

Supply Chain Excerpt

# Gartner Business Quarterly

## How Schneider Electric Deployed 500 Supplier Innovations in 5 Years

by Ryan Tandler and Julia Heyman

Shortages, logistical bottlenecks and scarce talent all amplify the importance of an underused source of creativity — your organization’s suppliers. Companies seek their help, particularly in times of crisis, asking a vendor, for example, “What new material can replace the one we can’t acquire now?” These executive leaders seek innovations tailored to the company’s need to trim and avoid costs, fuel growth, improve products and processes, or meet environmental, social and governance goals. Yet, businesses capture just a fraction of the value they could reap from supplier innovation, for a variety of reasons.

Sometimes the supplier is uncooperative. Chief procurement officers relate to us instances when suppliers have responded to their requests for innovation proposals with an attempt to sell them something rather than coming up with a true innovation. Some suppliers have no interest in coming up with an idea and developing it. It’s hard to blame them — if innovation was easy, everyone would do it.

Unfortunately, even when suppliers do submit proposals, organizations are often not ready to receive, evaluate and scale them. In most enterprises, supplier innovation is not a core responsibility, making it susceptible to inertia as other priorities take precedence. Moreover, decision criteria and priorities are determined ad hoc for different projects, business units and spend categories.

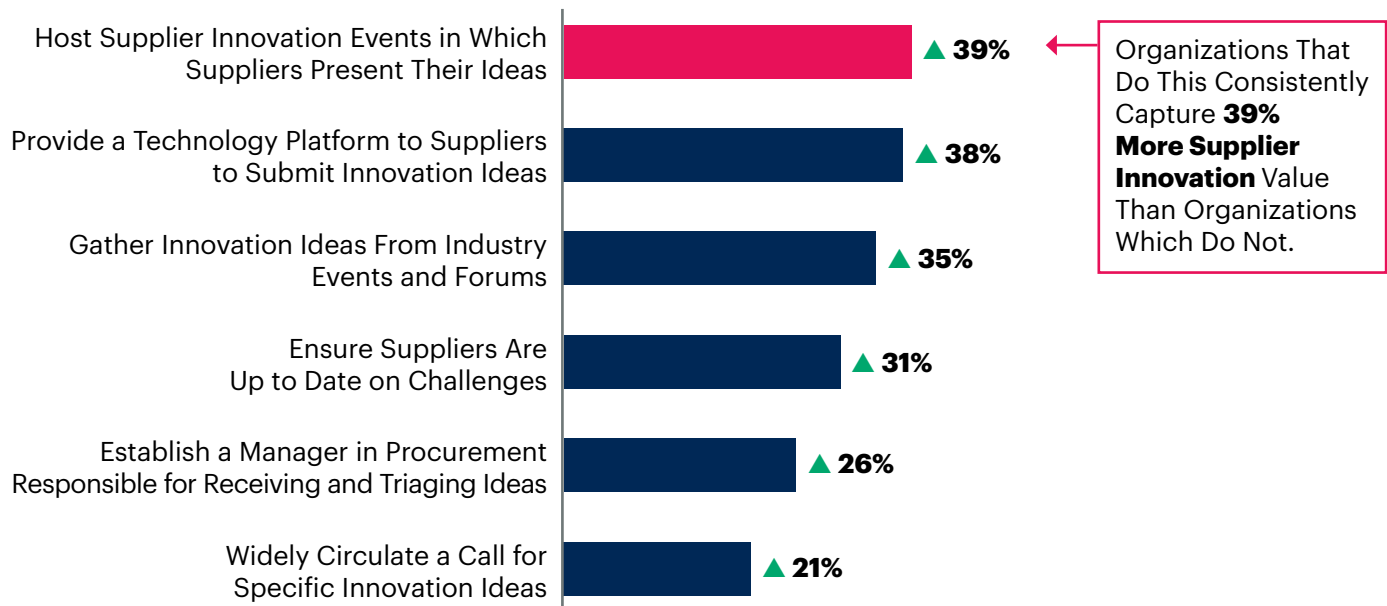
The first challenge, then, is making the business’s innovation needs clear and making it easy for current and prospective suppliers to submit ideas — for example, by hosting supplier innovation events or creating web-based portals for submissions (see Figure 1).<sup>1</sup>

The next challenge is to effectively and efficiently filter the incoming ideas and to pass the best ones along to the business. A strong evaluation process is critical to overcoming delays. Good supplier innovation ideas can languish when stakeholder groups fail to agree on which criteria or standards an idea must meet if it is to move forward in development, but that’s not an issue when proposals are prequalified.

