Advancing B2B Connectivity via a Shared Platform

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For most enterprises, conducting business today means managing an increasingly complex set of relationships with the “Extended Enterprise,” an ecosystem which has grown to include suppliers, distributors, partners and other key entities. And, while these relationships continue to grow in complexity, they are also increasingly important to a company’s overall success. In today’s competitive landscape, no company can afford to go it alone. This is because over the last decade, globalization and highly-evolved supply chains have made it necessary to have high levels of visibility and connectivity to the extended enterprise, especially if competitiveness is to be maintained and improved. Speed-to-market and the need for more flexible and reactive supply chains, coupled with distance between trading partners, have necessitated closer collaboration between buyers and suppliers. As a result, a new era of enterprise technology is upon us, an era that is centered not only around connecting businesses but also enabling easier and more efficient communication and interaction across entire supply chains.

The Evolution of the Enterprise

Taking a step back in time and considering the evolution of the enterprise, it is evident that most developed around a fairly rigid, hierarchical and bureaucratic structure that was primarily focused on exercising internal controls. This “command-and-control” model was the management system of choice from the earliest days of the corporation. As a result, the computer systems and software applications that were created to support these enterprises reflected the business principals of the time. They enabled automation and control of existing structures, hierarchies, administration, records, processes, accounts, cost centers and eventually became what are now commonly referred to as “systems of record.” These systems remain largely in use today and many would consider them to be the technical backbone of an enterprise (they include ERP, CRM, finance and accounting systems and others).

Since those early years enterprises have grown into immensely complex and global organizations with extended supply chains to match; as a result, enterprises today must place significantly more value in and increasingly rely on relationships with entities (suppliers, distributors, partners and others) outside the four walls of the organization, what Ardent Partners refers to as the “extended enterprise.” Take supplier relationships as an example - historically, suppliers were viewed as order takers possessing little strategic value who were expected to deliver what was needed on time and at the lowest price possible. Today, many enterprises view their suppliers as key components of the value chain and as true strategic partners. While systems of record are great at capturing and managing static data and information, they were not designed to connect trading partners across the value chain; so, as the need to connect, collaborate, and interact with the “extended enterprise” becomes a much greater priority within the enterprise, new systems or platforms are needed to accomplish this effectively.
Globalization, outsourcing, process automation, environmental and social concerns are just some of the many trends that have driven enterprises to pay more attention to the impact that their supply chains have on their end products and services. Accordingly, supply chains have evolved into highly complex and interdependent business relationships that necessitate closer connectivity between trading partners.

Enter the business-to-business (B2B) network. Ardent defines a B2B network as a web-based platform that enables interconnected buyers and sellers to trade, communicate and collaborate with each other. In recent years, due to some of the reasons mentioned above, there has been renewed interest and excitement around B2B networks. Although most B2B networks began with a buyer-centric approach, recently, some networks have broadened their approach to all trading partners and have worked to expand and improve the capabilities available to both buyers and suppliers. On the buyer side, capabilities include submitting purchase orders, reviewing and approving invoices and making payments. On the supplier side, B2B networks are beginning to provide more value and capabilities to suppliers in the areas of marketing, communications, sales, and the entire order-to-cash cycle. In fact, the overall growth of the network market has driven the emergence of a number of different types of networks from country-specific or regionally-focused networks, to industry (e.g., energy, automotive) or process specific network (e.g., payment networks).

Nonetheless, we are still in the early stages of ‘B2B network’ growth and development and many enterprises must overcome some basic technical hurdles like having highly manual-intensive or paper-based processes that limit connectivity and/or poor legacy experiences like unsuccessful supplier enablement initiatives that limit an enterprise’s appetite for technology investments. Traditionally, the biggest hurdle to advancing B2B connectivity has been supplier enablement and participation; as a result, many enterprises find themselves connected to only a small percentage of their suppliers. Unfortunately, this will not be sufficient going forward, the competitive nature of business today and, in the future, demands that enterprises be more aware of their supply chains and work to better engage, interact and communicate with a much larger percentage of their suppliers.

