

Partnerships in Supply Chain

Choosing the right relationship

Choosing the right relationships

- **Key points**

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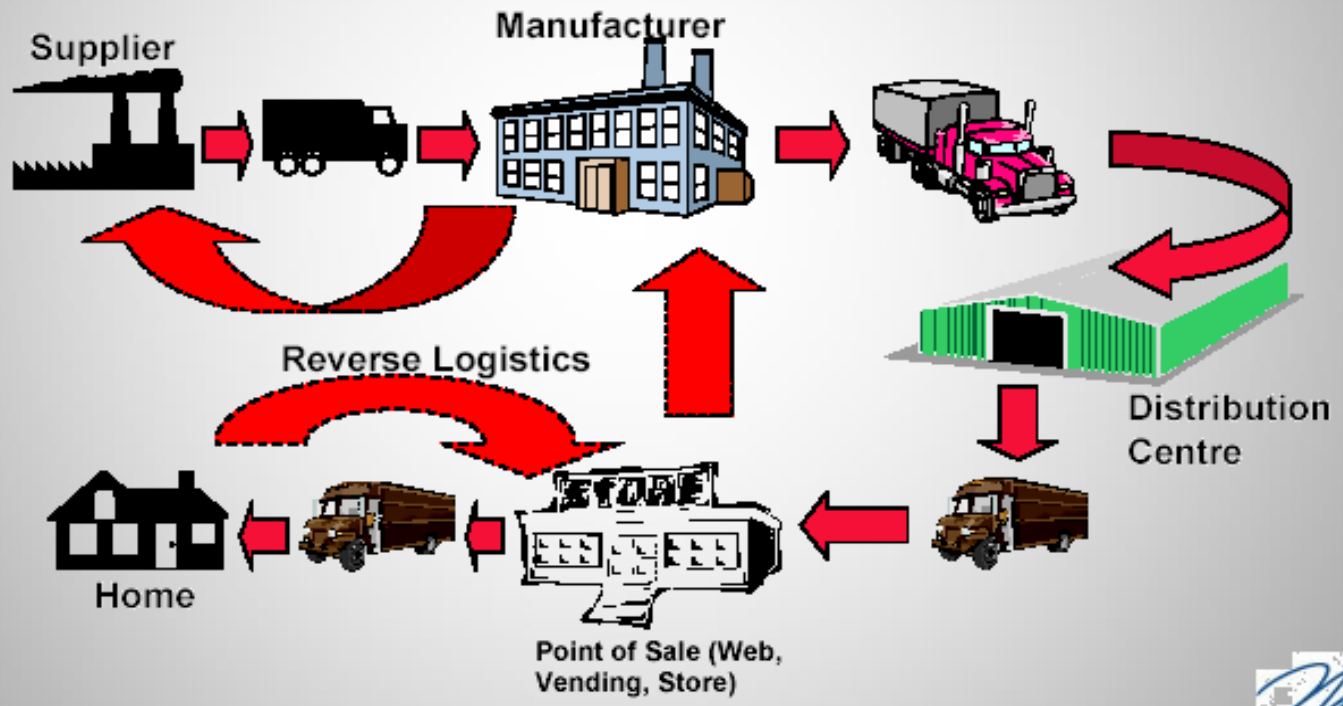
What types of relationships can be observed in supply chains?

B

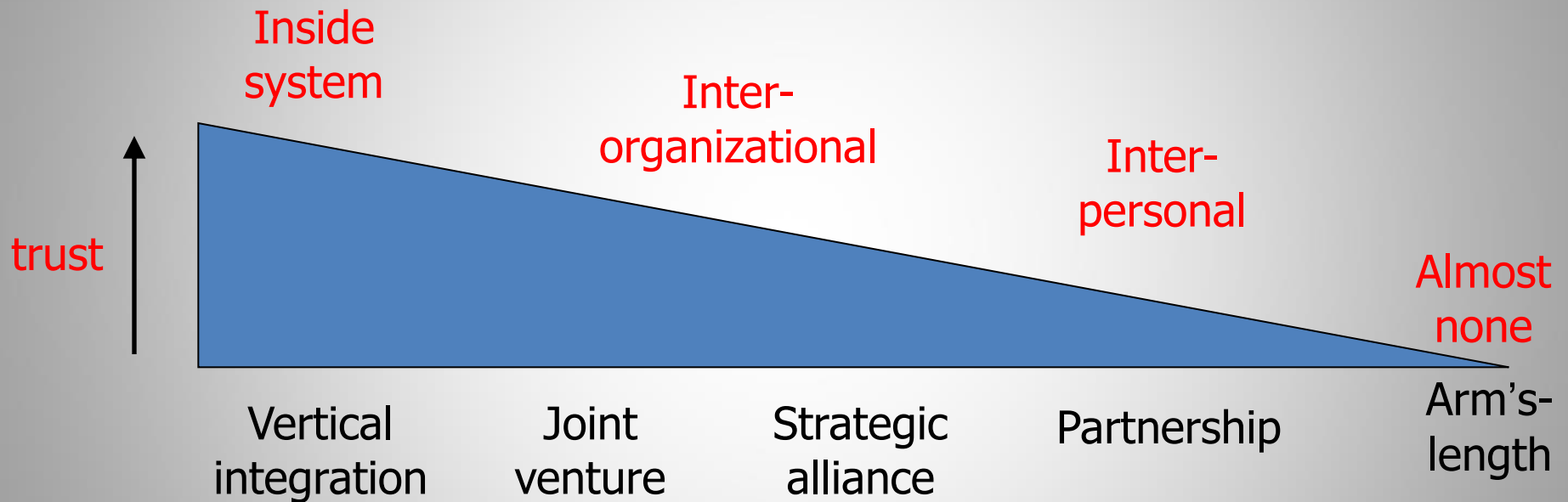
How can each type of relationship be tailored to different types of product?

