

Supply Chain Competition or Cooperation

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How the past has created the present and how present choices will create a future decay or future growth

Market diversification

With UK organisations, we can see historically, they became diversified by moving beyond the buying/selling activity in local UK markets, towards the buying and selling in globally diversified markets. This movement, from local to global, was usually managed by a system of centralised control from a London HQ.

Whilst these global markets were initially "given" by the command and control captive commonwealth, market places have of course since changed considerably from this earlier given "automatic" Commonwealth market and in the 1970's they moved towards EU influences. Market diversification has also been more recently followed by the current explosion of sourcing from China.

Central control

Whilst many organisations are therefore market diversified, many also have retained and held onto their historic methods of centralised control. This being especially so in the mind sets of the leaders and managers, who were schooled in such controlling practices and therefore, many will automatically habitually continue to maintain this business practice.

Competition

The 1960/1970's market diversification away from the Commonwealth also meant that organisations have to compete, not only in their local markets but also now increasingly on a global market. Increasingly this competition is not only just for customers demand, but is also increasingly for suppliers as suppliers have also diversified and are often more selective in their choice of customers. This is also something that many buying organisations seem to believe they are immune from as many buyers are simply unable to comprehend they are not automatically a customer of choice; dangerous arrogance indeed when suppliers, as well as customers, can and do make choices.

Besides this competition on the supply side, an example of recent changes to the demand side, has been the increases in the supply of FMCG product variety, this bringing a response from retailers that this is to meet the continued increasing customer demands for choice. This response of "our

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customers demand choice and variety", that is so glibly tripped out from the Tesasmorrbury's spokespeople , sponsor a comment from this writer of wondering of which actually comes first here, the chicken or the egg or the marketers supply/push or the customers demand/pull.

I have never for example; come across anyone at the customer's services counter of Tesasmorrbury's demanding more choice.

What is very clear however, about the proliferation of product variety, is the reality that organisations, continuously and sometimes desperately, are merely trying to keep one step ahead of competition and in so doing are, fostering competing as the major rational and sound business practice that has to be applied.

Quite naturally too, one may also argue, where a capitalist market economy is being driven by market forces.

The rational view

A by product however of the centralised control of diversification, has been the requirement for standard practices and performance measurements.

Indeed performance measurement have more recently transferred and become a feature of alleged best business practice by Government with their target setting. This is fine if the right things are being measured, but, is going to be the wrong thing to do, when they are not.

Measuring the wrong things creates a series of sub optimal performances, as people will tend to do what they are measured on, and not what, they believe should be done.

Such measurements can become a "holy grail" for HMG and the only way "we will now do things around here" as "doing this, means we will automatically get this".

This rational scientific view is however only, one, of the two useful parts of best business practice. As we explore soon, both parts need to be correctly used and applied; for example, baking a cake with only 50% of the ingredients will never produce the best cake.

In commercial organisations, these standard rational practices and performance measurements, lead onto the controlling of suppliers and more covertly, customers, so as to ensure the imposed targets are met. Such targets are endlessly pursued as they are rationally efficient for the centralised "bean counters" who are unable to see any further than a pound note.

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Whilst clearly such methods have brought benefits for many, (including anyone who, directly or indirectly, is involved in investing in such companies); as other organisations have discovered, they can also bring disbenefits.

Where only a rational view is pursued, then the people inside companies have to follow the one best way, as will be specified in the rules and procedures. Communication and other possible methods of doing the job are all subordinated to ensure the rules are followed, as doing this will automatically ensure the output targets are met. There is then going to be automatically, the standard scientific expectation and outcome. This is seen as rational and logical with a sense of what is "right and wrong." It is also, dangerously, seen as normal as the norms are clear and objective as "this is how I should behave" or in its extreme, "this is how I must behave."

Compete or cooperate, rules or relationships?

The highly developed power system for total control on process and the protection of "my" interests, will also have a tendency to lead onto "I win, you loose" styles of negotiations and methods of conducting business. Competing has now become a fiercely fought business discipline, not just between organisations and externally with suppliers, but also very often, internally between departments and between the people within organisations. As has been noted by Professor Alan Waller, "we have been taught to compete and not cooperate."

Competition, to ensure keeping one step ahead from others, has now tended to replace the many possible forms of cooperation. Rules and standard procedures have now totally replaced or at best, have majored over, relationships in business dealings. The associated subduing of suppliers and competitors by power plays to reduce and minimise risk "for me" will in turn, in the longer term, also produce limited to zero growth for the majority, as the dominance by the powerful whilst ensuring their survival and them becoming bigger, and, for the bean counters, becoming "better". Meanwhile, the majority have now to survive on limited margins and look to meet the demands for lower prices and higher productivity. This in turn leads to having to survive on extended cash flows and credit, (that one day will have to be re-paid).

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Such uncertainty for the majority, has been in part, created by the lack of cooperation from those dominant organisations that have non listening business styles and thereby may stifle innovation suggestions, as their "no risk for me" option is being relentlessly pursued for the goal of achieving rational excellence.

One wonders how long for example, such searches for lower prices and increased performance will continue to give increased quality and more added value for the dominant. Indeed it has been comprehensively proved, by those organisations practicing TQM, that low prices and high levels of quality are incompatible goals; however the dominant seem to believe they can maintain their position because they are easily able to switch suppliers and markets.

