



Supply Chain
the **Engine** for
Growth

Stream Supply Chain Management and Strategic Planning

Title Getting Superior Value from Supply Chain Relationships

Presented by

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CEO
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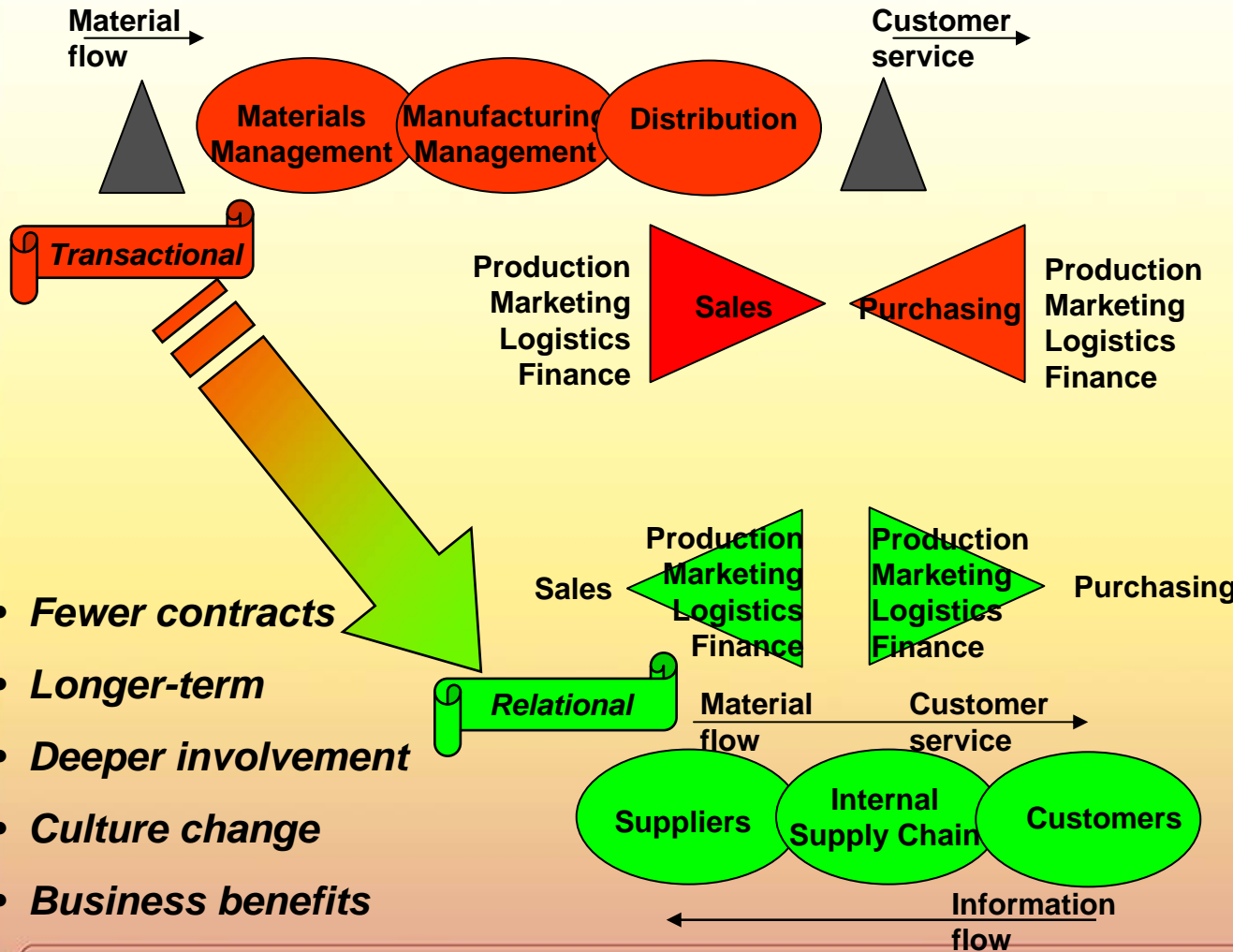


Agenda

- **The relationship management problem**
- **If you can't measure you can't manage**
- **Portfolio example**
- **Partnership Examples**
- **3 important lessons for managing collaborative relationships**
- **Questions**



Increasing Relationship Complexity



The Key Challenges

- *Mutual Goals*
- *Joint Performance Measures*
- *Trust & Commitment*
- *Information Systems & Communication*
- *Co-operation*
- *Co-ordination*
- *Collaboration*
- *Key Account Management*

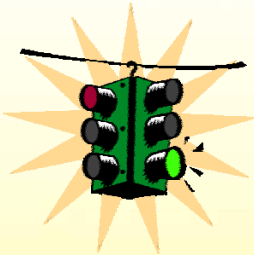
- *Fewer contracts*
- *Longer-term*
- *Deeper involvement*
- *Culture change*
- *Business benefits*



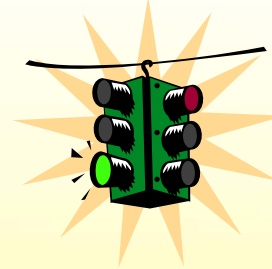
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The Relationship Management Challenge