Choosing the right relationships

The essential of supply chain is collaboration



Choosing the right relationships

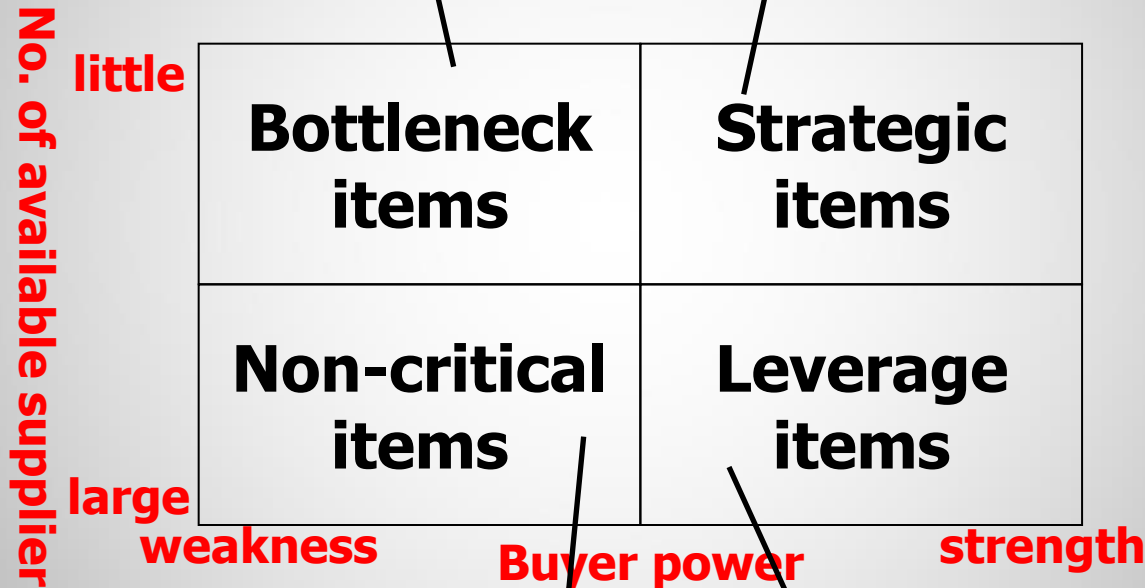


Relationship styles continuum

Choosing the right relationships

Reducing dependence on these items through diversification of suppliers and substitute products

Using strength carefully to draw suppliers into a relationship that ensures supply in the long term



Not jointly developed; Unbranded; Do not affect performance and safety in particular; have required low investment in specific tools and equipment