Connecting Businesses

When it comes to technology, the internet and process automation tools have certainly helped revolutionize many aspects of the business world over the past fifteen years. The development of cloud-based solutions, in particular, made sophisticated enterprise technology accessible to businesses of all sizes. Although there have been significant advances in
enterprise technology, for the most part, they continue to lag the main elements, capabilities and features of consumer technologies (e.g., social networks, mobile, apps, etc). If connecting businesses to transact and interact electronically is going to drive the next wave of value for the enterprise, there is much to be learned from the networks and technologies that have been wildly successful in the consumer world. Consider the following examples:

- Facebook connects over 1 billion users worldwide and allows them to share information, interact, communicate and much more. It is also a platform where users can access millions of apps that add value to their experience and where businesses can conduct targeted advertising.
- Apple’s App Store contains 900,000 apps and Apple’s customers have downloaded 50 billion apps since its inception in 2008. The vast majority of the apps are built by third-party developers and their availability in the App Store is a major attraction for the users, improving their experience and increasing the value that they get from participating in the Apple network.
- LinkedIn has approximately 225 million users, 2.7 million businesses have a LinkedIn page and there are 1.5 million LinkedIn groups that communicate and collaborate regularly.

These and other social networks/platforms have been extremely successful and have forever changed the way that people connect, communicate, interact, share information, shop, recommend, review, learn, among other things. A large part of their success is due to innovative approaches such as leveraging the internet to provide new ways of connecting a network of friends and professionals, new user experiences, new ways to share information, and new ways of doing many of the things most of us were not looking to change. Also, social networks/platforms realized that they do not possess the expertise or resources to build the numerous potential capabilities and offerings in-house. Even if Apple wanted to, it could not have built 900,000 apps; what made it possible was the platform that Apple developed which enabled others to build apps, thereby creating exponential value for users quickly, encouraging more to join and creating a new market for developers.

While it is true that businesses use social media and networks for a variety of reasons, those efforts today are focused around marketing, branding and engaging end consumers, not on managing the relationships with other businesses and trading partners. To date, traditional procure-to-pay (P2P) solutions (which include eProcurement, eInvoicing, ePayments, etc) have been focused on driving more efficient processes and transactions for buying organizations through basic connections to their suppliers. The fact is that these solutions continue to face challenges around supplier enablement and now that there is an increased need for connectivity across the extended enterprise, many of these systems are not equipped to effectively overcome this major hurdle.
This has begun to change over the last couple of years, however, with the resurgence of B2B networks. The question going forward is going to be whether existing technologies can successfully leverage more ‘social’ capabilities to overcome some of the biggest hurdles that exist in B2B connectivity today (such as supplier enablement, user adoption, integration, and security) or will a new breed of solutions take the market by storm.

**Connecting to Suppliers**

To date, the single biggest challenge for P2P solutions has been supplier participation/enablement. Whether organizations are looking to enable suppliers to submit electronic invoices or accept electronic payments, most have struggled to enable the large majority of their suppliers. For some suppliers, the integration required may be too costly and IT intensive, while others may already be part of one or two networks in addition to having their own order-to-cash or accounting systems, thereby duplicating their invoicing process.

In fact, even Best-in-Class enterprises have difficulties enabling more than fifty percent of their suppliers. According to recent research by Ardent Partners, which surveyed 245 enterprises, Best-in-Class companies enable, on average, 42% of their suppliers. While this is almost three times more than all other companies, there is still much room for improvement.

That said the general perspective and outlook on B2B networks as a mechanism to successfully and efficiently connect businesses is positive. Ardent’s research found that a large majority of companies agree that networks enhance collaboration between buyers and suppliers, help to accelerate the supplier enablement process and are an important piece of an eInvoicing initiative (Figure 1).

