

Straight Talk Book No.3

Outward bound

(A practical guide to building an
Extended Enterprise, and the adventures
you'll encounter along the way)

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Extended Enterprise, n: A busy, buzzing, business ecosystem.

Granted, ecosystem is a word consultants stole from ecologists and proceeded to overuse until all you heard was buzzzzzzzzz.

But listen carefully.

There, under all that consultant noise, is the industrious buzz of the bee. While just a tiny part of a much grander scheme, the bee's role in maintaining the hive, and in turn, the hive's role in keeping its ecosystem healthy, cannot be underestimated.

Consider the ripple effect if suddenly pollination stopped? Fruit and flower production would drop, honey inventories would run out, and a host of creatures in Nature's little supply chain (upstream and downstream of the bee) would suddenly find themselves without food and material.

Like the bee, your organization is a part of an ecosystem – you're dependent on a host of partners, suppliers, and distributors in your *own* chain of value.

The question for you, then, is how to do business across your ecosystem in a way that strengthens the health and wealth of every one of its parts.

Answering that question is why we wrote this book.

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“People are very open-minded about new things. As long as they are exactly like the old ones.”

Charles Kettering

The Next New Thing

Let's review the last decade.

Fresh off TQM and reengineering, we were hungry for more.

We ran the ERP plays. Replaced some old systems, and migrated to others. Negotiated common data. And fixed many of our processes. *Not bad.*

From payables to purchasing to personnel – our insides were humming (or so we thought).

Then along came the Internet. The Boom. And the Bust. *Whew.*

And now we're told the Next New Thing has arrived. *Ready?*

Oh, and by the way, this one's supposed to happen beyond the comfort of our own four walls, making us even more dependent on people outside our control. See that space between you and your business partners? It's just become the most expensive real estate in town.

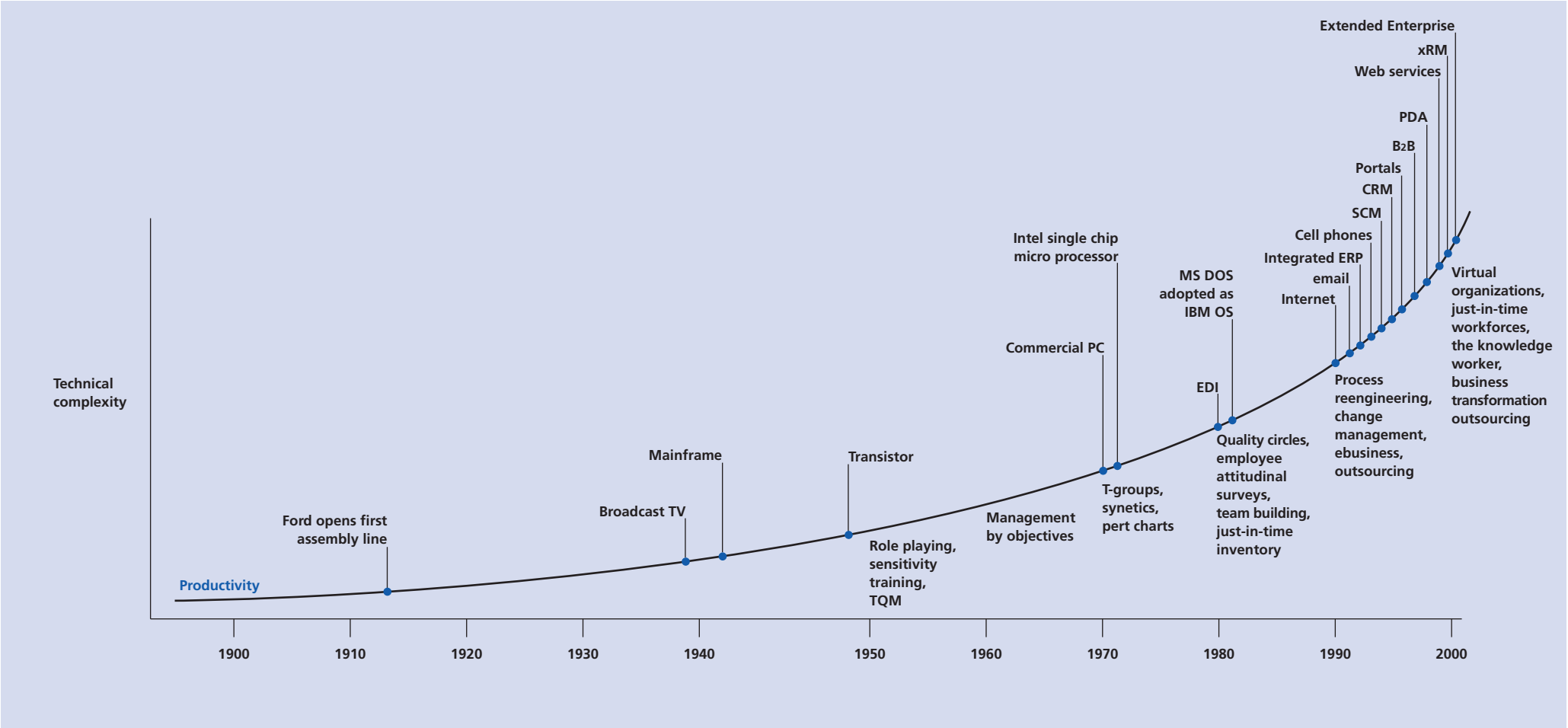
The media will obsess over it. Software companies will line up to automate it. And consultants will knock down your doors to implement it.