<sup>1</sup> Excerpt From Gartner Business Quarterly 2Q23

## Figure 1. Consistent Use of Idea-Gathering Tactics Boosts Captured Value

Impact of Consistent Use of Approaches on Value Capture



n = 100 global procurement leaders

Q. For each of the following, please rate the value your organization is achieving through supplier innovation with 0 being no value at all and 100 being all the value possible for your organization if there were no barriers or limitations.

Source: Gartner

### A Two-Pronged System Efficiently Separates the Best Ideas From the Pack

Schneider Electric developed a method to efficiently identify and vet high-quality supplier innovation ideas and deliver these ideas to the business. As a result, the company significantly improved the average conversion success rate — the percentage of incoming ideas that are successfully implemented — to 20%, on average, resulting in over 500 supplier innovations deployed in a five-year period. The company estimates that these projects have a business impact of €80 million to €100 million in incremental revenue annually.

Procurement leaders at the France-based energy management and digital automation company

recognized that an enterprisewide set of minimum quality standards was necessary for any innovation implemented throughout the company. They also observed, though, that needs might vary by business unit or location.

To balance these factors, Schneider Electric developed a two-level process. First, a centralized, cross-functional Procurement Innovation Evaluation Board screens all incoming supplier innovation ideas according to standard companywide criteria. Next, the evaluation board passes qualifying ideas to Innovation Squads — decentralized groups, organized by business unit and region, which select and implement ideas from the preapproved list (see Figure 2).



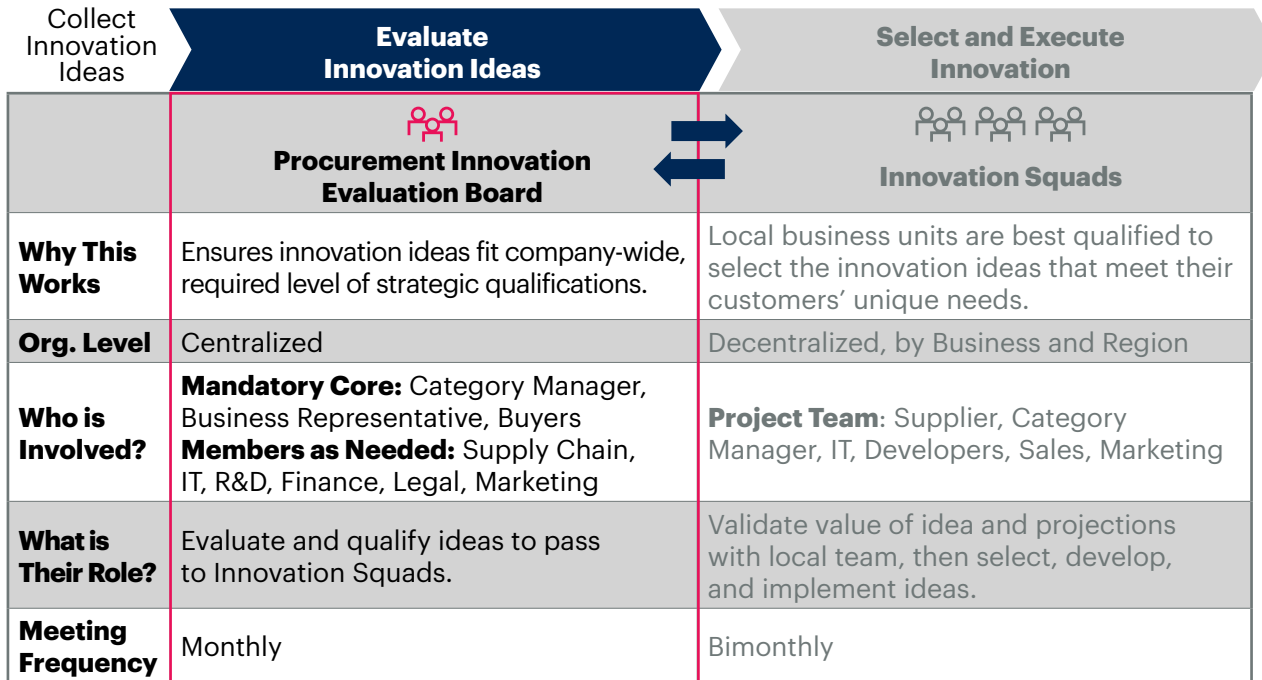
#### Eric Dos Santos,

Procurement Innovation Director, Schneider Electric

The system identifies supplier ideas that help Schneider Electric make progress on strategic pillars, such as revenue growth, efficiency and sustainability, “including reducing greenhouse gas emissions, driving a circular economy and sourcing green materials through innovations,” Eric Dos Santos told us.

