Managing and Measuring for Supply Chain Relationships Performance

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ABSTRACT

The management of supply chain relationships is poorly understood. There is confusion over standpoints (customer, supplier, joint), manager’s roles (professional, part-time, devolved) and methods (relationship management, supplier management, key account management). This chapter tried to bring order to this chaos. It shows how formal relationship management methods can bring tangible benefits to collaborative supply chains including increased effectiveness and value for money and, uses a number of food industry case studies to illustrate these points. In particular, it advocates the use of performance measurement and diagnosis to support continuous improvement and concludes by showing how these factor help food industry managers to meet the future challenges.

KEY WORDS
Supply Chain Management, supply chain relationships, Relationship Management, performance measurement, collaboration

1 INTRODUCTION

Supply Chain Management has come a long way over the last 25 years. It evolved from logistics which concentrated of breaking down the barriers between departments to enable organisational outputs to be produced efficiently and effectively. SCM now aims to extend that ethos across the network of producers to the end-customers. However, the management of process still tends to predominate: planning, scheduling, materials handling, IT systems, ordering and paying while supply chains fail to achieve their full potential. This is because the wider aspects of supply chain relationships such as contract, investment, problem and communication management are ignored or left to chance. As a result, the complete benefits of team work are missed. Objective, formal relationship management is thus essential for your strategically important, collaborative
partnerships and this, like every other aspect of management, depends on objective performance measurement.

This chapter describes how it is possible to firmly grasp a problem that is generally considered to be intangible - supply chain relationship performance measurement and management. Moreover it shows that if this is done correctly, significantly enhanced business effectiveness is possible. It first describes the rationale for supply chain relationship management and the problems that managers face amongst increasingly complex networks of customers and suppliers. Secondly it examines the challenges of identifying the key dynamics that characterise supply chain relationships. Next, it describes an approach that utilises a unique and innovative perspective of behavioural feedback loops. It shows how the technique can be used practically to overcome the problems we have identified and 3 case studies are provided by way of illustration. It concludes with some thoughts on future trends.

2 SUPPLY CHAIN RELATIONSHIPS

2.1 SCM & Collaboration

Supply chain aficionados continue to press managers to form closer, longer-term relationships between customers and fewer suppliers as the only response to increasing market sophistication and globalization. This focus on relationships is underlined in Martin Christopher’s (2005) definition of SCM: Supply Chain Management is the management of upstream and downstream relationships, with customers, suppliers, and key stakeholders in order to increase value and reduce cost for all members of the supply chain. It is now expected that ‘being good at managing relationships’ is no longer the qualifying strategy but the winning one. Moreover, it is proposed that the fullest benefits of SCM will only be achieved from very close, collaborative relationships. Collaboration in the supply chain means: working together to bring resources into a required relationship to achieve effective operations in harmony with the strategies and objectives of the parties involved thus resulting in mutual benefit (Wilding and Humphries, 2006).

The UK food and drinks industry is comprised of a wide variety of organizations performing activities such as farming, manufacturing, catering and retailing. Together these organizations play an essential economic and social role with sales for over £148 bn, around 8 percent of the gross domestic product and employing at least 3.7 million people (12.4 percent of the UK work-force) (IGD, 2006). All these organisations are linked together within supply chains of varying complexity and sophistication and thus finding ways to increase their effectiveness is of critical importance. However, although it is widely agreed that co-operative supply chain relationships can achieve substantial benefits for the participants it is also apparent that there are potential disadvantages. These include reduced flexibility and competition options, the risk of increased dependence, the risk of losing IPR and, more complex, onerous organization and management arrangements (Cooper et al., 1997). This increased complexity is especially present when the number of potential partners expands in the ever more prevalent networks, alliances, joint ventures and consortia.

