

Shared Values & Visions:

The Backbone of Collaboration



**XIII International Forum for Logistics
August 13th to 15th**

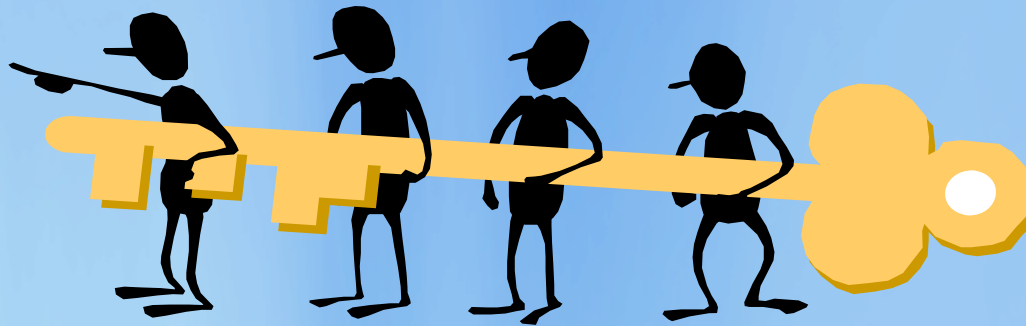
Convention Center of InterContinental Hotel, Rio de Janeiro

Thomas L. Freese

Principle, Freese & Associates

Shared Values & Visions

One of the “hottest” topics in supply chain management today is “Collaboration”, yet it may well be one of the most misunderstood. Supply chain collaboration does not hold the same meaning with everyone. In this session we have defined meaningful collaboration as a sharing of common values and visions, this session details why and how supply chain partners can develop meaningful collaborative relationships.



Key topics that will be addressed:



- Collaboration
- Relationships
- Partners
- Common values & visions

This session will examine



- the critical importance of effective collaboration,
- the various types of relationships,
- the characteristics of such relationships,
- the components of success,
- what works and what doesn't and
- examples of good, bad and ugly relationships.

The Chinese have a word for it . . .

關
係

Guanxi: A personal connection between two people in which one is able to prevail upon another to perform a favor or service, or be prevailed upon.

A state of general understanding between two people: "he/she is aware of my wants/needs and will take that into account when deciding her/his course of future actions which concern or could concern me".

Agenda

- Types of Relationships
- Due Diligence
- Examples of Success & Failure

WIIFY

93% of CEO's see their supply chain as a strategic asset



72% of CEO's have cost reduction as their major supply chain goal

WIIFY

User of services

“Relationship management can create 20% to 40% difference on service, quality, cost and other performance indicators.”

Leslie Wilcox & Sara Cullen – Warwick Business School

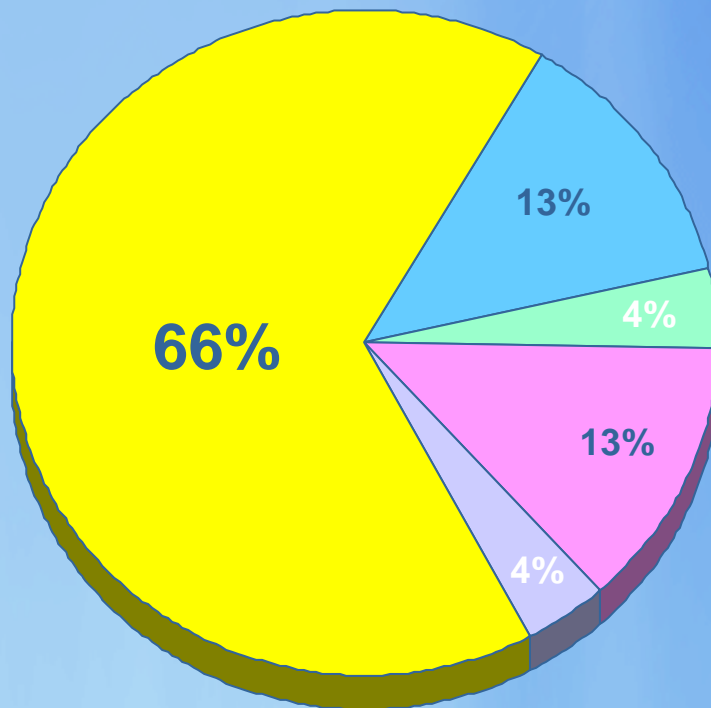
WIIFY

Providers of services

How does a provider's ability to act as a good partner influence your organization's provider selection process today?

Partnering & Selections

How does a provider's ability to act as a good partner influence your organization's provider selection process today?



