



## Measuring the Collaborative Relationship: Technology Only Goes So Far

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Collaboration is a hot topic, with many end users intoning their deep commitment to building better relationships with their suppliers and vendors. Yet, the evidence on the ground suggests that few companies live up to the grand ideal:

- A major European food retailer routinely moves its purchasing managers around to stop them from developing too close a relationship with a given vendor.
- A European Consumer Packaged Goods (CPG) company with an excellent delivery complains that its attempts to build more collaborative relationships with a leading retailer fail because the retailer is too busy dealing with other failing vendors.
- A leading European supply chain software vendor reports that the collaboration tool is the least used functionality within its suite.

**The Bottom Line:** More than ever before, the technology for collaboration is in place, but what is failing is the basic relationship. Getting a measure of this relationship is usually overlooked, limiting Demand-Driven Supply Network (DDSN) development.

**What It Means:** Consider the typical Supplier Relationship Management (SRM) supplier scorecard, which measures on-time delivery performance, cost, and other Key Performance Indicators (KPIs). Where is the overall health of the relationship measured? A new company in the UK, **SCCI**, is aiming to address this gap. Coming from an extensive study of relationships between the UK Ministry of Defence and its major suppliers conducted by Cranfield University, SCCI has developed a tool to measure the view from either side of the supplier/client divide.

It has a varied client base, with many coming from areas where the softer/immeasurable sides to the relationship are crucial to success (such as large-scale engineering projects), but the company equally has clients from more traditional buyer/seller relationships between industrial firms. They liken their service to marriage counseling for companies. Typical engagements occur for the following reasons:

- Poor vendor performance using traditional metrics led companies to look deeply into their relationships.
- Customers find that traditional approaches to their vendor community (annual conferences, awards, and intermittent scorecards) are yielding diminishing returns.
- Top companies see regular relationship monitoring as part of a next-generation best practice.
- Companies with multiple contacts with their vendors (as supplier, co-designers, and co-marketers) find they have no feeling for the total picture.

### How does it work?

Companies use online questionnaires, filled out by employees on both sides of the relationship in all functions that interlink (from design to accounts). The questions cover the following:

- **Creativity**—The willingness to engage in innovative practices
- **Stability**—The willingness and ability to put in people and systems infrastructure to link the companies
- **Communication**—The richness, openness, and honesty of the communications between partners
- **Reliability**—The operational functioning of the relationship in areas such as on-time delivery

This is supplemented with SCCI interviews, and a report showing the opposing views on the same criteria is presented. Using this approach has led companies, such as one UK High Street fashion retailer, to significant behavioural and organisational changes and the better use of IT tools:

- The appointment of relationship managers with key suppliers to cover all points of interactions
- Changes to the usual Request for Information (RFI) process to bolster areas where the relationships tend to break down
- More frequent interchange of better data
- Joint measures around forecast error
- Data harmonization

**Conclusion:** The literature on the evolution of cooperation and collaborative behaviour is increasingly pointing to ensuring that the right process support is in place—visibility of the relationship in all of its aspects is foremost among these. Next practice should supplement traditional metrics with those that look at the health of the relationship from a wider and deeper perspective.