It is thus not surprising that full supply chain management implementation is seldom achieved in practice and this is a source of frustration, missed opportunities and cost. In addition to the lack of skills, tools and resources available to managers, a number of behavioural problems are evident. Partners still take a short-term view when faced by increasing market-place complexity and uncertainty and limit the extent of their collaborative focus. Adversarial practices such as power abuse, lack of transparency, poor/misleading communications and reluctance to adopt attitudinal change exist and reduce collaborative effectiveness (Kemppainen and Vepsalainen, 2003).
2.2 The Nature of Supply Chain Collaboration

Supply Chain collaboration brings together capabilities and investment in time, money, infrastructure and intellectual capital to create value that neither party can achieve on its own (1+1 = 3 or more), not just in this contract but in future ones too. The core of this value is a product or service that is unique and inherently difficult to copy. The essential ingredient that secures the superior revenues and competitive advantage for both partners is the creation and maintenance of a productive, harmonious relationship. In globalised, competitive markets the ability to deliver value to shareholders and ensure that particular products or services are the first call of discerning customers depends on productive collaboration. This is characterised by

- joint innovation
- customer focus
- high quality outputs
- world beating practices
- continuous improvement
- flexible commercial frameworks
- objective performance measurement
- improved business forecasting
- co-ordinated processes
- honest and open communication
- two-way information flows

Investments in people, infrastructure and systems create a climate in which innovation and the free flow of ideas flourish. The result is the creation of reliable business systems capable of delivering high quality goods and services which delight customers and, an overarching desire to be part of a ‘win-win’ relationship. In effect a virtuous cycle is created to secure long-term profitability and market-share. These relationships are valuable, core assets that must be managed effectively.

2.3 Problems for Supply Chain Relationship Managers

Supply Chain Relationship Managers (RMs) face a number of difficulties in doing their job. Good contracts can still conceal operational failures and poor teamwork which lead to a focus on the ‘small print’ rather than building long term value for the customer. No matter how close the relationship, it will not tolerate under-performance. A traditional emphasis on the management of time, cost and quality, often called supplier or project management usually ignores the organisation interaction effects. In a tightly coupled arrangement where little slack exists and communication is complicated by distance and number of organisations involved, small issues can ‘snowball’ and by the time they emerge, have the capability to seriously jeopardise the stability of the operation. These negative feedback situations usually occur because of a lack of attention to managing the wider relationship ie. Supply Chain Relationship Management.

‘Shark effects’ are those factors beneath the surface of the relationship that insidiously nibble away at the investments and undermine the value of the collaboration - see Figure 1. They are particularly difficult to identify and eradicate.
These include:-
- Complacency (accepting average performance and normalisation of problems)
- Distrust i.e. ‘they never do what they say they will do so why should we?’
- Opportunism (seeking gain at the expense of the partnership)
- Quality failures
- Poor (untimely, incomplete and inaccurate) communication
- Cost overruns/poor financial control
- Late/incomplete deliveries

As a result, the RM spends most of his time fire-fighting symptoms and is unable to see the source of the problems let alone fix them. Worse still, many problems don’t reach the level of senior managers until they have become serious and when they do, often the first reaction is to pull out the contract and consider the penalty clauses. This is likely to have a very damaging effect on the stability of the relationship.

Case Study - Bitter Sweet

A Global snackfood manufacturer (the customer) with operations characterised by few products and stable marketing programmes, decided several years ago to enhance its product range with complementary offerings from niche co-manufacturers (the suppliers) rather than developing new ranges themselves. Although considerably smaller than their partner, the suppliers were world class operators offering high quality, cost-effective, flexible production which the larger company couldn’t achieve economically in-house. With two of these relationships, one was of three years duration and one of twenty plus years. The partners clearly understood what each brought to the relationship and saw it as a long-term collaboration:
‘Combining their flexibility and innovation with our know-how ensures we have an enduring relationship ’.

As both relationships settled down they began to be managed by the customer as if they were extensions of its own production facilities using management styles and tools utilised for its in-house operations.

‘Their performance measures are focussed at low levels rather than the overall outcome. This does not match the high level service they buy from us.’

They aimed to free their partners from the need to manage packaging, components and logistics suppliers however, this highly controlling and “inflexible” approach proved to be inappropriate for interactions with dynamic entrepreneurial partners who want to innovate.

