

# Collaboration beats commoditisation



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## Holistic engagement through collaboration

Forward looking organisations see KAM as the opportunity to drive a different form of relationship with their clients, particularly where commoditisation is a risk to the business. They recognise that by integrating their knowledge and skills with the client organisation they can increase traction and competitiveness.

Quality, productivity and excellence cannot be achieved by copying others

Truly exploiting the benefits of Key Account Management has to be based on changing the dynamics of client relationships to a more holistic engagement. Collaborative approaches broaden the capability of organisations to respond to (pull) or propose (push) more complex propositions to meet market demands or specific customer challenges.

The integration of collaborative thinking enables organisations to apply their capabilities and resources to expand the scope of any proposition or required solution, and incorporate third parties. But a disciplined framework is needed to establish seamless delivery solutions. Identifying and selecting additional partners to meet the demands means seeking other organisations with compatible visions and values and developing joint objectives which support the customer requirement.

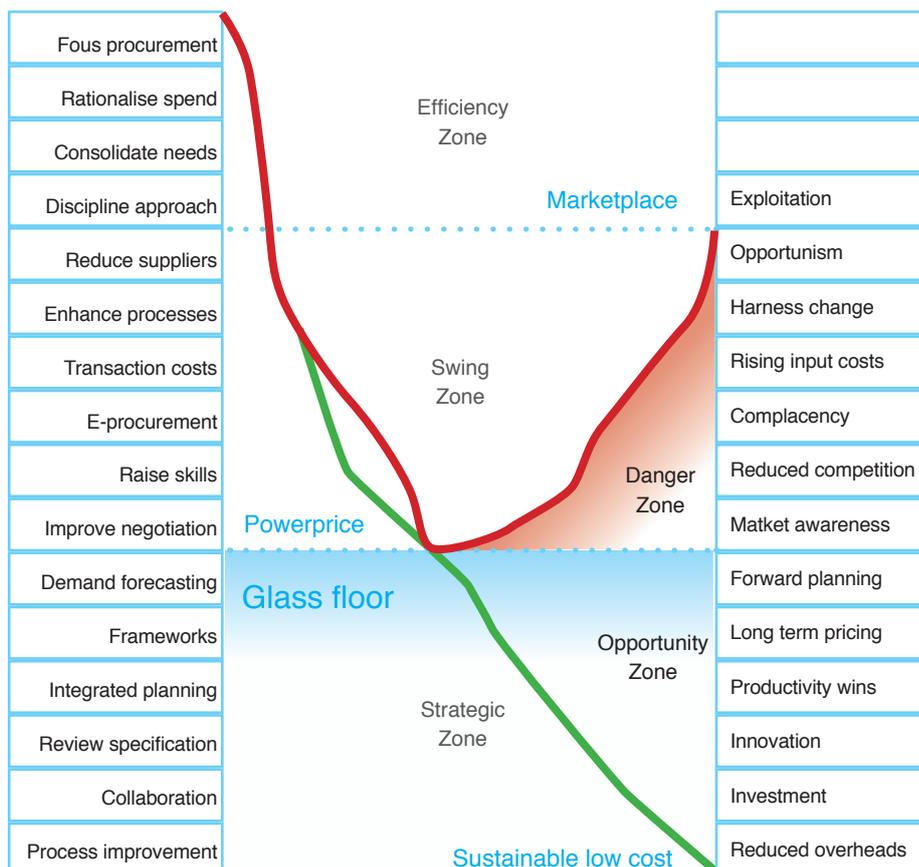
Integrated solutions can involve risks for customers and, potentially, internal risks too, requiring a structured approach to joint management to manage the risks. Complex relationships can take time to develop but, through collaborative working, organisations have the opportunity to adopt a common understanding and move more quickly to implementation.

The dynamics of negotiation change: a collaborative ethos enables all parties to address their issues in more openly, based on joint objectives and desired outcomes. Formal contracts can be divisive, while an alternative, collaborative approach ensures equitable benefits based on risk and reward.

## Understanding the client's supply chain models

Any move away from more traditional contracting or transactional activity relies on either the client's desire to seek out innovative, position-enhancing approaches or alternative value propositions which would encourage engagement. You have to ask 'Is the customer ready to open up to key account management and greater integration?' The control of complex supply chains is frequently directed through a master/slave relationship which doesn't help effective engagement. It also limits the mutual development of added value and the creation of joint management.

