Creating Successful Customer - Suppliers’ Partnerships

February 24, 2011
Globalization and the Triple Convergence: The Next Global Stage

1st Convergence
A New Playing Field

- New global playing field
- Web-enabled
- Multiple forms of collaboration
- Real time
- Irrespective of geography, distance, and language

2nd Convergence
New Processes and Practices

- A critical mass of professionals comfortable and capable of developing and applying collaborative processes and practices that add value.

3rd Convergence
3 Billion New Players

- People from China, India, Russia, Eastern Europe, Latin America and Central Asia…
- arriving at the new playing field, ready to add value via the new collaborative processes and practices
We are no longer limited by the knowledge, resources, and capabilities contained within the walls of our organization.

**Exploration:** Identify and access new competencies, technologies, innovations, and market knowledge.
- **Logic:** Research, Discovery and Intelligence

**Mobilization:** Integration of diverse capabilities with emerging market opportunities and launch of new products and services.
- **Logic:** Entrepreneurship and Integrations

**Operations:** Optimize the size and configuration of operations to increase efficiency and operational effectiveness.
- **Logic:** Efficiency, Flexibility and Economic Discipline
The New Procurement Process Is a Whole New Way of Doing Business

<table>
<thead>
<tr>
<th>Old</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple suppliers: suppliers are adversaries</td>
<td>Selected suppliers are “partners”—they share in the success and failure</td>
</tr>
<tr>
<td>Spot purchases are common</td>
<td>Elimination of spot purchases</td>
</tr>
<tr>
<td>Minimal (mostly unidirectional) information exchange with suppliers</td>
<td>High level of bidirectional information exchange among the partners</td>
</tr>
<tr>
<td>Potentially many interfaces with suppliers, increasing the potential of error</td>
<td>One interface with suppliers</td>
</tr>
<tr>
<td>Paper and labor intensive—high administrative costs, excessive routing of documents, duplicate documents, link documents, manual matching</td>
<td>Electronic process with high IT utilization; matching of purchase order with goods</td>
</tr>
<tr>
<td>Payments to suppliers are made upon receipt of the invoice</td>
<td>Payment is made upon receipt of goods (in some divisions, payment is made upon use of goods) using “evaluated receipts” and EFT</td>
</tr>
</tbody>
</table>
What is a Partnership?

• A relationship of cooperation among organizations, with the purpose of complementing strengths and creating synergies, based on:
  – Mutual Commitment
  – Mutual Trust
  – Mutual Respect
  – Mutual Benefit
Variables that Affect Partners’ Behavior

- Directio
- Strategy
- Process
- Communication
- Structure
- Interface and Integration
- Information, Problem Resolution
- People
- Relationship Management
- Skills & mind-sets
- Processes
- Communication
- Relationship Management
- Information, Problem Resolution

Superior Business Results

Partners’ Behavior

Productive Relationship
Guiding Principles for Success

1. Transparent expectations and communications from both sides of the relationship.

2. Absolute and in-depth collaboration for delivery of quality, cost, supply and innovation.

3. A prevailing sense of urgency to meet objectives and solve problems as they arise.

4. Integrity and accountability in actions from both sides of the relationship.

5. Rewarding, strategic and long-term business collaborations.

6. Empathy and advocacy for the other party’s issues.

7. Responsible commitment to the business, the global community and the environment.
Quality for Business Success, Inc.

Future Strengths

Present Strengths

Resource Access

Operations

Product value

Technology

Organization

Strategic Growth

Market Access
Kinds of Partnerships

- **Informal Cooperation**
  - No binding agreement
  - Modest mutual agreements
  - Control in hands of each firm
  - Selective formal contracts

- **Consortia**
  - Long-term agreement
  - Independent ownership
  - Shared investments
  - Customer – supplier relationship

- **Equity Alliances**
  - Minority investments, joint ventures
  - Common ownership
  - Each firm’s roles as per kind of equity alliance

- **Strategic Networks**
  - Composed of different kinds of alliances
  - Involve many firms
  - Have potential for affecting entire industries

---
Partnership for Competitiveness

The Objectives:

- Seek excellence by focusing on what your firm does best and work with others in areas where they excel
- Increase innovation capacity by reaching others’ developments
- Become more efficient by adapting others’ know-how
- Add product value
- Improve market and resource access
- Add technological strength
- Build financial strength
- Look for wider synergies
**Mutual Commitment**

**Supplier to Customer**
- Sensitivity to needs
- Preventive Planning of work system and socio-technical capabilities
- Timely response
- Compliance to requirements
- Effective Communication
- Interest in VOC
- Learning Attitude
- Effective Problem Solving
- Long term commitment
- Innovation

**Customer to Supplier**
- Preventive Selection
- Clarity of Expectations and Requirements
- Support to Comply
- Cooperative Problem Solving
- Reinforcement on advancements
- Learning Attitude
- Timely Feedback
- Long term commitment
- Share of resources
How highly do you trust the commercial partnerships with the following carmakers?

![Bar chart showing the level of trust for different carmakers.](chart_image)
Partnerships Depend on Relationships

• It can be extremely risky to leave relationships to chance.

• Every company has its own way of working, its own priorities.

• Working toward a smooth interface between partners and a relationship of trust and understanding is a must.
Partnerships Depend on Relationships

- Efforts to understand and adjust to each other’s particular needs will be the determinants of success.
- It is impossible to specify everything in an agreement.
- Deal flexibly with unexpected events.
- Partnerships are about problem solving.
Partnerships and Conflict Management

- Competing
- Collaborating
- Compromising
- Avoiding
- Accommodating

Empathy

Assertiveness
Inter-firm Contacts: Some Proven Strategies

- Direct Contacts are Best
- Include Needed Authority at the Interface
- Build an Inter-firm Team
- Keep relationships separate from other matters
- Work to know your partner’s People and Company
- Accept them as Equal and work on their Needs
- Be Constructively Responsive and Reliable
- Pay attention to the Individuals involved, Continuity is important
The New Selection Criteria

Performance
Global Standards
Continuous Improvement
Relationship
Innovation
Ramón Rivera
ramon@qbsteam.com
www.qbsteam.com