Reducing prices and pushing for preferential treatment

Partnerships in the supply chain

Partnerships in the supply chain

- **Key points**

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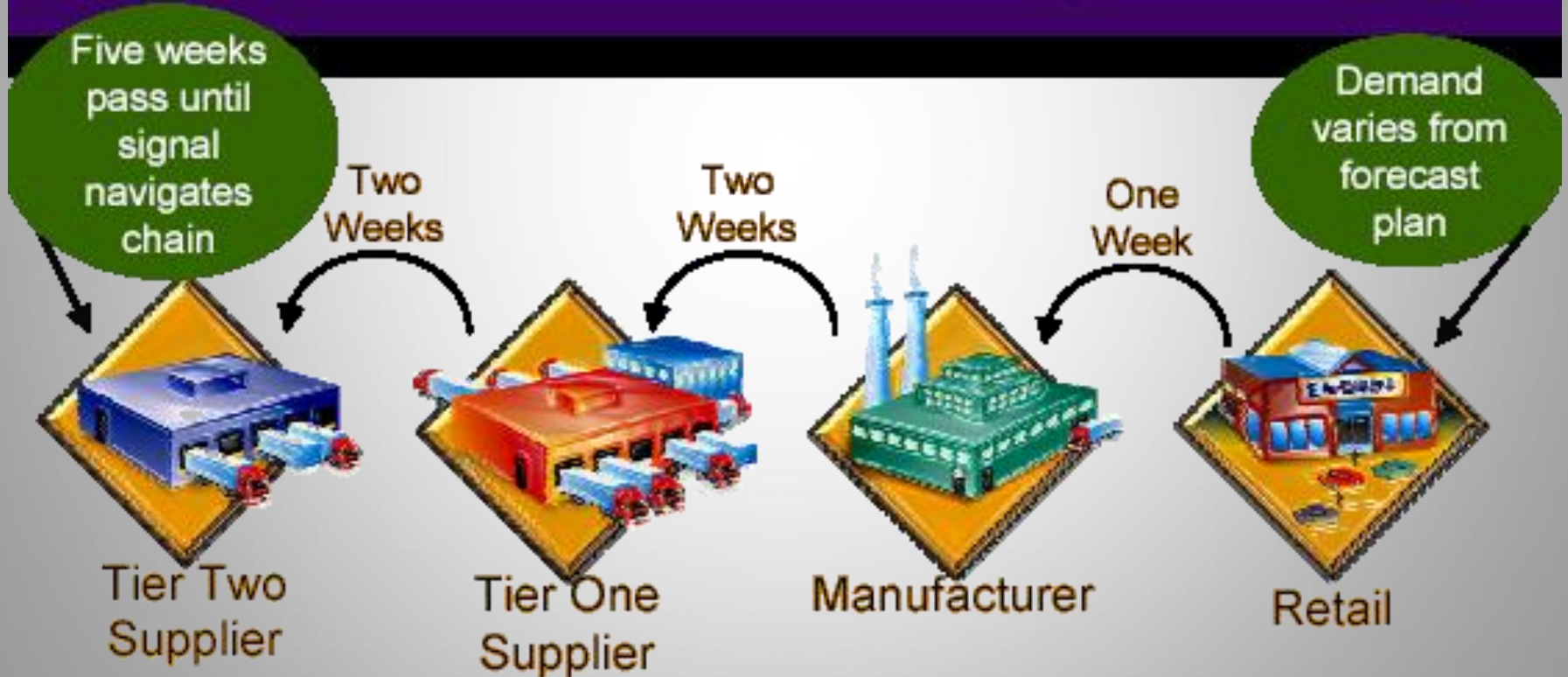
What are partnerships?

B

What are partnerships' advantages and disadvantages?

Partnerships in the supply chain

- **Lower level of collaboration results in information block and inefficiency**



Partnerships in the supply chain

- **The characteristics of partnerships**
 - Sharing of information
 - Trust and openness
 - Coordination and planning
 - Mutual benefits and sharing of risks
 - A recognition of mutual interdependence
 - Shared goals
 - Compatibility of corporate philosophies

Partnerships in the supply chain

Characteristics of partnership types

Partnership type	Activities	Time horizon	Scope of activities
Cooperation	Fewer supplier; Longer-term contract	Short-term	Single functional area
Coordination	Information linkages; WIP linkages; EDI exchange	Long-term	Multiple functional areas
Collaboration	Supply chain integration; Joint planning; Technology sharing	Long-term with no fixed date	Firms see each other as extensions of their own firm

Partnerships in the supply chain

- **Economic justification for partnerships**

- **Inter-firm relation-specific assets**

- Duration of safeguards
- Volume of inter-firm transactions

- **Knowledge-sharing routines**

- Partner-specific absorptive capacity
- Incentives to encourage transparency and discourage free riding

- **Complementary resources and capabilities**

- **Effective governance**

- Employ informal governance mechanisms

Partnerships in the supply chain

- **Advantages of partnerships**
 - Save cost of negotiations
 - Reduce monitoring of supplier soundness
 - Increase productivity
- **Disadvantages of partnerships**
 - Inability to price accurately qualitative matters such as design work
 - Need for organizations to gather substantial information about potential partners on which to base decisions
 - Risk of divulging sensitive information to competitors
 - Potential opportunism by suppliers

Supplier Networks

Supplier networks

- **Key points**

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What are supplier associations?

