When are suppliers not suppliers? When they’re partners, says Asi Degani.

As the digital learning manager at Telefónica UK, I am lucky enough to refer to many of the companies from whom we buy services, products and licences as partners not just suppliers.

Previously, when I referred to such companies as partners, some colleagues gave me a funny look which translated as: “just call them suppliers, no need for fancy names”. But my experience shows that a partnership with a supplier goes far beyond simple naming conventions and can generate real value at every step, well before the bottom line.

The Supply Chain Management Institute defines partnership as “…a tailored business relationship based on mutual trust, openness, shared risk and shared rewards that results in business performance greater than would be achieved by the two firms working together in the absence of partnership.” (SCMI 2015). So, a great result for both sides if done correctly.

THE BENEFITS OF PARTNERING

The benefits of business partnerships have long been researched and documented. In a 1999 article from the MIT Sloan Management Review, the lack of tight collaboration within a supply chain is described as something that can result in “costly inefficiencies” and “excess inventories, slow response, and lost profits”. (Charles J. Corbett, Joseph D. Blackburn and Luk N. Van Wassenhove 1999.)

Despite this, many supplier-client relationships in big corporations are the result of two seemingly opposing forces working together – on one hand is the supplier’s sales person looking for their next purchase order, and on the other the procurement department looking to get the best price possible for an immediate requirement. This short term, single track focus acts as a massive hurdle along the way to a true partnership. As if to echo this, Scott McNealy, ex-CEO of Sun Microsystems once Tweeted: “Favourite partnership for me is a purchase order”. (Ben Gomes-Casseres 2011.)

One of the key benefits of the trust which forms the basis of the relationship is that “how much will this cost me” is not the first thing one thinks of when talking to a partner. A traditional, transactional relationship would see the supplier squeezed to provide the very best ‘value for money’. With this in mind the supplier will invest more energy in chasing the next PO than in working with existing clients.

In the VUCA (volatility, uncertainty, complexity and ambiguity) reality in which we live, the speed of doing business has to exceed the rate of change and that can only be achieved through true partnerships.
With all that said, it is important to note that there is nothing wrong with buying ‘for the bottom line’. In fact, there are cases where partnerships do not make sense. These include single transactions, cases which will not require any future support and examples where the product is unlikely to change in any way. In cases such as these, going with a simple transactional relationship is absolutely fine. Trying to reach a partnership where one is not needed can have a detrimental effect on the day-to-day operation of the business.

THE FOUNDATIONS
While partnerships can develop on their own over time, it is also possible to set out to build them. Four elements need to exist between supplier and client for a partnership to last (and they have to exist on both sides), these are:

1 Trust: This is by far the most important element since it enables the other three. Without trust every statement made by a supplier needs to be verified independently. A great way to destroy trust is to continually over-promise and under-deliver. Surprisingly, a great way for a supplier to build trust is to say ‘no’. Few things are more important than the limits of a supplier’s ability or interest. If your supplier always says ‘yes’ – run…quickly.

2 Communication: Time is precious and clear communication is critical. The stronger the partnership, the more understanding the supplier has of the business. This will reduce the time it is taken to explain what you are after and may even result in a partner suggesting things you, the customer, can achieve with their product. Lack of communication is a good way to destroy a partnership (or indicate that it is non-existent). But be careful – a supplier calling you weekly to ask what more they can sell you isn’t the type of communication you are after.

3 Chemistry: While the partnership is between organisations, it is created and maintained by individuals. There is nothing wrong with developing an interest in the human on the other side. I have been in at least one situation where I specifically asked for an account manager to be changed due to lack of chemistry. This is probably not a popular view in our process and standards driven business world but it will remain true until the day machines do all of the buying and selling.

4 Value: I’ve always held that a relationship has real substance when the two sides prefer to have a fight rather than break up. In other words, the relationship has to offer enough value to both sides in order for them to continue its existence. The value can include a client supporting the supplier’s marketing activities, the supplier developing a product to better suit the specific needs of the client etc. Sometimes the value in the partnership is the supplier challenging the client by saying ‘no’ to a request made.

In his column ‘Are you a Partner or a Vendor?’ (Timothy Whitfield, 2015) Timothy Whitfield describes his top five checks to identify a true partnership. His list is aimed at vendors but still covers the points mentioned above while concluding that true partnerships are built by people. This reminds us of the reciprocal nature of partnerships – that people on both sides need to get something out of it and those are essentially the same things.

EXAMPLES FROM A REAL PARTNERSHIP
As previously mentioned, the benefits of a true partnership can include more than just bottom line value. For me a good example of such a partnership is the one that Telefónica UK has developed with The Working Manager (TWM). Over the last five years TWM has provided us with the technology behind our main learning delivery platform. With over 7,000 learners (and the rate of change in the telecoms industry), learning delivery is a critical component of the organisation’s people development strategy.

The partnership has manifested itself in everything from out of office hours support calls (i.e., “there has just been a change in...”)

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regulation and we urgently need to get something out to our people so they are aware of it – can we put it up before Monday morning?"; help with resource to bridge recruitment challenges; and a re-shaping of the core product through an understanding of our business challenges.

A recent, more tangible example of the strength of the partnership, surfaced when we realised that we are missing out on the vast amount of knowledge held by our employees. To harvest this knowledge and make it available to all (effectively becoming a true learning organisation in the process), we concluded that a video creation functionality was required in our learning platform. As this was new to us a full 'requirement specification' was not really possible as we were looking to future-proof the way we collect and serve knowledge.

Where a traditional supplier would have put things on hold until a full, detailed spec was provided, our partner took it upon themselves to look at available platforms and then come back with a number of options that would (in their opinion) best satisfy our goals (rather than specific requirements).

By taking this course of action TWM not only reduced the stress on us defining exactly what we need, but also strengthened their own product in a way that would be easily justifiable to other customers, quoting they had “looked at everything out there and this was the best solution, here are the reasons why and here are the customers who are already working with it.” In my eyes this is an example of what real value (to both sides) looks like.

Not everyone you work with needs to be a partner and in some cases even those who you would be better off partnering with are simply not interested (“Just sign on the dotted line please”).

In light of this, holding on to true partners becomes all the more important. During the lifetime of our relationship with TWM we have had opportunities to learn from each other. This helped us develop our internal learning offering to our employees while helping TWM grow their product in ways that would not be possible in the sterility of a development lab.

It was Peter Senge, senior lecturer at MIT Sloan School of Management who said: “The only sustainable competitive advantage is your organisation’s ability to learn faster than the competition.” When we work with others this advantage is amplified.

References


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