

## The Social Side of Supply Chain Management



Social media can - and should - play a central role in supply chain management. After all, social networking is not really about socializing, but about facilitating people-to-people communication and collaboration. By Adrian Gonzalez, founder and president of Adelante SCM

### *The Social Side of Supply Chain Management*

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In 1996, when I was a young engineer working at Motorola, there were only a handful of employees - in a few hand-picked departments - who were allowed access to the Internet and external websites from their work computers.

I was not one of them, so I had to sneak to my friend's cubicle after work hours to surf the Internet. I was living in Arizona at the time and searching for a job back east, and my dial-up connection at home was painfully slow.

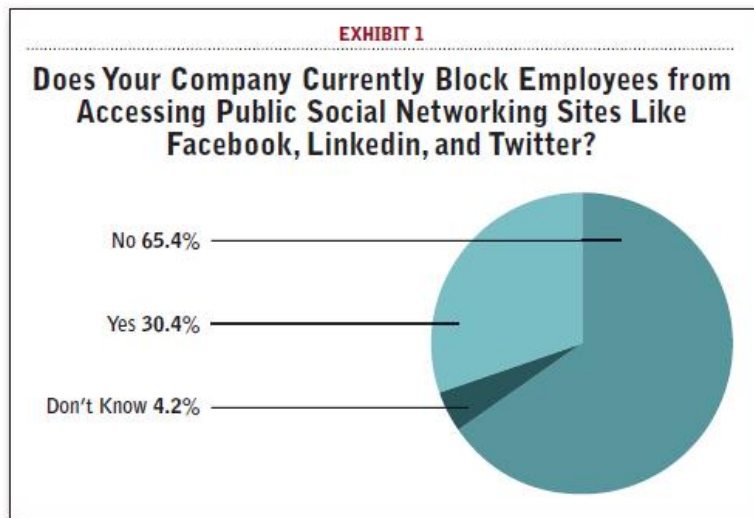
Motorola, like many companies then, was treading very carefully and slowly toward the Internet era. The company feared that employee productivity would drop significantly if everyone were given access to the Web.

Managers were concerned that everybody would be wasting hours surfing the Internet instead of working. Motorola also worried about having to deal with a whole new set of HR issues if employees started visiting "inappropriate" (read: pornographic) websites.

Other companies at the time were equally cautious and fearful. One supply chain executive, for example, told me at a workshop last summer that his company required employees to fill out a permission form if they wanted to email somebody outside the company.

Less than four years later, however, as we welcomed the new millennium, we found ourselves at the height of the dot-com era. This was a time where the "e-" prefix was attached to every business process, and every startup with ".com" in its name received

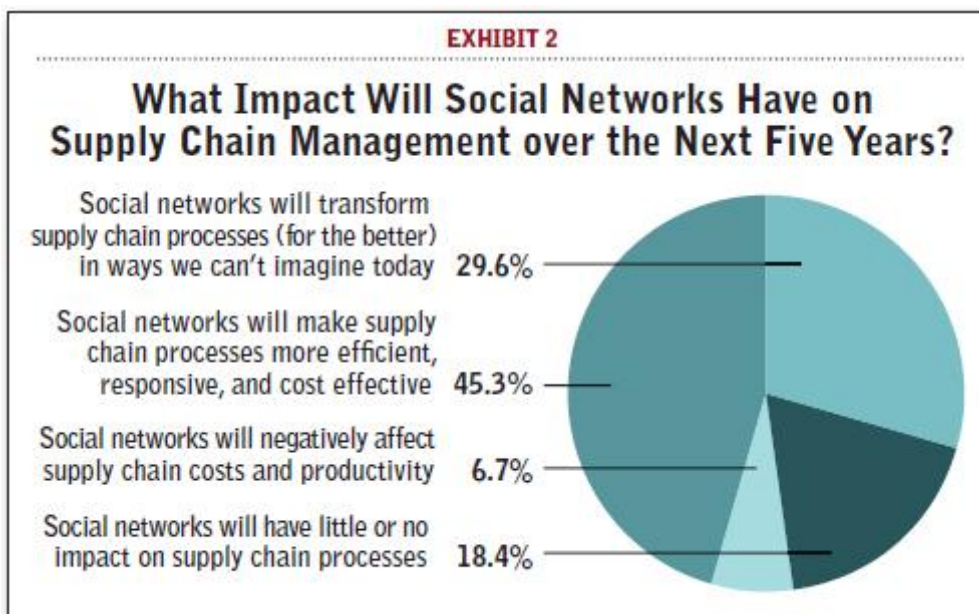
outrageous valuations. The dot-com bubble ultimately burst, but not before the Internet and Web had transformed the way people and companies worked. “E-business” simply became “business” again.