Although the newer relationship was still in the “honeymoon” period and there was still much optimism, operational issues were increasing and beginning to take on a life of their own.

The older relationship had sunk to the point where contract penalties were being invoked on a regular basis and day to day communications were soured by acrimony and frustration.

‘When we charge exception bills I see no indications of any passion to fix the underlying causes. This is a fundamental difference between our attitudes.’

The unintentional disconnects between the needs of these partners resulted in poor communications, unreliable logistics, high penalty costs, frustrated staff, fragile co-operation and, a low incentive to innovate from either party. Moreover the ‘punchy’, attitude of supplier personnel due to their entrepreneurial, SME culture and the ‘resolute’ processes imposed by the customer was not conducive to resolving these problems and getting the relationships out of a slowly worsening impasse. The ‘sharks’ were circling.

2.4 Supply Chain Relationship Management

Supply Chain RMs are in the frontline of corporate governance. They are primarily responsible for ensuring that the complex mixture of hard and soft issues that represent the teamwork between organisations works at optimal performance and adapts to changing internal and external stimuli.

But, how often do you find relationship management responsibilities vested in the Account Manager, a role that is split informally between sales, business development and commercial? And more often than not, any efforts to influence production or supply chain management to solve particular problems or make special arrangements are considered as interference.

The ability of a firm to effectively manage its key relationships is a strategic capability (Dyer et al, 2001). This not only affects its ability to create and sustain successful supply chain partnerships but also influences its reputation amongst stakeholders such as financial institutions, and the market. It is therefore clear that flexible, continuously improving supply chain relationships must be managed positively. Professional supply chain RM must be appointed having the authority to champion the needs of the relationship across the departments within his own firm and, who is empowered to agree the collaboration tactics and solve relationship problems with his opposite numbers in partner companies. The supply chain RM and his team must become the firm’s centre of expertise for all partnership knowledge and experience so the organisation continuously improves. He should also be the focus and coordinator for exploiting inter-firm learning opportunities. Dyer et al’s (2001) research shows that firms that have a recognisable alliance management function consistently do better than those who do not.

A regular review meeting of the RMs and the appropriate senior managers from each firm must meet regularly to consider the following:

- Review performance targets in last period and issue statistics.
- Review work/orders in progress.
• Review forecasted sales and orders in next period.
• Prempt and solve problems before they become serious.
• Actively seek out and initiate process improvements.
• Review future plans (including new products) and initiate preparation.
• Examine and discuss industry and technology updates.
• Identify policy issues to refer to senior management.
• Involve other supply chain partners.
• Prepare joint communications, information and team-building events for the collaborating firms.

Underpinning the success of the supply chain RM is an objective relationship performance measurement and diagnostic capability which allows him to carry out his role proactively.

Case Study - The Baker’s Tale

Two major UK companies, the customer a baker and its supplier a grain merchant, carried out business with each other for many years. The baker is a nation-wide supplier to all of the big supermarket chains and most of the smaller ones. The relationship was considered by the partners to be excellent and they could not be more positive about each other.

“Working with them is a joy!”

Yet at the operational level little ‘disturbances’ (sharks) were present which undermined the efficiency of this near perfect collaboration. These showed up as aggravating behaviours.

“Sometimes they display a ‘we know best attitude’ which rankles with us”.

One of the main issues was communications, both within the organisations and between the partners. A number of key people did not always have the planning and quality information they needed and this caused some friction between the departments. The occasional serious failures in internal information flows such as un-communicated changes in production schedules had an effect on communications between the partners which led to some opportunistic behaviour such as firm orders being rejected on delivery without any explanation.

Nevertheless, despite these difficulties innovation was taking place and collaborative behaviours were making headway.

“One of the biggest gains has been the ability to move beyond the day-to-day issues and have a completely open dialogue about absolutely anything that might 'add value' to our relationship.”