Already, there's a mouthful of names for it: *ERP II, One degree of separation, Collaborative Commerce, Integrated Enterprise Solutions, Enterprise Commerce Management,* and our straightforward favorite, *The Extended Enterprise.*

Look out – this Next New Thing is headed your way.

A brief history of Next New Things

(With every productivity gain, you get a bonus gift of complexity and business theory.)



“The length of a film should be directly related to the endurance of the human bladder.”

Alfred Hitchcock

Skip the sequel

The Extended Enterprise name game is certainly confusing.

But rest assured. Extending your enterprise is not simply a matter of ERP followed by ERP II, ERP III, or ERP IV. This is not a Rocky movie. There will be no sequels. So, before you proceed, be clear about the difference between ERP and an Extended Enterprise.

Enterprise Resource Planning is about enterprise-wide structural change – basically, getting your house in order.

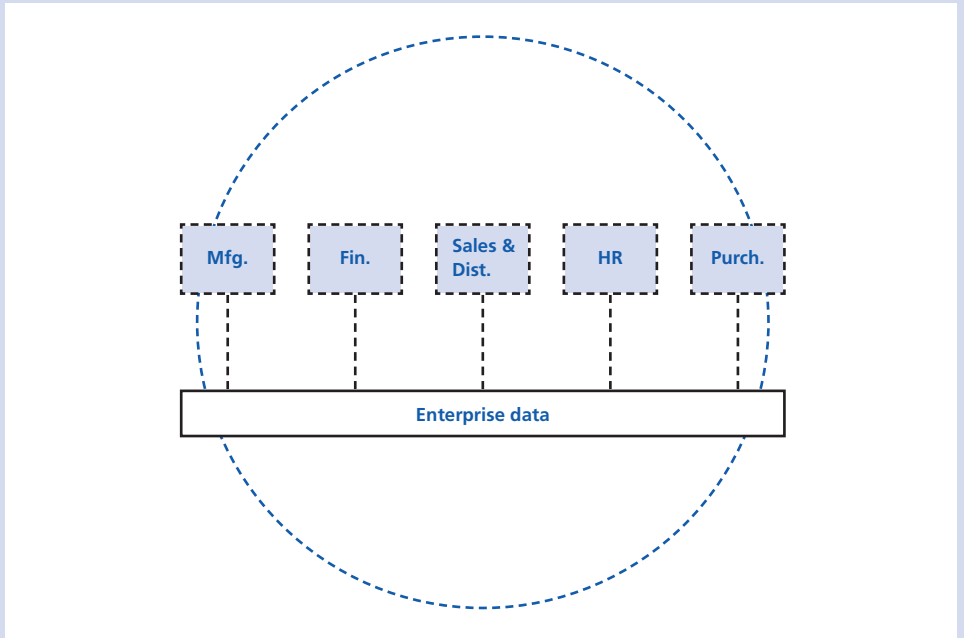
An Extended Enterprise is about creating competitive advantage through a growing web of linked customers, business partners, and suppliers.