Whilst there are some suppliers in the market who are prepared, in the short term, to work this way, as shown below, the minimum risk for me paradigm is actually also dangerous in the longer term for the dominant players.

Needs, values and norms

Whilst the dominant may choose to believe their needs are being met by forcing external competition driven by internal and external rules; what they really ignore here, is the reality that the power to influence others, is also actually determined by the perceptions of these others, as to how, their own needs will be met.

This duality of needs is going to be largely ignored in the power based rational "me" approach. Additionally, the accompanying ignorance of any need to find common ground and using more cooperating and exploring "we" views is largely ignored.

Any values of what is desirable for the both of us are therefore not considered. The use of the dominants preferred norms, for example of competing, are also perhaps not going to be in line with the other parties preferred values of cooperation.

This incompatibility of conflicting values and norms means inevitability, in the longer term, that disintegration is the only ultimate and eventual result, unless, a newer form of mutuality in working emerges.

For those who do not see this powerful relationship between values and norms, then witness the colossal changes made in East Europe in the 1980's and 1990's where eventually people values on society, became at odds with

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the norms from the political society. A major change in political systems followed.

The rational and emotional views

Values are of course subjective and are therefore open to interpretation; bean counters will now become nervous and fearful as adopting a more emotional perspective means moving away from their majority held rational view.

Here in lays the major difficulty, as most western organisations are now more founded towards a rational scientific view and the associated macro objective views of reality. Emotional and subjective micro views are often subordinated in Western cultures, but are not so in Eastern ones. Indeed in such Eastern cultures, the role of individuals in practicing continuous improvement and their fuller involvement in their organisations is not at all paradoxical with the growth of economies in recent decades like Japan.

It seems therefore that a combination of "rationality for me", with "emotional views of we" is needed. This will then give "rational-emotionality for us." However, it is and will be, often difficult for pre-conditioned Western managers to make such a change.

This for example, was one of the reasons for the 1980/1990's failure of TQM methods to impact many organisations. TQM was then being seen, as the source for future success of "UK Limited." Whilst TQM has actually been successful for a few, most who tried failed. Here the already existing superficial attitudes and short term views drove behaviour and the needed fundamental changes were not being "deep inside". Those few who were successful however, displayed a deeper belief with total commitment and conviction and allowed a longer term view for the change to be imbedded.

Changing our views

It is critically important therefore for all Western managers to individually see just how they look at things, and then to be prepared to change their view to incorporate more emotional values. After all, they have such values, they were born with them and use them regularly away from work; but Western organisational socialisation and methods have tended to subdue them. Changing however can be a most difficult form of learning for many managers as they have their own "fixed" perception, which can, in effect, block the view. Therefore, if we want to see things differently, we need to

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change our perception. Remember that perception is reality. The way we see, leads to what we do and what we do, leads to the results we get. So to change the results, we really do need to change the way we see.

Changing means me

To help view our own reality of how we manage, it is useful to take a polarised view, so that we can focus on two "opposites". Let me, therefore, put forward a polarised stereotype of people that says people run on subjective emotions but justify things by rational objective calculations.

The emotional view is seeing people as more "heart"/feelings based. It's all that "soft stuff" that is "gut feel" and subjective. It's "touchy/feely" and not at all, what a "macho manager" or "bean counter" likes to deal with. The rational view is, however, a more "head"/logic based view. It's the "hard stuff" that can be proved/quantified and is, therefore, more objective. It's all those bean counter types who say, "The numbers speak for themselves".

However, business heavily involves emotions, (usually though covertly as, after all, it's not macho and not culturally British to show emotions). The rational and calculative "bottom line" is, however, usually more overt. But this "bottom line" is only ever going to an outcome of all the other activities, which for example, involve people showing each other "touchy/feely" mutual respect and trust in their business relationships. So emotions, feelings, behaviors and thinking are all related. After all, as a person thinks, so they are, and if you think you can or think you cannot, then you are right.

Change or die

Business is, therefore, at its roots, an emotional experience. Trying to pretend people's emotions don't exist in business relationships is dangerous, and frankly, stupid as relationships involve more than following pre set rational rules and procedures. To make supply chain management, with alliances, joint ventures and partnerships, more of a reality for all of the partners and players, then we must also fully consider how cooperative relationships are to be handled. Only then can we achieve the greater business benefits that can only occur, when sharing and mutuality happens. To ignore such cooperative relationships is therefore folly and just plain "daft".

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By retaining the current dominance of competition and rules, this means subduing the place of cooperation and relationships. Cooperation and relationships must have a stronger place and find a better balance with rational competition and rules. To ignore doing this means losing the way forward to better develop more effective supply chains for all of the partners and the players.

For some organisations therefore, the future will mean demise and possibly death, for others a new re-birth and growth, but only after making a conscious choice to learn new ways and in so doing, to change.

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Stuart has operational and strategic experience in varied commercial service industries - gained in the UK and Nigeria - and is particularly interested in the "people issues" of management processes, as well as logistics and supply-chain management. He has worked on 6 continents, in over 30 countries and delivered to over 50 nationalities.

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