- Does not influence the provider selection process
- Informally influences some individual's evaluations
- Informally taken into account by everyone
- Used only as a tie-breaker when deciding between two apparently equal potential providers
- Formally evaluated and weighted as part of the process

Types of Relationships



Customer - Vendor



Focused



Partnership



Alliance

Relationship Characteristics

Tactical		Strategic	
Customer - Vendor	Focused	Partnership	Alliance
Commodity	Specialized	Flexible	Shared Risk & Reward
No innovation	Specific Task	Customized	Innovative Solutions
Least Cost	Expert	Information Sharing	Full Integration

Relationship Decision Matrix

Complexity

Focused	Alliance
Customer – Vendor	Partnership

Tactical

Strategic

Relationship Match - Examples

Tactical		Strategic	
Customer - Vendor	Focused	Partnership	Alliance
Office Supplies	Computer Maintenance	Transportation	Inventory Management
Pallets	Payroll	Distribution	Customer Service
Uniforms	Sanitation	Software	Sales & Marketing

Enablers & Inhibitors

Why they work - Enablers

Take time to understand –

- why you're outsourcing
- your culture & strategic vision
- your business
- what you expect to achieve
- FUD factor (fear, uncertainty, & doubt)
- what the partner expects to achieve
- mutual dependency
- mutual responsibility for relationship

Why they fail - Inhibitors

Rush without clear understanding –

- why not
- what culture, what future
- it's easy . . . trust me
- whatever
- I don't know and I don't care
- why should I care
- people like you are a dime a dozen
- it's your fault

Relationships

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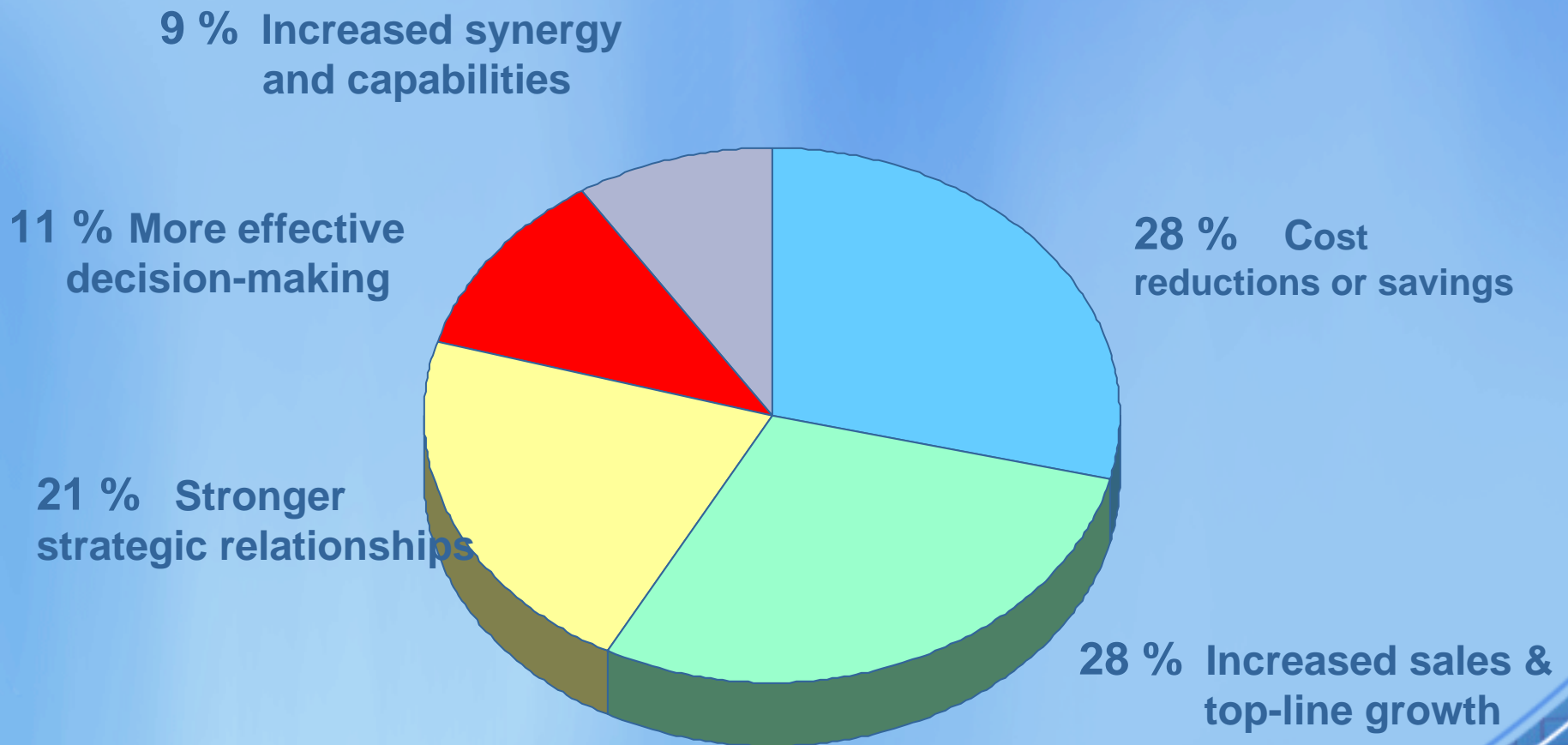
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**Due Diligence:
The Pre-Relationship Audit**

