

Creating Lasting Values in Supply Chain Collaboration

A Research Project Conducted by the
Stanford Global Supply Chain Management Forum
and the
MIT Integrated Supply Chain Management Program

*A Brief Progress Update
June 20, 2001*

MIT Research Team Update

- Study of supply chain collaboration at P&G
- Work to-date
 - Planning meeting at P&G in Cincinnati 2-22-01
 - Suppliers identified and committed (7)
 - Customers identified
 - Four+ committed
 - Interviews in progress
 - Supplier & P&G supplier contacts mid-stream
 - Customer interviews beginning
- Personnel
 - Stefano Ronchi, PhD candidate of Politecnico di Milano

Project Process Comments

- Process
 - High quality data from respondents
 - Open and honest responses
 - All interviews (but one) have been audiotaped
 - Rich mix of suppliers
 - Clear evidence of deep relationship that has been tested recently
 - Mix of long term and recent (recent relationships involve equity)
 - Clear interest from supplier and P&G to change the relationship
 - Evolved questionnaire

Project Issues

- Issues
 - Interviews with suppliers & P&G supplier contacts only
 - To date – 6 interviews with suppliers
 - To date – 6 interviews with P&G supplier contacts
 - To date, conducted 3 interview pairs (P&G and supplier), other supplier interviews only partially completed
 - Challenge to bring customers to talk
 - Common issue for MIT and Stanford study as well
 - Working to rebuild to a full set of 6 customers
 - Customers concerned about information security
 - Challenge getting information matrix
 - Categories of information
 - One supplier has closed
 - Rich data because we have conducted before and after interviews

P&G Study - Suppliers & Customers

- Suppliers

- 3M*
- Cebal*
- Chesapeake Logistics+
- Packtion*
- Shell
- Schneider Logistics+
- Supplier Technology Council#
- TripleFin*

- Customers

- Carrefour
- Hannaford+
- Kmart+
- Meijer
- Safeway UK
- Target@
- Wal-Mart

* P&G and supplier interviews conducted
P&G interviews conducted only
@ Tentative Interviews set
+ Contacted for interview

General Observations (A)

- Anecdotal data
 - Data is not statistically significant... cannot assert 'conclusions'
 - Some 'observations' possible and potentially interesting
 - This offers a coarse review of some raw observations, interview data not processed or thoroughly analyzed
- Developing a set of relationship 'challenges' to study
 - Supplier builds plant based on customer forecast, demand less than plan
 - Supplier develops new product for new product, new product cancels
 - 'Hierarchical' behavior by supplier, open market behavior by customer
 - Observed similar behavior in Intel study – some commitments (implied) not honored as expected
 - Stanford observed 'risk imbalances' as no long term commitments from customer, principle of 'competitiveness among suppliers,' requiring supplier to carry extra capacity

General Observations (B)

- Deep relationships have long history – personal history
 - More successful, deeper relationships seem to have liaison continuity
 - Less successful relationships seem to have higher liaison turnover
 - Liaison at each company serves as ‘advocate’ internally
 - Success is not just dependent on results and ability, its also dependent on liaison’s ability and willingness to ‘advocate’ or ‘sell’ internally
 - Liaison’s work behind the scenes and unofficially to solve problems before the problems get outside of their space, their control
 - A connection between successful ‘relationship’ and clockspeed of industry?
 - Charlie’s comment – Sun Microsystems ‘collaborates’ but can break all relationships within 3 months.....
 - Intel observed to have cat-and-mouse relationship that revolves around industry cycle but which retards growth and development

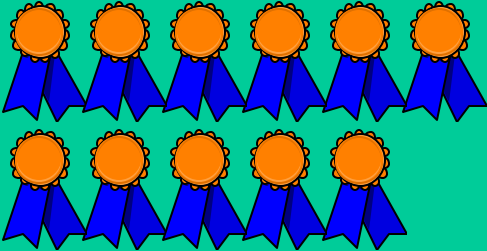



General Observations (C)

- Relationship Assessment – Standard processes
 - Formal Assessment – due diligence, negotiation behavior
 - Informal Assessment – base relationship behavior
- Relationship Development – Standard processes
 - Accelerating Results Through Trust
 - Supplier Business Development
 - For Preferred Suppliers and Strategic Business Alliances only
 - Develop the relationship by ‘re-developing’ Master Collaboration Agreement
 - Build relationship through the process together
 - Planned path for customer and supplier relationship
 - P&G – Pure Competitive Relationship to Strategic Business Alliance
 - No talk of ‘partnerships’ – Partnerships entail ownership
 - ‘Alliances’ instead for deeper meaningful relationships
 - Suppliers – ‘Portfolio’ approach, Initiative tracking

