

Ford motor company, general motors and daimler chrysler

Business



Company: Diamond Technology Partners
Customer: FordMotor Company,
General Motors and DaimlerChrysler
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THE CLIENT

General Motors and Ford had each taken it upon themselves to create online purchasing exchanges to dramatically reduce their purchasing, inventory, and logistics costs, to increase their operating efficiencies through the introduction of an integrated Internet-based supply chain, and to provide a mechanism to link themselves and their suppliers to the global community of trade exchanges. Each company had already partnered with a different provider of core exchange capabilities and services, General Motors with Commerce One, Ford with Oracle Corp. and CiscoSystems. In fact, both automakers had actually begun to conduct online auctions with their respective suppliers.

But they soon realized there might be a better way. Combined, these long-time competitors represent over \$160 billion annually in direct and indirect purchasing. What if they could merge their exchange capabilities, purchasing powers, and industry positions to create a new entity dedicated to serving the needs of OEMs and their suppliers? The possibilities were striking: The new company would represent the largest trade community in the world, would attain a market valuation to rival those of its creators, and would create new revenue opportunities for its members. Further, if other OEMs could be convinced to join the exchange, the opportunities would become even greater. The problem was in getting the major parties involved to work together in delivering a single solution.

The OEMs had very little experience in collaboratively working together; their technology partners were fierce competitors, and each believed that its solution was superior to the others. And each OEM already had a “working” solution. Further complicating matters, each OEM had a significant equity stake in their technology partner, a stake that would become much less valuable if the new entity decided to use the core capabilities of only one provider. The OEMs had failed in several attempts to reconcile their disparate online purchasing initiatives. Finally, in a last ditch effort, each asked its technology partners to collaborate to propose a solution.

The result was that each technology partner proposed a series of solutions that either positioned itself as the provider of core exchange technology, or attempted to divide the exchange’s business processes in a manner that suited the technology partners, but did not satisfy the business needs of the OEMs or their suppliers. All signs indicated that the initiative was in jeopardy.

THE TASK

Time was of the essence. General Motors and Ford were concerned that their competition was going to beat them to the punch with a similar announcement. If the merger was going to happen, it needed to be announced quickly and definitively. The automakers called upon Diamond to work with them, and their technology partners, to define a solution that would not only meet the objectives of the merged exchange entity, but also satisfy the requirements of the OEMs and their technology partners.

Finally, Diamond needed to convince DaimlerChrysler that it was in its best interest to abandon their nascent plans for creating an exchange and instead join the newly created merged exchange.

OUR PERSPECTIVE

The exchange itself was a tremendous opportunity to radically improve supply chain management. It would greatly simplify the purchasing process for suppliers by creating a standard interface to the manufacturers as well as to their second and third tier suppliers. It would also improve product quality by increasing competition amongst suppliers, and decrease time to market by increasing visibility into the inventories of the suppliers. Diamond saw an opportunity to be the catalyst in the creation of the world's largest business-to-business trade exchange.

If successful, this venture would represent an unprecedented collaboration between life-long manufacturing competitors and would bring together exchange technology leaders that historically had been bitter rivals.

OUR APPROACH

Diamond's approach to assisting in this effort relied upon our ability to quickly bring together world-class technology and e-commerce and business strategy personnel to work with the players involved to devise a solution and vision that all parties could accept. Diamond immediately deployed a team of technical architects, business-to-business exchange experts, and digital strategists to get the perspectives of each of the technology partners. The Diamond team combined its experience in delivering business-to-business exchange solutions, the intelligence gleaned from meeting with the OEM's

technology partners, and its understanding of industry direction to develop several technical solution hypotheses. The hypotheses were evaluated against key criteria such as time to market, overall complexity and cost, suitability to business needs, and acceptability to the key players. Ultimately, a single solution satisfied the most criteria, but it still had to be ratified by the automakers and their technology partners if an announcement was going to be made to the media.

Early on a Saturday morning, the Diamond team got together with senior executives from all the key players to review and refine the solution hypothesis. After a large amount of discussion and some spirited negotiations, the automakers and their technology vendors agreed upon a solution. Over the course of the next week, the Diamond team continued to work with the automakers to further document the parameters of the solution, to define potential revenue models for the new company, and to identify organizational and technical risks associated with bringing together such a large endeavour. The Diamond team was also instrumental in meeting with and gaining the commitment of DaimlerChrysler to join the exchange rather than build its own.

THE BOTTOM LINE

The formation of the world's largest business-to-business e-commerce venture has been publicly announced to great acclaim. Suppliers and OEMs alike are looking forward to the cost-saving opportunities presented by the exchange as well the opportunities to introduce new levels of efficiency into their supply chain processes.

Several additional OEMs have announced their intentions to ultimately join the exchange, and the exchange technology vendors-while still remaining competitors outside the exchange-have begun to work together in earnest. Wall Street analysts have said that the new company could easily be expected to process over \$200 billion dollars of sales a year and have an initial market capitalization of tens of billions of dollars. Diamond, by working with all the parties, defined a workable business and technical architecture that is scalable, reliable, and equally leverages the strengths of the products provided by each of the OEM's technology partners to provide the platform solution for this huge endeavour.