What companies hope to achieve through SCM Relationships



A Successful Collaboration Happens When...

- ❖ Understand why you are partnering
- ❖ Culture, Strategic focus, Expectations, Values are aligned
- ❖ Agreed-upon performance metrics are in place
- ❖ Relationships transcend management changes
- ❖ Trust exists

The Ideal Collaboration



Why Supply Chain Relationships Fail

✓ **Unclear expectations**

✓ **Insufficient data sharing**

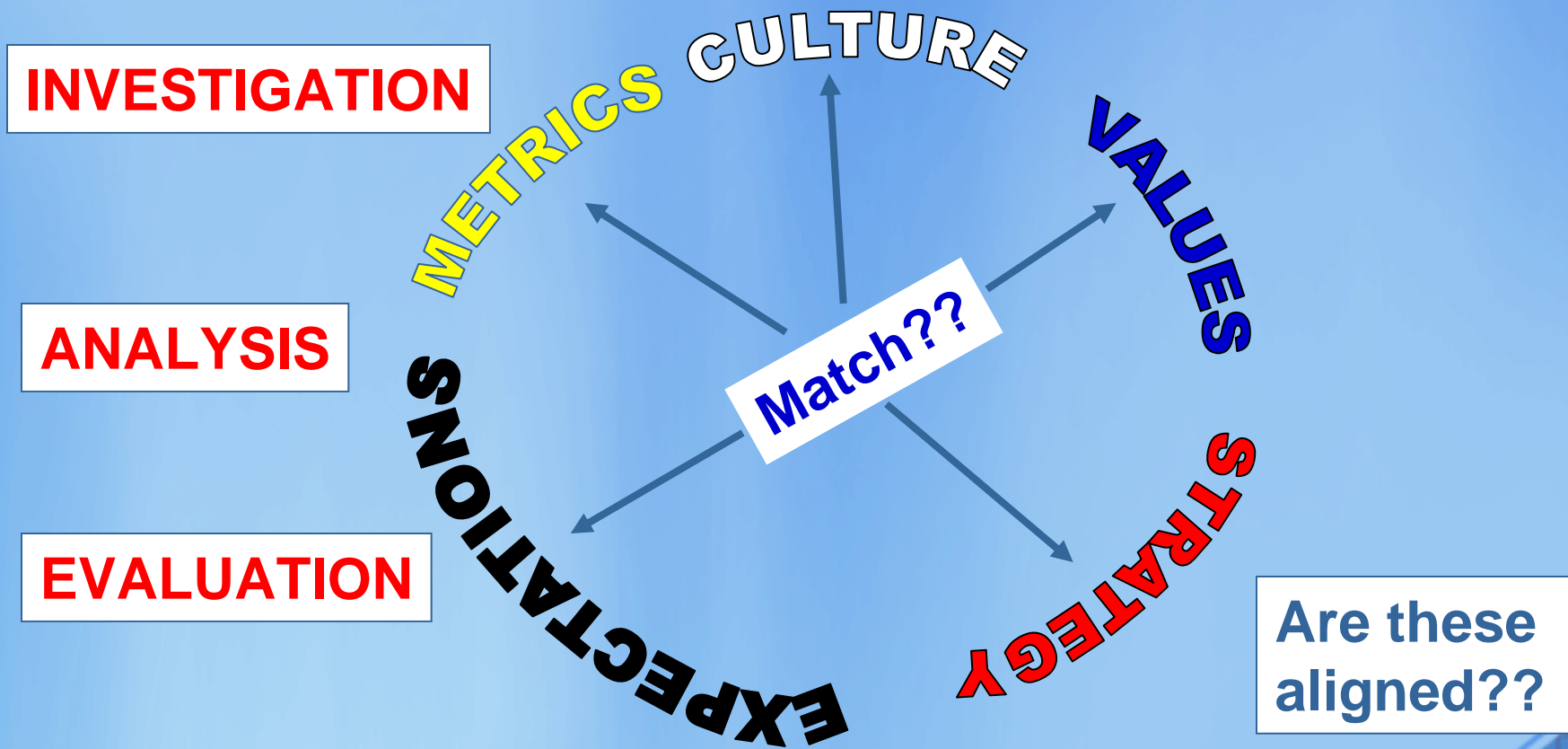
✓ **Miscommunication**

✓ **Incompatible organizations**

✓ **Lack of trust**

✓ **Rushing the relationship**

Relationships are formed only after a detailed, in-depth -



The Key Lesson for Successful SCM Relationships

Managing a relationship is harder than managing a function; it is more complex and requires a different set of skills!!

We must focus on creative ways to integrate goals, people, cultures, performance metrics, and visions

**Examples of Relationship
Successes and Failures:**

Guidelines for Managing Relationships

P&G & Wal*Mart



- ✓ An alliance between two market leaders
- ✓ Good communications
- ✓ Coordinated forecasting
- ✓ 52+ inventory turns
- ✓ High in stock on shelf %
- ✓ Mutual benefits

The Dell Story



- ✓ Short cash to cash cycle
- ✓ Open lines of communication
- ✓ Accurate forecasting
- ✓ Quick response to inventory imbalances

Nike & Foot Locker



“ When your biggest partner, whose entire point of differentiation has been that they got your best, newest product first, decides it’s a discounter, then that changes everything.”

Office Max and Ryder



- ✓ Perform “relationship due diligence” upfront
- ✓ Communicate expectations
- ✓ Define performance
- ✓ Invest time in understanding each other

eToys.co

