

Case Study – Adapt Learn and Prosper

10 Year Relationship – value £2m pa:

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

Objective:

- Planning to collaborate on major new product development

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

Main Measures	Joint	Customer	Supplier
Overall	73	79	66
Creativity	81	92	71
Stability	71	86	56
Communication	62	74	50
Reliability	67	63	70
Value	82	79	86
Additional Characteristics			
Long Term Orientation		72	72
Interdependence		100	50
C3 Behaviour		77	48
Trust		100	33
Commitment		92	75
Adaption		69	74
Personal Relationships		100	44

- **Creativity:** - promoting quality, innovation and long-term approach by encouraging high performance
- **Stability:**- synchronisation of objectives and confidence-building.
- **Communication:**- frequent, open dialogue and information-sharing.
- **Reliability:**- concentrating on service and product delivery, lowering joint costs and risks, building up trust.
- **Value:**- creating a win-win relationship in which each side is delighted to be a part
- **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

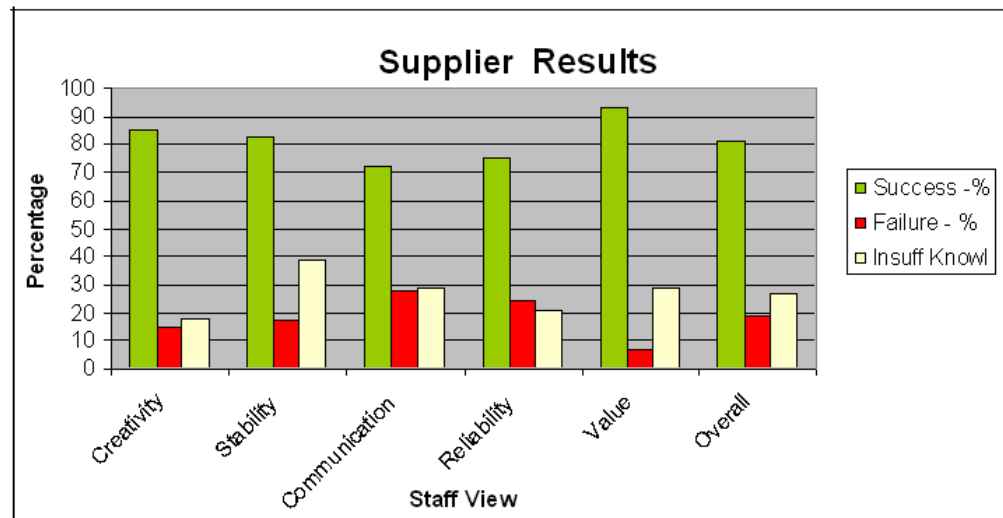
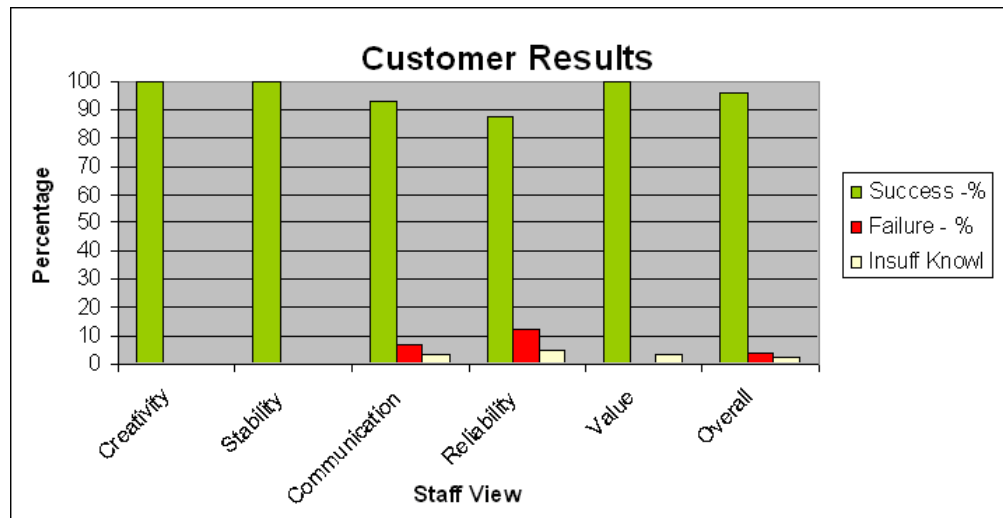
Bandings		
0-49:	Red	Urgent Action Required
50-59:	Amber	Corrective Action Required
60-74:	Amber/Green	Corrective Action Recommended
75-100:	Green	OK Unless High Priority