ERP is about achieving internal efficiency. An Extended Enterprise is about achieving external effectiveness.

See the difference?

Good. Buy yourself a new bag of popcorn, freshen up your soda, and step this way for something entirely different.

Your company

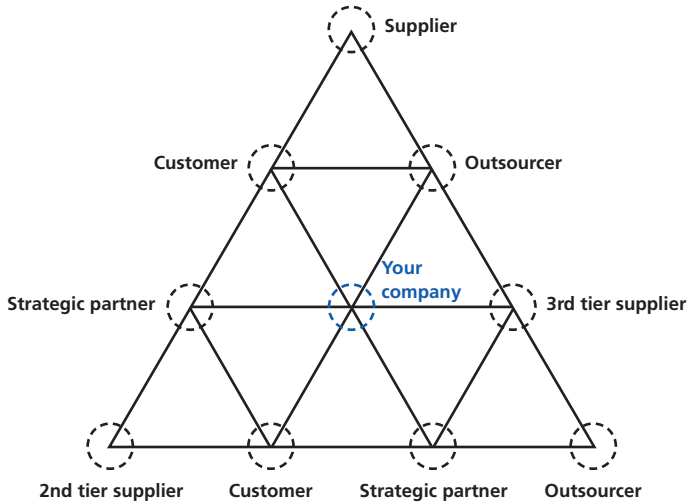


Enterprise Resource Planning...

1. Happens within your four walls
2. Is 60% Technology, 40% Process
3. Is about getting your business foundation correct
4. Requires major restructuring
5. Is guided by unilateral decision making
6. Delivers internal benefits
7. Is focused on internal efficiency
8. Decreases costs

Remember The Take the First Step Rule: Collaborating with people outside your four walls will not be possible until you've done your ERP housecleaning. After all, you wouldn't want your inefficiency, lack of integration, and data quality issues to become someone else's, now would you?

Your Extended Enterprise



An Extended Enterprise...

1. Happens across the extended value chain
2. Is 40% Technology, 60% Process
3. Is about building bridges between business partners
4. Makes quick, smart, strategic wins possible
5. Requires collaborative team work
6. Delivers mutual benefits
7. Is focused on enhancing external effectiveness
8. Increases revenues

Why bother?

You just woke up from the technology food coma of the 1990s. So why flirt with another one?

Because this is your chance to finally get the “R” out of the technology “I” you made in the '90s.

But don't take someone else's word for it – prove it to yourself.

Use the chart on the facing page to make sure your future technology investments can be mapped to shareholder value.

After all, the real promise of an Extended Enterprise is the cumulative promise of all the technology that came before it.

Why not keep track of it?