The screenshot shows the eToys.co website interface. At the top left is the eToys logo with ".co.uk" below it. To the right of the logo are navigation links for "Home" and "My Account". Below the logo is a dark blue navigation bar with buttons for "TOYS", "PC & VIDEO GAMES", "SOFTWARE", "BOOKS", and "VIDEO". Underneath this bar are links for "toyssearch", "favourite toys by age", "toy brands", "favourite characters", "toy categories", and "recommended toys". The main content area has a date "Wednesday, 3 January, 2001" and a heading "2 ways to search". On the left, there is a "quicksearch" section with a search input field and a "toyssearch™" section with the tagline "Easy Search by Age, Category, Price". Below that is a "recommended toys" section with two columns of links: "Special Offers by Age" and "Special Offers by Age". At the bottom left is a "shop by age" section with links for "0-12 months", "1 year", "2 years", "3 years", "4 years", "5 years", "6 years", "7 years", "8 years", "9 years", "10 years", "11 years", and "12 years". The central part of the page features a large promotional banner for "eToys' GRAND CLOSING DOWN SALE" with a cartoon character and text: "Can we fix it? No we can't! Sadly, eToys packs up its toy chest on January 13th, but to thank you for all your custom, we're offering **50% off** the original price of all stock! [Click here to find out more.](#)"

- ✓ A lack of understanding the business and
- ✓ A lack of understanding the expectations
- ✓ Lead to the downfall of the business

Walt & Mickey



A “True” Partnership

The “partnership” between Walt Disney and Mickey Mouse is one without secrets, one without misunderstandings, one could say that they are of a single mind.

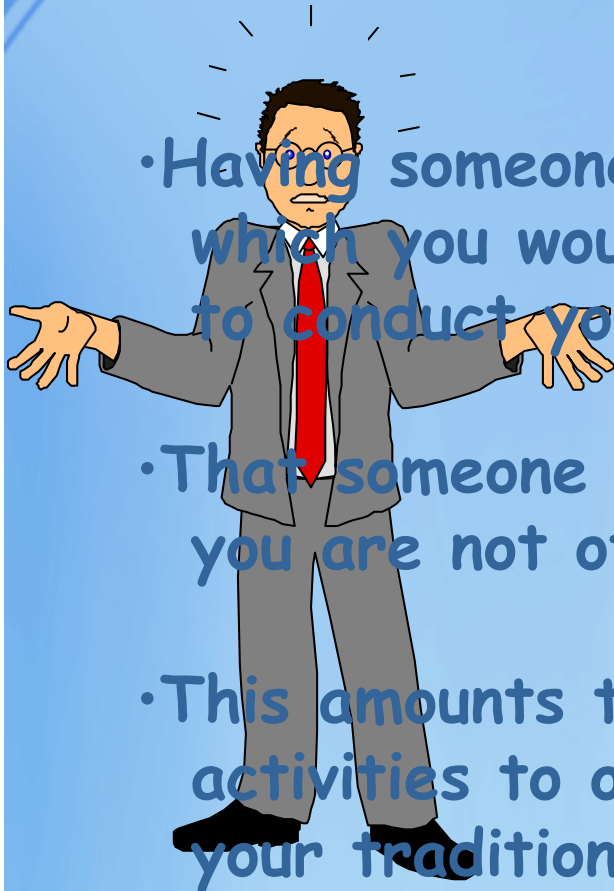
In Summary

The problem with all too many partnerships is. . .