Source: Gartner

**Figure 2. Procurement Innovation Evaluation Board and Squads**



Source: Adapted From Schneider Electric

**Every Innovation Proposal From Suppliers Is Plotted on a Matrix**

With over 700 ideas currently in the pipeline, Schneider Electric needed a way to quickly and accurately sort higher-potential proposals from duds. The evaluation board uses a simple 3 x 3 matrix. First, the board scores every idea as “high,” “medium” or “low” on two scales: alignment to Schneider Electric strategy and financial attractiveness. Based on these two grades, each idea is then broken into five categories: top priority, opportunistic action, watchlist, monitor and low priority (see Figure 3).

To remove ambiguity, the organization clearly defines what “high,” “medium” and “low” mean for these two metrics. Initial assessments on only two dimensions provide a quick and reliable way to identify ideas worthy of further investigation, and ranking priority levels offers leaders a set of ideas ready for evaluation as soon as resources become available, avoiding lag time.

**Qualified Ideas Are Scored Against Seven Criteria**

When an idea is deemed worthy based on its position on the matrix, the evaluation board will more thoroughly examine that idea against seven criteria. The company’s scoring guide prompts them to assign a score of 1 through 5 for each factor. These objective scoring definitions remove subjective disagreements from the assessment. The evaluation board further distills grades into a three-tier scale of “positive,” “mixed” and “negative,” along with color codes (see Figure 4).

A visual representation of the idea evaluation makes it easy to digest and draw conclusions at a glance. Ideas graded as “mixed” or “negative” on some criteria are not automatically eliminated from consideration, but they will be passed to the Innovation Squads with warnings to be conscious of certain weaknesses.

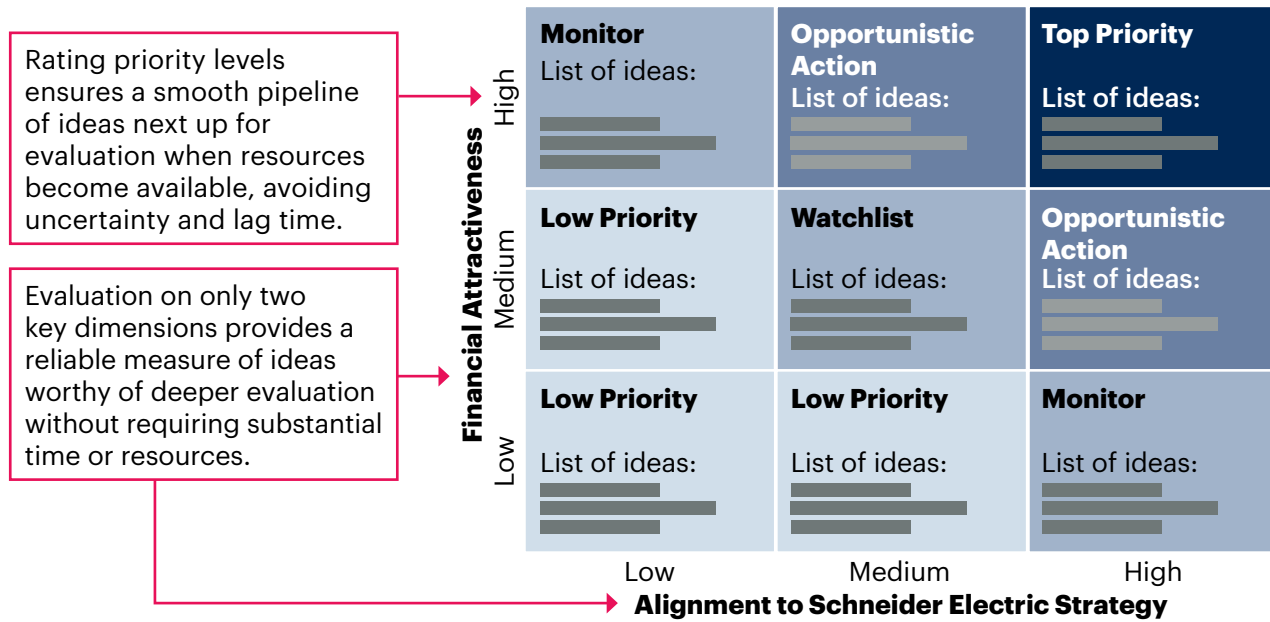
**Preassessments Give Innovation Squads Confidence for Implementation Decisions**

By the time an idea reaches the Innovation Squads, a deployment decision is much easier because the teams have:

- Preapproval to investigate, lowering the risk that an idea might not be viable or desirable.
- Fewer ideas to investigate, making more efficient use of their limited capacity.
- A consistent flow of ideas, relieving them of the burden of sourcing ideas themselves, thereby reducing the time between idea submission and evaluation.