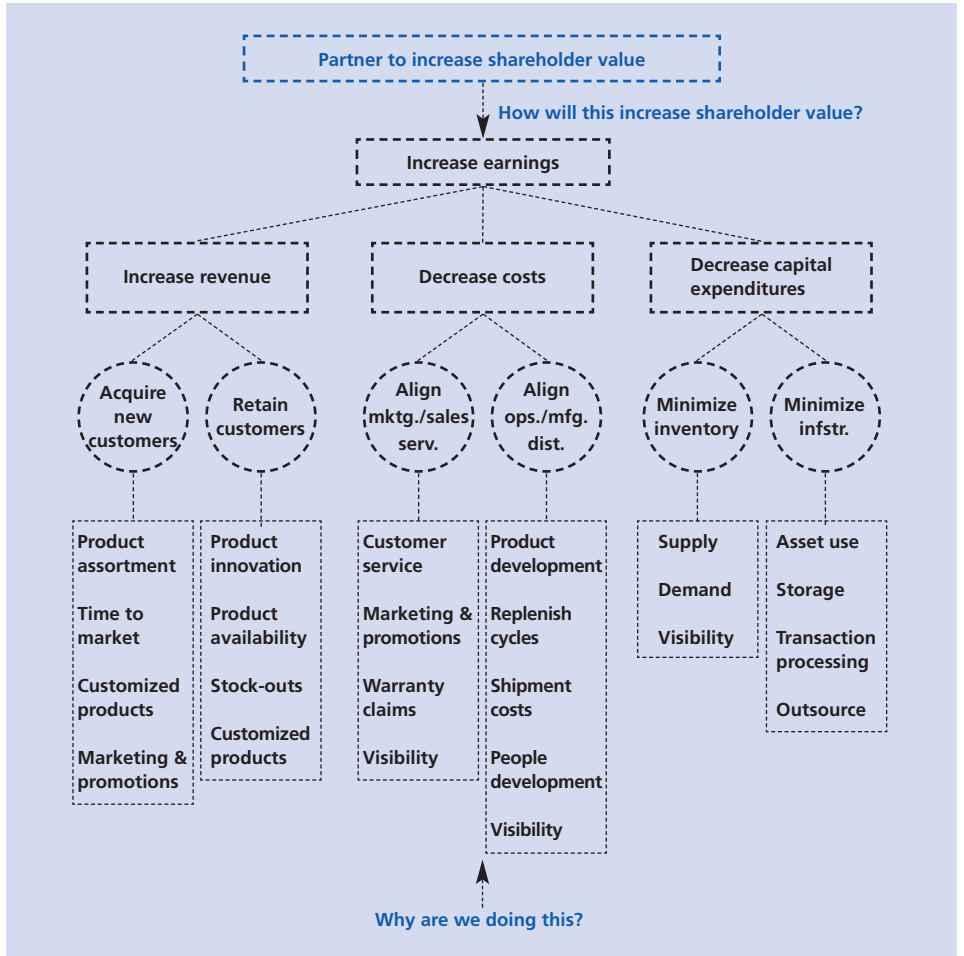
Start at the top.

Working your way down, ask yourself, “How will this increase shareholder value?”

Go to the bottom.

Working your way up, ask, “Why are we doing this?” at each step.

The Extended Enterprise Value Map



Never trust a number

(Further than you can throw it)

Don't get led down the ROI primrose path.

Sure, the hard numbers can be convincing, but make sure to consider the intangible benefits – the ones that keep you and your people bothering as you go about building your Extended Enterprise.

Reintroduce yourself to what really counts.

Hello customers.
Hello business partners.
Hello suppliers.
Hello shareholders.
Hello colleagues.

Then slip into your founders' shoes – the place from which they committed to the idea and the ideals that built your business.

Ideals like:

Serving your customers best.
Creating relationships that last a lifetime.
Serving your community.
Leading your industry.
Creating more value than you take.

You know, the stuff that visions are made of. The stuff you won't be willing to sacrifice when it comes to making tough decisions with your Extended Enterprise partners.

And remember, sometimes what really counts can only be measured by your imagination and your heart – not your fingers.