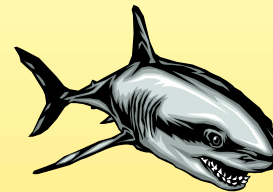


**Supplier Management
(Time, Cost, Quality)**



Complacency

Distrust



Opportunism

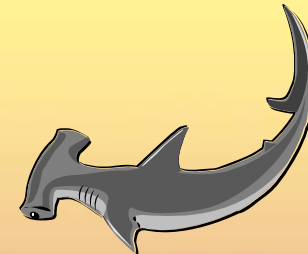
Quality Failures



Poor Communication

Cost Over-runs

**Complex Relationship
Management**



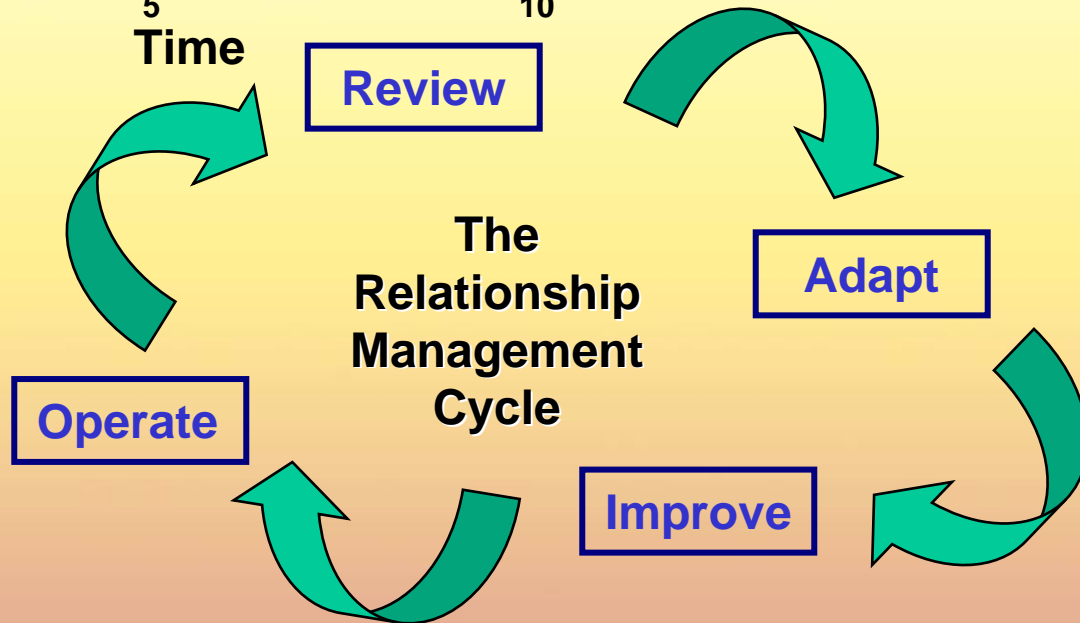
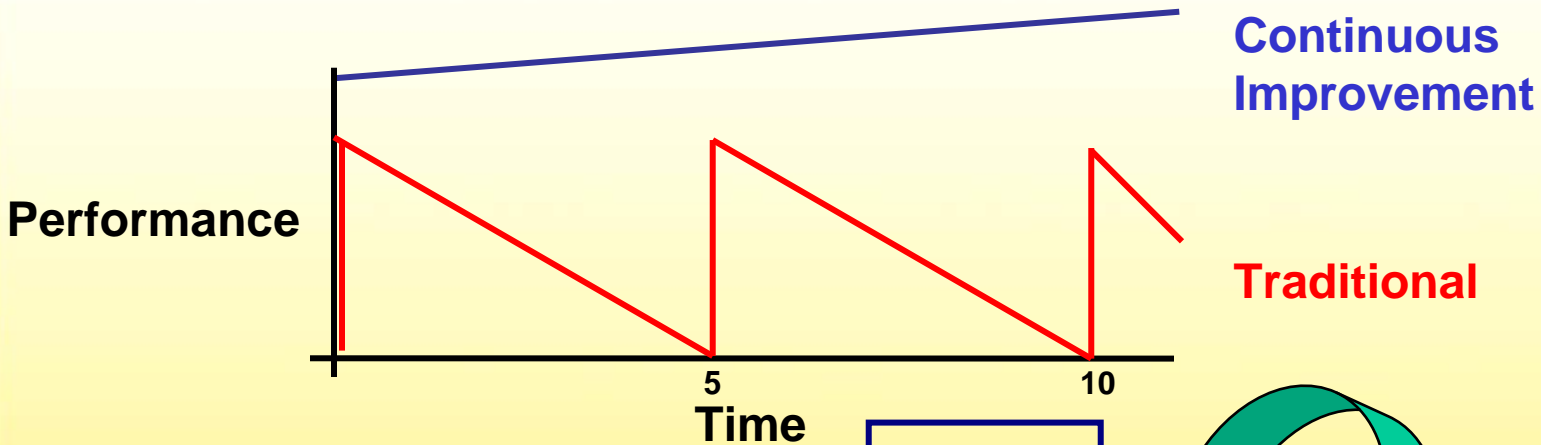
Late Deliveries



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Changing for the Better



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The 64 thousand dollar questions

