



Logistics Association of Australia Ltd

AN EXECUTIVE'S PERSPECTIVE OF COLLABORATION

In the second of three articles George Hodgson, winner of the 2006 Logistics Development Award, sponsored by CHEP Asia-Pacific, provides an insight into collaboration from a CEO's perspective. This article is based on a panel discussion by Rick Blasgen CEO of the CSCMP and Thomas Freese, Principal of Freese and Associates Inc, as well as an interview with Tony Aloise, Supply Chain Manager from Proctor and Gamble.



The 2006 CSCMP Conference in San Antonio, Texas

As I believe that collaboration is a current 'hot' trend that is being applied to supply chains to provide a competitive edge, I was very interested in attending the 'creating collaborative supply chain' track at the CSCMP conference to gain a further insight.

Many logisticians believe that the word collaboration is over-used or misunderstood. However there is no denying that collaboration of supply information and data does provide many benefits; such as increased responsiveness and customer satisfaction as well as a reduction in costs.

But how does an organisation collaborate effectively and what are some points to consider? The points raised at the panel discussion, from the CEOs Blasgen and Freese, on collaboration provide a good base for those seeking to further collaborate with their trading partners. To some extent the points provide a checklist to consider if entering into a collaborative relationship; or if already in a collaborative relationship, a check if you are on track.

Definition

The first point Blasgen made is that collaboration needs to be defined with your trading partners to ensure all parties understand what is meant. Blasgen defined his view of collaboration as 'two organisations working together on a dynamic, interactive and ongoing basis'.

Collaboration Values

Blasgen and Freese listed their key values for collaborative success:

- Trust
- Mutual respect
- Shared values
- Shared risk
- Open honest relationship
- Shared communication – must have face to face contact

The key challenge is to attach meaning and actions to these words. Both CEOs noted the key word was 'shared' with the intent that each party is willing to accept an allocated amount of responsibility.

Organisations need to engage with trading partners who want to collaborate. There are many that don't want to be involved, due to high turnover, or an organisation representing a small percentage of total business. Organisations wanting a collaborative relationship need to consider if they should deal with organisations such as these.

Collaborative Framework

Both CEOs suggested that a successful collaborative relationship needs a framework and strategy. Areas to be addressed include: what sort of collaborative relationship does each party want; should it be a strategic relationship spanning many years or a short term relationship, for example developing a product for the market place in a short period of time; and how should the collaborative framework be documented, ie. through a service level agreement or a contract type arrangement?

Blasgen noted that an organisation entering into a collaborative relationship not only needs to understand its own business but its trading partner's business just as well. This needs to be documented in the collaborative strategy.

Communication

Blasgen believes that interpersonal skills and face to face contact are needed for effective collaboration. It is important that key personnel can physically see each other's reactions to suggestions and strategies.

Freese noted that collaboration requires 'intimacy'. An organisation needs to pickup on its trading partner's issues, such as workplace politics. The ability to discuss how intimate issues affect both parties facilitates collaboration.

Both CEOs agreed that a common stumbling block occurs when a collaboration strategy on sharing of data or information is decided at executive level, without collaboration at the working level. The main reason for this is a lack of communication on the intent of collaboration and a lack of ownership from the working level.

Collaborative Success

Organisations must define and document what constitutes collaborative success. Collaborative success needs to include a report on each other's performance. Each organisation needs to be able to evaluate critical feedback on its collaborative performance and how it can continue to improve the relationship.

IT Systems

Blasgen noted there are many collaborative IT systems, such as Collaborative Planning Forecasting Replenishment (CPFR) and web portals which enhance collaboration. However, while these systems collect a lot of data, organisations need to understand how to analyse it, how it can further improve collaboration and how it helps make a better decision.

Trust Vs Secrecy

Both Blasgen and Freese noted that trust vs secrecy is an issue in a collaborative relationship. There is still a 'need to know' mentality as opposed to an open attitude to sharing information. Issues include security, copyright and a lack of understanding of why information is required. Resolutions include legal arrangements and better communication.

Proctor and Gamble

Proctor and Gamble (P&G) is also a strong advocate of collaboration and has incorporated a number of the points raised by Blasgen and Freese.

Tony Aloise, Supply Chain Manager for P&G explained that P&G has a framework for collaboration with its suppliers and customers. This consists of a checklist of documenting each party's needs, scheduled meetings, expectations of each side and key performance requirements. The aim of the framework is to provide standardisation on how P&G utilises collaboration.

P&G uses a Balanced Scorecard to measure performance in its collaborative relationships which has been successful. P&G also uses CPFR software to aid in collaborative planning between suppliers. Suppliers and customers have access to the P&G web portal which provides a means of sharing a variety of data to aid in collaboration.