Notes

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.

Happy Customer/Grumbling Supplier



Notes

These 2 charts contrast the customer and supplier on the 5 key relationship performance measures

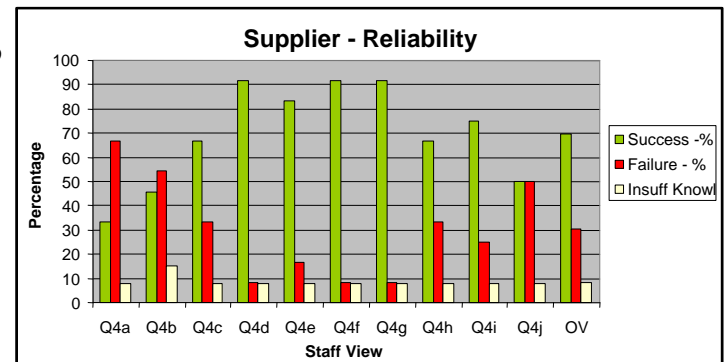
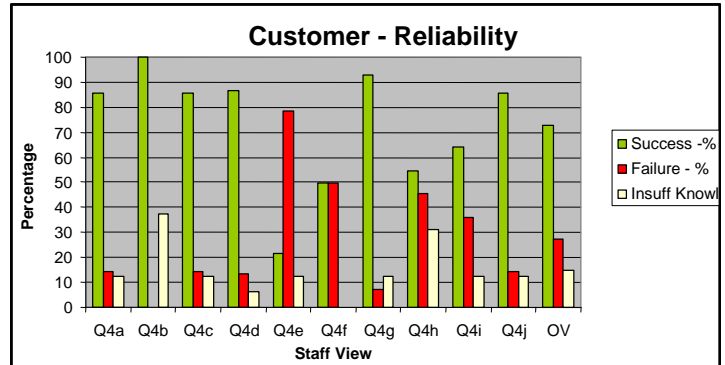
As well as the grumbling reds of dissatisfaction, spot the high levels of 'white don't knows' on the supplier side in the lower chart

The high levels of 'insufficient knowledge' might suggest that internal communications on the supplier side were poor. However, it was the lack of communication about the customer's intentions that rated these scores.

Business Process Reliability

Reliability – concentrating on service and product delivery

- a** The quality of the contract outputs ie. spares/repairs/services, consistent product quality, fulfilled on-time orders, is entirely satisfactory.
- b** The quality of service delivery ie. delivery times, billing, payment, administration, delivery, is entirely satisfactory.
- c** The relationship is characterised by a continually improving product quality ethos.
- d** Problems are solved in a joint, open, constructive manner.
- e** Such is the goodwill in the relationship, the other party would willingly put himself/herself out to adapt to our changing requirements.
- f** We trust the other party to act in our best interests.
- g** The responsibility for making sure the relationship works is shared jointly.
- h** The other party provides us with useful cost reduction and quality improvement ideas.
- i** The other party is always totally open and honest with us.
- j** The other party always does what he says he will do.



Notes

This is a drill down view of the Business Process Reliability key performance measure.

Focus your eyes on the different patterns of red in the contrasting charts.

The answers to the survey questions on operations clearly show contrary views between the customer and supplier.

We concluded that the logistics supplier was keen to see precision in ordering, forecasting and performance whereas the engineering customer resented being bound by 'red tape'.

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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