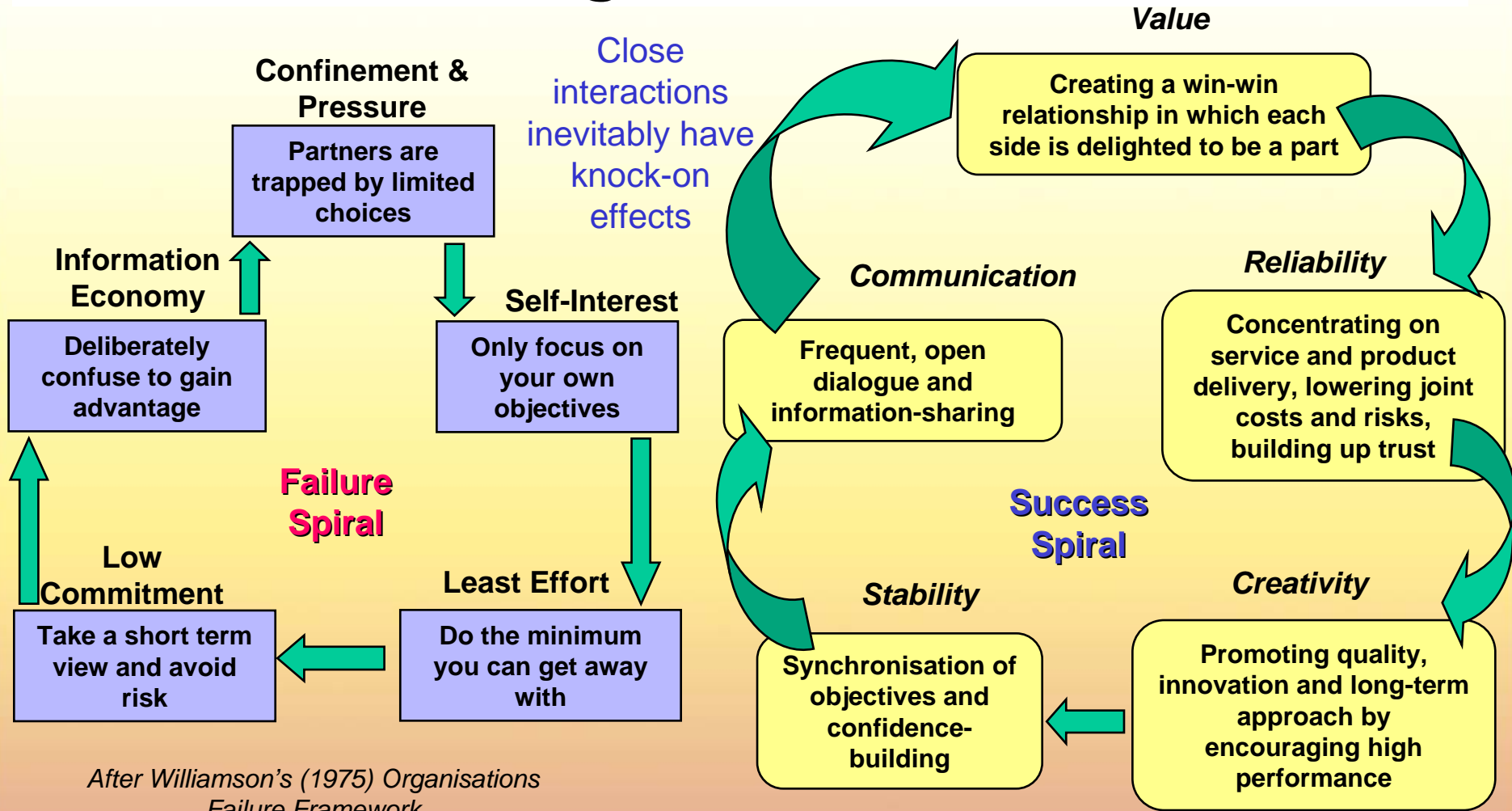
- **How many strategic business relationships do you have?**
- **Why are they important?**
- **Which ones are doing well and why?**
- **Which are not doing well and why?**
- **What objective measurements do you use?**
- **Do you identify hard targets for continuous improvement?**
- **Do you do all this jointly with your partners?**
- **How do you do it with minimal effort and maximum effectiveness?**



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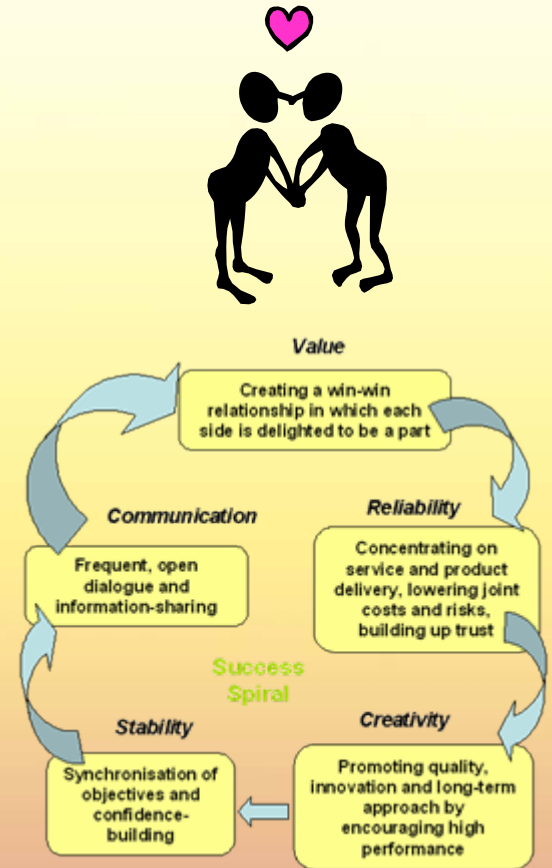
The Dark & Light Sides of the Force



