

Article 39 – Managing customer/supplier relationships

When doing a customer feedback survey recently, I asked the respondent what his job title was and was told that it was “Supplier Performance Manager”. His role was to monitor the performance of the company’s Top 50 retail suppliers against such criteria as quality, cost, stock availability, delivery-on-time etc.

This system probably works well with retail suppliers but what about suppliers of key services, component parts or raw materials? Such companies do not fall into the “just another supplier” category. These are valuable business partners and as such, to monitor their performance using the traditional measures of cost, quality, time is simply inadequate.

This view was reinforced by a conversation I had with a consultant who has an in depth knowledge of the car industry. My question to him was whether the recent spate of car component companies going into liquidation was due to poor management or had their key customers driven them to the wall through making unrealistic demands on them.

His response was instructive. He believed that in only one instance was poor management to blame. In the other cases, the car manufacturers - their major customers – had, (to put it politely) simply squeezed the life out of them. He then went on to qualify his response by saying that one car manufacturer truly believed in collaborative relationships with its component suppliers and went out of its way to assist them in any way it could to the benefit of both parties. By the way, that car company is also the most consistently profitable.

That the attitude of the latter is sadly the exception rather than the rule is further supported by Dr Andrew Humphries of SCCI Ltd. Andrew’s Ph.D was awarded for a study of the collaborative relationships between the UK Ministry of Defence and over 50 defence contractors. During the course of the research, Andrew developed his Supply Chain Collaboration Index, a diagnostic tool that goes beyond quality, cost, time to assesses the underlying health of a supplier/customer relationship from both parties’ perspectives.

Andrew was in Sydney recently at the SMART conference to present a paper on SCCI and at the end of the presentation he took advantage of the delegate voting system to pose two questions to the 300 or so that attended his talk.

The first of these was – “do you have collaborative business relationships’? 86% indicated “yes”.

The second was - “are you satisfied with their performance”? Only 36% were.

SCCI now offer four different tools:

Barometer: quick look, on-line questionnaire-based, ideal for surveying a portfolio of key relationships, facilitates strategic management and governance.

Partnership: deep diagnosis, uses questionnaire and interview data, provides a pair of collaborating organisations with an objective performance assessment and detailed recommendations for improvement.

Portfolio: a report analysing a number of Barometer and Partnership assessments, draws out key themes and actions, allows strategic performance management to take place.

Alliance: in Barometer and Partnership versions, used to measure and improve multi-organisation project performance, eg. a number of companies/organisations who have formed a consortium or network or strategic alliance to develop a new product/achieve a common objective. Used to improve teamwork and cohesion, identifies strong and weak links.

What I find particularly interesting about the case studies I have seen is how differently supplier and customer may view their relationship with each other.

I have known SCCI for about 18 months and the methodology and approach used by Andrew Humphries is very similar to that which I use in my own surveys. The basic tenet of both companies' approach is that you cannot manage what you cannot measure. They also complement one another to the extent that bpi can now offer a range of diagnostic and prescriptive survey instruments covering executive management, employees, customers, workgroups and now customer/supplier relationships.

Another characteristic that is shared between bpi's and SCCI's surveys is that the feedback leads to recommendations that translate easily into very specific actions.

So if you are one of the 86% who have collaborative business relationships and among the 64% who feel that such relationships could be a lot more productive, why not contact me? SCCI and bpi are looking for organisations to help launch SCCI in Australia. Meanwhile, have a look at www.sccindex.com

Graham Haines
July 2007