B

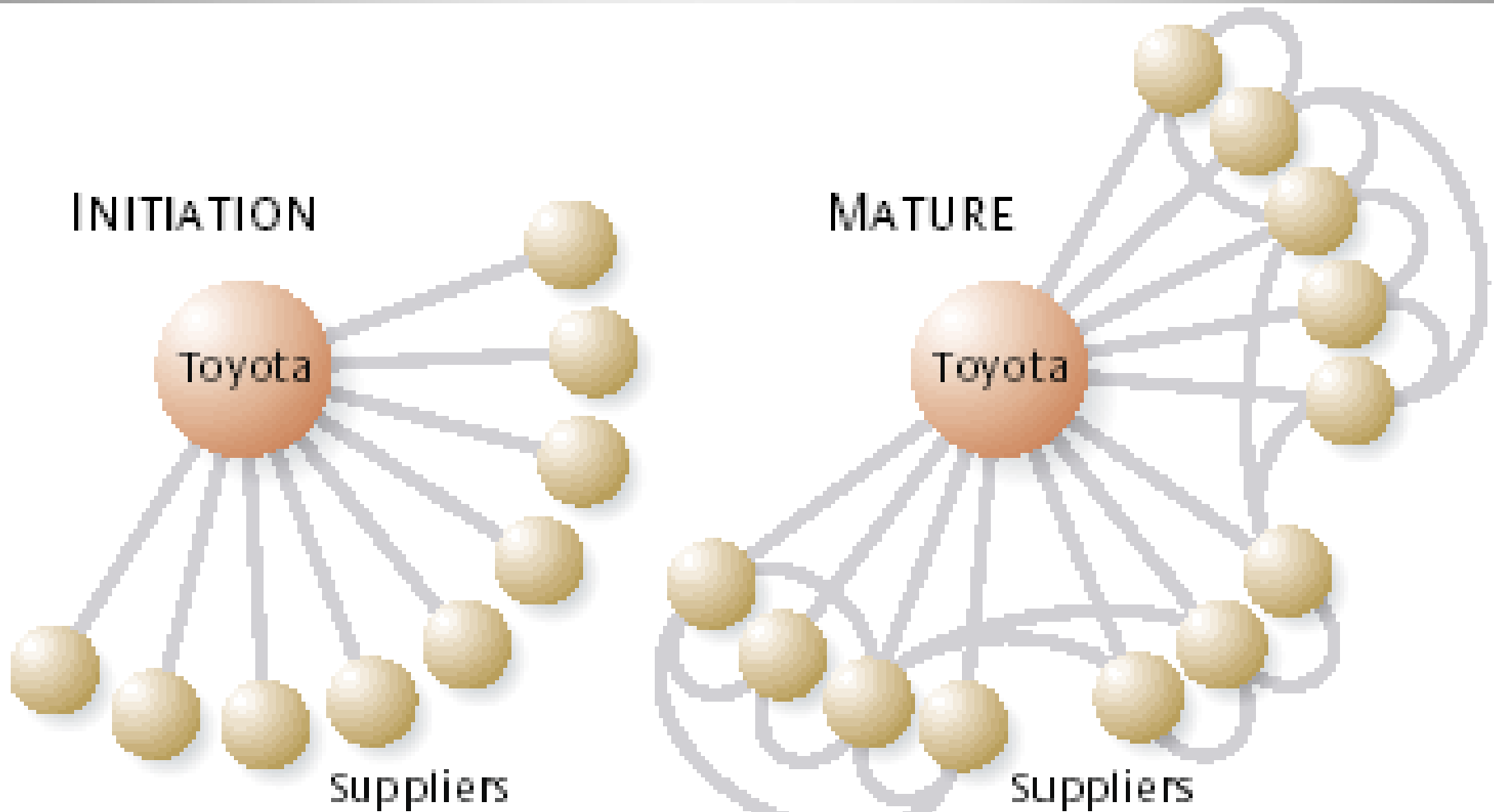
What is Japanese Keiretsu?

Supplier networks

- **Supplier associations**

- The network of a company's important suppliers brought together for the purpose of coordination and development. Through the supplier association forum this company provides training and resource for production and logistics process improvements. The association also provides the opportunity for its members to improve the quality and frequency of communications, a critical factor for improving operational performance. (Aitken, 1998)

Supplier networks



Supplier networks

- **Japanese keiretsu**

- Japanese business consortia based on cooperation, coordination, joint ownership and control.

- The keiretsu's controlling base

- Equity exchange between supply chain members



Supplier Development

Supplier development

- **Key point**



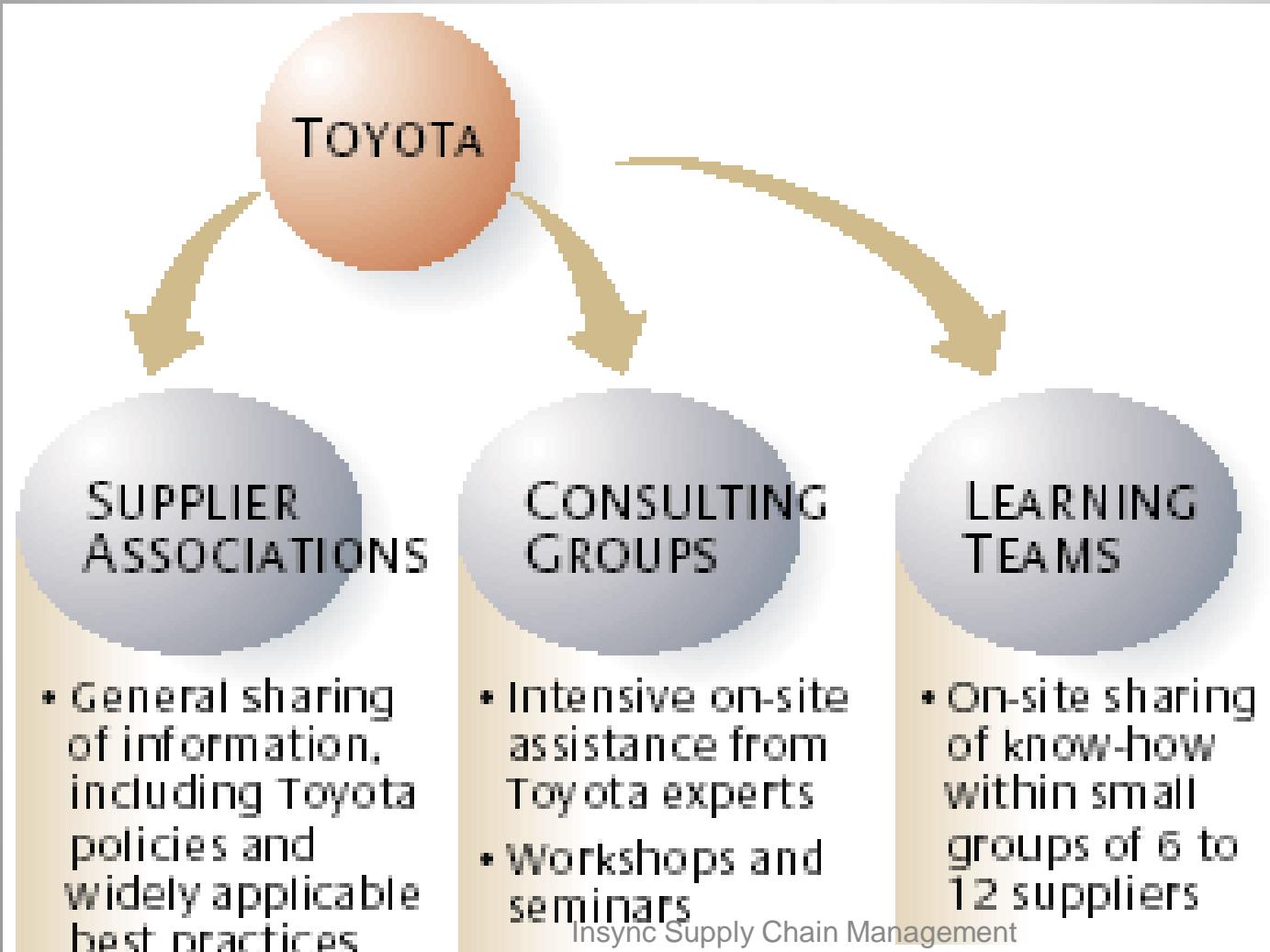
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How can upstream supply processes be integrated to improve material flow?

