



# it news

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## COLLABORATION GAP RESTRICTS BUSINESS INNOVATION

### *IT Plays a Strategic Role in Bridging the Gap*

*By Rick Ludolph, President, Productive Solutions LLC*

According to the IBM Global CEO Study 2006, 65% of the world's top corporate leaders plan to radically change their companies in the next two years. Yet almost half of the 765 survey participants reported achieving only some or no success in managing fundamental change in the past. Considering the inherent challenges, what is driving companies to take such drastic measures? It comes as no surprise that global competition fuels much of the demand for change.

Much of the change will focus on product innovation. Fashion industry participants know better than anyone that innovation drives growth. But we also know that it's not just about product innovation anymore. It's also about understanding how to innovate on operational processes such as collaborative development and supplier relationship management.

Fashion companies are increasingly recognizing that collaboration with external partners is a critical source for new product and process innovation. While more than 75% of the CEOs in the survey ranked business partner and customer collaboration as top sources for ideas, less than half of the leaders in mature markets said their organizations currently collaborate extensively. Internal R&D ranked eighth and was cited by only 14% of CEOs as an important source for new ideas. In the fashion and many other industries, this collaboration 'gap' is holding back innovation.

The survey also supports a link between a company's financial performance and its ability to effectively collaborate. Out-performing companies - those with the highest 5 year revenue growth (CAGR) - reported using external sources 30% more than underperformers. CEOs that are effectively collaborating with partners stated that top benefits are: reduced costs, higher quality and customer satisfaction, access to skills and products, increased revenues, and access to new markets and customers.

CEOs widely agreed on the specific tactics that they plan to use to foster innovation as; 1) improving responsiveness to customers, 2) applying new technology to core processes, and 3) automating processes through IT. With this in mind, the role of IT becomes clear and the significance more measurable. As the fashion industry grows more global everyday, IT is critical in enabling companies to reach beyond their internal operations to collaborate on planning, design, product development, sourcing, logistics and virtually every other aspect of the business. This is evidenced with the rapid growth in the product lifecycle management, sourcing and procurement, and trade management software segments within our industry.

Yet tremendous opportunity remains for building innovation through technological ties with vendors, mills, factories, agents, logistics, and other business partners around the globe. While technologies such as PLM hold great promise for external collaboration, a majority of today's software implementations remain focused primarily on internal operations and processes. As end consumers increasingly define our success based on our effectiveness in delivering selection, value and speed, fashion companies must recognize that success comes not only from improving internal processes, but from integrating and synchronizing all the disparate processes into a unified technology platform that fosters the collaboration and innovation required to better meet customer demand.

**Productive Solutions, LLC is an Atlanta-based consulting firm providing actionable advice and measurable results in business strategy, enterprise consulting, and technology guidance services. Contact Rick Ludolph at [r.ludolph@productivesol.com](mailto:r.ludolph@productivesol.com).**