Case Study:
Snack Food Manufacturers
'Tiger by the tail'

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Case Study – Tiger by the tail

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3 Year and 20 Year Relationships collaborating on the production of energy bars and seasonal goods, the latter valued at £36m pa:

- Customer – Global Confectionery & Snack Foods Manufacturer
- Suppliers – Specialist Confectionery SME and European multi-site manufacturer and supplier

Objectives:

- To identify the areas for performance improvement
- To encourage constructive discussions between the organisations to reduce complacency
- To review of the relationships to deal with emerging stresses resulting from increased success
- To provide a basis for increased investment and collaboration scope

Issues Revealed:

- Senior and Line Management from both parties were unaware/amazed at the lack of knowledge of key aspects of their relationship
- Important operational process disconnects in logistics and finance were identified
- 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

"Their performance measures are focused at low levels rather than the overall outcome. This is the system they use with their own factories but is does not match the service they buy from us."

Notes

The Customer initiated relationships with both suppliers as part of a senior management initiative to access innovation and the rapid development of new product lines in niche markets which its own, inflexible manufacturing facilities were unable to achieve.

The partner companies were small, dynamic producers of unique world class products. Both were capable of swapping out production lines within 24 hours and developing new products rapidly.

Initially these enterprises were managed at a senior level however as the relationships matured they were handed over to lower level production staff who were unable to provide the individual relationship management necessary to maximise the creative returns from the suppliers.

In the case of the newer supplier, this change in management had yet to have a serious impact apart from problems with lines of communication.

In the second case the supplier was saddled with bureaucratic requirements such as daily production reports and stock returns. Also the customer insisted on the use of their packaging supplier who could not adapt to specific and dynamic requirements of the small manufacturer.

Performance at a glance

	Alliance	Customer	Supplier
Main Measures			
Overall	90	90	90
Innovation	93	92	94
Investment	90	90	90
Communication	79	80	77
Operations	94	93	95
Value	96	97	95
Additional Characteristics			
Long Term Orientation		77	78
Interdependence		100	100
C3 Behaviour		91	96
Trust		100	100
Commitment		92	100
Adaption		88	90
Personal Relationships		100	92

	Joint	Customer	Supplier
Main Measures			
Overall	68	62	74
Innovation	60	52	68
Investment	63	61	65
Communication	77	75	79
Operations	60	52	68
Value	79	69	90
Additional Characteristics			
Long Term Orientation		81	80
Interdependence		72	86
C3 Behaviour		67	67
Trust		63	82
Commitment		66	81
Adaption		70	90
Personal Relationships		33	56

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 a relatively and fresh relationship where communication issues are present and a relationship where considerable friction exists and co-operation and trust are adversely affected.

"I don't feel I have a close relationship with the other company or the resources to spend on improving it"

Outcomes

- Senior Managers realised that they needed to manage the relationship proactively and identify opportunities for working closer together on product innovation
- Joint workshops resulted in process improvement initiatives the requirement to carry out product and logistics reviews
- Customer decided to carry out regular relationship performance monitoring to ensure the same mistakes were not made and to sustain progress
- The main impact of the assessment was it allowed both parties to concentrate objectively on fixing the issues and gradually things are getting back on track

"Informal, strategic conversations don't tend to happen so we miss opportunities to take a bigger view of the business"

Notes

In this case it is clear that the Customer had not learned how to work collaboratively. Rather than managing relationships they employed someone to 'put out the fires'. Challenging objectives had been set, given that the partner operations were substantially different but, the benefits of innovation were not being fully realised. There was a need to treat these suppliers as world class experts rather than adjuncts of their own production lines.

In the older relationship they could not understand what was going wrong and how to solve the problem. They had even seriously considered replacing the Supplier but failed to find another as capable. As a result of the PartnerLink appraisal the Supplier was asked to offer recommendations on how they could increase their market share. The advice enabled them to reduce the delivered product price and to increase sales.

This is an interesting case because it demonstrates that operational effectiveness is not necessarily accompanied by harmony. Accommodation is also necessary on the wider aspects of the partners' aims and objectives to achieve the relationship's full potential.

The bottom line is regardless of the operational, cultural, geographical and size differences between alliance partners the principles of effective relationship management still apply. Furthermore organisations must put in place management that learns and continuously improves.

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