I believe we are at a similar inflection point today with “social” technologies. Many companies are treading slowly and cautiously toward the “Social Era,” echoing the same fears and concerns they had about the Internet and Web 20 years ago.

In fact, 30 percent of the supply chain professionals we recently surveyed reported that their companies currently block access to social media sites (Exhibit 1).

At the same time, however, 45 percent of the respondents said that “social networks will make supply chain processes more efficient, responsive, and cost effective” over the next five years. Another 30 percent said that “social networks will transform supply chain processes (for the better) in ways we can’t imagine today” (Exhibit 2).



The survey results align well with what I've been hearing from supply chain executives in the numerous workshops I've conducted on this topic over the past few years: "We know social networks will transform supply chain processes, we just don't know how exactly, and where to start, and why."

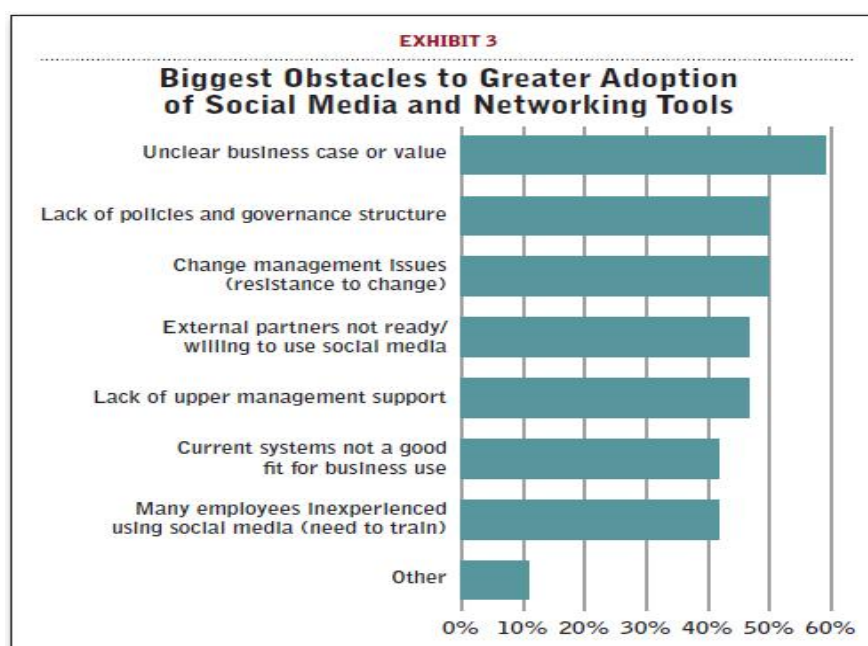
### Perception vs. Reality

Many supply chain executives and companies are stuck on the starting line because they can't get past the word "social" and the perception it creates. "We come to work to get things done, not to socialize," said an executive at one of my workshops, "so I don't see any role for social media in supply chain management."

When supply chain executives hear "social media," they immediately think Facebook, LinkedIn, and Twitter. And because these publicly available sites lack any supply chain and logistics context, they can't see how these social networks will help them manage their transportation and warehousing operations, for example. Simply put, the term "social media" has an image problem in supply chain circles. It carries a lot of baggage, and other names being used, like "enterprise social software," aren't much better.

Change management is another roadblock. Just because you deploy a social networking tool and tell people to use it doesn't mean that they will. When confronted with new technologies and processes, many people react this way: "By the time I figure out how to do something this new way, I could have done it my way five times over." We are creatures of habit, and getting us to change is not easy, especially if we believe that our way of doing things is better (easier and faster) than the new way being proposed.

Supply chain executives also view social networking as more work. To paraphrase what I often hear from them: "I barely have enough time in the day to get through my emails and voicemails; how do you expect me to use yet another system to keep track of discussions and status updates?"



But the biggest obstacle of all is the inability for companies to quantify the business value of using social networking technologies (Exhibit 3). How much money will we save? How much more productive will we be? Most companies can't answer these questions yet, which is why getting buy-in from workers (and upper management) is difficult. It's the classic chicken-and-egg problem: It's hard to answer these questions until you try it, but it's hard to get approval to try it without having these answers.

