



SEVEN STEPS TO INTELLIGENT COLLABORATION

A COLLABORATIVE APPROACH TO SUPPLY CHAIN MANAGEMENT WILL ALLOW PARTNERS -INCLUDING SUPPLIERS, SUPPLY CHAIN SERVICE PROVIDERS AND CUSTOMERS - TO DEVELOP SYNCHRONICITY WITHIN THEIR SUPPLY CHAINS TO THE MUTUAL BENEFIT OF ALL CONCERNED. By Rob Krach

The organizations that will deal best with the challenges posed by the current economic climate and emerge as the most successful will be those that can reduce their costs, increase their volumes and improve their service. The most effective route to achieving these aims is working collaboratively. Intelligent collaboration in the supply chain will lead to better relationships with suppliers, transportation providers and, in the end, your customers. It can eliminate waste, reduce costs and identify inefficiencies throughout the supply chain.

Take an international global corporation that is comprised of multiple divisions and platforms and is looking to drive out cost. It can do this by collaborating with a supply chain service provider that, in addition to providing lean process improvement, can improve margins by providing optimized warehouse locations and working to find synergies between the corporation's divisions. For example, if one of the corporation's companies manufactures measuring devices and another produces tools, by working together it is possible to leverage the synergies between these two companies and their respective supply chains.

One means to this end is studying the supplier and vendor base for the total organization and looking to reduce inventory and transportation costs. The Vendor Managed Inventory (VMI) strategy moves the supply base from multiple supplier locations to centralized warehouses operated by the supply chain service provider where vendors (parts suppliers, for example) from



around the world can store their inventory. When the various manufacturing sites need parts from a vendor, they can draw them out of that warehouse as and when their demand requires. Being a bonded facility, the product is actually owned by the vendor until the supply chain service company ships it and duty payment is delayed until consumption. They have complete visibility of it on route to the warehouse and while it is there. The manufacturer has the confidence that its information is correct and the stock levels are there when they are needed.

This collaborative approach will help complex organizations when demand fluctuates within different businesses. Because the inventory is held in a local, centralized facility it will reduce costly expedited methods of transport and can be moved by road. So a VMI arrangement will reduce the size of shipments, reduce inventory, cut costs, decrease working capital and provide better service to ensure there is no downtime on the manufacturing companies' production lines. Furthermore, the manufacturers are free from space considerations for holding inventory when it is not required and often can delay payment to the vendor until the product is in the factory.

But it's a joint effort and the key is that the supply chain service provider needs information from the partner such as: Who are their vendors? What goods are they shipping? When will they be needed? What are their volumes? With this information the supply chain service provider can advise the manufacturer on how much space and inventory it needs and be able to say: 'when you need it you just send us a message'.

Companies who want to collaborate will need to follow seven key steps if they are to achieve this successfully.

1. STRATEGIC PLANNING. Having a clear articulated supply chain strategy lays the foundation upon which successful collaboration is built. The strategy itself must be established at a high level



within an organization. Discussing and sharing what is going on within an organization, setting out what the parties are trying to accomplish and how to go about achieving those aims will allow a thorough and true assessment of the prospects of a successful collaboration and how partners can work together to achieve synchronicity.

An executive who is engaged in the project will be best placed to champion the collaboration. Not only will he have the power to remove any roadblocks very quickly but he will also be able to understand the strategy of the organization and articulate that clearly to the partner on a 'top-to-top', peer basis.

Strategic discussions will then lead to an in-depth supply chain investment, looking holistically at the whole supply chain. This is where you can start to identify synergies and opportunities and understand the supply chain. This requires the opportunity to sit down and take the time to go through the various elements of the supply chain from end to end to locate opportunities for improvement.

2. ALLOCATE ADEQUATE RESOURCE. The organizations involved must allocate adequate resources. Members from different divisions and even supplier representatives can be very important. Supplier team members will often know more about their partner's organization than the partner itself.

3. TIME FRAME. Being realistic and prescriptive with your expectations in regards to your time frame is a key to success. If your goals are to be met you will need to make sure you are giving the team sufficient time to produce results, but also set clear expectations. In the same respect too much time and lack of follow up can allow for the team to get off track and into other projects. You will need several days to map the current process and operation with your stakeholders. It may



take several weeks to build the high level solution depending on the complexity. Finally it may take several months to design and cost the detailed solution. Set the timeframes up front and periodically review the progress to make sure you are getting the final results you are expecting.

4. MEASUREMENT FOR REWARD. Having good, subjective measurements allows success to be rewarded. This means setting standards and metrics that will be visited periodically and setting out clearly the objectives of the collaboration. This is a hugely important part of the process and needs to be agreed upon at all levels because it is vital that the process gains ‘buy-in’ from all levels of the organization. A virtual team needs to feed back up through the organization, on no less than a monthly basis, what they are trying to do, what they are seeing in the field and if they are providing what the other partner is expecting. Systems are required that can feed back this information, both quickly and automatically.

Reward is often the answer to the trust issue. You need to have a partner that is truly looking out for your interests and that is where gain sharing is worth considering. For example if a supply chain service provider can drive 15 per cent savings on costs for its partner, it can split it 50-50 with the partner. This offers the assurance that the supply chain service provider is looking out for its partner’s best interests as they are both sharing in the gains. It is an approach that is increasingly quelling the trust issue.

5. IT INTEGRATION. One area of collaboration that is a potential pit fall is not having an IT integration team that is resourced and available. Without the ability to carry out IT integration a collaborative arrangement will stall and the benefits will not accrue.

IT departments are under pressure at all companies so for a smooth implementation it is important for partners to spend time up front and discuss how they are going to link up. Within a



collaborative arrangement you therefore need to have someone that is running the IT integration who is part of the regular communication.

6. COMMITMENT TO A COLLABORATIVE EFFORT AND BUY-IN FROM ALL LEVELS OF THE ORGANIZATION. To protect the collaborative approach, you need buy-in from all that are involved with the process. In other words, if people in the organization take a negative view they could sabotage it. Take for example the VMI example discussed earlier. You put together an interesting idea and show the proof of how it can work yet the purchasing agents refuse to take it on and continue to purchase direct from the vendor in Asia because they don't believe in the process. The team needs a good cross section of members who have trust within the organization and are able to solicit change.

7. VISIBILITY. Intelligent collaboration revolves about sharing knowledge. Visibility into the supply chain and sharing of that information is a powerful opportunity to improve processes. Traditionally corporations kept their internal systems and information close to their chest where today sharing of planning and projections allows for better flows of materials and products.

Back to the international manufacturing conglomerate: if the parts are produced, say, in Shanghai they can be consolidated there until they are actually needed. Using shared information the supply chain service provider can then ship them into the centralized warehouse, say in the UK, or crossdock depending on needs. This is all possible due to the supply chain service provider being aware of the ordering information and where the sales need to go and the dates the goods are required. It can then deliver the goods to the manufacturer. Visibility of this entire end-to-end process can be provided through an IT solution that allows a field operative to order parts, to know they are in transit, when they are in the centralized warehouse and when they arrive at the plant.



So these are the seven key steps to intelligent collaboration. However, before embarking on the process it is important that partners are genuinely interested in collaboration from the outset; and there is a compelling reason to act, otherwise they will be wasting their time.