

Supply Chain Relationships-Partnerships or Partnershaft?

Business & Relationships

Business and supply chain management maybe technically simple, but it is usually managerially difficult.

In supply chains for example, there are many technically simple solutions which give better business performance. There are also many "hard" technical systems approaches such as, MRP and SAP, which are most useful and can have a vital impact on efficiency. However to be totally effective, it is usually the things like teamwork, and motivation, which need the closer attention of management.

Improving the people relationships is the main key for more effective supply chain management. Do you for example know of any relationship, (business or otherwise), that cannot be improved?

The financial lead view and hard side of business becomes an increasing difficult one to predict in fast changing global economies. Business can however, always look to improve. One way to out perform the competition is to improve people and the way people relate to each other. There are riches to be harvested here that will enhance and improve business and the quality of life.

A view that a company is able to do something by itself is a dangerous myth that obscures the reality that a company only ever does anything as a result of its people doing something. Too many people, usually unconsciously, ignore the plain fact that it is the people who are the key element in all companies.

Surely, we can only ever do the core of business through dealing with people relationships?

Looking at what has happened when company performance fails dramatically through receivership shows the importance of people relationships.

Officially appointed receivers have identified the following three causes of failure:

- Lack of information, meaning for example, a limited view of options

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- Lack of top team balance, meaning there is little “challenge” and there is negative compliance as boards are too similar and do not have the depth or breadth.
- Lack of others opinions, for example an autocratic C.E.O. who goes only for say, growth. A one-man rule with non-participating boards is found.

It seems here that wider views from open debate were missing. Autocratic management has prevented any positive conflict of ideas. Company performance and profitability have failed and can be directly linked to the lack of open debate and considering wider viewpoints. If relationships had been improved, then the companies may have survived.

Supply Chain Relationships

Supply Chain Management has as its key principle, individual businesses coming together to integrate, co-ordinate and control, their supplier/customer activities of buying, making, moving and selling. Relationship handling with all the supply-chain players is fundamental to the overall supply chains effectiveness. With people relationships however, how many times is the partnership word used only for “spin” and “public relationship” purposes?

Traditionally, there is often found an adversary them/us tussle in the supplier/customer activities. Power is not distributed evenly; a major barrier to a full partnerships approach. Even however when there is a more partnership approach, (token or otherwise), this can result in a response from some involved, that the German word for partnership is partnershaft. This is a reflection of the “you will”, “I win/you loose” viewpoints from this adversary point of view.

However, some supply chains do demonstrate a share to gain approach. Here as a basic philosophy, they will recognise that “none of us, are as strong as all of us” and adopts a “win/win” approach. The use of power by the strongest does not dominate in these supply chains.

The message can be a need for change from old to new ways. This message for supply chain management shows that the following changes in Figure 1 Supply Chain Changes, (a too brief overview), are needed:

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Figure 1
Supply Chain Changes

From more Traditional Ways	To more Supply Chain Ways
Independent of the next link	Each link is dependant on the next one
Links are protective	End to end visibility
Uncertainty in demand visibility	More certainty
Unresponsive to change	Quicker response to change
High cost and low service levels	High service with lower costs
transactional	partnership
Fragmented internal structures	"joined up" structures of extended enterprises
Hierarchical management	Collaborative management

The core of these changes, involves changing the way people respond and relate to each other. It is not only hard technical improvements that are needed and companies who see this as the only way forward are scheduled to face real difficulties and future failure in their expectations. Unless of course they are dominantly powerful so "opposition" does not matter. Developing effective people relationships will however, beyond doubt, bring benefit. It is the only eventual way forward to achieve better supply chain management.

Effective Relationships

Effective relationships fundamentally require a total open and trusting environment, with shared beliefs, values and a common identity and purpose. Mechanisms are needed to allow people the right to "agree to disagree" in a supportive and trusting way. The Supply Chain principle of "sharing to gain", also needs to include differing people's viewpoints with active listening and the encouragement of open debate.

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Developing such relationships is certainly not going to be a soft option. Getting to the "inside" is not easy and can be time consuming and personally difficult to those who are "schooled" in old ways adversary and power based models of relationship handling. Indeed this "soft stuff" so often becomes the hard staff- especially for those who prefer a partnershaft view of supply chain management.

