

Partnerships That Work

By Rebecca A. Morgan
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*You know you need a partner. Learn how to select the one that's best for you.
Plus: Free Interactive Partnership Spreadsheet*

Last week I described the trend toward developing supply chain partnerships. Let's look at three critical aspects of successful partnership: (1) selecting the right elements of your business to partner, (2) selecting the right partner, and (3) being a good partner.

Selecting the right elements of your business to partner

When considering where a partnership may be preferable to a transaction-by-transaction based relationship, look in both directions. You can choose to partner with your customers as well as with your suppliers. But tread carefully. This is a long-term commitment, not unlike marriage, and not to be entered casually.

How-to: Partnering best applies to repetitive and continuous buying situations integral to your business. A company's one-time buy of office furniture doesn't really lend itself to effective partnering. After all, most businesses do not have an ongoing need for furniture, so the opportunity to develop a long-term mutually beneficial relationship is limited. Similarly, a partnership relationship is probably not viable in a market that rarely has need for your goods or services.

For a manufacturer, the supply of critical raw materials could provide a partnership opportunity. That same manufacturer may also look toward his customers for potential partners. He may see an opportunity with a distributor. Perhaps he sees great potential for the distributor to help position the manufacturer in new markets, and also sees potential for his company to help streamline the distributor's operations in serving existing markets. A potential win-win, and a potential supply chain partnership.

Selecting the right partner

How-to: Don't assume that a long-standing association is a partnership. If you want the relationship to be a true supply chain partnership, state it clearly. Formal agreement ensures similar intent and can strengthen both companies. Remember that a current supplier or customer may logically seem a candidate for partnership, but problems may arise because you may not be willing or able to help each other excel. Choose carefully.

How-to: A formal evaluation is a good first step in the selection process. An example process using widely available spreadsheet software is:

- Identify and list important characteristics of a partner organization
- Assign a weight reflecting relative importance to each characteristic, adding up to 100%
- Based on visits, interviews, and research, rate every characteristic for each potential partner
- Using simple formulas, calculate the "partner potential" score of each organization

There are certainly other approaches to evaluating organizations, but it is important that you complete a rigorous examination before committing to a partnership.

Recently, I helped a company use the process just described to facilitate the assessment process of potential supplier partners for a critical family of raw materials. We identified the key aspects of a company that we believed would best support the client's long-term success. In this case, we created three categories: Business, Product Availability, and Operations.

Characteristics under Business were:

- financial stability,
- management style,
- experience in partnerships,
- experience with Lean Manufacturing
- upside potential.

Under Product Availability, characteristics were simply a list of all the materials in that category because having a full array of materials was important to the decision.

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Operations characteristics were:

- facility conditions,
- proximity to the client's facility,
- frequency of delivery to the client's area, and
- in-house capability of handling the materials.

We established weights for each of the three major categories, and then weights for each item within a category. After visiting each candidate, we assigned a score to each item in the evaluation. We then calculated an overall score for each potential partner. (contact Fulcrum for spreadsheet).

We discovered that we would need to partner with two suppliers instead of the goal of one due to product availability issues. With my client and the two new partners working together, we have put in place new ordering systems, new payment systems, new material handling systems - all of which have served to reduce expenses at all three companies. In addition, the two supply partners enjoy increased business from my client, and have enhanced their ability to support other customers. My client enjoys reduced inventories, reduced variables, and streamlined ordering and material handling operations.

Whether you use that type of evaluation model or something else, do not skip performing a critical evaluation. If no organization comes out of your selection process with an acceptable evaluation, keep looking or decide that, for now, partnering in that specific arena is not going to work. Do not enter into a partnership out of desperation or exhaustion.

Being a good partner

If a partnership is to be successful, you must be a good partner as well as have one. That means being willing to contribute resources to helping them.

You may want to create an assessment tool to evaluate your own readiness. Looking from the vantage point of the other company, what would they look for and how would you rate?

Successful experience in win-win negotiations, where the interests of all parties are considered and met, is valuable in being a good partner. In resolving problems, a good partner works with the other organization to find a way to meet the needs of both parties. The golden rule of supply-chain partnership: Work with others the way you want them to work with you.



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