What really counts

The intangibles...	...made tangible
To build, protect, and strengthen the healthiest business ecosystem in the world.	When you immediately understand how changes impact your customers, business partners, and suppliers – and know just what to do about it.
To be the most responsive business partner possible.	When your strategic partners and best customers always come to you – not your competitors – for their most critical needs.
To make customer service your competitive advantage.	When word of mouth is your strongest sales channel.
To be flexible and quick.	When you can spend more time analyzing and acting on new opportunities than tracking down and maintaining data.
To master simplicity.	When you can spend more time analyzing and acting on new opportunities than tracking down and maintaining data.
To be the best place to work.	When 9 out of 10 of your people initiate or participate in improvement initiatives – without once saying “that’s not in my job description.”
To honor, celebrate, and share best practices.	When pride of a job well done is stronger than pride of authorship and ownership.

Ouch

Got aches and pains in those spaces between you and your business partners?

If so, somewhere in there lies your starting place – where you’ll begin building your Extended Enterprise.

First, identify your most strategic partner.

You know, the one who:

- is likely to grow with you
- has a culture that fits yours
- has the technical ability to collaborate
- offers substantial mutual benefit
- is ready and willing to do it with you – not to you

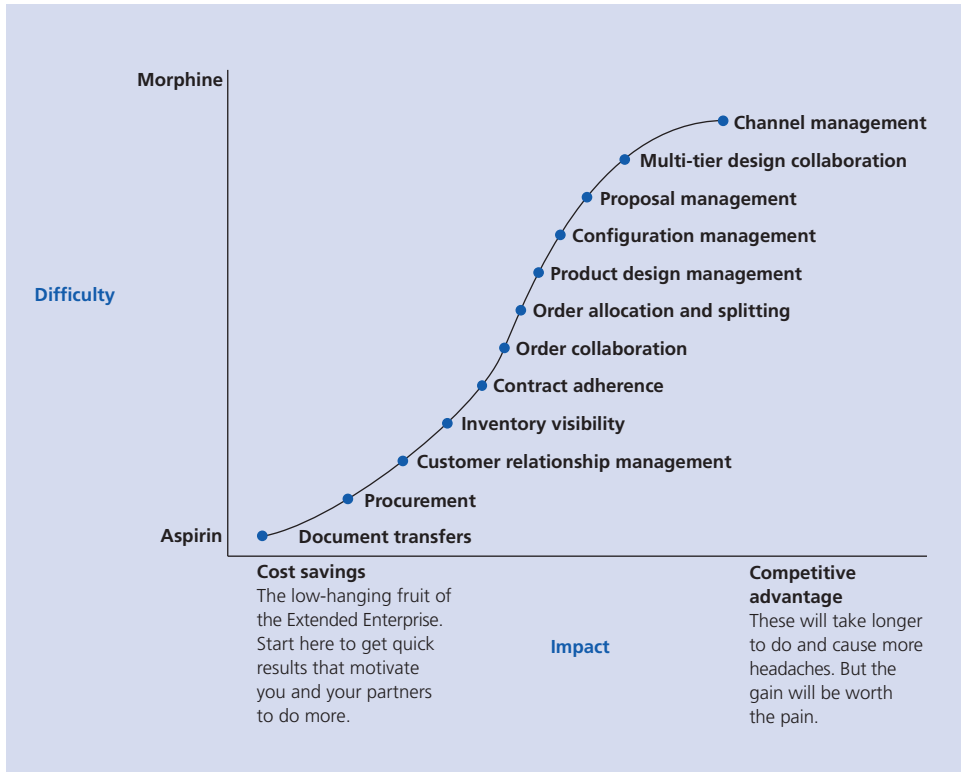
Now, apply some pressure to the points where you:

- don’t share knowledge or expertise
- duplicate each other’s processes
- aren’t collaborating on product or service design
- never seem to be able to sync up product and order flows
- have inventories building up
- struggle to get quotes, access to product specifications, and answers to each other’s questions

Did you hear a big yelp?

Start there. Where it hurts and matters most.

