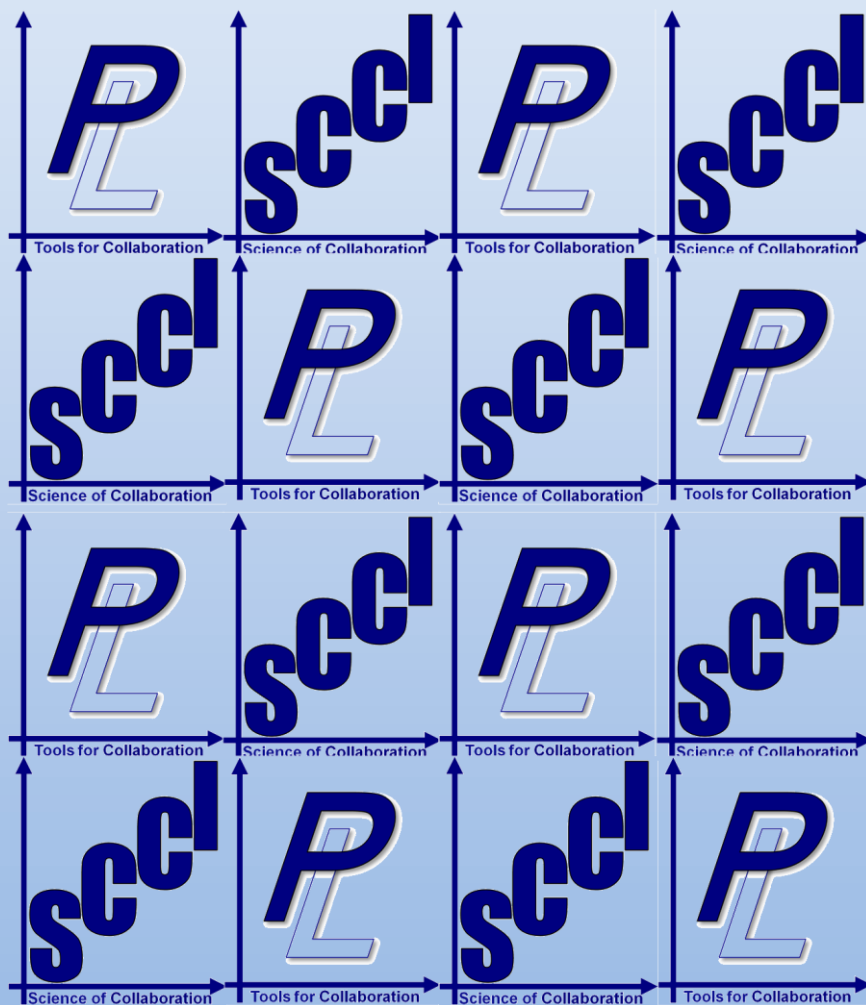


Case Study: SME Manufacturing 'Adapt, learn & prosper'



Andrew Humphries & Linda McComie



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Case Study – Adapt Learn and Prosper

By Andrew Humphries & Linda McComie

10 Year SME Relationship – value £2m pa:

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

Objectives:

- Planning to collaborate on major new product development
- Bring new Managing Directors up to speed

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

Notes

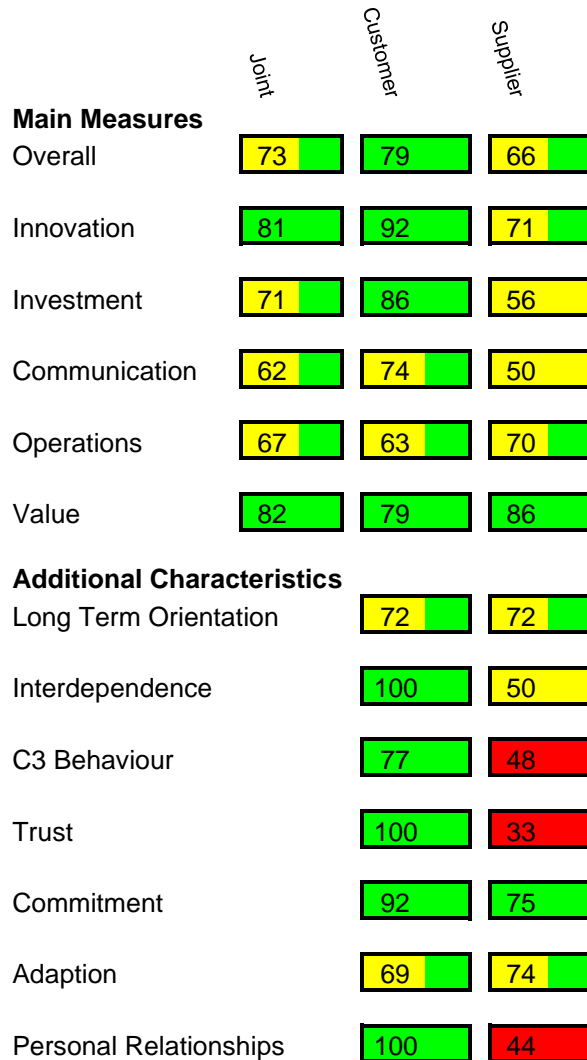
These 2 companies had grown up together and thru acquisitions the MDs had decided to step back and appoint new MDs of their core businesses.

The intention was to use the in-depth review both as a benchmark and as an inventory of the management issues to provide the new MDs with a clear view of what they were taking over.

Both Group MDs believed this relationship was very successful and in the initial brief could think of no problems to mention.

As can be seen, the SCCI appraisal revealed that all was not ‘rosy in the garden’.

Performance at a glance



Bandings	Colour	Response
0-49%	Red	Urgent Action Required
50-59%	Amber	Corrective Action Required
60-74%	Amber Green	Corrective Action Recommended
75-100%	Green	OK Unless High Priority

- **Innovation** – the leap of faith, being creative, flexible and resilient
- **Investment** – Alignment of objectives, investment in people, know-how, infrastructure and management effort and, long-term vision
- **Communication** – open and transparent, frequent and extensive, learning, planning and anticipating
- **Operations** – focusing on service and product delivery, lowering joint costs and risks, building trust
- **Value** – perceived and actual benefits, satisfaction
- **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

These traffic lights show that the customer (centre column) is generally pretty satisfied with the relationship but, the supplier (column on the right) is not nearly so optimistic.

The red and yellow indicators suggest serious differences of opinion and issues between the parties.

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
- Over 3 years Customer Revenue up 38.5% pa, Supplier Revenue up 100%

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

Notes

The main outcome of the PartnerLink appraisal was the opening of both organisations’ eyes to the issues that had accumulated over time.

As a result of some ‘quick fixes’, greatly improved collaboration and significant benefits (15% bottom line) were quickly achieved.

Two years later these companies are continuing to generate substantial returns together and consider the PartnerLink appraisal as the turning point of their relationship.

This is a classic case where over time, informal working arrangements had become a liability and, the customer had failed to capitalize on the growing skills and capabilities offered by the supplier



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