**Figure 1: Perspective on Business-Focused Networks**

- 73% Agree - Networks enhance collaboration between buyers and suppliers
- 67% Agree - Networks help accelerate the supplier enablement process
- 64% Agree - Networks are an important part of a successful eInvoicing initiative

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1 – Ardent Partners’ ePayables 2013: AP’s New Dawn published 06/2013
The Platform Approach

While there are a few large networks operating today, most B2B networks are still fairly small and have an opportunity to significantly grow their number of network participants. To date, most network providers offer or are connected to other cloud-based solutions (e.g., eInvoicing) and follow a more traditional software business model where new features and capabilities are developed in-house and then proactively marketed (and sold) to current and new customers. Also, most B2B networks have tended to focus on providing value to the buying organizations and not their suppliers. Although some networks have already started down this path, this is where B2B technology providers must consider the social network approach to connecting businesses on a single platform:

1. Focus on providing value to all individual members (i.e., employees) and businesses (i.e., buyers and/or suppliers).
2. Enable third-party experts to create and deliver value to the network.
3. Incorporate ‘smart’ social network capabilities to improve communication and interaction (e.g., commenting, suggestions, recommendations and reviews based upon user activity).

The above approach has proven to be extremely effective in connecting people and should be considered as an approach to model in order to connect businesses. Furthermore, while network providers may be able to develop some strong capabilities, third-party specialists with deeper expertise are better positioned to develop a whole range of capabilities and deliver them to participants, given the opportunity. Therefore, by developing an open platform, utilizing smarter social media features to help strengthen trading partner relationships and incorporating third-party applications, information and services that draw more and more participants to their networks, B2B networks have a great opportunity to provide a transactional platform that is also a dynamic and interactive hub that provides value to buyers and suppliers and ultimately advances B2B connectivity.

Summary

Organizations are ready to change the traditional buyer-supplier paradigm and begin developing stronger, clearer and more collaborative relationships with their extended enterprise. Business users are ready for the day that they will be able to interact with trading partners as easily as they do with friends. An injection of social network thinking and capabilities into the processes and technologies that support today’s buyer-supplier relationships can help advance this transformation. The platforms that businesses utilize to transact, communicate and interact with each other will play an increasingly important role in improving competitiveness, operational efficiency, performance and the overall knowledge base around the extended enterprise.
ABOUT ARDENT PARTNERS

**Ardent Partners** is a Boston-based research and advisory firm focused on defining and advancing, the accounts payable, procurement, and supply management strategies, processes, and technologies that drive business value and accelerate organizational transformation within the enterprise. Founded by [Andrew Bartolini](mailto:andrew.bartolini@ardentpartners.com), Ardent also publishes the [CPO Rising](https://www.ardentpartners.com/cporising) and [Payables Place](https://www.ardentpartners.com/payablesplace) websites. Register for access to Ardent Partners research at [ardentpartners.com/newsletter-registration/](https://ardentpartners.com/newsletter-registration/).

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Vishal Patel is a recognized expert in the world of supply management. He has worked closely with procurement and accounts payable groups for most of his career, researching their best practices and advising them on how to utilize technology to improve organizational performance. Vishal is the lead analyst for Ardent’s financial operations and P2P coverage and is also responsible for the oversight of certain solution selection and benchmarking projects.

Vishal joined Ardent from a technology provider, where, as Director of Business Development, he helped establish and grow the company’s US business by helping corporations de-couple their marketing supply chains and drive significant savings. Earlier in his career, Vishal was a Research Director in the Global Supply Management research practice at Aberdeen Group where he led and supported the coverage of many key areas including contract management, commercial cards, ePayables, and complex category management.

Vishal has been named a “Pro to Know” by Supply and Demand Chain Executive and holds a B.S. in Finance and International Business from The Pennsylvania State University and an M.B.A from Babson College. He welcomes your comments at [vpatel@ardentpartners.com](mailto:vpatel@ardentpartners.com) or +1. 917.470.9522.

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