The reality, however, is that social networking is not about socializing, but about facilitating people-to-people communication and collaboration, which is at the heart of managing and executing supply chain processes. Social networking goes well beyond Facebook, LinkedIn, and Twitter - it includes virtually all of the leading software vendors that companies currently use to manage their business processes.

We're seeing the rise of [Supply Chain Operating Networks](#), the business equivalents of Facebook and LinkedIn, which are enabling communities of trading partners to communicate, collaborate, and execute business processes in more efficient, scalable, and innovative ways.

If deployed and used correctly, social networking will result in less work, not more for business professionals.

### **Deconstructing Social Networking**

Let's get past the terminology for a moment and think about the most fundamental element of supply chain management: people-to-people communication.

Every day, you communicate with people inside and outside your company - mostly via email, telephone, or face-to-face - to get your job done and resolve the countless exceptions that occur along the way. You exchange information and documents with colleagues and business partners, who you've organized into email groups and telephone lists. You have countless emails and electronic documents saved on your hard drive, and a filing cabinet full of printed documents.

In short, as a supply chain professional, you are continuously communicating and collaborating with a broad community of people. But are the tools and methods you currently use to communicate and collaborate the most effective and efficient in all situations?

If you're still receiving emails with attachments and countless people in the cc list (who sometimes reply to all, and sometimes don't), then the answer is clearly no.

If there are multiple versions of the same document, saved in multiple places, and nobody knows which version is the most current, then the answer is clearly no.

If your response to solving a problem is to gather people in a conference room for an "all hands on deck" meeting, even though half your employees (who might know the solution) reside six time zones away, then the answer is clearly no.

At its most basic level, you can think of "social networking" as another set of communication and collaboration tools in your toolbox. These tools include discussion forums (think LinkedIn groups), document sharing (think Dropbox), video conferencing (think Skype), texting and

micro-blogging (think Twitter), video and photo sharing (think YouTube and Instagram), and blogs and wikis (think Wikipedia). These tools don't necessarily replace emails, phone calls, or face-to-face meetings. But they are arguably more effective in situations where many people, across multiple groups and companies, and across different time zones and geographies, need to communicate and collaborate.

And just like you have an email address and a telephone number - your identities on email and telephone networks - you have a "profile" on a social network, which allows you to connect, communicate, and collaborate (using the tools mentioned above) with other network members. And just like your email groups and telephone lists, you now have network contacts and discussion groups that you manage.

In my experience, when supply chain executives get past the terminology and understand that social networking, at its most basic level, is another medium for people to communicate and collaborate with each other - and, in many cases, is more productive than email and other communication methods - they are more receptive to exploring the opportunities social networking presents to enhance their supply chain processes.

### **Beyond Facebook, LinkedIn, and Twitter**

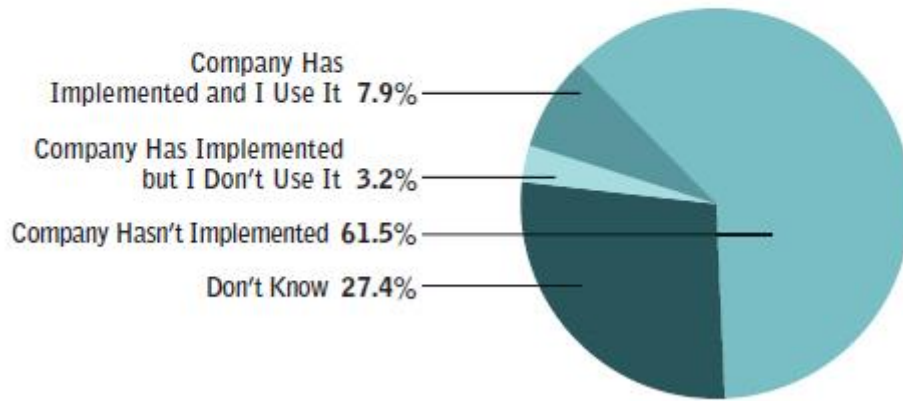
Another thing that helps supply chain executives get over the initial hump is recognizing that "social networking" goes beyond Facebook, LinkedIn, Twitter and other publicly accessible sites. It also includes best-of-breed "enterprise social networking" vendors (such as Yammer, Jive, and Moxie Software) and virtually all leading [ERP](#) and [supply chain software vendors](#), as well as startups, that are incorporating social networking capabilities into their solutions. In June 2012, for example, Microsoft acquired Yammer, often referred to as "the Facebook for business," for \$1.2 billion. A few months earlier, SAP announced that it had hired Sameer Patel as global vice president, Enterprise Social Software, "to lead the solutions and go-to-market for collaboration and social software from SAP." In November 2011, Manhattan Associates announced [Manhattan SCOPE Social](#), where it integrated Yammer with its labor management solution. And last summer, [Cloud Logistics](#), a startup logistics software company, entered the market with a solution built from the ground up with social and mobile in mind.