Supplier development

- **Integrated processes**
 - Collaborative planning and strategic development
 - New product development
 - Material replenishment
 - Payment

Supplier development



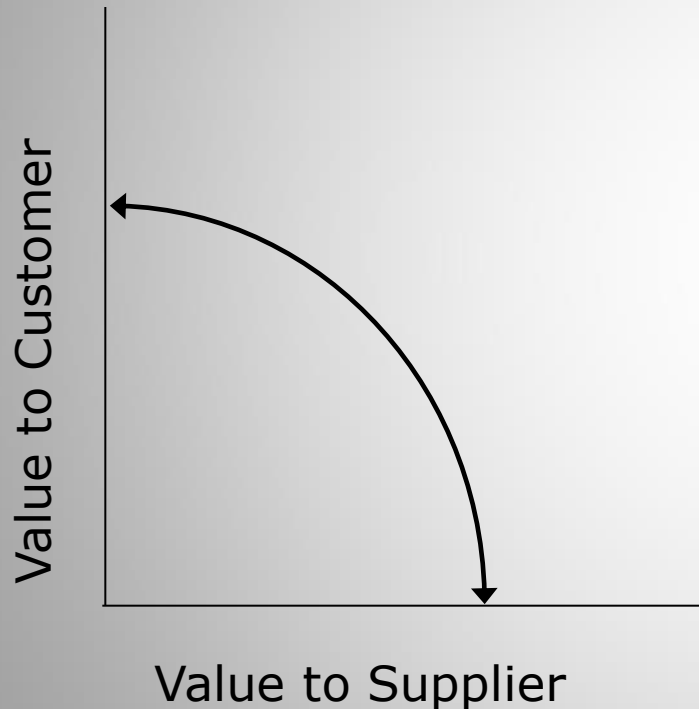
Supplier development

- **Synchronous production**
 - The approaches to improve synchronous supply chain processes
 - Transparency of information upstream and downstream
 - Vendor-managed inventory (VMI)

Co-creation in the supply chain

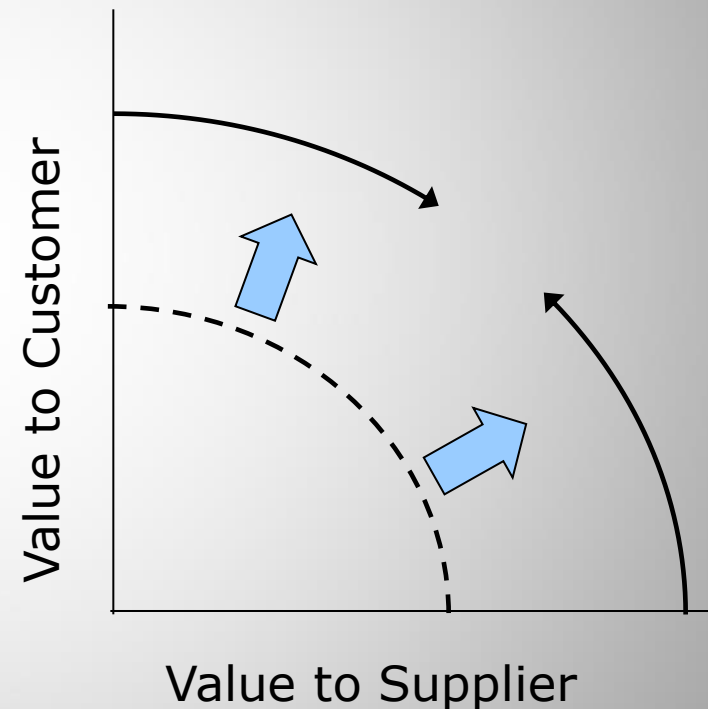
Traditional Relationship

Focus on splitting the pie



Extended Enterprise

Focus on expanding the pie



Source: J.H. Dyer, *Collaborative Advantages*

The search for collaborative advantage

- Seek out opportunities for horizontal as well as vertical collaboration
- Co-operate to grow the cake, compete on how to slice it
- Leveraging capabilities and knowledge through collaboration
- Share assets in the supply chain where appropriate

