

Collaboration Across the Supply Chain Offers Great Potential



Supply chain management is all about collaboration in chains and networks. Cryptera is an example of a Danish company that focuses seriously on reaping the benefits of a closer collaboration with its suppliers and clients. Cryptera develops and manufactures software and electronic pin pads for the ATM industry

Today, competition is really between chains rather than individual companies. This deviates from the traditional business thinking, but the level of real operational collaboration across supply chains is still quite limited. There are signs, however, that the mobile generation is about to pave the way for a paradigm shift.

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It is essentially a question of how to perceive the concepts of collaboration, competitive power and business operations. Are we mainly focusing on protecting the company against all external parties and do we view the interaction with clients and suppliers as a power game, where the priority is to negotiate the best possible price? If I can earn 1000 USD, then the client or the supplier will lose 1000 USD.

Or do we rather focus on maintaining a constant, integrated operational contact throughout the chain of strategic suppliers and clients to create ever more valid data, improved processes and more innovative and sophisticated products or services together with them? If we are capable of creating better master data, processes and products to provide the end client with an even better offering, we will win the competition with competing chains.



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“The two views are based on two completely different paradigms,” says Frits Thomsen. He boasts an extensive career in logistics and supply chain management from top management in companies such as Dansk Supermarked, Jyllands-Posten, Grundfos and Flexa. He has been there and has for many years been deeply involved in the day-to-day operation of the supply chain in globalised Danish companies, and as such he has witnessed first-hand what it takes to make goods, money, and information flow internally in the company and externally across the value chain.

Today he is CEO at Syncorder and together with his team, he has developed a cloud-based supply chain IT-solution. According to his experience, there is great potential for substantial improvements of productivity if companies would focus on SCM processes, integrated collaboration, continued analysis of partner requirements, etc.

The hidden ‘drive line’

”The day-to-day supply chain operation in many ways constitutes the ‘drive line’ of the company. Many operational activities that are crucial to the business take place there, but it happens ‘under the hood’ inside the systems and in the mailbox, and very often receives little or no attention or acknowledgement from the business and top management. That’s a shame because these activities greatly impact companies’ wealth creation predictability as well as the actual wealth creation,” says Frits Thomsen and adds:

“One area which has a great potential and which remains rather immature is genuine operational collaboration between parties of the supply chain. In general, the concept of collaboration is currently characterized by many good intentions, while translating the intentions into practice is somewhat lacking.

This could be placing issues such as common trade flow processes on the agenda. Many companies have launched or are in the process of launching EDI-based information exchange, while the applications needed to transform EDI data into information and input for common actions are still lacking. And this is precisely what Syncorder offers.”

Syncorder thus offers something to be added ‘on top’ of the classical EDI. A solution which can be accessed via a browser and as such is a mobile solution.

Let us take the purchasing function as an example. For most companies a great proportion of their product and value creation today take place in their supply networks. Not even the world’s biggest car manufacturer produces anything close to the whole car. Most of the car is produced by a multitude of suppliers who in turn have their sub-suppliers.

An often seen classical purchasing process consists of the following steps: First the Purchasing Manager specifies all the relevant product or service requirements. Then he/she selects three or more suppliers who are asked to tender. Then you check whether all requirements are fulfilled, try to squeeze them a little more and then select the cheapest supplier.

“The method is not entirely adequate today. Perhaps that was the paradigm several years ago, but today, thanks to SCM research, numerous pilot projects and cost analyses we know that this method doesn’t cater for an important prerequisite: The customer’s and the supplier’s ability to jointly put together a process-based and operational supply chain is in reality decisive for the efficiency of purchase and sales.

The main elements of the operational supply chain are exchange of forecast, joint order and inventory management, as well as invoicing, return processes, joint quality assurance of master data updates, etc. But the fact remains that currently only very few companies have converted or are in the process of converting their suppliers and customers into partners, with whom they exchange data, information and knowledge to create value”, explains Frits Thomsen.

Among other things, it requires a highly integrated collaboration internally between several departments in the company: Purchasing/Sales, Logistics/SCM, IT/Finance. However, according to Frits Thomsen, the cause is not always lack of focus. The causes may also be that it is generally complex to understand, that it takes a up considerable project time, and that the existing methods and techniques are heavy and expensive. Consequently, there is a need for something simpler, which delivers the desired processes automatically as “plug and play”. That’s why we created the syncorder.com platform as an overall order solution for both buyer and seller.”

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Typical questions from the conventional manager will be:

- How can we push down the prices on the goods from our suppliers?
- How can we increase our own profit?
- How can we improve cash flow?

Typical questions from the cooperating manager will be:

- What can we do to make life easier for our suppliers and customers?
- How can we utilize knowledge and data from our suppliers, sub-suppliers and customers together with our own knowledge and data to improve the overall value creation?
- When we have identified the common processes, where it makes sense to cooperate, we share the productivity gains.

The mobile generation

”Supply chain management is all about collaboration in chains and networks. There is a lot of competitive power to be gained, and many companies would be able to reap great profits if they were to enter in a closer cooperation. It is all about sharing data, challenges and change plans as well as both short-term and long-term strategies with the main partners in the supply chain.

If a retail store can share the scanned sales data from the cash register in real-time with all levels of the supply chain back to the raw materials supplier, it goes without saying that all parties would be able to gear their capacity and production much more accurately and thus avoid a lot of waste. Actually, the technology has been in place and recognized for many years, only very little is happening”, he says.

But he does see light at the end of the tunnel. He sees the latest development within mobility, social media and cloud-based solutions as drivers of a paradigm shift, where it will become both more obvious and easier to share information and engage in open partnerships.

He stresses, that the new platforms, which are to provide the cooperation processes between the companies, will of course also need to support the commercial freedom to replace customers and suppliers. Consequently, the new platforms should both offer commercial dynamism and process implementation power.

“Mobility and social media have revolutionized our everyday life and our consumption. And in the same way, they are quickly revolutionizing the way we do business. Smartphones and tablets increase availability; social media increase transparency and the willingness to share. I think this paves the way for a new vision of how businesses can work together in the supply chain.

One of the prerequisites for an efficient mobile strategy is that companies ensure the seamless integration between mobile applications and the company’s enterprise resource planning (ERP) systems. This also includes that the mobile employee under certain conditions should be able to control the ERP remotely. This happens via process applications on tablets and smartphones capable of updating the transactions within the ERP system. Integration is a key challenge.”