A driving force behind this trend is the "consumerization of IT," which [Wikipedia defines as](#) "the growing tendency for new information technology to emerge first in the consumer market and then spread into business and government organizations." As a generation of workers who have grown up in the Web/Mobile/Social era enter the workforce, they expect their work applications to have the same "look and feel" and ease-of-use as the applications and websites they use at home. And because it's becoming increasingly difficult for enterprise software vendors to compete solely on features and functions anymore, they are starting to compete on other fronts, including design. Infor is a great example. The company has invested heavily to enhance its user experience and make business applications "as easy to use, attractive, and inspiring as personal technology."



#### EXHIBIT 4

### Has Your Company Implemented a Business Social Networking Solution?



Despite the growing momentum, however, we are still in the early stages of companies using social networking solutions in business, particularly for enabling supply chain and logistics processes. Almost 62 percent of the supply chain professionals we surveyed said that their companies hadn't implemented a social networking solution yet, while another 27 percent didn't know (Exhibit 4). The low adoption rate is partly due to the challenges discussed earlier, as well as the fact that social networking capabilities are less developed for supply chain applications at the moment compared to other business functions, such as marketing.

#### The Rise of Supply Chain Operating Networks

While I've discussed how social networking enables people to communicate and collaborate in new ways, social networking also applies to companies and how they work together. Over the past decade we've seen the rise of Supply Chain Operating Networks - such as [Ariba](#), [Descartes](#), [GT Nexus](#), [Elemica](#), [E2open](#), [LeanLogistics](#), [One Network](#), and others - that are the Facebook equivalents in the supply chain and logistics world. While Facebook connects people and maps their relationships to one another via a "social graph," these business networks connect companies together and map their relationships to one another via a "commerce graph."

The Supply Chain Operating Network (SCON) model has its roots in the industry marketplaces and exchanges that emerged during the dot-com era; the model further evolved as software-as-a-service (SaaS) solutions gained traction in the market. Simply put, supply chain operating networks bring together trading partner connectivity with SaaS applications. Instead of companies creating hundreds or thousands of one-to-one connections with their trading partners, they make a single connection to the business network, where their trading partners and thousands of other companies are also connected. In addition, they use the SaaS applications that reside on the network to communicate, collaborate, and execute business processes in more efficient, scalable, and innovative ways.

We're also seeing the "consumerization of IT" with Supply Chain Operating Networks. In May 2013, for example, [Elemica introduced a new network platform](#) with "built-in social collaboration [that] gives clients the ability to discover, create, and build new or more robust business relationships faster." Also in May, at the company's user conference, Ariba demonstrated how it is integrating its online user community, [Ariba Exchange](#), into its user interface, providing users with a source of network intelligence as they execute their tasks. And last November, Descartes unveiled [Descartes Community](#), a service that "helps to facilitate inter-enterprise business processes, allow members to gain a better understanding of their business partners' capabilities, search for new ones and engage in collaborative activities that improve individual company and industry performance."

As with traditional enterprise software, we're still in the early stages of Supply Chain Operating Networks enabling social capabilities. Which capabilities have the greatest potential to improve supply chain and logistics processes? Our survey respondents ranked "The ability to connect (like LinkedIn) with business colleagues and external contacts" number one, followed by "Document sharing and collaboration" and "Discussion forums to discuss business-related questions and topics with colleagues and external business partners." In short, two of the top three capabilities are related to peer-to-peer learning and networking, which underscores the role and importance of people-to-people communication in supply chain management. Rounding out the top five were the ability to post/share pictures, video, and other multimedia and to search for new customers using various filters.

