

## Respecting Your Extended Network of Suppliers

By Harold Chapman

### RESPECTING SUPPLIERS

Healthy supplier relationships are central to building a superior product portfolio and driving business growth. Many companies tout their top-quality supplier relations without recognizing that their primary interest really lies in gaining the best price and little more. We must have respect for our suppliers and treat them as an extension of our business.

Speaking from the point of view of a supplier, I spent fifteen years at a tier one automotive supplier interacting with customers. Some customers collaborated with us very effectively while others did not. The best customer we had was a company we will call Alpha. Alpha ensured we had leveled orders from their plants and didn't change the orders once they were placed. It was very consistent and reliable and therefore repeatable which allowed our processes to run smoothly. Some of our other customers would require us to check their online schedules in EDI up to six times per day within specific time windows to ensure we didn't miss one of their numerous schedule changes. If we didn't "check-in" on the portal during a scheduled window, we would get a negative mark on our supplier scorecard. Because we were accountable for perfect delivery to a constantly changing schedule, we held far higher stock of these customers' finished goods than we did for Alpha.

### ENHANCING SUPPLIER PARTNERSHIP

We also hosted visits from Alpha where they would help us to identify and address areas for improvement. They would pick one or two items on which to focus for each visit and give us homework for the next visit. These changes not only helped us and Alpha, they also helped Alpha's competition. Alpha was more concerned about helping us than they were about how that action would affect their competition.

### DAMAGING SUPPLIER PARTNERSHIP

Let me now contrast how we were treated by Alpha with how we were treated by a company we will call Beta. They would visit our factories under the pretense of process improvement to "help us." Rather than helping us identify improvement opportunities, they asked us to divulge savings improvement ideas only to demand those savings from that moment forward without helping us implement the improvements needed to secure the savings. Each subsequent visit by Beta resulted in less collaboration and cooperation. We didn't feel like they were there to help, so we kept our knowledge guarded.

Next I will contrast how we were treated by Alpha with a company we will call Delta. One of Delta's management representatives visited one of our facilities. He walked into the conference room with a 2x4 in one hand and a brown paper bag in the other hand. We knew this meeting was important, so we



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## DAMAGING SUPPLIER PARTNERSHIP, CONTINUED...

had cameras present to record the meeting. Our intent was to communicate the message to the balance of the organization after the meeting. The Delta executive laid the 2x4 on the table and stated, “This is a sign of what is about to happen in this meeting.” For the next thirty minutes, he chastised us about our “substandard performance.” He never once offered to help us, never once asked how Delta processes were negatively affecting our performance (and there were numerous examples), and didn’t even stop to ensure agreement with his “data.” At the end of the meeting, he told us to shut down the cameras. He then pulled out a competitor’s unit from the brown paper bag and stated, “This is a drop-in replacement for your product. If you don’t get your act together, we will start using it.” He then left the room and the meeting was over. There was no collaboration for improvement, just a one-sided download.

Another example of a lack of partnership at Delta was from my time at another tier one automotive supplier. We were focused heavily on operational excellence, and we were reaping the rewards. Our Earnings Before Interest and Taxes (EBIT) achieved a double digit percentage – unheard of for our products in our industry. When Delta discovered our product profitability, they were livid. They actually accused us of stealing from them. They insisted we give them part of the profit margins. They thought anything over 5% wasn’t reasonable in the automotive industry. Although our sales price was very competitive and our increased profitability was due to extreme improvement efforts, they apparently felt entitled to a huge discount even though they had no influence on our improvements.

I suspect you might agree that the way we were treated by Beta and Delta didn’t give us a sense of partnership. We felt more like hostages than we did partners working together to ensure mutual success. We would have preferred that all of our customers be like Alpha.

## EVALUATING SUPPLIERS

If we stop for a minute and consider the true value of a Customer-Supplier partnership, we can see there are many more factors than just piece price. Below are some areas one should consider when evaluating suppliers:

*How is their customer service and responsiveness?*

*How is their technical expertise?*

*Are they willing to collaborate on systemic issues that affect both them and their suppliers?*

*Are they willing to be a part of our product design and manufacturing system design process?*

*Are they willing to come to our factory and help us solve our problems with the application of their product(s)?*

*Are they willing to open their doors to us to help them solve problems?*

*Are they willing to let us partner with them on process improvements and share savings?*



## **EVALUATING SUPPLIERS, CONTINUED...**

The contemplative answers to the questions outlined above might result in the development of a much shorter list of suppliers. The value provided by this shorter list of suppliers will far exceed the value provided by simply shopping for price. We must challenge our outside business partners to grow and develop. It shows that we value them. This doesn't mean we let them off easy. We should set challenging targets and assist our partners in achieving them.

## **WE WOULD LOVE TO HELP**

Those of us at Drive Inc. are very proud of the partnerships we have developed over the years. We cherish those partnerships and would not be where we are today without them. How are things with your supply base? Would they consider you a preferred customer? If they could choose to whom they sell, would they choose you? If not, it isn't too late. The time to start building that trust and partnership is now. We would love to help get you started. Please give Paul Eakle a call at 865-323-3491 to setup a no-obligation meeting with one of our team members.