Maybe however this is actually "saying it like it is" and is a better reflection of what actually is happening? Hopefully for those who have this partnershaft view, they do not really believe that people relationships in the supply chain is just more "people crap and has no part to play at all", (comments from a former colleague).

Win the home games first

Effective relationship building needs to start internally. In my experience, the partnershaft view always reflects poor internal relationships. Here the best "knockers" of a company, and its "worst" ambassadors" are its own employees. Companies must "win the home games first". A business must win on the inside before it can go outside.

Why so many companies appear not to realise this is a surprise.

An efficient and relationship mature internal team of purchasing, production, distribution, marketing, finance is often not found. However such mental preparation is a recognised pre-requisite for sports people, before their outside external and public performance. The battle here is frequently "won on the inside first" and without this internal alignment, going forward to develop external relationships can be fraught with difficulties.

What many internally focussed companies also do not often realise is that their internal divisions will certainly be reflected and be visible externally. External people will be then most rightly uneasy about the effectiveness of any so-called partnership. Where a company sets out as policy to not listen or involve its "partners", internal or external, then clearly the partnership word should not be used. Using it in these circumstances is dis-honest.

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The critical thing to be done before developing external supply chain partnership relationships is to “win the home games first” and to engage the hearts and minds of the employed and contracted; individuals, groups and teams, inside the company.

Can We Agree To Disagree?

To be able to win the home games first, many organisations need to fully recognise that they actually do have people at all levels in the organisation, which do actually go along with events, which they actually disagree with. This is, maybe because they do not want to rock the boat. They have discovered it is safer to keep their head down. Indeed, as noted by the management guru, Peter Drucker, the biggest single hidden aspect in most companies is fear. When there is such a “going along with syndrome,” then this is really negative for an organisation, as well as for the individuals concerned.

The following case study, Figure 2, The ABC Ltd Problem, explores this issue.

Figure 2

The ABC Ltd Problem

- F (the C.E.O. of ABC Ltd) takes pride in the company mission statement about the positive open communication with everyone pulling together to create new opportunities for the benefit of the customer.
- G (a senior manager) sees his job is all about exploring new opportunities and that problem are “negative” barriers to this end.
- H (a middle manager) is keeping quiet about a staff problem, as G never wants to hear about problems and has said before in similar situations to H, that he is a troublemaker who is rocking the boat and needs to stop being negative.
- I to K (all clerks) have all just left ABC Ltd. They resigned as they felt they could no longer work for a company that will not listen to their concerns and problems and which stopped them from providing service to customers.
- XYZ Ltd. (a major customer) confirms they are placing orders elsewhere, as they cannot get answers about delayed orders since I to K have left.

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What would be your answer to the “problem”?

The simple answer is to say it's a communication problem. Well for sure, it is a “communication problem” and one answer is to have the C.E.O. to get everyone to talk to each other. But it is deeper than this. Staff has left and an important customer has gone elsewhere, so something more “radical” needs to happen!

Discussions-a core element in organisations

Discussions and interactions between people are the core component in most organisations. These discussions take place take place at many levels, both internally, between employees/ employers, and externally, between suppliers/ customers. If such discussions are stifling, restricting, and limiting; then this can result in stagnation, a refusal to learn and change and a refusal to do things differently.

To overcome any such difficulties in any people business process, then it must be understood that conflicts, challenges, and compliance are all related interactions. These are important aspects to be efficiently managed and understood.

Challenge and Conflict

As perception is reality, then the words and style used in discussions and interactions, may mean that any “challenges” can be perceived by the giver, as being constructive; however, the receiver may perceive “challenge” as causing conflict. (By conflict, I am meaning the conflict of ideas and not conflict between people, conflict here is meant to be an open disagreement on ideas-I am not in any way taking about any conflict of verbal or other types of, violence!)

The following case study, figure 3 Research Findings, will help to clarify my view.

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Figure 3

Research Findings

When talking with employees in different companies, researchers noticed that some employees said they avoided conflict whenever possible in discussions, while others seemed to thrive on conflict in much the same circumstances. To confuse the researchers even further, those who seemed "positive" about conflict seemed to perform better in many respects in their jobs (and in overall organisational performance) than those who discussed conflict "negatively".

