

ANALYSIS FREIGHT, TRANSPORT & LOGISTICS

Getting better value from relationships

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MANAGING supply chain relationships is often surrounded by folk lore with many collaborations failing without clear reason.

We might know what happened but, do we know why. With traditional management focusing on numbers, milestone charts and contracts, insufficient attention is paid to the underlying causes of difficulty which often creep in insidiously. The first signs of trouble are increased fire-fighting, invoking penalty clauses and bad temper, all leading to poor performance and stress.

We know many companies have embraced new mantras like supply chain management as a way of cost cutting and squeezing more perceived value from the market.

However, by not taking a collaborative approach, results have been disappointing with many suppliers not being able or willing to reduce margins for no additional benefit.

Also, through rationalising or cutting supplier numbers, many buyers have become more dependent on a few, and have forgotten or not given thought to, tackling the fundamental issue of cooperation and reconnecting the business to the needs of the customer.

They have failed to invest in 'win-win' relationships. A common response by the buyer is to throw money at this newly created situation by bringing in consultants to 'blitz' the problems 'of the supplier'. This usually focuses on the things that are broken, misses the good practices, recommends short term solutions, is highly disruptive and, over time the cycle is usually repeated.

Again, many fail to focus dedicated staff on managing their key relationships. Key Account Managers (KAMs) are essential to sew together the activi-

ties across departments in their own company that service the relationship and ensure both side of the relationships gain maximum benefit.

Without this co-ordination the commercial staff will invoke penalty clauses, engineers will go their own way, sales staff will negotiate the profits away and production will improve packaging at the expense of transportation.

In traditionally managed customer/supplier relationships, the bosses get together to play golf once a year, the customers place ludicrous orders at a moment's notice and the suppliers scramble to deliver late, incomplete orders. When managers do speak to each other, it is rarely face to face, and it is to either to fire fight or recriminate.

To achieve maximum benefit from a relationship both sides must be able to measure and manage performance jointly, solve problems before they happen and plan ahead and agree change to meet the challenges of fickle markets.

At the end of the day, there is a critical need to provide KAMs with the data to allow them to manage their relationships more effectively. What is needed is an objective means of measuring and assessing the relationship performance that covers all aspects of the collaboration, because if you can't measure it you can hardly manage it.

Assessment process

The assessment process must be simple to perform, and objective in its output, sponsored by senior management and co-ordinated by the Key Account Managers.

It must also be carried out quickly and without disrupting day to day business. After the correct questions are developed, on-line surveys and telephone interviews will be used to



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discover the real and honest views of key staff, guaranteeing anonymity ensures that they are happy to give full and frank opinions.

The findings will be presented in business friendly language so that senior managers and KAMs on both sides understand what is happening and why, and can question the assessors. Managers from both companies

will hold discussions, conduct joint workshops, identify improved practices, develop implementation programmes and set continuous improvement objectives.

This would be co-ordinated by the KAMs who would use the outcomes to continuously improve the relationship. The assessment must be repeated at regular intervals to measure and monitor performance in order to maintain the momentum.

* Dr Andrew Humphries is CEO of SCCI Ltd (UK). His background was in the Royal Air Force where ultimately he was Head of Defence Aviation Logistics. He developed his unique method of business relationship assessment initially in a Cranfield Business School research programme that examined the major UK MoD - Major Equipment Supplier relationships but lately through working with European companies in the rail, construction, manufacturing, retail, food and agriculture sectors. He can be contacted by email: andrew.humphries@sccinc-dex.com.

Logistics solution for Magna Pacific

DVD distributor Magna Pacific has partnered with Manhattan Associates to implement an integrated logistics solution (ILS) for its national distribution centre.

Having recently moved from a 1000m² site to a 4000m² distribution centre, Magna Pacific was looking for a supply chain management solution that would enable it to have full visibility across all elements of its supply chain execution.

Through the implementation of Integrated Logistics Solution, built on Microsoft NET, Magna Pacific has gained the supply chain execution capabilities required to accurately manage the 9.6 million cases of stock

received into the warehouse and more than 1.9 million units shipped from the same location in the last quarter alone.

Integrated Logistics Solutions is said to step beyond the traditional boundaries of a warehouse management system to include slotting optimisation, labour management, supplier and customer enablement and performance management functions.

The result is described as a system that can help companies balance supply with demand, reduce operational costs, increase profitability and ensure that end consumers receive their goods when they expect them. **Manhattan Associates 02 9452 3200.**



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