phenomenon, CAPS Research undertook extensive exploratory case research with five leading companies across nine business units to initially identify those factors that most closely correlated with success in achieving supplier innovation while identifying possible obstacles that need to be overcome.

The research objective was to unearth answers to these questions:

- What strategies and approaches can a company use to identify, select and effectively collaborate with suppliers and supplier groups to accelerate innovation?
- What is the specific role that supply management can play in accelerating innovation across the stages of product, service and process (PSP) development?

This report focuses on supplier innovation learnings gleaned from seven in-depth case studies of how firms worked with suppliers to develop product or service innovations in order to maintain or improve their competitive position. The report is complementary with

the overall research report, *Accelerating Innovation through Effective Supplier Collaboration*, both of which are published as CAPS Research Focus studies.

The seven cases provide detailed insights into company and supply strategies that were implemented in different industries to accelerate and acquire supplier innovation. The industries include telecommunications, automotive, diversified manufacturing, high-technology business-to-business and consumer non-durable goods. Each case provides a differentiated view of how supplier innovation was acquired.

Each of the cases provides sufficient detail to describe the critical issues facing the firms in their efforts to achieve supplier innovation. The manner in which they approached the critical issues and collaborated with suppliers to achieve positive innovation results is also discussed. At the end of each case we provide a set of learnings that provides guidance to firms that may be initiating or enhancing supplier innovation initiatives, along with what we consider to be the “big insights” to be gained from the case.

The final section of this report provides cross-case learnings presented as “guidelines” for firms to begin, enhance and/or compare supplier innovation approaches with learnings from other leading firms.

These guidelines include approaches to:

- Intellectual property ownership
- Project management
- Trust and communications
- Strategic alignment and risk/reward
- Innovation metrics, supplier capabilities and performance assessments
- Voice of the customer and suppliers
- Cost versus innovation
- Stage-gate processes: from concept to suppliers
- Company innovation culture

- Supply management's role
- Overall observations and critical problem areas negatively affecting innovation development