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Measure the relationship between the spirals



Characterise the Relationship

Successful integrators

Highly co-operative, efficient, effective operations focussed on customer requirements. Superior returns

Stable pragmatists

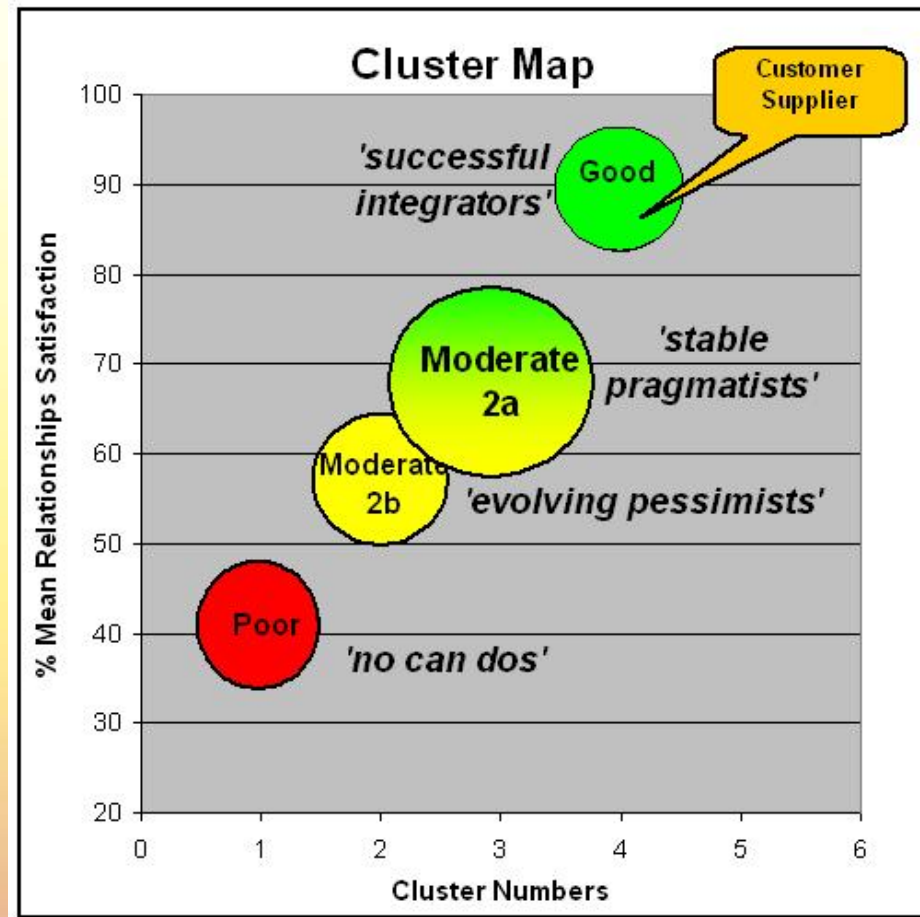
Pragmatic rather than dynamic – “we are in the same boat”. Average returns

Evolving pessimists

Still plagued by operating problems and cultural difficulties. Below average returns

No can dos

Adversarial feelings of ‘imprisonment’ and ‘impotence’, little co-operation or innovation. Poor returns