Another area of concern was operational reliability where there was a low but continuous level of dissatisfaction with service and product delivery, joint cost and risk management and, performance within the supply chain itself. One partner complained:

“They need to focus more resources on meeting our targets and converting issues into solutions”.

These problems had been recognised and peace-meal initiatives were taking place to rectify. One particular review of the commercial arrangements had resulted in a significant improvement in relationship quality.

“By constructing the right contract we've reached a point where pricing is simple (and non-combative!). This has led to a huge rise in 'value' in all other parts of the relationship.”
This was a valuable relationship with long-term potential but, complacency had crept in and efforts to sustain performance were proving to be hard to manage and implement. Both partners had recognised that their inability to manage and solve issues proactively were tying-up staff in firefighting and reducing their focus on customers. There was also a drift away from recognising and using each other’s knowledge, skills and experience to the benefit both parties. The overall results were costs that were higher than they needed to be and operations that were below par. These put additional pressure on the firms during a period when high market prices for wheat were putting pressure on the industry as a whole.

“A more dedicated resource should be made available to manage and develop the relationship. This would provide us with a focus for reducing the gap which has opened up between us and our competitors and allow us to deploy our strengths more effectively in the market.”

3 MEASURING FOR RELATIONSHIP PERFORMANCE

3.1 Why Measure?

When one asks managers about objectively assessing the performance of their supply chain relationship they usually look blank. Most believe that managing collaborative business relationships is an art rather than a science. Others consider that control through Gantt charts, project management techniques such as Prince and a close eye on budgets and balance sheets is the key to success. Traditionalists, especially in commercial departments, believe that the letter of the contract is the only sound basis for achieving realistic relationship value. However, some recent, prominent failures such as those in the UK Defence and the Construction sectors have led to a realisation that Key Account Managers have a crucial part to play in managing these relationships in their widest aspects. Although many companies have established supply chain RM posts, they have failed to provide simple and powerful tools to support them and the old adage: ‘if you can’t measure it you can’t manage it’ comes into play. The essential question is: ‘Can complex relationship performance be measured, so that management effort can be targeted most effectively?’

3.2 When to Measure?

The common sense demands of good governance require that value-laden supply chain relationships are kept constantly under scrutiny. We have already mentioned that problems can ‘bubble up’ and become serious without warning. In addition there is a need to ensure that complacency does not set in and that pressure is kept up on joint, relationship improving projects. Periodically also, the relationship partners should review performance and ensure that continuous improvement does not flag.

There are other ad-hoc reasons for performance measurement and deeper diagnosis. The customer may have concerns over supplier performance and wish to carry out a joint review to get the relationship back on track. There may be a need to benchmark the position before a strategic change in direction (e.g. partners jointly seeking new business, developing a new product or impressing an external stakeholder such as a government agency or financial institution). A supplier might initiate the assessment as a way of getting closer to its main customer and achieving greater understanding of the relationship benefits than it had so far been able to communicate to its partner.

At the end of the day, there is a critical need to provide supply chain RM s with the data to allow them to manage these relationships more effectively.

3.3 Measurement Requirements
We have rehearsed the importance of proactively managing key, collaborative supply chain relationships and asserted that this cannot be carried out effectively without adequate performance measurement and diagnostics. The requirements of a system that can do this are as follows:

- Provide an objective performance benchmark which allows managers to easily determine where action is needed and against which future progress can be planned and measured.
- To offer both strategic and tactical perspectives.
- Expose precise details of the good areas, the poor areas, the inefficiencies and where wastage may be occurring in the functions and processes within both partner organisations that service the relationship.
- Make sense of a ‘messy’/complex situation and offer recommendations for improvement and change.
- Allow bottom line and competitive edge improvements to be made by enhancing communication and enabling well managed, cost effective change to be implemented.
- Transform perceptions by promoting understanding of the way that the partners view each other, thus strengthening the relationship.

Given this clear specification, the challenge is to use supply chain and relationship management theory to develop an approach that is fit for use in operational settings. In the next section we explore how this can be done.

