



## **Collaborate, Make Money and Save Costs**

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We can maximise profits when we truly understand our customers and deliver to them exactly what they want, when they want it and how they want it. And, we can do that when we have a collaborative supply chain based on alignment, agility and adaptability.

Most firms already have the infrastructure in place to maximise profits through their supply chains. But a fresh attitude would make a difference. Let us try throwing away the mind-set based purely on efficiency, since this is counter-productive. Try taking responsibility for the entire supply chain and not worrying about optimising our own position in the supply chain. Try building collaborative relationships with suppliers and customers.

**Alignment:** The supply chain is a sequence of supplier-customer linkages that should all be working with the same objective of satisfying the end consumer. The success or otherwise of the entire supply chain depends on the purchasing decisions of the end consumer. Therefore it should go without question that every organisation on the supply chain must be aligned to the needs of the end consumer. Yet each organisation in the supply chain – manufacturer, distributor, and retailer - tries to maximise or optimise its own position. They may not care if another part of the supply chain suffers, as long as they themselves achieve their objectives.

Supply chain partners within the same group of companies often compete against each other and try to score points to the disadvantage of the other. One division may be measured on volume produced, one division may be measured on sales, and another division may be measured on profit. This is an example of poor definition of performance measurement, but it is real.

One of the difficulties with alignment is ownership. Who owns the materials used in production and who pays for them and when is that payment made?

**Agility:** With agility we can respond to short-term changes in demand or supply. As soon as demand changes, that fact is communicated through the entire supply chain so that the products being made and supplied will meet the changing demand. As soon as supply changes through some sort of disruption, we actively change demand to reflect what we can supply. To do this we need to respond quickly and cost-effectively.

World events, especially in the past four years, have caused sudden shocks to supply chains. But most supply chains cannot cope with sudden shocks. Why? Because, most are based on cost-minimisation, rather than the ability to respond to customer demand.

Agility means developing collaborative relationships with suppliers and customers so that everyone works together to provide each other with data on changes in supply, in demand, and production processes. Product design should allow the final configuration to be postponed until the final demand is known. We can do this with programmable software for example, or allow customers to buy the capacity on the factory and provide final configurations (size, length, colour, brand) just before actual production commences.



**Adaptability:** Also we have to be adaptable and adjust the design of the supply chain to meet structural changes in the market. Structural changes occur because of economic progress, political change, social change, demographic changes, product life changes, and technological change. A top performing supply chain will recognise these changes often before they occur and adjust the structure of the supply chain accordingly.

Somehow, we have to be able to spot the trends and then have the ability to respond to those trends by changing the supply networks. An adaptable supply chain truly understands the needs of the final consumer and not just the intermediate customers.

Manufacturers that monitor the demand chain and manage the supply chain built with alignment, agility and adaptability are extremely competitive on the world market.

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