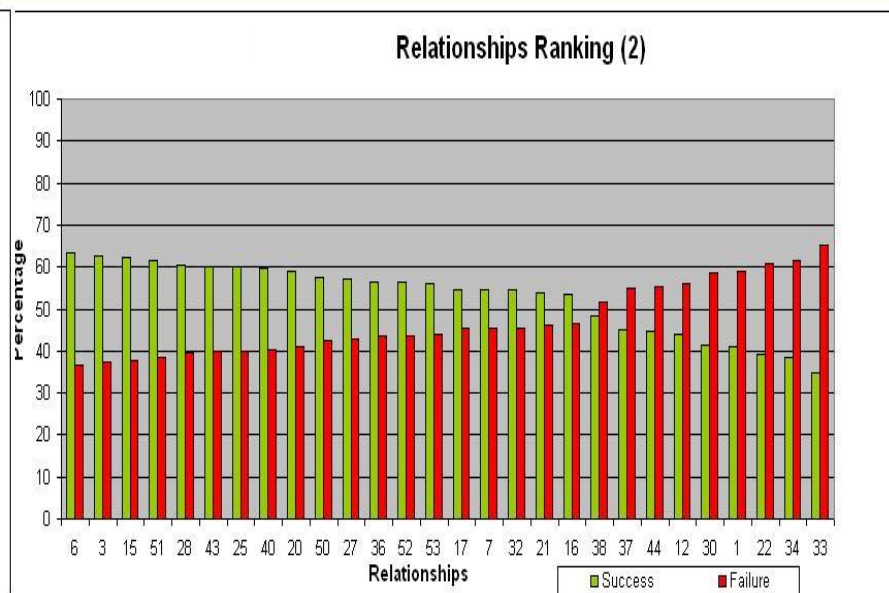
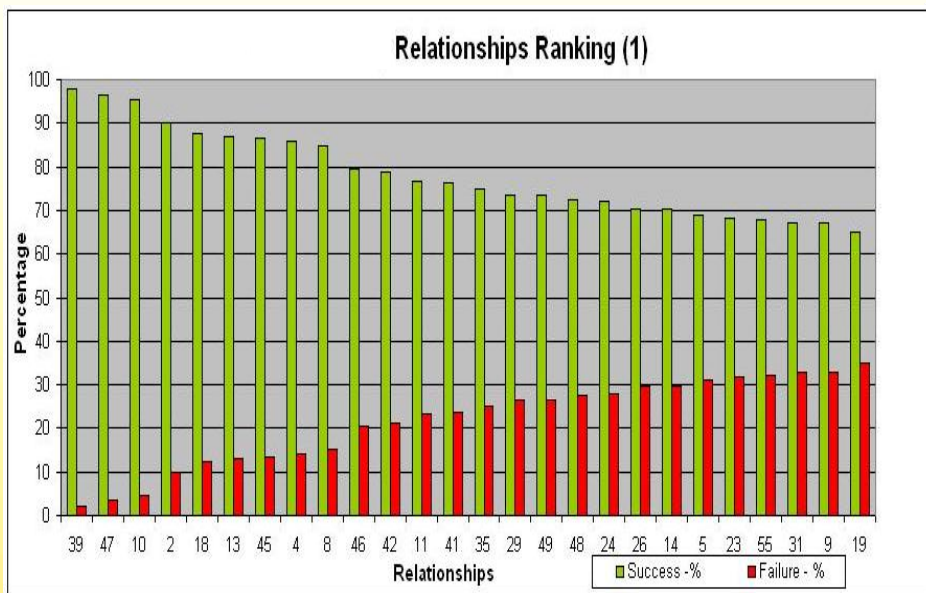


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UK Defence Relationship Portfolio



Good & Not So Good Practice

Where is it found in your portfolio? improving? getting worse? why?



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Case A

- **10 Year Relationship – value £2m pa:**

- Customer – Non-destructive testing electronic equipment manufacturer
- Supplier – Specialist Logistics Company

- **Objective:**

- Planning to collaborate on major new product development

- **Issues Revealed:**

- **No formal or informal contract**
- **No common performance measures, quality standards or monitoring systems**
- **Informal processes eg. ‘no notice’ orders for stock, poor forecasting**



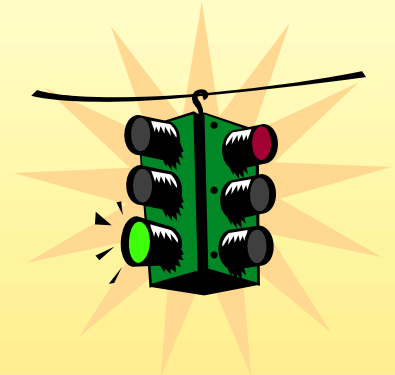


Case A - Performance at a glance

Main Measures	Joint	Customer	Supplier
Overall	73	79	66
Creativity	81	92	71
Stability	71	86	56
Communication	62	74	50
Reliability	67	63	70
Value	82	79	86
Additional Characteristics			
Long Term Orientation	72	72	
Interdependence		100	50
C3 Behaviour		77	48
Trust		100	33
Commitment		92	75
Adaption		69	74
Personal Relationships		100	44

Bandings		See Cluster Definitions
0-49:	Red	Poor
50-59:	Amber	Moderate 2b
60-74:	Amber/Green	Moderate 2a
75-100:	Green	Good

- **Creativity:** - promoting quality, innovation and long-term approach by encouraging high performance
- **Stability:**- 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
- **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, Co-ordination, joint 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

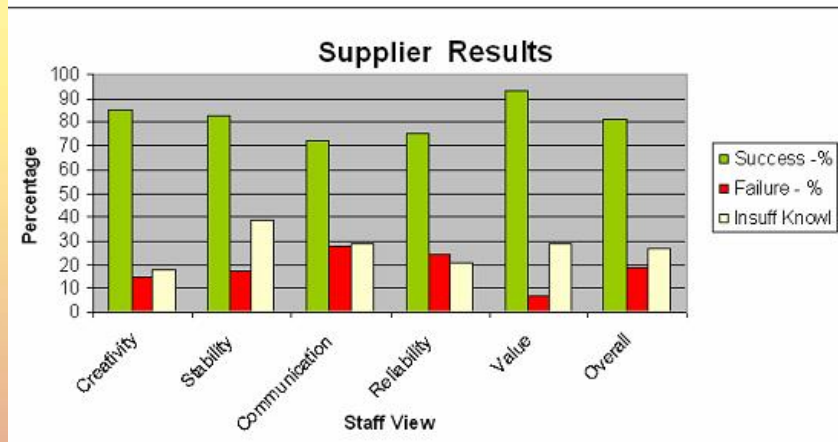


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Case A – Happy Customer/Grumbling Supplier