4 WEIGHING A CONCEPT

4.1 All-Encompassing Objectivity

Academics have long struggled with the problem of trying to capture all the key facets of inter-organisational, operational and inter-personal dynamics when attempting to understand supply chain relationships. For example, Giannakis & Croom, (2004) proposed a ‘3S Model’ containing the synthesis of business resources and networks, the synergy between network actors and, the synchronization of operational decisions. The International Marketing and Purchasing Group considered the interactions between supply chain partners (Kern & Willcocks, 2002), Fawcett & Magnan (2002) examined supply chain integration and Harland et al (2001) researched supply chain networks. The general consensus is that the task is highly problematical. What is needed is an objective means of measuring relationship performance that covers the full extent of the collaboration and encompass both soft and hard aspects and that provides useful diagnostics i.e. why things are happening as well as what.

4.2 Relationship Quality

Skarmeas and Robson (2008) have defined perceived relationship quality as less conflict, and higher trust and commitment with the aim of achieving greater partner satisfaction. Research by Wilding and Humphries (2006) on over 80 substantial-sized relationships in both the Public and Private sectors has shown that supply chain partnership value is indeed positively correlated with supply chain effectiveness, see Figure 2. This suggests that there is some predictability in the performance of these important commercial structures.
However, relationship quality is clearly a nebulous idea containing many other elements including ethical behaviours, forbearance, customer orientation, information sharing, learning, communication value, long term horizons, C3 behaviour (co-operation, co-ordination, collaboration) and willingness to invest. Numerous previous studies have attempted to characterise the main features of business relationships and use them in the correct proportions in order to understand the performance drivers. But, they have generally failed to identify the measurable forces that provide impetus or motivation to what is essentially a dynamic activity.

4.3 Relationship Spirals

This perspective suggests that managing close proximity relationships seems to require new understanding of the dynamics involved. For instance, collaborative relationships are likely to be far more prone to positive feedback than an arms-length relationship. In these circumstances minor problems can, if not recognized and managed, become personalized and emotional which increases the likelihood that new substantive conflicts will emerge and accelerate (Hanbrick, et al., 2001). Conversely, it is also possible for collaborative enterprise to bring operational advantages in the longer term as the partners become more effective as they develop through prior experience and active management of the learning process. Co-operation induces further co-operation over time and the emergence of trust and loyalty generates increasing benefits (Gulati, 1995; Lambert et al., 1996, Luo and Park, 2004, Muthusamy and White, 2006). These dynamics accord with Williamson (1975) who proposed that within any organisation there would be a tendency for personnel to behave in a self-seeking, opportunistic way. This could lead to a self-reinforcing cycle of poor performance. The increased (transaction) costs of managing (governance) this situation thus became an important consideration in deciding to contract for a good or service or create it in-house (make or buy). These concepts are represent in the spirals in Figure 3 and demonstrate that active management of supply chain relationships is thus essential to keep them in the success spiral and prevent them from falling back into the failure spiral.
Figure 3. Negative and Positive Relationship Behaviour Spirals (after Williamson’s Organisations Failure Framework, 1975).

Case Study - End To End Cereals

As part of an industry wide study of the Cereals Industry, the linkages in a complete supply chain from raw materials (grain) to finished product (beer) were examined. The farmers who grew the grain were treated as a single supply source to the grain merchant. A single haulier, the most often used, was treated as the next link in the chain. The maltsters and brewers who were technically two departments of the manufacturer were treated as separate partners, one supplying the other.

There were a number of trends running through this supply chain. Operational reliability including delivery timing, trust and management of cost reduction, was a concern at every level. All partners accepted that the industry was ‘tight’ and that there were not many opportunities for reducing cost moreover, there appeared to be no systematic approach across the chain to identify and exploit the potential for savings. For example transportation was regarded as a transactional relationship despite the fact that it formed an essential part of the supply process. Trust was very much an issue too, even between the maltsters and brewers within the same company where attitudes were polarised between ‘them’ and ‘us’. Between the farmers and the grain merchants it was particularly evident because of doubts over the partner’s ability to deliver reliable quality products when required.

