*Business-to-business*

# Managing suppliers may generate cost savings

*By Ephraim Schwartz, Ed Scannell, and Tom Sullivan*

AS A SLOWING economy and the drive to outsource all but a company's core technology puts the cost of buying goods under scrutiny, managing the supplier relationship may supplant e-procurement as the key strategy to reduce spending.

Companies such as SAS Institute and Hyperion this year will be championing so-called SRM (supplier relationship management) software that they say will help companies manage suppliers.

SAS, for example, last week unveiled Version 2.0 of its SAS SRM Solution, which will include "scorecarding" methodologies that allow a company to evaluate its sourcing procedures.

"It's about understanding how to deal with your suppliers," said Christine Kelly, global strategist for SRM at SAS, in Cary, N.C.

Hyperion will broaden its SRM palette with the fall release of the next version of its Essbase suite of 10 applications. The tools will create tighter links to multiple databases, Hyperion officials said, al-

lowing companies to base decisions on integrated information, which is more useful than simply doing business via the Internet.

However, dealing with suppliers may be a euphemism for finding new ways, other than price, to put the squeeze on suppliers.

"Wal-Mart is a classic example," said Jeff Rodek, CEO of Hyperion, based in Sunnyvale, Calif. "The more companies focus on the supply chain and try to take time out of it, it puts more pressure on suppliers. That's business."

SAS's Kelly appears to agree. Citing one example, Kelly said that a large manufacturer with several suppliers is likely to want insight into which suppliers to bargain toughest with and negotiate on price alone, and which suppliers to treat as longer-term partners. "I want to make sure I don't alienate my best suppliers by undercutting them in terms of price," she said.

Although many companies believed e-procurement via the Net would reduce the cost of doing business, procurement professionals are now saying it's not what they need.

"We were getting pushed to implement e-procurement and we pushed back, because we were looking for something better to see where we were spending our money. We needed something to pull the information together," said Burgess Perry, purchasing manager at Aventis Crop Sciences, a major crop protection and production company in Raleigh, N.C.

Even if his company deployed an e-procurement system it wouldn't necessarily reduce costs, Perry said.

"It's not a matter of automating everything," said Burgess, who believes savings come from understanding where a company is spending its money and knowing which suppliers to work with.

Despite all the promises of SRM, Gartner analyst Barbara Reilly also had this warning to companies:

"We are at the beginning of the SRM and strategic-sourcing hype cycle, and enterprises can expect an ever increasing number of vendors to appear on the market offering a disparate set of applications and all claiming to have full solutions," Reilly said.

## FROM THE NEWS DESK · MARTIN LA MONICA

# Latest IT mantra: Make more with less

Whether or not your business is hitting the skids financially, chances are good that your IT budget is facing more scrutiny. The economic downturn, which has shown some signs of leveling off, has raised the specter of budget cuts. But
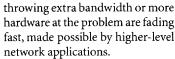
underlying that omen is a greater understanding and more sober view of IT expenditures. Simply put, many IT executives are working with what they have.

After investing heavily during the past two years in infrastructure — from desktop and server hardware to networking gear and major software upgrades — savvy IT executives are leveraging their assets and honing their ROI processes and metrics.

In networking, projects are shift-

ing focus from getting on the Net and building out the corporate network to applications that focus on better network utilization, such as intelligent monitoring or VOIP (voice over IP). Our Page One NetWorld+Interop news story (and related coverage on page 30) by Stephen Lee and Cathleen Moore details how vendors are adjusting their gear to fit the economic climate, and how users are taking advantage of that shift. The days of

throwing extra bandwidth or more hardware at the problem are fading fast, made possible by higher-level network applications.

Leveraging your infrastructure is not limited to hardware. Our Special News Report by Tom Sullivan starting on page 40 revisits the topic of code reuse. The emergence of standards-based Web services — software components available on the network that can be bound together dynamically — is breathing new life into the ancient idea of reuse. Without a doubt, companies are looking to leave their long-standing operational systems alone and revitalize them with integration and reuse.

Technology, of course, is just one tool for solving business problems. The right management and communication techniques drive effective utilization of resources beyond the stacks of hardware and mountains of code.

Is your business feeling the pinch of the economic times or is it on an efficiency kick? Write to me at martin_lamonica@infoworld.com.

# NEWSBRIEFS

## ■ Microsoft opposes open-source ethos

Microsoft is preparing to expand its "shared source" initiatives through which partners are allowed a peek at the company's prized Windows source code, but the company remains opposed to the open-source ethos — and it particularly scorns the popular GNU General Public License (GPL). In a speech delivered Thursday at New York University, Craig Mundie, senior vice president of advanced strategies at Microsoft, outlined the company's new initiatives and argued that many developers using the GPL don't really understand what they're getting into. The GPL requires that work developed using code covered by the license also be available for no more than the cost of distribution. Mundie called the license "an attempt to create a vortex that pulls a lot of other peoples' intellectual property in … [and] ultimately undermines intellectual property." By contrast, Microsoft's strategy is to allow a few select partners access to its source code, without allowing those partners to modify the code in any way, Mundie said. That approach satisfies most customers, who are far more interested in interoperability and open standards than open source code, he said. Mundie said that within the year, Microsoft will begin licensing its Windows source code to top-tier ISVs, and that in the second half of 2001 the company will offer academic site licenses for Windows CE source code.

## ■ Dell to recall Inspiron notebook batteries

Dell last week announced a large-scale recall of batteries used in its Inspiron notebook computers because they can overheat and may catch fire, the company said Thursday. The direct seller will contact customers who bought Inspiron 5000 and Inspiron 5000(e) notebooks with batteries manufactured by Panasonic, a company spokesman said. The recall affects 284,000 batteries sold in notebooks from Jan. 7, 2000, through March 21, 2001. Dell and its service providers also sold the batteries separately during the same period, Dell said in a statement. Customers will be contacted in order to receive replacement batteries; each customer initially will receive one replacement. A bonus battery will be shipped when the old battery is returned, Dell said. Dell advises owners of the affected notebooks to remove the battery from the unit and visit a special section of Dell's Web site to determine if their battery is part of the recall.

## ■ Lacking funds, SpaceWorks closes shop

SpaceWorks, a sell-side business-to-business e-commerce player with high-profile customers such as BFGoodrich and Maytag, shut down operations last week after two institutional investors backed out of a fifth round of financing, according to a former employee and published reports. The company had 150 employees. Space-Works had been a weak player in an increasingly competitive market for some time, said Shawn Willett, an analyst at Current Analysis, in Sterling, Va. "They came out with a very proprietary application that was very hard to extend," he said. SpaceWorks' clients include Avaya, GE Aircraft Engines, and Pratt & Whitney.

## ■ Oracle details 'final pieces' of 9i database

Oracle on Thursday discussed what it calls the final pieces of its forthcoming 9i database, which promise to make the software more self-tuning and to reduce associated maintenance costs. When 9i ships, it will include memory management, storage management, and resource management functionality.

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