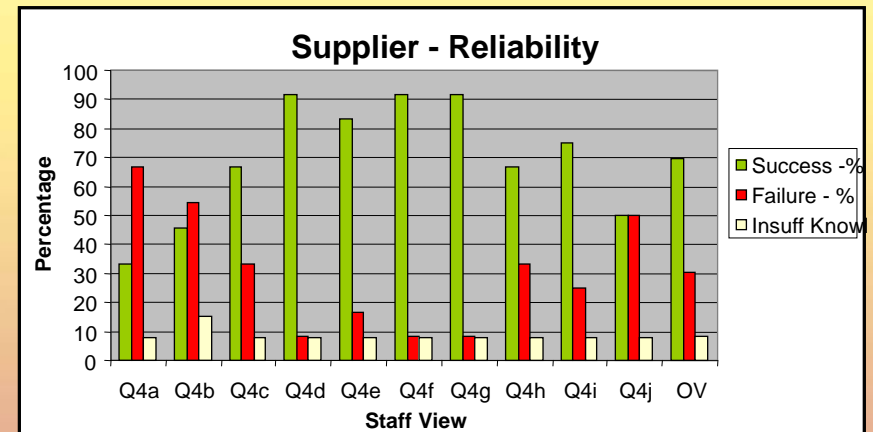
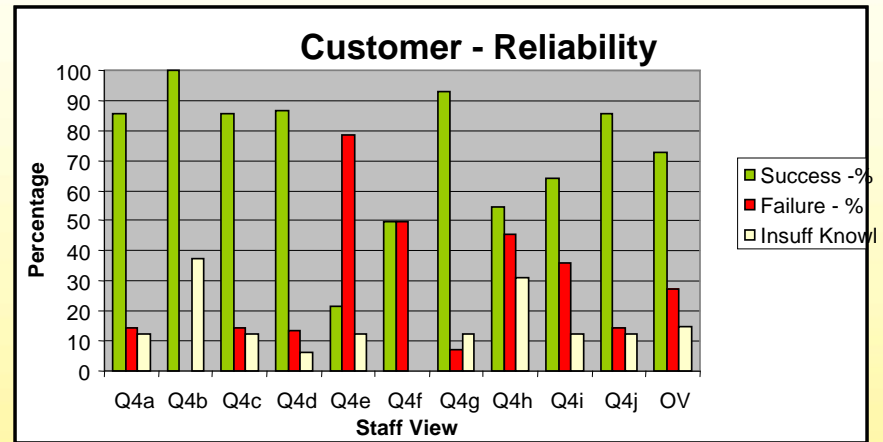
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Case A - Business Process Reliability

Concentrating on service and product delivery

- a The quality of the contract outputs ie. spares/repairs/services, consistent product quality, fulfilled on-time orders, is entirely satisfactory.*
- b The quality of service delivery ie. delivery times, billing, payment, administration, delivery, is entirely satisfactory.*
- c The relationship is characterised by a continually improving product quality ethos.*
- d Problems are solved in a joint, open, constructive manner.*
- e Such is the goodwill in the relationship, the other party would willingly put himself/herself out to adapt to our changing requirements.*
- f We trust the other party to act in our best interests.*
- g The responsibility for making sure the relationship works is shared jointly.*
- h The other party provides us with useful cost reduction and quality improvement ideas.*
- i The other party is always totally open and honest with us.*
- j The other party always does what he says he will do.*



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Case A - Outcomes

- Joint initiative to formalise processes and to hold regular planning meetings
- Joint product reliability action saved £40k year on in-house testing
- Supplier involvement in new product design brought lower cost, improved design reliability, better asset availability, more functionality
- Customer replacing disparate IT with new, integrated system to improve asset control, marketing and requirements forecasting

“We are now concentrating on solving the issues rather than shouting at each other”



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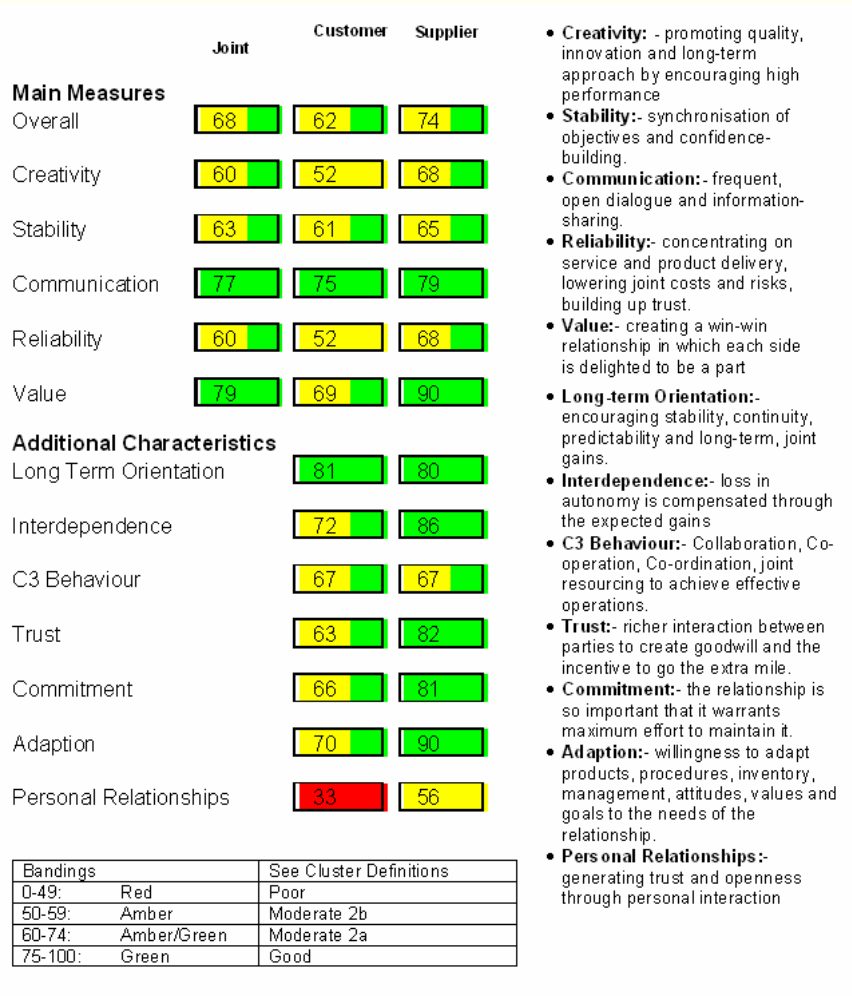
Case B

