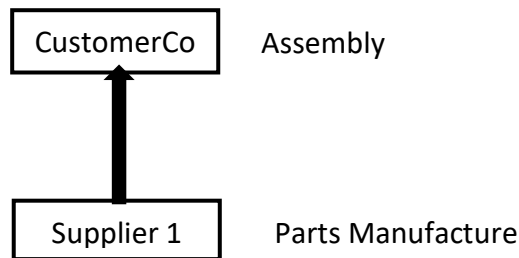
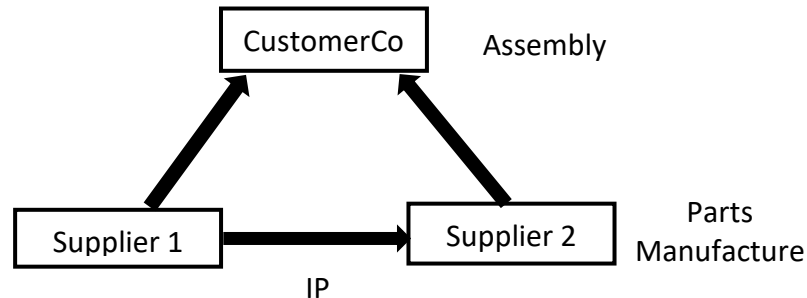


2 What Devious Webs We Weave

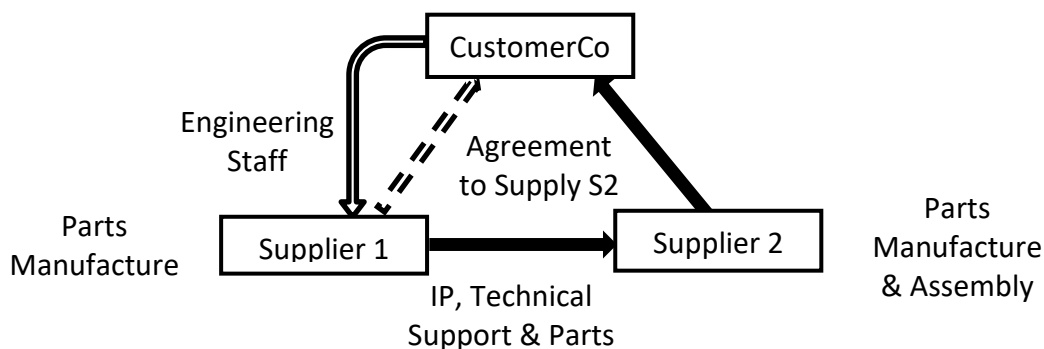
Supplier 1 had manufactured specialized parts as CustomerCo's single source for over 10 years. The relationship was based on mutual understanding. CustomerCo bought parts from Supplier 1 and assembled them in-house. However, CustomerCo was concerned about being overly reliant on a single source. Incidentally, Supplier 1 had always coveted CustomerCo's in house assembly job.



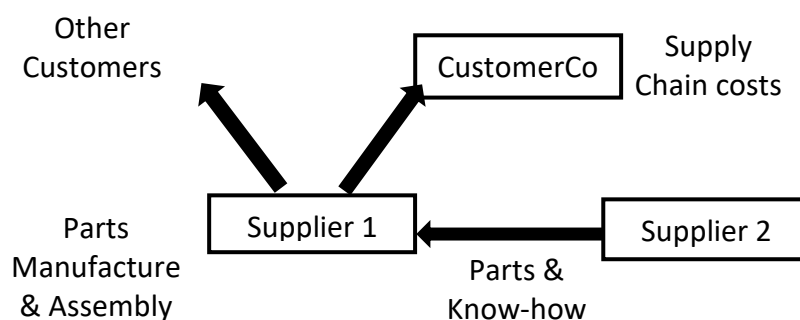
CustomerCo brought Supplier 2 into the relationship arrangement. It appealed because of its bigger size and more stable financial and technological capabilities. Needless to say, this move upset and threatened the smaller and less resource-rich Supplier 1. Since Supplier 1 owned the intellectual property of the tooling designs, it refused to share them with Supplier 2, only doing so after CustomerCo agreed to pay compensation.



However, Supplier 1 was still unwilling to hold direct talks with Supplier 2, or share production knowledge. In response, CustomerCo declared that it would outsource the assembly work to Supplier 2, and asked Supplier 1 to deliver parts to Supplier 2. This decision triggered a series of events.



First CustomerCo closed its internal assembly plant and when this happened, a number of its engineers went to work for Supplier 1 because it was local. In order to ramp-up Supplier 2 for production, CustomerCo had to appeal to Supplier 1 for technical support for Supplier 2 who ran into quality problems in the assembly work. Since CustomerCo’s business only accounted for a small portion of its total revenue, Supplier 2 was unwilling to invest in any technical resources to make the necessary improvements and asked CustomerCo to retrieve the assembly work. Realizing that this was not a feasible option because of the prohibitively high cost of re-setting up the facility, CustomerCo negotiated moving the assembly work from Supplier 2 to Supplier 1. Supplier 1 agreed to take on the job with Supplier 2 supplying the parts.



Four years after the first move to introduce Supplier 2 into the relationship, Supplier 1 and Supplier 2 ended up swapping roles, and CustomerCo ended up bearing all the cost for the mistakes incurred along the way. Moreover, CustomerCo became even more reliant on Supplier 1, something it had tried to avoid. Supplier 1 had learned a more standard business process from Supplier 2 as its business grew in size and CustomerCo had become just one of a number of Supplier 1's customers.

Organisations seem to have a tendency to want to manipulate their supply chains to their advantage. In the process they ignore the dynamics of the relationship matrix and inevitably there is 'push-back' which results in unforeseen and often unwanted outcomes.



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