Communication was patchy; excellent in some links but needing considerable improvement in others. There was a lack of detailed knowledge of routine plans, schedules and orders necessary for the smooth functioning of the supply chain. There was also a lack of understanding of partners’ contributions to the success of the relationships across the supply chain links which suggested that training and routine information flows needed attention. This particular weakness was clearly a major contributor to many of the other issues identified. Because of the lack of information-sharing the supply chain had become compartmentalised which resulted in protective attitudes and a breakdown of trust which undermined effectiveness. There was a danger of slipping into a negative spiral, with all of the classic symptoms of withholding information, focusing on own objectives,
taking a short-term view and doing the minimum to get by. These partners only vaguely realised that their poor relationships were affecting the rest of the supply chain.

The study made it clear to all the supply chain partners that relationship management was needed that involved all partners in a process of maintaining transparency and preventing isolation due to negative feedback spiral behaviours.

4.4 Key Performance Drivers

The spirals in Figure 3 provide a means of characterising either extreme in a spectrum of performance dynamics within supply chain relationships (Humphries and Wilding, 2003). The five positive dimensions described below are derived from Williamson’s (1975) Organisations Failure Framework (the failure spiral) using supply chain management and relationship marketing ideas. They are the supply chain relationship key performance measures which can be measured.

- **Creativity** – promoting quality, innovation and a long-term approach by encouraging high performance.
- **Stability** – investment, synchronisation of objectives and confidence-building.
- **Communication** – frequent, open dialogue and information-sharing.
- **Reliability** – concentrating on service and product delivery, lowering joint costs and risks, building up trust.
- **Value** – creating a win-win relationship in which each side is delighted to be a part.

In addition to these key drivers a number of intrinsic characteristics of relationship performance have been confirmed. These provide further penetrating insights:

- **Long-term Orientation** – encouraging stability, continuity, predictability and long-term, joint gains.
- **Interdependence** – loss in autonomy is compensated through the expected gains.
- **C³ Behaviour** – Collaboration, Co-operation, Coordination, jointly resourcing to achieve effective operations.
- **Trust** – richer interaction between parties to create goodwill and the incentive to go the extra mile.
- **Commitment** – the relationship is so important that it warrants maximum effort to maintain it.
- **Adaption** – willingness to adapt products, procedures, inventory, management, attitudes, values and goals to the needs of the relationship.
- **Personal Relationships** – generating trust and openness through personal interaction.

4.5 The Performance Assessment Process

The assessment should be simple, powerful and objective, sponsored by senior management and co-ordinated by the Supply Chain RMs. It should also be carried out quickly (within a few weeks) and in such a way that it does not disrupt day to day business within the organisations concerned. To this end it should use data collection methods such as scientifically designed, on-line surveys combined with structured telephone interviews. These should only be targeted at knowledgeable staff. Confidentiality and impartiality should be central features in order to protect the interests of the companies and their staff. This guarantee of anonymity will ensure full and frank views are expressed. Its findings should be presented in clear, unambiguous, business friendly language so that the managers on both sides of a supply chain relationship can understand what is happening and why. The traffic lights in Figure 4 show at a glance where the strengths and weaknesses of the relationship lie. The customer, supplier and joint percentage scores are shown and allow agreements
and gaps to be clearly highlighted. Senior managers and Supply Chain RMs from both firms should have the opportunity to jointly question the assessors and discuss the underlying issues. This should be the beginning of the change process or the continuation of one already in progress.

The details in the report should be sufficient to allow managers from both companies to hold discussions about relationship development. They would conduct joint workshops with staff, identify improved practices, develop implementation programmes and set continuous improvement objectives. This would be co-ordinated by the RMs who would use the outcomes to continuously improve the relationship. This process is shown in Figure 5.
Having used the performance assessment to set a benchmark, it should be repeated at regular intervals to measure and monitor performance in order to maintain the sharpness of the partner’s competitive edge.