The extended enterprise viewpoint

Single company thinking

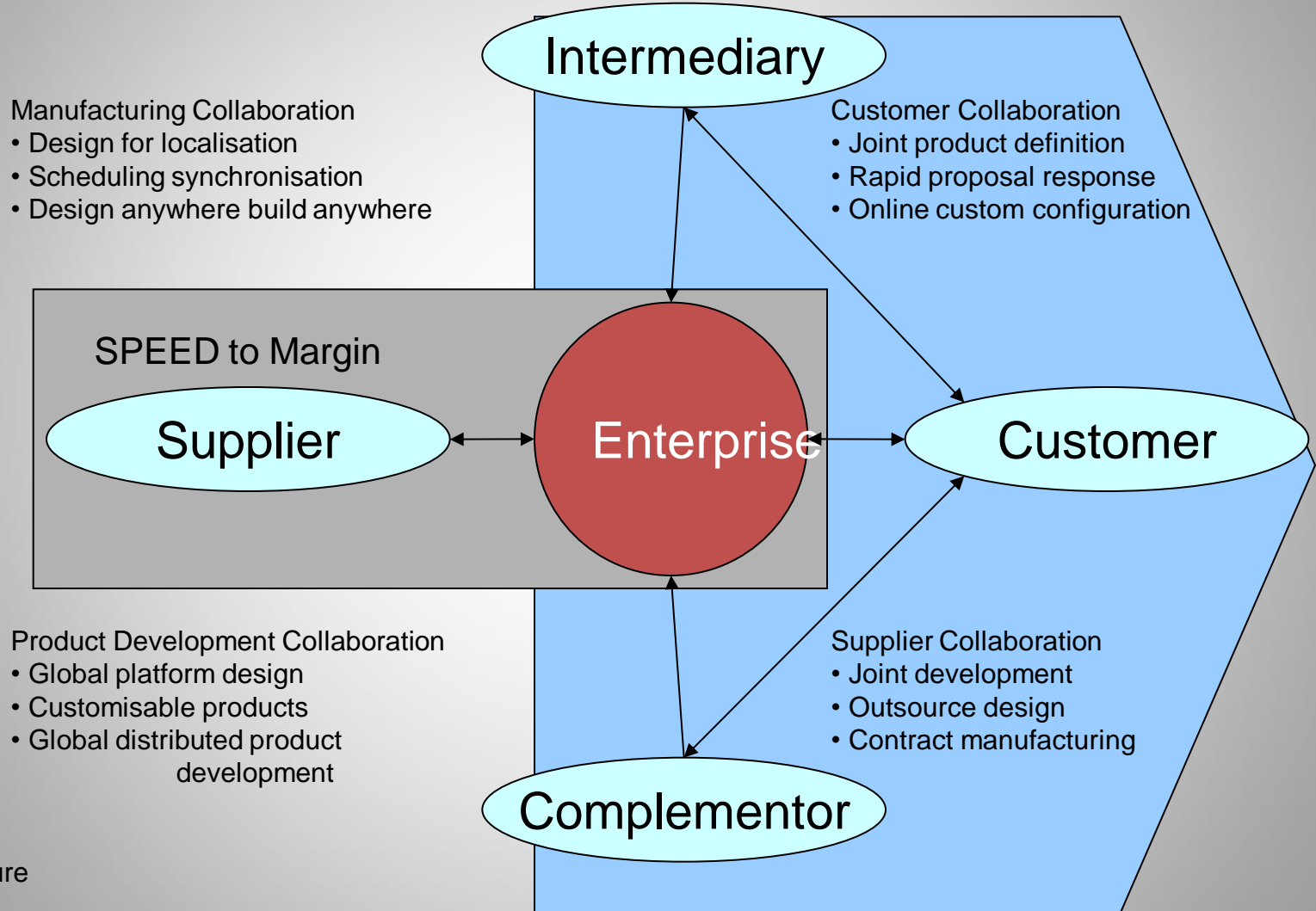
- Focus on the customer
- Increase own profits
- Consider own costs
- “Spread the business around”
- Guard ideas, information and resources
- Improve internal process efficiency

Extended enterprise thinking

- Focus on the ultimate consumer
- Increase profits for all
- Consider total costs
- Team with the best
- Share ideas, information and resources
- Improve joint process efficiency