General Observations (D)

- Relationship measures incomplete or inconsistent
 - Profitable investment in the relationship based on savings and quantifiable benefits
 - Needed complement of technology and/or innovation to customer capabilities
 - Stanford developing tool for measuring flexibility and building base expectations, compensation and rewards around supplier abilities
 - Stanford also observes mismatch between supplier and Intel respective assessment

Stanford Flexibility Metric

	Changes Within Flexibility Limit	Changes Outside Flexibility Limit
Achieved by Supplier		
Not Achieved by Supplier		

General Observations (E)

- Collaboration Tools and Processes
 - Multiple agreements establish base-line performance
 - Master Collaboration Agreement
 - IP, termination provisions,
 - Defines area of dedicated ('monogamous') collaboration as well as cross-licensing if multiple suppliers are involved
 - Site Level Execution Agreements
 - Roles & responsibilities agreements
 - Supplier assessment tools
 - Supplier Scorecards
 - Stanford developing tool for measuring flexibility and building base expectations, compensation and rewards around supplier abilities

General Observations (F)

- Predictable list of collaboration key success factors
 - Trust
 - Although there are multiple dimensions of trust that are not well understood
 - Cultural fit
 - Senior executive leadership & commitment
 - Clear and mutual long-term benefit expected from collaboration
- But P&G's venture capital assessment criteria more concise
 - Vision
 - Financials
 - Culture
- IT not leveraged in collaboration (yet)
 - Lack of progressive application of information technology
 - Now developing supplier portals
 - Limited role of IT in relationship
 - Consistent with Stanford observations (ltd use, data ltd to one tier, asymmetrical sharing)

General Observations (G)

- Collaboration Drivers
 - Customer driving the collaboration
 - Needs beyond lower prices - dependence on supplier for:
 - Technology & Innovation
 - Speed – it's a race to market
 - Technology- and innovation-based relationships deepening
 - Cost- and service-based relationships under greater pressure
 - Possible reduction from Strategic Business Alliance (SBA) or Preferred Supplier to lower grades of relationships (Pure Competitive Relationship)

General Observations (H)

- Most of the collaboration focused on technology integration
 - Technology integration deemed critical
 - P&G relying on suppliers for innovation and technology (this is a challenging culture change for the company)
 - Multiple dimensions of these relationships growing
 - Limited operational integration
 - These collaborative arrangements appear to have less importance, fewer dimensions and are not growing
 - Limited marketing integration

General Observations (I)

- Observing potential & targeting for developing ‘experiential learning’ processes, driving learnings into action
 - Process to agree to collaborate and understand what that entails
 - Adoption, action
 - Understanding business environment of other company
 - Big company may not understand small company ‘cash flow’ ... running out of cash is a real issue
 - Develop the ‘feast & famine’ plan, to ‘weather the storm’
 - Develop info needs specific details of desired results from info use in context of info available
 - Develop common understanding of linkage between SN & commercial business
 - Identify common understanding of collaboration objectives
 - Logistics, technology, innovation.... Which one(s)?
- Considering frameworks for analysis
 - Stanford – Lee model
 - Collaboration cf. Technology, Marketing, Organization aspects
- Process gives a voice to participating suppliers (probably customers as well)

Stanford Framework

- Using existing framework for assessment

<i>Dimension</i>	<i>Exchanges</i>	<i>How</i>
Information integration	Information, knowledge	Information sharing, collaborative planning, forecasting & replenishment
Coordination	Decisions, Work	Decision delegation, work-realignment, outsourcing
Organizational linkage	Accountability, Risks/costs/gains	Extended communication & performance measures, incentive realignment

Stanford Status (5-24-01)

- 6 Suppliers of Intel:
 - TEL
 - Ibsiden
 - Shinko
 - Compeq
 - Sumitomo (Sitix)
 - Wacker
- 1 Contract Manufacturer
 - Jabil
- 1 Customer
 - Dell
- 7 Intel representatives

Total of 15 interviews

Draft Timing

- This is a draft plan for some of the next steps
 - Would like to adjust in order to ‘fit’ with project Stanford-Intel project timing
- Draft timing
 - Complete supplier interviews June 30, 2001
 - Customer interviews June – July 20, 2001
 - Expect that setting up site interviews may have longer cycle time
 - Prefer site visits for some customer interviews to access better data as customers wary of information security
 - Analyses
 - Synthesize supplier interview information July 6, 2001
 - Synthesize customer interview information August 17, 2001
 - Comprehensive analysis and joint analysis with Stanford – TBD
 - Experiential learning sessions with suppliers, customers, ISCM

Your Input?

- Observations and input welcome....