No pain, no gain



Remember The One Plus One Rule: Work on one partner and one process at a time. But remember your ecosystem, and always keep the ripple effect on the next partner and process in mind.

“Modesty is a vastly overrated
virtue.”

John Kenneth Galbraith

You show me yours...

Collaboration is nothing new.

Everyone agrees to it in theory.

It's not until you get down to doing it that you get bashful.

No surprise either, because it runs counter to what you learned at the business school of hard knocks:

Be paranoid about competitors (even those who can do you more good than harm).

Be protective of data (after all they're your customers, your channels, your sales forecasts, and your inventory levels – aren't they?).

Be proprietary about intellectual property (even if it's not as valuable as you'd like to think).

That's why, when you start putting to paper what you're willing to share, the list quickly whittles down to nothing.

You'll find yourself asking, "How little do I have to show to get what I want?"

And your intended partner will be asking the same.

It won't be easy. And it won't be natural.

So, be sure to balance how much you stand to lose with how much you stand to gain before you tear down *all* your walls.

Play with what you've got

Remember Lego? It started simple enough. Then there was Space Lego, Pirate Lego, City Lego, and Racing Lego. You could always count on there being a new set to buy.

It's like that with business technology – you quickly find yourself seduced by the hot, next, new thing. And, surprise, it's no different with an Extended Enterprise.

But hold on. Before you visit Technologies 'R Us, open your closet door and pull out your ERP, SCM, PLM, SRM and CRM.

Don't throw these on the scrap heap of last year's toys.

Curb your urge to splurge until you exploit what you've got. Because for the foreseeable future, no single vendor will likely be able to offer you a total Extended Enterprise solution.

And when you do go shopping, find the Internet Stuff That Really Works aisle. There you'll find snazzy new web-based connectors that make it possible to take what you've got and use it to play well with others.

Get connected

Name	Translation, please?	Use when you want to:
Middleware	Software that connects internal and external applications.	Support business processes and transactions.
Web Services	A standard way of integrating web-based applications using open standards.	<p>Communicate without revealing details of each other's IT systems behind firewalls.</p> <p>Allow applications to share business processes, logic, and data across a network.</p>
XML	Extensible Mark-up Language enables the definition, transmission, validation, and interpretation of data between applications and organizations	<p>Create visibility of data and information.</p> <p>Share applications.</p>
SOAP	Simple Object Access Protocol provides a way for applications to communicate with each other over the Internet.	Provide a common user-interface via the Internet.
XRM	External Relationship Management is a class of applications that make it possible to conduct business across the multiple tiers of an extended network of strategic partners.	<p>Create extensive visibility.</p> <p>Collaborate using shared applications.</p> <p>Support the multiple roles individual partners play in different steps of the same transactions.</p>

The Enough is Enough Rule: Build on top of existing investments in ERP, SCM, PLM, SRM, CRM, B2B portals and public exchanges. Your good reasons for investing in them more than likely have not changed.

Great walls torn down in 100 days

It took a thousand years to build the Great Wall of China. It took hundreds of climbs before Sir Edmund Hillary and Tenzing Norgay summited Mt. Everest. And it took almost a decade to fulfill John F. Kennedy's call to land a man on the moon.

Each achievement in the end was grand. But each took time – and a series of less grand steps – to realize.

Extending your enterprise will be the same – accomplished through small, rapid forward movements, not a two-year struggle that ends with the tap of a wand and a declaration of abracadabra.