- **20 Year Relationship** - seasonal goods production value £36m pa:
 - Customer - Global Confectionery & Snack Foods Manufacturer
 - Supplier – Specialist Confectionery SME
- **Objectives:**
 - Deal with emerging stresses from increased success
 - Provide basis for increased investment and collaboration
- **Issues Revealed:**
 - Customer's management model inappropriate – designed for in-house, major production runs
 - Supplier's highly entrepreneurial, 'buccaneering' attitude not helpful
 - Communication failures on both sides resulting in unreliable logistics, penalty costs, frustrated staff, fragile co-operation, low incentive to innovate

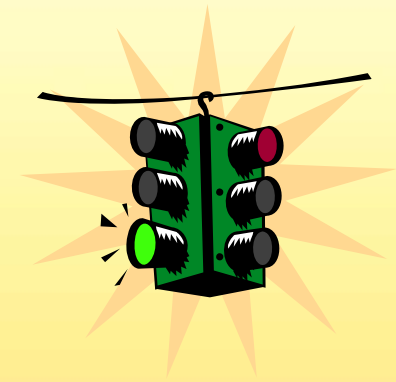




Case B - Performance at a glance



- **Creativity:** - promoting quality, innovation and long-term approach by encouraging high performance
- **Stability:**- 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.
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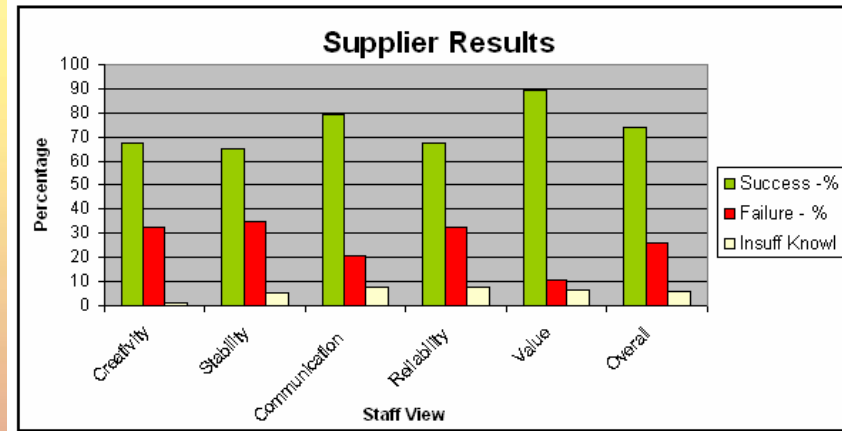
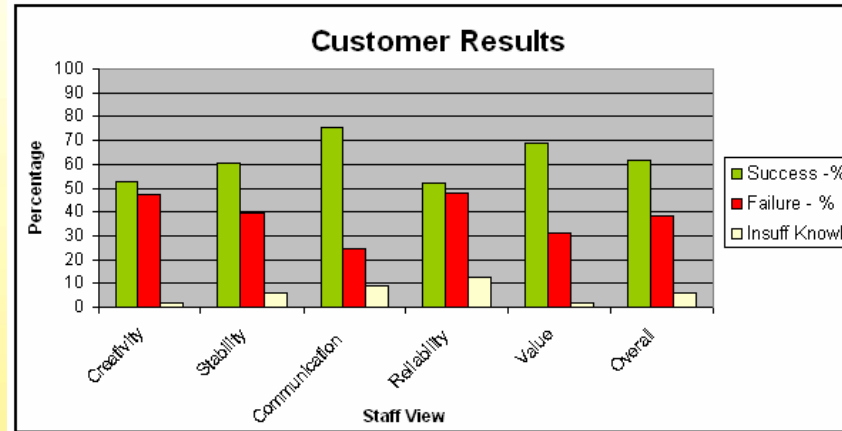


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Case B – Unhappy Customer/Grumbling Supplier



