Market Scan: Why Cross-Industry Innovation is Important in Building Supply Chains
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Where is the hotbed of business innovation in your organization? Is it in the creativity of your people, their knowledge and experience? Is it in your technology? How about your suppliers, customers, and competitors?

These are the traditional sources of innovation, but they don’t have to be the only ones. In fact, some of the best sources of incremental and disruptive innovation can come from outside a company’s sphere of contacts and even outside its industry. This is true not only for the company as a whole, but specifically for its supply chain—especially as supply chains become more complex and critical to the bottom line.

The search for cross-industry innovation isn’t new. Years ago Toyota studied American supermarkets and successfully adopted just-in-time production techniques. The hub-and-spoke model for logistics efficiency that FedEx applied to overnight package delivery was based on methods developed at Delta Airlines; and Dell’s demand-driven supply chain model has been adopted by retailers like Tesco, who have used it to better plan and turn their inventories.

Even Coca Cola has looked beyond its industry to drive innovation. Their "Freestyle" soda fountain dispensers use a micro-dosing technology that the medical industry developed for dispensing dialysis and cancer drugs. Installed at the point of sale, Coke’s dispensers allow customers to create the flavor or combination of flavors they want. How does this innovation help Coca Cola? It provides a lower cost and lower risk model for introducing new products and assessing their performance.
The common thread here is that each of these organizations had a mindset of looking outside their own industry for innovation. CEOs know the value of this approach. In a recent Wipro survey conducted with Forbes Insight, a majority of the more than 300 C-level executive respondents said they believe cross-industry examination is an effective way to foster innovation. But executing that strategy is another matter, as other studies show cross-industry assessment is just not happening.

**Supply Chain Innovation Basics**

Typically supply chain performance is judged by various attributes, such as agility, asset management, cost, reliability, and responsiveness. The trade-offs between these attributes tend to be between cost efficiency and responsiveness. The objective is to achieve a supply chain with higher performance—greater responsiveness at the same cost efficiency, or greater cost efficiency at the same level of responsiveness.

The pathway to that higher level of performance is typically called a “market scan,” which is an assessment process with distinct phases in which each successive phase results in greater quantity and quality of innovation. The output of the market scan is then screened and evaluated to produce consensus on which innovative ideas should be tested and deployed.

**Innovation Through the Market Scan Process**

Most companies are familiar with the market scan process and have experience using it to make regular adjustments to their supply chains. Yet too few companies take the first step of conducting a cross-industry assessment—the very step CEOs
cite as important to fostering innovation. By limiting their search to their own industry, these companies have eliminated the potential for true disruptive innovation—and in today’s competitive global economy, that’s like wearing blinders while crossing the street.

**Cross-Industry Innovation Basics**

The ability to think beyond your industry is a mindset; but conducting a cross-industry assessment is also a process. It starts with a series of questions, including: What are the objectives and scope of the project? What is the plan for formulating a list of the outside industries and companies that are best aligned with your issues? With these addressed you can formulate a master list of potential companies to scan for solutions.

**Step two consists of an analysis that has three main tasks:**

- **Supply Chain Diagnosis:** To understand the existing state of your supply chain processes and functions, you conduct an outside-in analysis using experts in your organization or an external partner who can identify your existing pain points and business challenges.

- **Comparative Assessment:** Once the potential pain points, supply chain issues, and drivers are known, you then look at your master list of outside companies and industries and develop a short-list of organizations to analyze and learn how they responded to similar challenges. The main question here is: Are the best practices and enablers that these companies have adopted translatable to your business?

- **Hypothesis Development:** Once you’ve analyzed the results of the comparative assessment, you develop a set of hypotheses for your business based on the adoption of the identified leading practices. These should include both the perceived advantages of adopting the practices and the potential pitfalls.

In the final phase of your cross-industry assessment you compile a list of possible actions and technology enablers for supply chain improvements that utilize the ideas gleaned from other industries. These should include how to address the potential pitfalls stated in your hypotheses. The list doesn’t have to be exhaustive, but it should set the direction for innovation and drive future initiatives in your organization.

**Cross-Industry Assessments in Practice**

To illustrate how this works in practice we can use an example of a leading energy company that needed to improve its operating margins. In the first step, the company identified the objectives and scope of the project and generated a master list of companies for its cross-industry assessment using various external surveys including Gartner’s ranking of the Top 50 supply chains in high-tech, CPG, retail, logistics, and commodities. This yielded companies like IBM, Sun, Dell, Home Depot, Best-Buy, Wal-Mart, Colgate-Palmolive, Procter & Gamble, Seagate, and Sony.

In the second step, the company conducted an analysis to establish its supply chain pain points, which were then matched to the companies that had faced similar challenges to create the short-list. For example, demand volatility was identified as a pain point, and the analysis revealed solutions developed by Colgate-Palmolive and P&G. The outside-in analysis, which showed low inventory turns, coupled with benchmarking, revealed demand planning and forecasting accuracy as two areas on which the company needed greater focus. From its analysis, the energy company knew that Sony and Seagate from high-tech and Colgate-Palmolive and P&G from consumer goods had faced
similar problems and had implemented collaborative planning techniques to receive demand data and manage stock.

The process then entered the final step, in which hypotheses were developed and corresponding recommendations were made. These included suggestions for tighter integration among planning and operations functions, increased supply chain visibility and the introduction of state-of-the-art enabling technologies. An estimate of the benefits and improvements in return on assets by addressing issues around agility and integration, inventory and logistics optimization, and functional improvements, was conservatively calculated to be more than $1 billion annually.

All of this information then entered the last lap of the process—screening and prioritization of the most promising ideas, which yielded pilot projects in separate geographic areas to improve operational margins based on tighter integration between business functions and maximization of IT investment as part of a virtual enterprise. In the area of demand planning, inspired mainly by the experiences of P&G and Colgate-Palmolive, the company entered a phase of further investigation of demand planning techniques and methods, which will undergo additional benefits analysis.

### Market Scan as a Competitive Edge

While there is a well-defined process at work here, scouting around for new ideas in completely different industries is as much an art as a science. It takes a special kind of understanding and imagination to see a successful technology or process in one kind of organization and be able to imagine its potential to work in your own company.

In addition, to get traction with a cross-industry assessment some organizations may have to undertake staff training to overcome resistance to adopting and adapting innovation from the outside—or perhaps even to see it in the first place. You won’t derive the value you seek from a thorough market scan if the internal mindset is strictly “homemade.”

Finally, organizations that lack the capacity to conduct a comprehensive cross-industry assessment on their own should consider a partner to manage both the outside-in analysis and the development of external sources and ideas. Understanding how to identify companies with the greatest potential may be one of the biggest barriers to engaging in cross-industry innovation; and in the long-run having a partner can help reduce investment costs and ensure that opportunities are not lost.

Today and in the future competition often comes down to who has the most effective and efficient supply chain. That makes innovation essential—a drive for growth and differentiation in the marketplace that’s not limited by the experiences and knowledge of your own organization and industry.

A market scan that includes the cross-industry innovation component is both a process and a mindset. It’s a way of systematically expanding your pool of ideas to access the best supply chain practices across industries and organizations. Businesses today can’t be held back by the insular supply chain solutions that worked in the past. Today, it’s about looking deeper and wider for effective ideas and making them your own.

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