. . . a failure to communicate.

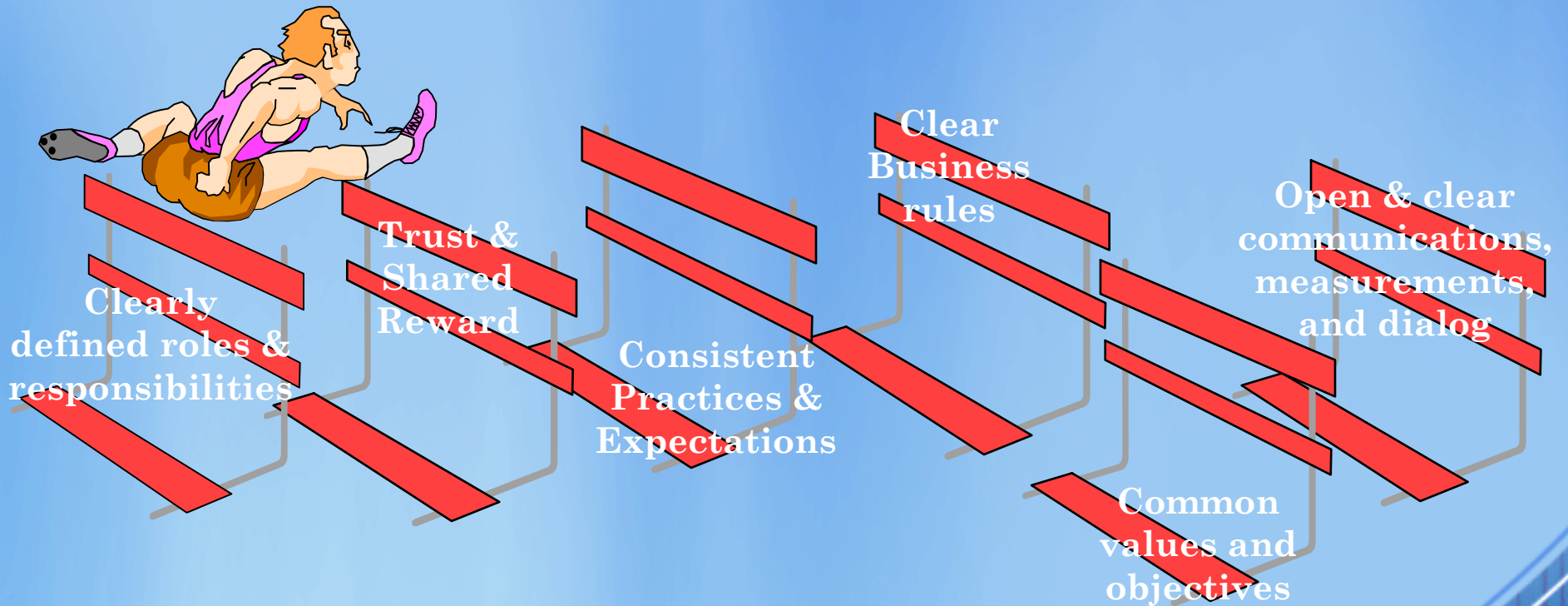
What Is Outsourcing?



- Having someone conduct a service which you would otherwise have to conduct yourself.
- That someone is normally one who you are not otherwise associated with.
- This amounts to contracting out activities to others outside of your traditional environment.

Barriers to Success

What are the potential barriers to a successful relationship?



The Relationship



Outsourcing needs to be a relationship not just a set of transactions and as such the understandings must cover:

- SERVICE LEVEL REQUIREMENTS
- A SERVICE LEVEL AGREEMENT
- THE BENCHMARKING AUDIT
- THE OUTSOURCING CONTRACT
- A TRANSITION PLAN
- GOVERNANCE PLAN
- SEPARATION

Supply Chain Management

Age: 25

D.O.B. 1982

Parents: Booz-Allen

Mission:

To connect the links to
overcoming functional silos



Relationships

- Establishing SCM partnership relations is a time consuming and an expensive process.
- Trust has to be earned, it can not merely be assigned.



Questions

Freese & Associates, Inc. www.FreeseInc.com