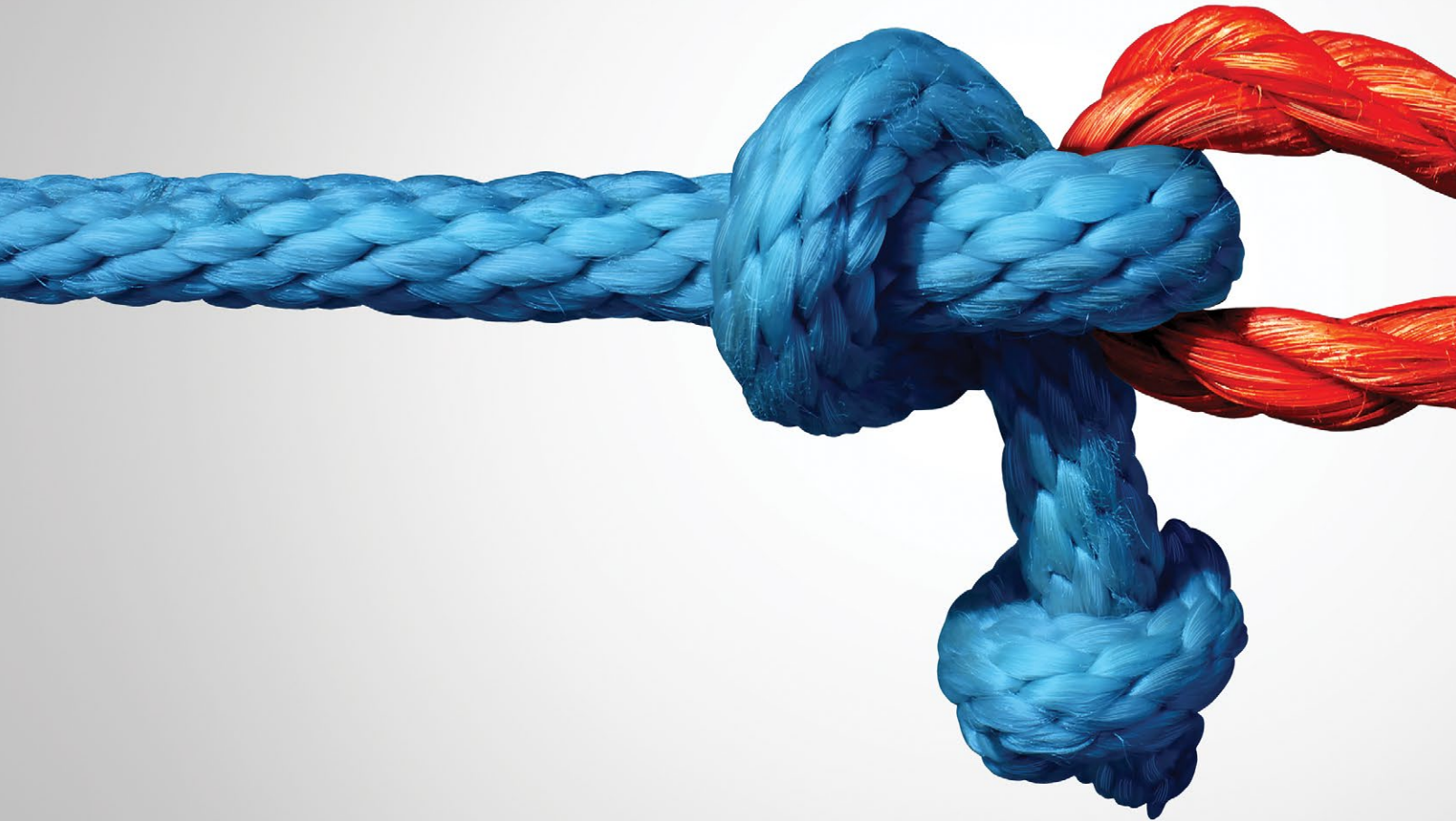


THE IMPORTANCE OF

Collaboration

IN SUPPLY CHAIN MANAGEMENT



Successful collaboration requires full transparency and is not as prevalent as one might think

By Lisa Kopochinski

It would be accurate to say that successful business relationships operate on the same principles as personal relationships. In order for the relationship to thrive, there needs to be strong communication, complete transparency and a desire for all parties to benefit.

Business collaboration efforts fail a great deal of the time because “people are not walking in with their eyes wide open,” said Mike Owens, who recently retired as vice president of Physical Logistics for Nestlé Canada Inc. in Toronto, and is on the board of the Supply Chain Management Association (SCMA). “It’s easy to use collaboration as a buzzword, but many only want to look at it from their own perspective.”

Owens says it is first necessary to go back to the definition of what a supply chain is – the movement of goods and advanced services from manufacturing all the way to the consumer.

“It’s the exchange of products, services, information and money,” he said. “All those interchanges between partners in a supply chain present an opportunity to either get it right or get it wrong.”

