

Measuring Relationships: Which Model should I Use?

The old adage that to manage something you have to be able to measure it has been around since at least Lord Kelvin in the 1800's. Likewise in business we all recognise that if something is important, then it should certainly be managed. We have discussed on a number of occasions that relationships are a key factor in successful supply chains. So, how to measure relationships!

A straw poll of supply chain practitioners will usually throw up a majority that do not measure their supply chain relationships. A further smaller group will claim they do measure their relationships but on examination it turns out they are measuring the results or outputs of the relationship (DIFOT, inventory turns etc) rather than the relationship itself. The analogy we use is that they are "counting the golden eggs, rather than worrying about the health of the goose!"

A supply chain relationship is a complex thing. It is made up of a raft of interactions, perceptions and beliefs by the parties involved. As such it is extremely hard for managers to get a handle on what is going on. In striving to get control it is important to measure all these elements; so out of the complexity clear indications of where to focus attention can be found. This will benefit the bottom line now and in the future. This measurement need (or can) only be done with those partners that are the critical few. The principle being that improving these strategic relationships will impact on all relationships across the board, a variation on the principle that "a rising tide raises all boats!"

In looking at models that allow you to measure relationships there are a number of choices. Some are quite superficial while others are more comprehensive. Some make the mistake of only measuring one side of the relationship; usually the powerful party telling the other weaker party "where they are going wrong and what they need to correct"! - Hardly a recipe for building a better relationship. Other models only concentrate on a narrow element of the relationship such as "trust" or "collaboration". Even some models with grand titles that claim to have a wide focus, on investigation can be found to be quite narrow.

Our investigations have found three models with a focus on all the elements of the relationship and which also ensure the process includes both sides of the partnership. These are the Relationship Management Matrix (RMM), PartnerLink (www.sccindex.com), and the Interpretive Structural Modeling (ISM - a purely academic model). Each has between 20 and 38 questions which are grouped into broad elements and produce either a graphical or numeric result that allows the user to begin to understand what is happening in the relationship. All look for factors such as very low scores for a relationship element (or high scores), large differentials in scores (one high, one low) or particular questions that show these same issues. The results from PartnerLink and RMM provide easily read summaries using traffic lights or heat maps to draw attention to issues.

Which model is best? To reach a conclusion here we drilled down into the detailed questions in each model to see what degree of similarity there might be in the factors being assessed. Pleasingly

there was not a great deal of divergence between the models. Some interpretation was required; for instance questions on “fairness” and “justice” were seen as attempting to get down to the same under-lying factor. There was divergence or differences between the RMM and ISM models. Interestingly with the exception of a few factors such as size of firms or contractual relationship, the PartnerLink model had the greatest degree of commonality with the other two models. This is illustrated in the chart below:

Relationship Element	RMM	SCCI	ISM
Communication	✓	✓	✓
Information Exchange	✓	✓	
Risk & Opportunity Sharing	✓	✓	✓
Trust		✓	
Performance Management	✓	✓	
Process & Continuous Improvement	✓	✓	
Innovation	✓	✓	
Value	✓	✓	
Future Intentions/Strategic Alignment	✓	✓	✓
Fairness/Justice		✓	✓
Commercial Relationship	✓	✓	
Commitment		✓	✓
Mutuality/Interdependence		✓	✓
Responsiveness	✓	✓	✓

The PartnerLink approach is certainly a rigorous approach to measuring and improving your supply chain relationships.

So what are you doing to manage the important relationships with your key supply chain partners? Do you just employ “megaphone” collaboration aimed at enforcing compliance? Do you sit down with these key partners on a regular basis and discuss the relationship and not the outputs? Or do you take the big step of jointly measuring that relationship?

You can read this article and others on similar subjects at our website

<https://ci-advisory.com/blog>

If you would like help setting up a supply chain relationship management program or in measuring your supply chain relationships, don’t hesitate to contact us at andrew@ci-advisory.com or call +61 (0)419 581 705.