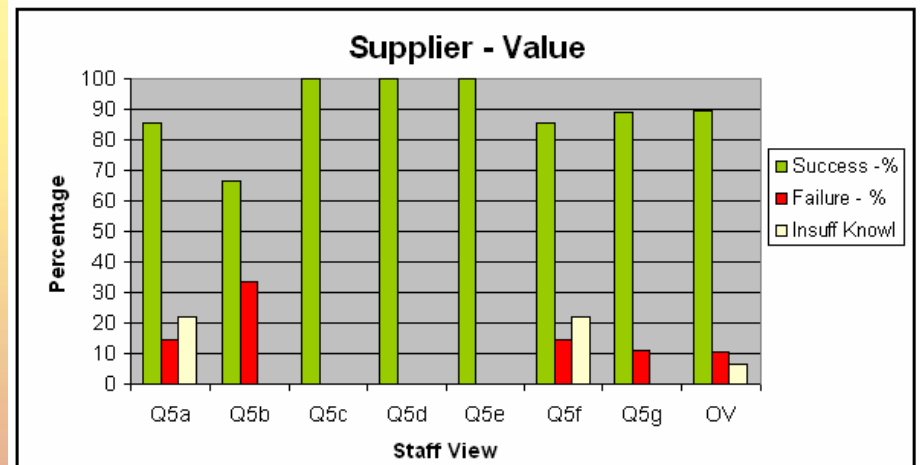
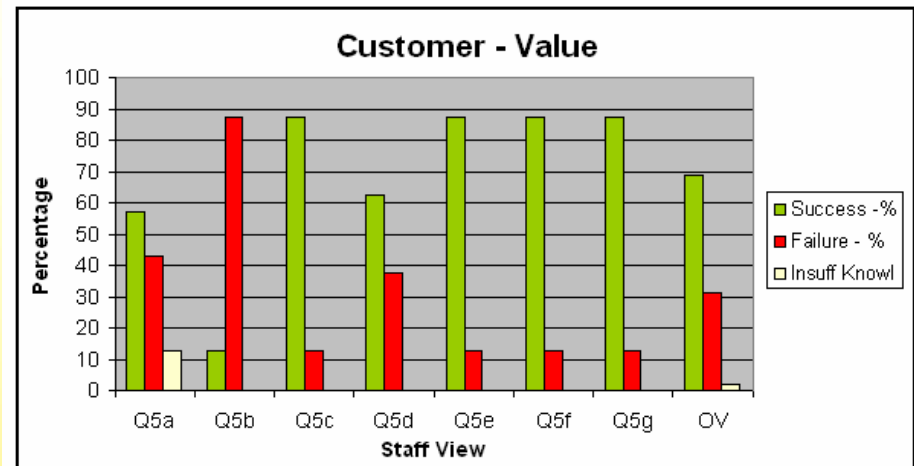
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Case B - Equality & Satisfaction

Value - creating the incentive to work together

- a The gains from this relationship are equally shared between both parties**
- b We do not feel 'imprisoned'/restricted within the current relationship**
- c We are willing to invest more i.e. money, time, information, effort, in the current relationship**
- d We are happy that our future is bound to the success of our relationship partner**
- e We feel totally committed to this relationship**
- f The other party is genuinely concerned that our business succeeds**
- g Both sides are working to improve this relationship**



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Case B - Outcomes

- ***Customer Policy:***

- Suggested that the Customer reviewed its management policy for all co-manufacturing relationships

- ***Joint Product Review:***

- Carried out with Supplier for the first time
- Considered Supplier's ideas for product design and increasing market share

- ***Supply Chain Review:***

- Involving 3rd parties
- Ordering, problem solving, quality control, reporting, co-ordination

“We are both committed to this relationship and if we can make it work the returns will be fantastic”



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Lesson 1: Invest in Relationship Managers

- **Appoint** experienced, knowledgeable, high integrity people
- Give **RM department** strategic status
- Keep RMs **in post** for reasonable periods
- Use RM advice to draft the **framework contract** that focuses on the customer not the small print
- RMs **'sew together'** the parent company functions that service its relationships
- RMs **jointly chair** the main relationship management meetings
- RMs **measure and monitor** relationship performance



Lesson 2: Regular Joint Operations Meetings & Actions

- Review **performance** targets in last period and issue statistics
- Review **work/orders** in progress
- Review **forecasted** sales and orders in next period
- Consider and **solve** problems.
- Actively seek out and initiate **process** improvements
- Review **future** plans (including new products) and initiate preparation
- Review industry and technology **updates**
- Identify **policy** issues to refer to senior management
- Involve other **supply chain** partners



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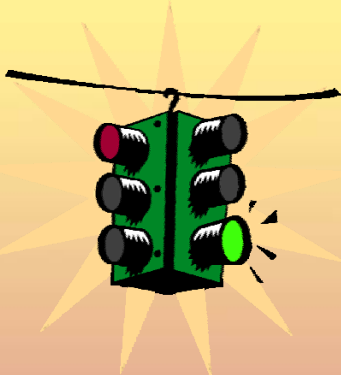
Lesson 3: Use relationship performance measurement to slay the sharks & regain the competitive edge



**Relationship
Performance
Measurements**



**Create clear
Joint
understanding**



**Quality
Innovation
Communication
Cost Reductions
Satisfied Customers
On Time Delivery
Commitment
Future
Trust**

**Sustained
Bottom
Line
Benefits**



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Questions



Key Account Management

1. Do you have Collaborative Business Relationships? Y/N
2. Are you satisfied with their performance? zero/Y/N
3. Will you contact Dr Andrew Humphries to explore improved bottom line returns? Y/N



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