Due to an oversight on my part, the survey did not include what I view as the greatest value a social business network has to offer: network-based business intelligence and analytics. We're already seeing this in action. [LeanLogistics](#), for example, is leveraging transportation data flowing through its network - such as rates, carrier performance, and transit times - to develop a "transportation index" that gives users of its TMS visibility to market-level trends. [Ariba's Services Procurement solution](#) is another example. The solution automatically presents a user with network-based intelligence and recommendations (based on real-time data from the Ariba Network and various third-party data sources) about labor rates, lead times, job skills, and other information to help the user make smarter decisions about the task he is performing.

The ability to discover and establish new business connections, either company-to-company or person-to-person, is another key value proposition of social business networks (the survey respondents ranked it in the middle of the pack). By searching the commerce graph, network participants can conduct queries such as:

- Battery suppliers in China that your industry peers have liked.
- 3PLs with warehouses in Nevada and Tennessee with automotive connections.
- Professionals with S&OP experience in retail who speak Spanish and live in Canada.
- Trucking companies in Utah with more than 10 refrigerated trucks with the most likes.
- Companies your Tier 1 suppliers are connected to in China, India, and Brazil.
- TMS and WMS applications your connections like.

## Quantifying the Business Value

How do you quantify the business value of social networking? It's the most common question I get from supply chain executives, and it's a difficult one to answer because relatively few companies are using social networking tools today in supply chain applications, and even fewer are talking about their experience to date. TEVA Pharmaceuticals, Home Depot, and GE are some of the exceptions. Based on their case studies and conversations I've had with other early adopters, here are some areas where companies can achieve measurable business value via social networking:

**Exception Management.** Exceptions are the norm in supply chain management (delayed shipments, supply shortages, unexpected demand spikes, and so on). Social networking can help companies identify and resolve exceptions faster and more effectively, especially because responding to exceptions often requires collaboration and communication between many different people, and existing approaches (back-and-forth emails, endless conference calls) are inefficient.

That was certainly the experience of TEVA Pharmaceuticals. In a webcast back in 2011, Tony Martins, the VP of Supply Chain at TEVA Canada at the time, described the market volatility present in the pharmaceutical industry and the challenges they faced responding to swings in demand. "What is needed [in a dynamic business environment] is a supply chain of rapid response," Martins said. "Many people who work in the materials business [and] talk about supply chains and the speed of supply chains [have historically] thought about systems talking to systems across enterprises and about processes. But in reality, the speed of the chain is not really related to the systems used by the various companies—it's all about people, and people talking to people."

TEVA implemented [Moxie Software's social networking solution](#), which enabled a process Martins called "spontaneous association." He defined this as "the capacity that a group of individuals of multiple skills have to spontaneously combine their skills to respond to a problem without being directed." By managing exceptions more quickly and efficiently, TEVA reduced manufacturing cycle time by 40 percent in four months and improved lead time from upstream suppliers by as much as 60 percent.

GE is also solving problems faster thanks to the implementation of a social networking platform called [GE Colab](#), which enables employees to communicate and collaborate more effectively across business functions, geographies, and business units. In an interview published by MIT Sloan Management Review in November 2012, Ron Utterbeck, GE's CIO for GE Corporate and the Advanced Manufacturing Software Technology Centre in Michigan, mentions the following statistics: "One in three of the connections that we have on the site are across functions. One in four is across geographies, whether between North America and Asia, Europe, South America. And one in five is across our business units."

**Risk Management.** Supply chain management is also about managing risks. And because risks are dynamic in nature, with new ones emerging all the time, companies must continuously study the landscape and determine which risks are worth addressing now and how. Social networking can provide companies with more timely insights about emerging



risks and events, enabling them to take corrective action sooner and thus prevent (or minimize the impact of) a supply chain disruption.

According to a Wall Street Journal article ("[Decoding Our Chatter](#)," Robert Lee Hotz, October 1, 2011): "When Virginia's magnitude 5.8 earthquake hit [in August 2011], the first Twitter reports sent from people at the epicentre began almost instantly at 1:51 p.m. - and reached New York about 40 seconds ahead of the quake's first shock waves. The first terse tweets also outpaced the U.S. Geological Survey's conventional seismometers, which normally can take from two to 20 minutes to generate an alert." The article also highlights how researchers and firms are mining Twitter messages "to monitor political activity and employee morale, track outbreaks of flu and food poisoning, map fluctuations in moods around the world, predict box-office receipts for new movies, and get a jump on changes in the stock market."

