Supplier Collaboration is a Win-Win Strategy!

supplychaingamechanger@gmail.com March 29, 2020

Suppliers are an intrinsic part of the Supply Chain. It does not matter what business you are in, what products you make, distribute and sell, or what part of the world you are in. And it doesn't matter where in the Supply Chain you are. You can not accomplish anything without collaboration with your Suppliers.

Yet I have seen, like many of you, Suppliers treated in many different ways. No matter what the circumstances are poor treatment of Suppliers is never appropriate. Given that Customers fundamentally need their Suppliers to be successful why do people treat them badly? And how do we ensure there is a healthy and productive relationship between Suppliers and Customers?

Working together with your Suppliers is always a formula for success!

Supplier Collaboration

Earlier in my career I was responsible for running the Manufacturing and Supply Chain operations for a particular

operating Division. The Division was struggling financially (as well as operationally). The management team was brainstorming actions we could take to improve our financial performance.

When it came to discussing the cost of materials the conversation began with someone suggesting we just beat up our Suppliers to get them to lower their costs. Someone else suggested that there was a Facilitator we could work with who was in the business of getting Customers and Suppliers to work together. This collaboration involved finding ways to constructively lower costs (or improve service or whatever the objective was). We chose the latter approach.

That sounded like a more reasoned approach so we engaged the Facilitator. We then proceeded with planning a day long Supplier Collaboration event with attendance from our Top 25 Suppliers.

We started the event by updating everyone on the current state of the business, explaining our objectives and defining the problem and challenge. Specifically we told them about the amount of improvement we needed. We spent a lot of time here. It was not just one-way communication. We encouraged a dialogue. When people understand your problems and your objectives you equip them with the information they need to figure out how they can help you.

Later we had the Suppliers do some brainstorming activity based on what we discussed. Then we had them articulate what their ideas were in front of the entire group. The intent was to help promote some out-of-the-box thinking with everyone else. There was some apparent awkwardness as there were Suppliers in the room who competed with each other. You could easily tell that some were being cautious. That was ok because the real work would begin afterward.



By the end of the day we had a list of a few dozen ideas on where Suppliers could help us in our objectives. In some cases the Suppliers could make these changes unilaterally. In some cases we would need to relax our specifications or expectations. And in still more cases we would need to work alongside the Suppliers to make the necessary changes together.

All of this would require ongoing work over the coming days, weeks and months.

The Supplier Perspective

From a Supplier perspective the feedback was consistent. They had never before been asked to participate with us in such a manner. The typical interaction before was over a negotiating table.

Depending on who from our side was negotiating it could be a friendly, professional conversation or on the other extreme it could be someone pounding on the table demanding cost reductions.

This new approach was more inclusive and constructive. First of all the communication and information sharing was unprecedented. We made the Suppliers feel like they were a part of our team and not just a third-party selling us goods at arm's length. With no hidden agenda we proceeded to share our circumstance with all of the Suppliers. As a result they embraced this information and became immediately invested in helping us.

By openly sharing our challenges we invited them into our problems as an equal player, not just as a third-party. This had the effect of making them want to help us. The negotiating table approach merely served to created a divide (the table) between us. This new collaborative approach got them thinking as well.

Collaboration also enabled us to transcend the historically transactional nature of our Supplier relationships. Before

we would tell Suppliers what we expected with respect to cost reductions and other terms. We may have also provided these expectations to their competitors. They would all respond. And based on that we would award business.

In the Collaborative model we made it clear that we still expected Suppliers to be competitive, and to demonstrate this. We could not afford for them not to be competitive. But by inviting them in to our inner circle through the Collaboration effort we created the opportunity to deliver results far beyond what could ever be achieved across a negotiating table.

Implicit just in the invitation to participate itself, let alone the entire Collaboration project, was the message that we were extending our hand to our Suppliers. We truly did want to build a level of relationship and trust which would enable our mutual success.

Conclusion

Within a few weeks we started to see improvements in costs from our Suppliers. Again some of this came through improvements made solely by the Supplier, perhaps with us relaxing some of our expectations or specifications. In other cases we worked hand in hand with our Suppliers as we needed to test out the changes in the products we

made. Once approved and qualified we were able to incorporate new parts which were much more effective in form, fit, function and cost.

While we were able to readily track the tangible improvements we made along with our Suppliers it was most rewarding to see a change in the nature of our Supplier relationships. The Collaboration effort had become a defining moment for us, beyond which our Supplier relationships made step-function improvements.

We awarded and recognized our Suppliers for their contributions. And relationships continued to build and strengthen for years to come. None of that would have been accomplished with a traditional negotiating approach.

Collaboration is a winning strategy for you and for your Suppliers.

Copyright © Mortson Enterprises Inc. All Rights Reserved.

#Procurement #SupplyChain #SCM #Business #Purchasing