

# enterprise integrity



By DAVID MCGOVERAN

## B2B Success Secrets, Part 1

**B**2B (business-to-business) activities are essential to any enterprise. Whether your company is a multinational conglomerate or a one-man show, you almost certainly have relationships with other businesses. We usually think about B2Bi (B2B integration) in terms of supply chains or trading partners that engage in some sort of exchange. However, not all B2B exchanges result in financial remuneration. The potential complexity and return on investment, when other types of B2B exchange are considered, have barely been addressed by the B2B software industry. This month I start a short series of opinion pieces discussing B2B issues and some “secrets” for dealing with them.

An IT infrastructure for automating repetitive B2B processes is clearly necessary for B2Bi, but establishing that B2B information pipeline and being able to move messages through it is only the beginning. Sure, technical B2Bi lets us remove many latencies and, therefore, reduces overhead costs. But it doesn't help manage the content or achieve the related business objectives. We need to focus on the business integration and management aspects of the problem.

B2B is about relationships, both operationally and strategically. The operational activities of a B2B process support those relationships. B2B software (for example, procurement) helps implement and track those operational activities, supplying the content that is moved through the B2B information pipeline. But in a world of limited resources, how does management know which relationships, of those that are not sole source or exclusive, are strategic and should be given the most attention? Is software available for identifying and optimizing those relationships and analyzing value objectives?


The RFQ (request for quote) process can optimize specific procurements, and businesses often follow an unwritten assumption that such optimization will optimize total financial savings. Untrue! The possibilities introduced by volume discounts, sole source agreements, group purchasing, buying from within a trading community, negotiating time-to-delivery, and many other strategies make procurement an activity well-worth the most sophisticated process simulation and analytical modeling efforts. The principle thus illustrated is pervasive.

When B2B issues move outside procurement, the problem is harder to manage, let alone understand. For example, many businesses have indirect channels for distribution of products and services. As anyone involved in the management of indirect channels knows, the success of these types of partnerships depend on complex inter-relationships. The value objectives

are far more than cost reductions. Often channel partnerships are loss-leaders that catalyze the direct channel, decrease the cost of customer support in ways that are difficult to measure, or depend on a synergy among the partners that cannot be analyzed in terms of the individual relationships. Channel partnerships may also be used, for example, to the company's range of assets (at least virtually) or its visibility. If managed tactically, most of the benefits are not achievable.

Analysis of these problems suggests much is to be gained from strategic relationship management. The B2B exchange must be subservient to relationship health, and resources should be expended on the basis of long-term projected return (however measured). Sadly, few companies have anyone in their organizations with both the authority and responsibility to properly manage relationships. The job cannot be done by middle management or operations, since optimal decisions cannot be tactical when value objectives cross department boundaries (finance, marketing, operations, etc.). Relationship management is, by definition, a strategic effort that strives to create and enhance dynamic relationships in repeatedly win-win arrangements. (Re-read that sentence!)

Identifying a Chief Relationship Officer (though perhaps not so explicitly titled) within your organization with such responsibilities and authority should be a high priority, if you want to excel in any B2B endeavor. The CRO's authority should extend to customer relationship management as well as B2B relationship management. The objectives of B2B and B2C should not be all that different. Businesses would be well-advised to treat their customers as strategic trading partners.

The CRO must understand the many ways their company might benefit from a relationship, and how to encourage those relationships that are best aligned with company objectives and capabilities. The CRO will understand how B2B processes are inter-related and the business requirements for B2Bi, business process, and relationship management software, and when relationship investments are essential. Business processes are the CRO's domain, since processes express relationships. If you don't have an executive in this role, your B2B efforts will be stagnant and isolated. And who knows, perhaps if B2B (and B2C) relationships with a high degree of integrity are actively fostered, enterprise integrity will be yours. 

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