Partners or stakeholders in a supply chain can include raw material suppliers, manufacturers, distributors, transportation services, end-users and a variety of internal support services such as purchasing departments and financial



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CEO, STAR-TING INCORPORATED



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– PAUL DEBARROS, SENIOR MANAGER, SUPPLY CHAIN SERVICES, PLEXXUS

services – accounts receivable and accounts payable, technical/engineering services and shipping/receiving departments.

If you have fewer partners in the supply chain and control of the whole supply chain, Owens says you have less chance of something going awry. However, if you have a supply chain that is massive, any one of those parts could stop production.

One way to operate is through collaboration, he says, but in many supply chains the partners don't trust each other enough to share this information.

“Part of this is that the partners have different boards of directors and mandates and are not necessarily working toward the same end,” he said. “Essentially, they're looking for a sale, but the trigger points of what is driving the partners may be different, so that can create some friction. You will find that collaboration is not as easy or prevalent as one might think.”

INFORMATION SILOS

Loreen Sherman is director and CEO of Star-Ting Incorporated, a Calgary-based management consulting firm that provides enterprise, operational and project-level risk management solutions to the oil, gas and energy industry for risk mitigation and to identify opportunities.

She defines supply chain collaboration as “the collective efforts across multiple functional departments to collect and extract data in various forms, such as financial, policy and risk.”

As the head of a risk management firm, she knows all players across the board should be collaborating, but this can be thwarted by information silos (a person or department that restricts access to information required for risk-informed decisions).

“When a company compartmentalizes their knowledge, collaboration is reduced,” said Sherman. “This can be a serious problem, such as when a risk manager tries to collect variables and misses a critical point stored somewhere else. Data sharing across multiple functional departments is one way to keep relevant information from being lost and made available to management.”

She adds that collaboration can be difficult because some information within organizations is confidential with proprietary levels of information existing for governance and legal reasons to ensure operations remain competitive.

“Some people within the organization do not have clearance and are restricted,” she said. “Thus, collaboration throughout the organization on all matters is problematic.”

Paul DeBarros, senior manager, Supply Chain Services for Plexxus, a not-for-profit shared services organization in

Toronto that has expertise in supply chain management, information technology and business transformation for the healthcare sector, says collaboration can be difficult because there could be many supply chain members each facing competing priorities.

“A ‘break’ (delay) within the chain can create a domino effect for the remaining downstream members of the chain,” he said. “The potential for a failed collaborative effort increases as the number of members within the chain increases and is apparent when a partner is unable to fulfil their role as prescribed.”

Owens adds that many companies say they are collaborating successfully when, in fact, they aren't. They simply have too many factions that are not working to the same end.

“The key is to make sure you are collaborating internally and that you're breaking down those silos. You must have visibility to your costs, so that when you are talking to your customer, it all becomes a sharing of information and ideas. Until you get rid of adversarial ideas, it is not going to work successfully.”

Sherman has a different take when it comes to silos and says it could be a mistake to think “breaking down corporate silos” is a good strategy because some information stored within corporate silos is proprietary and needs to be secured.

“A better approach would be to distinguish what records and information are required for sharing,” she said. “Documents can be screened and vetted so essential elements critical for sharing can be released to others.”

She says organizations should start with the following questions: what information needs to be seen, used and shared first and second? How will this information be distributed and secured?

“A benchmark to identify document sharing needs to be established so organizations can control and monitor the collaborative efforts for better document control.”

Sherman adds that when her firm strives to strengthen a client's risk portfolio, data collection and assimilation is essential for accurate risk reporting.

“This is best managed when the sequence of processes involved in the production and distribution of a commodity are identified. Risk and uncertainty lie everywhere so uncovering hidden risk areas is essential to reduce risk exposure.

She cites an example from October 2014 when TransCanada Corp's \$11-billion Energy East pipeline project ran into opposition delays over concerns about beluga whales. Six months later in April 2015, the company canceled its plans to build an export terminal.



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“The question is how risky were the concerns over the beluga whales? Let’s say this question was addressed more critically as we do in our risk management plan,” she said. “Could the situation have been better handled? If so, then the project may not have failed, so there is significant value for industry to collaborate across the supply chain in a robust risk management program.”

CHOOSING COLLABORATORS

Having a successful supply chain collaboration can offer great benefits such as lower operating and material costs, shorter turn around times, reduced waste and improved relationships with the various supply chain stakeholders.

So how do you choose the right partners to achieve these goals?

“One can choose the right partners by conducting research to ensure prospective partners have a favourable track record with respect to satisfying their role in past collaborative efforts,” said DeBarros. “By touching base with the prospect’s previous partners – both before and after the prospect’s point within the supply chain – can provide insight into the prospect’s ability to meet your needs. Looking for effective communication, on-time deliverables, technological aids such as online order tracking, production scheduling, capacity planning, electronic funds transfer and engaged leadership can lead to a positive outcome.”

Owens agrees that choosing the right partners is a critical endeavour, and one that is often not easy.

“Choosing the right partners requires a high level of sophistication and maturity. True collaboration means you really have to know your costs and systems, and you have to have unimpeachable faith in your supply chain partners. That’s huge.” 🍁

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