Source : A T Kearney

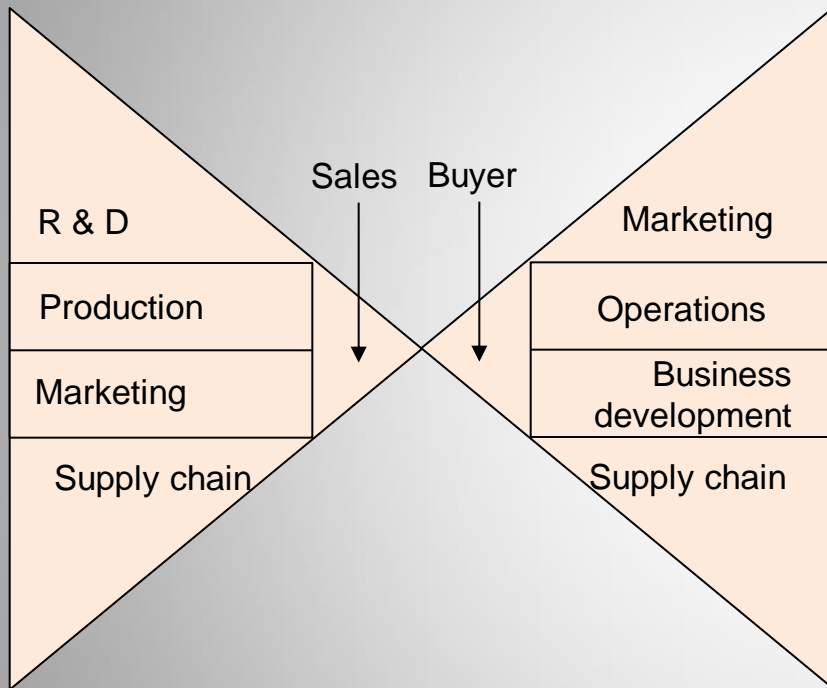
The role of supplier and customer collaboration



Source : Accenture

From "Bow-Tie" to "Diamond"