### 4.6 Supply Chain Performance Outcomes

The view of the relationship revealed by a supply chain relationship performance assessment should create clear joint understanding that empowers Supply Chain RMs to fix the problems, monitor and sustain forward momentum and enter a virtuous circle of continuous improvement - see Figure 6. The result must allow the joint teams to focus on quality, innovation, communication, cost reductions, on time delivery, commitment to the future and trust, to achieve satisfied customers and sustained bottom line benefits. The tangible results will be:

- Opportunities to increase revenue and shareholder value (Growth).
- Increased customer satisfaction from better product/service quality and delivery (CRM).
- Retained customers by differentiating the joint offering and locking out competitors.
- Reduced administration and production costs (Margins).
- More integration and satisfaction from bridging the hidden gaps in teamwork (Continuity Risk).
- Building joint capability to seize future business opportunities.
- Impressing stakeholders with the seriousness of partner intentions.

Bottom line benefits in the order of 15% should be achievable to both partners.
5 THE WAY FORWARD

The UK Institute of Grocery Distributors in their October 2008 Conference agenda listed the following questions as important concerns for the future:

- How you can best manage your business through a downturn?
- What will life after the credit crunch will look like?
- What are the next steps on the path to a low carbon economy are?
- What are the implications of the rapid growth in China, India and Russia?
- What role ethical sourcing can still play in these challenging times?
- How will trading relationships bear the strain of such rapid change?

When times are hard and there is increased uncertainty, building stronger relationships will bring extra security because collaboration with customers and suppliers demonstrates understanding, concern and the desire to work with them over the longer term. The vital challenge facing managers, regardless of economic conditions, is taking control of business relationships with the same level of attention that they pay to their financial accounts. Companies that have developed strong relationship management skills and implemented shared, continuous improvement techniques will be in a stronger position to weather storms such as the “credit crunch”. They will manage expensive ‘surprises’ out of their supply chains thus reducing their need for credit and increase their ability to work within their predicted cash flows. Collaboration between businesses in a supply chain can open up benefits not available to businesses working alone. They will realise that simple changes such as better utilisation of transportation assets through better co-ordination and cooperation with logistics partners are both “green” and cost efficient. Rapid growth in emerging markets should be viewed as opportunities to form new customer and supplier collaborations in order to gain competitive advantage. Lessons learned in the home market about relationship management and inter-organisational teamwork will provide firms with a head-start.

Ethical sourcing puts increased pressure on supply chain partners to put aside opportunistic behaviour. The penalties for getting this wrong include market-weakening bad publicity and legal penalties. The development of collaborative relationships which depend strongly on high levels of
trust is thus critical to achieving a high reputation and maintaining long-term profitability in the growing market for ethically sourced products. Truly collaborating partners can thus create an environment which acts as a shelter from difficult and changeable market conditions. Within this setting, more effective teamwork will allow supply chain to acquire greater flexibility, agility and increased predictability. The foundations to these future-proofing capabilities are professional relationship management supported by objective performance measurement.

6 FURTHER INFORMATION

The Institute of Grocery Distributors

The Institute of Grocery Distributors works with consumers, companies and individuals throughout the UK food and grocery chain to provide information, research and leading edge best practice to help companies grow their business and develop their people. More information is available on the IGD website:
http://www.igd.com/

The Food Chain Centre

The Food Chain Centre is part of the national strategy to improve the competitiveness and profitability of UK farming. Reports from the UK Home Grown Cereals Authority (HGCA) sponsored joint project with the Cranfield School of Management Centre for Logistics and Supply Chain Management and Cardiff Business School Lean Enterprise Research Centre to improve the UK cereals supply chain are available on the FCC website:
http://www.foodchaincentre.com/

SCCI Limited

SCCI Ltd is a UK company that specialises in performance improvement within commercial relationships. At the core of its offering is the care to ensure that all parties use objective, joint performance measurement as a means of promoting understanding between businesses to exploit the significant collaborative benefits that are potentially available. For more information visit:
http://www.sccindex.com/

REFERENCES