## The Glass floor of sustainable efficiency

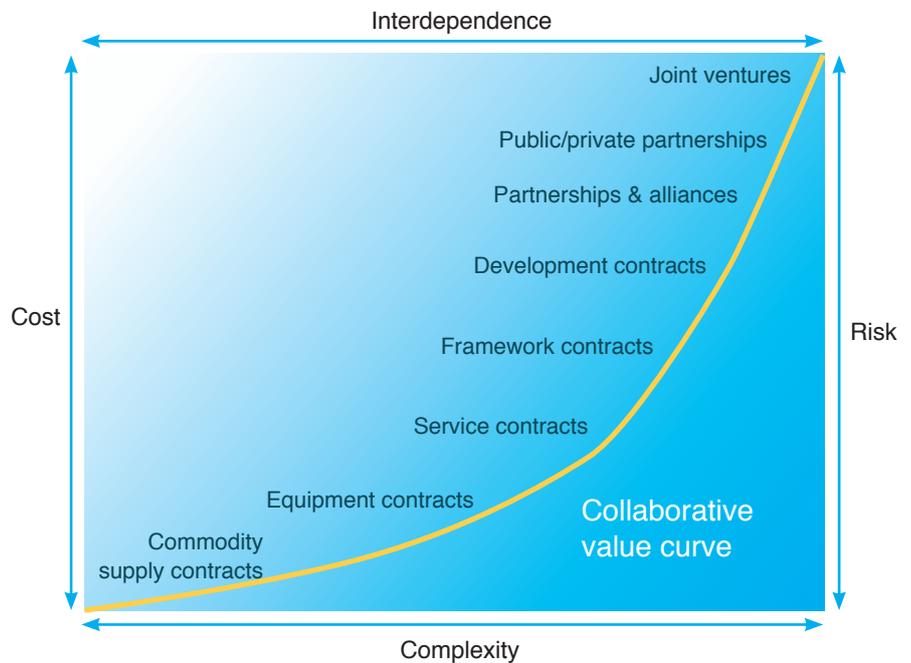


Collaborative relationships... must be integral to the goals of the customer organisation

Effective supply chain optimisation has become a critical aspect of overall business performance. Collaborative relationships can reach beyond the traditional perspective of price, quality and delivery, but they must be integral to the goals of the customer organisation. Whilst price will always remain a key factor, strategic relationships provide a more inclusive approach to assess total cost of ownership and more innovative solutions to meet business goals.

The 'Glass Floor' of sustainable efficiency shows the customer perspective. Customers drive down towards the Glass Floor by beefing up their Procurement until they reach a point where traditional savings become limited. But encouraging them to look through the Glass Floor opens up a new perspective on supplier relationships and cost saving. These opportunities become an integral part of business risk for clients relying on their supply chain to support business drivers, because they also increase the risks and vulnerability of operations. So when such relationships are proposed, solutions to mitigate the client's perception of risk must also be offered.

Who is chosen as a collaboration partner is crucial. Suppliers tend to assume that customers will want to collaborate, often leading to misunderstandings and disappointment. They need to appreciate the customer's culture and (always limited) capacity for time-consuming collaboration. A



standard like ISO 44001 sets an independent benchmark to validate partner selection and encourage engagement.

We live in a litigation society and reliance on contracts to enforce performance and behaviours is seldom successful. It is often more like 'contracting for failure', which is unhelpful in a truly collaborative relationship. However, a structured approach can be developed without compromising the integrity of the contract and its inherent liabilities.

Externally-delivered key aspects of performance increase supply chain vulnerability, further complicated by integration. Protectionism and blame cultures divert resources, so robust collaboration must establish transparency and joint responsibility. Outsourcing has become a major efficiency tool but has often failed to consider organisational compatibility and may trigger internal friction. Clients frequently ignore the implications of passing the baton to

external providers, who should both raise and deal with these concerns even when the client has not (yet) identified them.

## Summary

Suppliers or customers assessing the importance and value of relationships should also evaluate them from the other's perspective. If organisations look at their operations from the perspective of 'outside in', they would realise that these relationships are a complex and crucial ingredient in making these diverse business models successful. They involve a wider range of considerations than traditional price, quality and delivery and question whether 'contracting for failure' is appropriate.

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