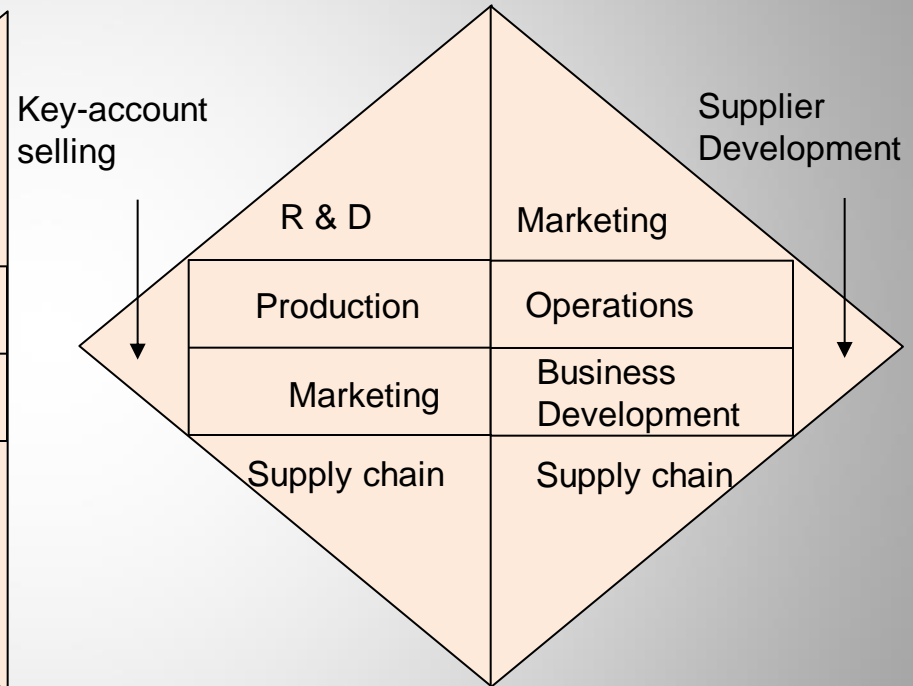
Traditional buyer/supplier interface



Supplier

Customer

Building stronger partnerships through multiple linkages



Supplier

Customer

Implementing Partnerships

Implementing partnerships

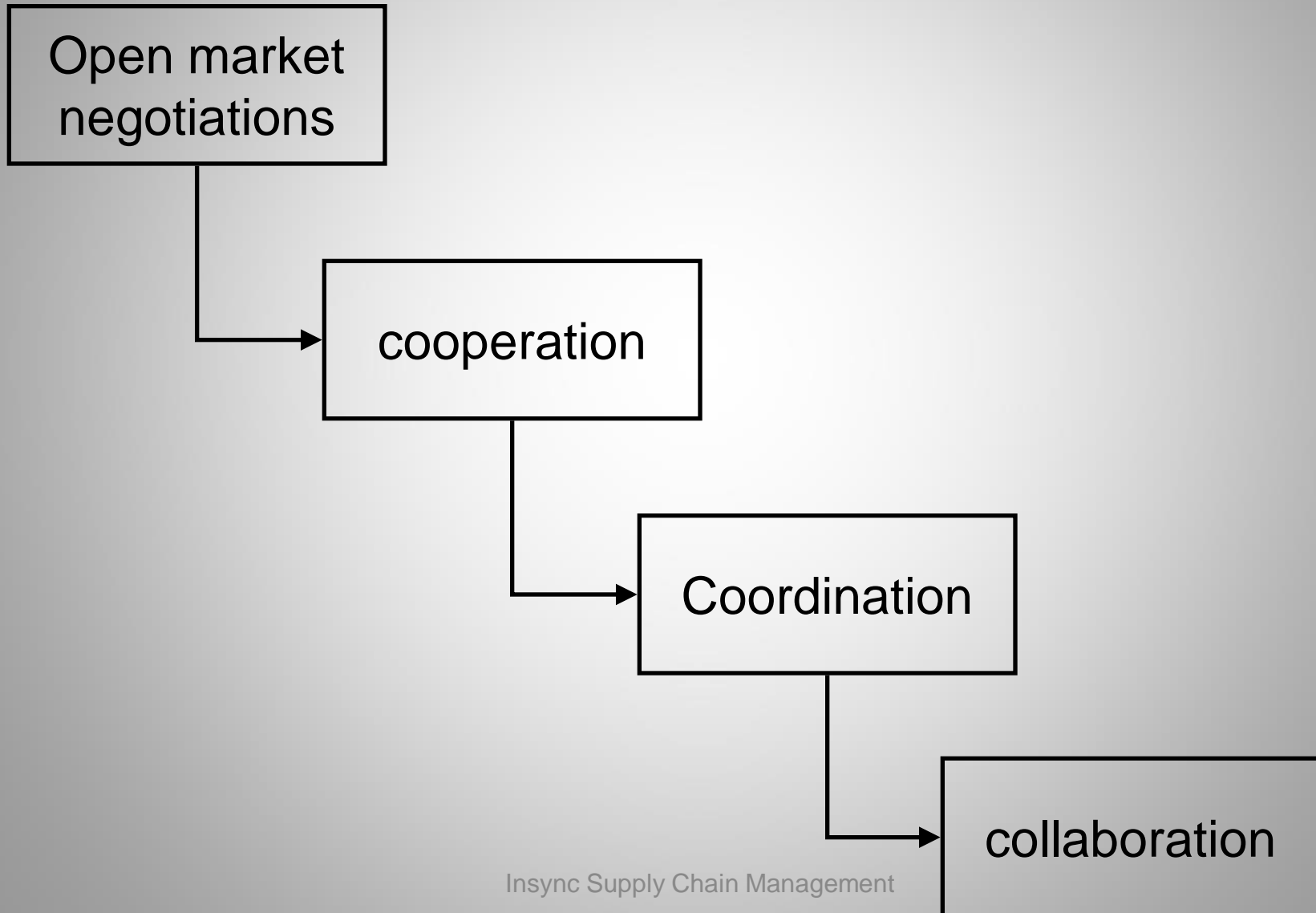
- **Key point**



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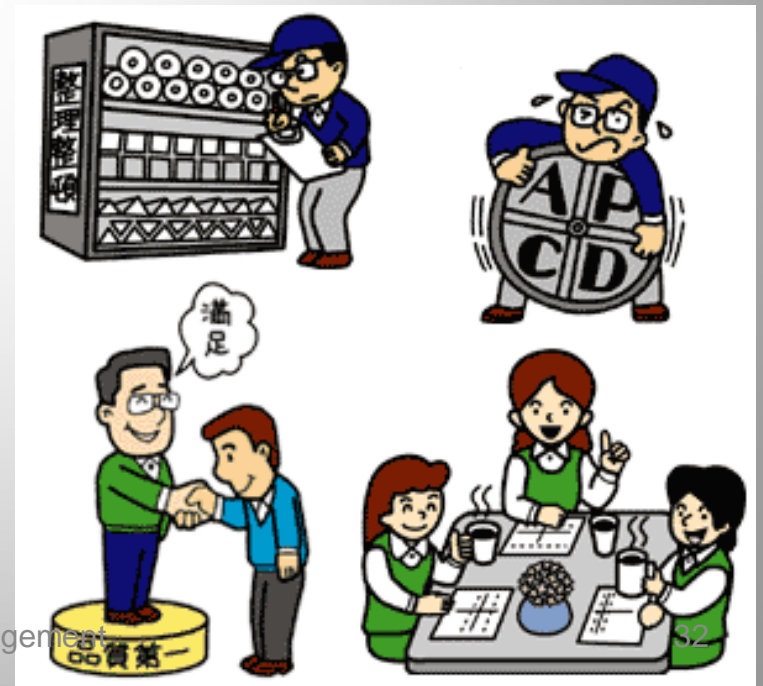
What are the barriers to achieving partnerships in the supply chain?

Implementing partnerships



Implementing partnerships

- Barriers to build partnerships
 - Power
 - Self-interest
 - Focus on negative implications of partnership
 - Opportunism
 - Focus on price



The business case for supply chain integration

- Supply chains compete, not companies
- Most opportunities for cost reduction and/or value enhancement lie at the interface between supply chain partners
- Supply chain competitiveness is based upon the value-added exchange of information
- Supply chain integration implies process integration
- Supply chain competitiveness requires the collective determination of strategy

The supply chain of the future