<sup>1</sup> 2022 Gartner Gaining Competitive Advantage With Supplier-Generated Innovations Survey. The survey was fielded for 100 procurement professionals from 14 February through 4 March 2022. To participate, respondents had to work for a company with a minimum of \$250 million in annual revenue (\$500 million in the U.S.); live and work in North America, Western Europe or APAC; have participated in a supplier innovation project in the last two years; and have visibility into their organization’s supplier innovation activities. Of the respondents, 33% hold a title of VP or higher, and 70% work for companies with annual revenue of \$2 billion or more.

**Figure 3. Idea Qualification Matrix**

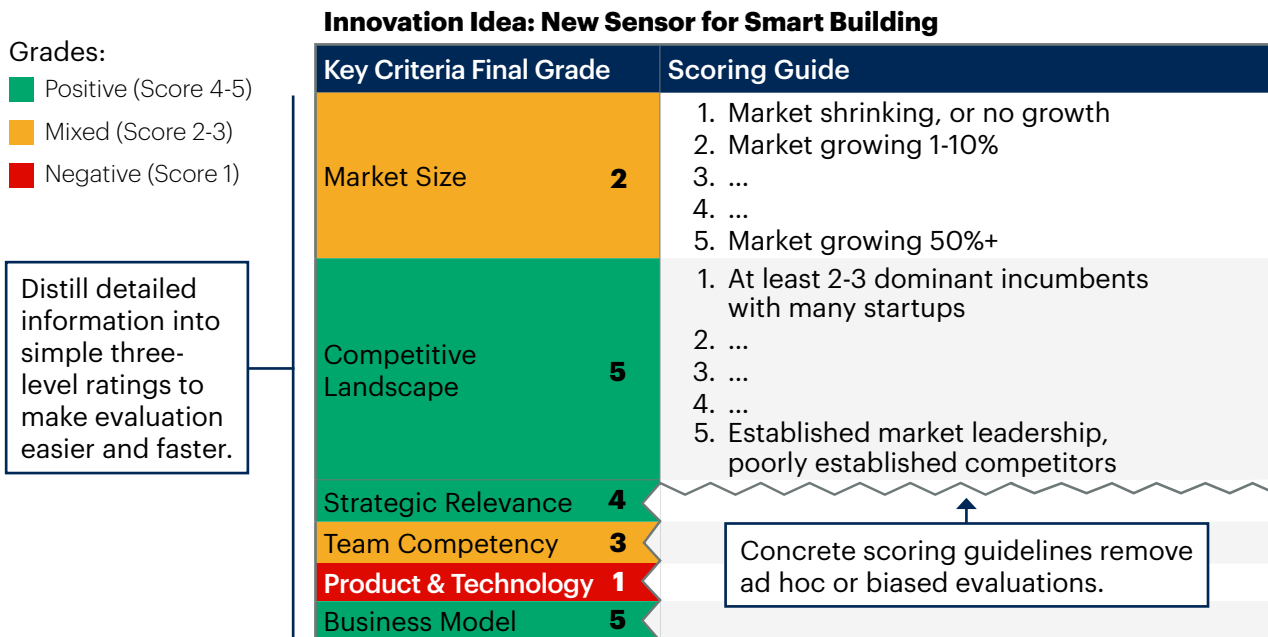


**Why use these two dimensions as the first-pass evaluation?**

- Ensures any idea implemented at regional or business unit levels is aligned with broader enterprisewide strategy.
- Ensures any idea under consideration meets a minimum level of likely financial viability.

Source: Adapted From Schneider Electric

**Figure 4. Simplified Key Criteria Evaluations**



Source: Adapted From Schneider Electric

# Actionable, objective insight

Position your supply chain organization for success. Explore these additional complimentary resources and tools to help you achieve high-quality supplier innovation.



## Report

### 4 Cost Optimization Approaches for Sourcing & Procurement

Learn how to gain buy-in for cost-cutting decisions.

[Download Report](#)



## Report

### Supplier Scorecard: Transform Your Supplier Relationships

Make the business case for automating supplier scorecards.

[Download Report](#)



## Activity Map

### 29 Key Sourcing & Procurement Activities

Improve your sourcing & procurement by prioritizing key activities.

[Download Activity Map](#)



## Guide

### 4-Step Framework for Sourcing & Procurement Leaders

Implement an effective supplier relationship management program.

[Download Guide](#)

Already a client?

Get access to even more resources in your client portal. [Log In](#)

# Connect With Us

Get actionable, objective insight to deliver on your mission-critical priorities. Our expert guidance and tools enable faster, smarter decisions and stronger performance. Contact us to become a client:

**U.S.:** 1 855 811 7593

**International:** +44 (0) 3330 607 044

[Become a Client](#)

Access the latest edition of Gartner Business Quarterly [here](#).

Learn more about Gartner for Supply Chain

[gartner.com/en/supply-chain](https://gartner.com/en/supply-chain)

Stay connected to the latest insights