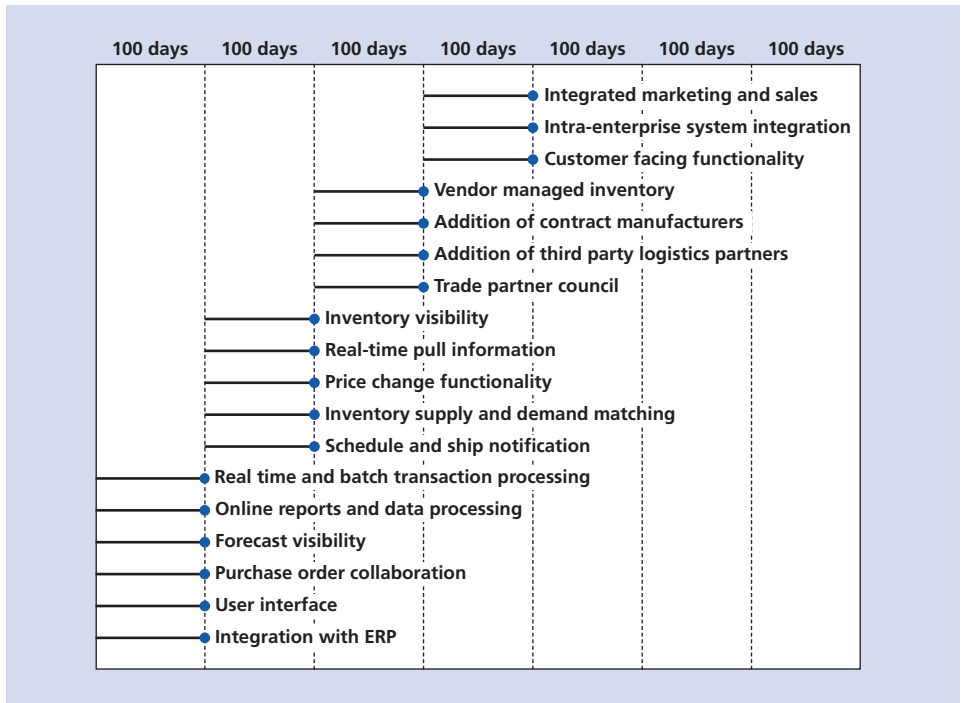
In fact, if you do rely on the Abracadabra Methodology, you'll find that confidence in your project wanes, and questions from your executive team abound.

Instead, map your journey in a series of 100-Day Wins, aligning your deliverables by end date, so every 100 days, you've finished a number of major milestones.

That way, your wins are staggered, and occur early and often. Along the way, you're building bridges. Gaining supporters. Cementing relationships. Staying flexible. Basking in success. And making progress in small but sizeable leaps.

Listen closely. That sound you hear might just be walls tumbling down.

The 100-day plan (An Order Management example)



Begin with one partner and one process. Then, every 100 days, take stock of whether or not you're ready to add another to your Extended Enterprise.

Warning: 100-Day Wins are known to produce side effects, including agility, constantly re-applied learning, and flexibility to meet unexpected goals. Not recommended for business partners who don't deal well with rapid progress, momentum, and frequent success.

The journey is not the reward

When the brutal toughness of surmounting the insurmountable has you at wits end –

STOP.

Remove the blinders of one-plus-one practicality.

Sit back, close your eyes, and imagine the possibilities.

A bank delivers personalized financial planning and insurance quotes to its most valuable customers via the Internet.

Everyone in a technology company's supply chain immediately knows how a big order for servers will impact existing inventories.