***Innovation and Continuous Improvement.*** Social networking can help companies generate more - and better - ideas for improving supply chain processes and solving existing problems by tapping the collective insights, knowledge, and expertise of employees across all levels of the enterprise (and beyond). If companies are already using "crowdsourcing" to drive innovation in product development, why not apply the same concept to drive innovation in supply chain management? In short, social networking can have a positive impact on metrics related to continuous improvement and the ongoing development and sharing of best practices.

That has been Home Depot's experience with its social networking site called "[The Warehouse](#)." At the 2011 CSCMP Annual Global Conference, Tricia Mims, Senior Analyst, International Logistics at Home Depot at the time, described it this way: "Store and DC associates, as well as the corporate store support centre, use the site for internal communication and knowledge transfer of innovative ideas and best practices for just about any issue impacting the business. The ability to capture information on the obstacles that associates face allows the Home Depot to analyse and formulate solutions."

### **The Way Forward**

Some of the best advice I've seen comes from the GE case study, including these three recommendations:

1. Focus on power users, not business function. Investments in technology are often driven by the needs of a specific business function. A big obstacle many companies face with social networking tools, however, is that they don't know where to begin, where within the company to conduct the first pilot test. GE took a different perspective. Instead of looking for WHERE to begin, the company looked for WHO to begin with. "We rolled it out to our power users," Utterbeck explained in the article. "We didn't focus on a function - the functionality [in the platform] is needed by every function. We really sought out the most experimental people in the different functions, and seeded [the network] with them and then got their feedback."
2. Don't wait for the "perfect" solution to get started. First, the perfect solution doesn't exist, and won't ever exist, so stop waiting for it. And second, you don't know what you don't know - in other words, because social networking for business is a new

frontier, the only way to truly know what you need and want is to start the journey and see where it takes you. In GE's case, the company started with a base product and "extended the heck out of it" based on feedback from power users. According to Utterbeck, "We launched [the platform] knowing that it was good enough to get people to start moving on it, and then we started to get feedback...and we incorporated that feedback into quick releases."

3. Don't waste time coming up with an ROI. The challenge of quantifying the business value of social networking didn't stop GE from getting started. "We haven't tried to come up with an ROI," said Utterbeck in the article. "Haven't wasted a moment's notice even thinking about it." GE tracks usage, adoption, how people are using the system, and what their connections are. Utterbeck goes on to say, "The biggest thing about usage is that no one in this corporation has to use this platform to get their job done. It's not a system that people have to go to, but people still come back every single day. They come back because it makes their job easier, because they're getting value out of it. Going and spending money on ROI would be, honestly, in my opinion, just a waste of money because your true value of this is people are coming back."

**I'll also add the following recommendations:**

- Don't get caught up with buzzwords. Focus instead on the work that needs to get done, and see if social networking tools are a better, more effective solution than email, conference calls, and other ways you're currently communicating and collaborating with colleagues and external partners.
- Encourage young professionals on your team to take a leadership role in finding opportunities to improve existing processes using social networking tools and to train/mentor colleagues who are less experienced using these tools.
- Develop guidelines, a training program, and a governance structure on social networking use that allows employees to experiment and innovate, but also clearly defines roles, responsibilities, and boundaries.

**Best Is Yet to Come**

In five years, if not sooner, we won't be talking about "social networking in business" any more. It'll just be business as usual, just like "e-business" became business again. Although I didn't talk about mobile technologies in this article, most of the innovation we'll see moving forward will come from the convergence of social networking and mobile computing (the use of smartphones and tablets).

And finally, thanks to the consumerisation of IT and the growing recognition by technology companies and customers that "software is not enough" when it comes to supply chain management, I predict we'll see more innovation and market adoption of supply chain operating networks (or, if you prefer, "social business networks") over the next two to three years than we've seen in the past decade. How these networks will continue to evolve and

interoperate remains an open question, but I'm very bullish on the future. Stay tuned because I believe the best is yet to come.

**Note:** Adrian Gonzalez ([adrian@adelantescm.com](mailto:adrian@adelantescm.com)) is the founder and president of [Adelante SCM](#), a peer-to-peer learning and networking community for supply chain and logistics young professionals. In addition, he is the founder and director of Logistics, a leading blog focused on logistics trends, technologies, and services. He is also the founder and host of [Talking Logistics](#), a weekly online video talk show.

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