Probing further, the researchers found that different people (and organisations) used the term conflict in very different ways. For some, those whom perceived conflict as negative, conflict was personalised and represented destructive personal tensions. For others, those who viewed conflict as positive, conflict was simply an intellectual disagreement to be resolved and had no relation at all with their feelings about the other party. The first approach can be called conflict among people (or destructive conflict) and the latter, conflict of ideas (or constructive conflict).

Many people however, will still not like the word conflict, as it will be associated with aggravation and unease between people. But this is just one possible side, as conflict has positive and negative sides, one which can be both creative and constructive or one side that is, feared and destructive.

When conflict is creative, it explores differences and is not a concentration on only one position. Creative constructive criticism can take and build up from a newly discovered "third" position. Here both parties may concede to win or to loose. There will be a common cause, perhaps with tough trust and where "truth" comes from debate and discussion amongst equal friends.

When conflict is feared it is so often because it has become personal. This will often happen when partners are treated as being unequal. Unresolved differences can go onto create stand off's, which can continue with destructive outcomes, and perhaps even end with "taking the ball and bat" home! (Whoever said that grown ups are children in disguise, was surely right). People can "withdraw" and "curl up into their shell". They may well comply and "go along" with things. However, this is not really very helpful

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over the medium term, as it works like an internal cancer, attacking company mission statements about developing positive relationships between people.

Challenge and Compliance

When two people discuss and “face each other”, then without any challenge, there will only ever be an outcome of compliance. Now such compliance may be fine if it is genuine and agreed by both parties, and it may also be fine, if it has followed from a useful dialogue of constructive criticism.

But, positive challenge is needed and is definitely helpful, if there is to be any learning. “Blind”, forced, or negative compliance is really no use at all to anyone wanting to develop and to grow. When there is only negative compliance around, then there is little learning, as there can be no real change from the current position. With negative compliance, for example, people will learn to keep quiet and cover up anything that will expose them when they put their head over the parapet. Mistakes will be hidden, as this is no place to be where you can learn from mistakes. Furthermore, negative compliance can be covert with “unspoken disagreement”. It can exist amongst unequal partners where, one of the parties does not “want to rock the boat”.

The following, figure 4 SCM Ltd., views this further:

Figure 4 SCM Ltd

The managing director of a successful component manufacturer (SCM Limited) has a very simple human resources policy: hire winners and fire losers. In practice being seen as a loser by the MD means demotion, or at worst, termination.

Unfortunately, this MD is on a rather short fuse and any employee seen making a mistake will always be a loser. Consequently, the clever employees learnt many astute ways of covering up failures, even when they were genuine ones. As a result, problems tend to appear too late, when nothing can be done about them.

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The MD then has to step in, fix them as he can, and look for a scapegoat. He keeps complaining that he spends his time fire fighting rather than dealing with fundamental strategic issues.

Effective challenge and conflict is needed to open up differences, as differences can be essential to learning. (The MD, above, for example, needs a good mentor or coach so that the differences can be positively explored). Here each party will be encouraged and supported to arrive at a place and position where there is a mutual awareness of differences. This then leads to debate and onto a greater level of understanding, finishing perhaps with a compromise where both parties may have conceded, so that they both can win. When this type of challenging approach is used, then it prevents any compliance of false agreement. Here one side thinks it has "won", or the other side has concluded, "why should I bother, they always want to do it their way?"

With negative compliance, each remains with its own position. The others viewpoint is not listened to - there are no seeing the third position. Without any positive compliance, there will be no long term developing and no growth, no learning and no changing.

Yet, some people will foster negative compliance. The employees in the last mentioned case study above are for example, fostering compliance, (although they probably do not see this). This is possibly happening because they do not like the personal conflict, which they see as destructive. Also, the MD is fostering compliance through his personal style and approach, (although he probably does not realise this). Furthermore, some will like negative compliance, as they want to remain where they are, as they do not want to change. Some will also continue to steadfastly not "give up" their position as they cannot "lose face".

What can be done?

There is clearly a need to expose, with challenge and conflict, the compliance issue. All the people involved, (internally and then externally), need to be clear and agree on the following definitions:

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§ Positive conflict

Is constructive as it enables new learning through an open disagreement and discussion on ideas between people. The outcome is either a full agreement about the others position, or, finding a new "third" position. All those involved believe they have gained something from the conflict process.