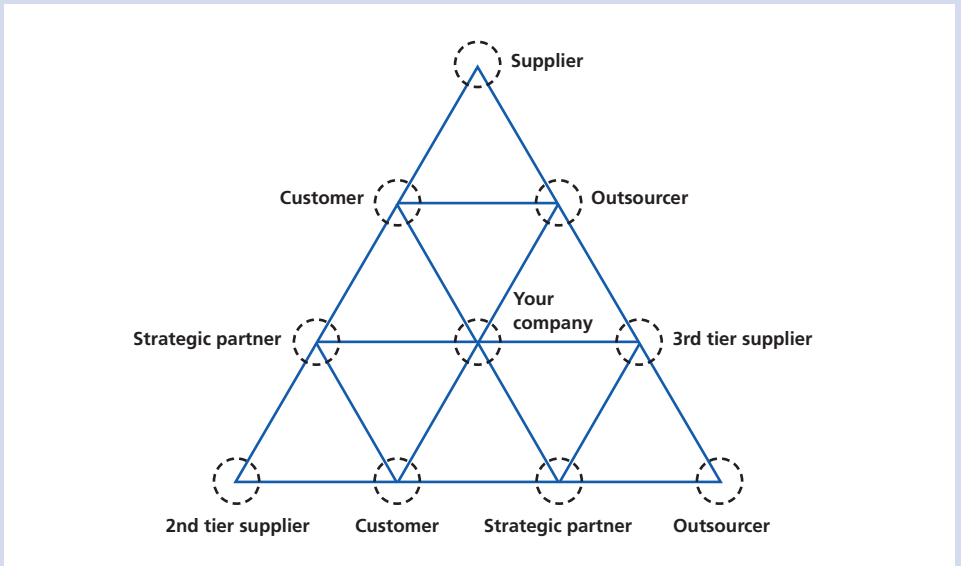
An automotive dealer checks "available to promise" while his customer accessorizes her new car on a web-based kiosk.

A national retailer's shoe promotion goes off flawlessly, with new product automatically replenished at a moment's notice.

An insurance company, a computer manufacturer, and a bank collaborate to bundle new financial planning tools and products on corporate executives' laptops.

Then, go ahead, sneak a peek at what lies waiting for you. If for no other reason than to remind yourself why you're on the journey in the first place.

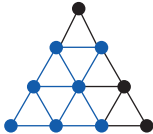
The destination (A busy, buzzing, business ecosystem)



Remember The If You Can't Connect It, Reject It Rule: Embrace the ideal of completely open relationships. Even if they'll never entirely exist – the spirit is right. The more transparent and the more connected you are, the better.

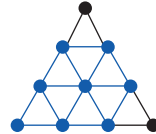
The hive is alive

By embracing an ecosystem view of your value chain, you've found new ways to do business that have improved corporate health while delivering value to your customers and shareholders.



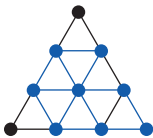
You develop products together:

- Planning requirements
- Managing talent and resource
- Synchronizing design activities



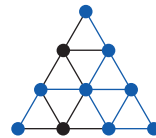
You collaborate on planning and forecasting for:

- Demand and supply
- Manufacturing
- Distribution



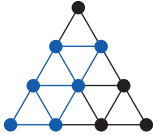
You manage logistics across the Extended Enterprise:

- Providing "available to promise" information
- Making the best use of warehouses and transportation



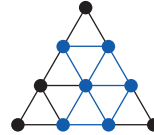
You use new ways to source materials:

- Through auctions
- With fixed and dynamic pricing
- Locking in long-term contracts



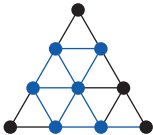
You manage orders across the Extended Enterprise:

- Providing "available to deliver" information
- Updating order status in real time
- Automating distribution steps



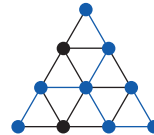
You collaborate with partners on sales and marketing:

- Managing channels together
- Co-marketing
- Team selling



You work hand-in-hand to serve and support customers:

- Coordinating customer touch points
- Providing analytics and service information
- Aligning marketing, sales, and service promises



You outsource manufacturing for:

- Sourcing materials
- Assembly
- Management of warehouse and logistics

About this book

Outward Bound is the third in a series of books dedicated to making your experience with consultants more positive and productive.

To request additional copies of this book, or to order previous editions, go to www.deloitte.com/straighttalk

Talk to us

At Deloitte Consulting, we believe that great client consultant relationships create lasting value for both parties. And in our experience, those relationships always start from good conversations. We look forward to hearing from you and learning what you think about the ideas presented in this book.

For more information about our Extended Enterprise practice, please visit www.deloitte.com/straighttalk.

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