§ Negative conflict

Is destructive as it inhibits new learning through creating personal tensions among people. The outcome is on "one" position only. Those involved are usually divided, as whilst one side may feel they have gained, the other side feels they have lost something.

§ Positive Compliance

Encourages challenge and conflicts and recognises these are needed for effective learning and changing. People are actively involved in shaping the outcome from a mutual awareness and understanding of the differences. They can change their position in the process.

§ Negative compliance

Encourages blind or forced agreement which hinders effective learning and changing as open challenge and conflict on any differences from the "status quo" are not encouraged. One party remains uninvolved and keeps quiet with "unspoken disagreement". This gives a "false" agreement, which can encourage mistakes to be repeated, and little change brought to the "status quo". People will internally remain with their own position, even though this will unlikely be externally expressed in their false agreement.

After understanding the above definitions, then people need encouraging to use and adopt such practices in internal business relationships. New learning (and changing) is needed.

However without any changing, then it will be no surprise that challenge, conflict and compliance issues are often going to be dealt with in a negative way-as the case studies have shown. Effective supply chain management will clearly be a myth for some of the partners and players.

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There is quite a challenge here, I believe, for most companies, organisations, and many of the people involved. However, in promoting efficient and effective supply chain relationships and going for the “prizes” available, then the challenge has to be faced and overcome - with positive conflict, of course!

Perception is reality

A problem can however still remain. Simply that I believe in dealing with “managerially difficult people”, or by using “partnershaft people management techniques”, that too many managers are just too content to gloss over developing longer term effective people relationships. The “macho kick ass manager” is still around and thriving in short term heavily task oriented business. The contrast between “old “and “new” managing is distinctive, see figure 5.

Figure 5 Old and New Managing

“Old” managing represents:

- keeping control
- holding onto people
- being judgmental
- “telling”
- seeing though a “pinhole”
- being directive and more autocratic
- using a “push” approach
- Mechanistic view of people, they are only a resource.

“New” managing, (some call it leading, coaching, or empowering), represents more of the following:

- letting people try
- given people a “self release”
- being non judgmental
- “selling”
- seeing the wider view
- being supportive and more charismatic
- using a “pull” approach

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- Collaborative view of people, they are what bring innovation and improvement.

It is important for a business to have its manager's face up to viewing these differences and to recognising the ensuing problems and opportunities that occur from the application of the different models. It is critical for individual managers to see just how they look at things, and then to be prepared to change their view. This can be a most difficult from of learning for many managers.

When we view people, we have our "fixed" perception, which can, in effect, block our view. Therefore, if we are able to see differently, we need to 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!

To help view our own reality of how we manage people, it is useful to take a polarised view, so that we can focus on two "opposites". After such a "black and white" view, we can then search for the "grey" if we want to.

Let me, therefore, put forward another such a polarised stereotype of people that says people run on emotion but justify things by calculation. In other words:

- The emotion 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 partnershaft supply chain manager likes to deal with.
- The calculation 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 who say, "The numbers speak for themselves".

I would accept this looks just too "black and white". I know in the real world we are often more in the "shades of grey" zone. But we have to start somewhere and I am suggesting we should try and start with a polarised view and spend some time looking at the "soft stuff".

I believe it is all this soft stuff that is really the hard stuff. It is not the "technically simple" that causes us major problems in supply chain management, it is that which is more "managerially difficult".

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But to get into this, we need to have a view of "where we are at". We need to be able to have the confidence to view which side we lean towards. Is it the "Emotion Soft Stuff" or the "Calculative Hard Stuff"? Are we, ruled by the heart or by the head?

It is my belief that these stereotypes view is sound. For me, business heavily involves emotions, (usually though covertly as, after all, it's not macho and not British for us to show emotions).

The calculative "bottom line" is, however, usually more overt. But the "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, behaviour and thinking are all related. After all, as a person thinks, so they are!

Business is, therefore, at its roots, an emotional experience. Trying to pretend people's emotions don't exist in business relationships is dangerous. It ignores the way forward to develop better and more effective supply chains for all the partners and the players.

To make supply chain management with partnerships a reality for all the partners and players, then we must fully consider how the people relationships are to be handled. To ignore such relationships is folly and frankly plain "daft". Unless of course, the ending point is not for partnership at all, but for old style supply chain partnershaft.

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