


Supplier Co-ordination: Kyoryoku Kai



CIPS is expressing views on supplier co-ordination because it is an increasingly common activity and one which purchasing and supply management professionals should lead in their organisations.



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Introduction

Supplier co-ordination is a technique to add value as well as remove waste. It involves a buying organisation identifying its most important suppliers and bringing them together on a regular basis for the purpose of mutual benefit and in particular to:

- to devolve strategy and policy throughout the chain to create a sense of common purpose
- to strengthen trust and the relationships of the members
- to share knowledge and expertise
- to facilitate joint development and learning
- to jointly identify ways of minimising waste.

This process is also known by the Japanese term kyoryoku kai.

- CIPS emphasises the importance of selecting suppliers who have a high level of synergy with each other
- CIPS believes that the skill sets of buyers should be at least on a par with those of the supplier representatives in the kyoryoku kai
- Whilst largely restricted to the private sector CIPS considers that supplier co-ordination principles can also be applicable to the public sector
- CIPS underlines the key importance of trust as an element in any kyoryoku kai arrangement
- CIPS considers it important for buyers and suppliers alike to benefit, and be seen to benefit, from kyoryoku kai.

Purchasing and supply management professionals should be looking for optimisation all the time and this is a useful tool for this. However, it is a very demanding activity requiring many different skills on the part of purchasing and supply management professionals, involving as it does bringing different suppliers together and encouraging them to work to the common good.

The principles of the kyoryoku kai approach can also be used for internal suppliers (e.g. design teams) and it could be argued that this is similar to cross-functional working. It is important to select suppliers that are in synergy with each other as there would be little point in the selecting an organisation's 'top ten' suppliers if they were no connection or inter-relationship between them. This means that suppliers should be grouped into categories in which they have something in common e.g. a glass bottle supplier, a bottle top supplier, and a packaging supplier.

Another way of grouping would be into supply chains so that the first, second and third tier suppliers of a vital supply chain can be brought together for supplier co-ordination and mutual benefit.

Suppliers who are in competition either in the buying organisation's space or in any market might not be willing to work together in this way for fear of losing a measure of competitive advantage. However, there are some exceptions such as a well-known utility that invites the UK's large construction contractors to a contractor's construction forum held twice yearly. The large construction contractors are all in competition to win the utility's business and the business has to be tendered regularly in accordance with the European Union Utilities Directive. However, this forum is to discuss the utility's future workload and the contractors' resources to meet this; plus specifics such as health, safety, environmental issues as well as toolbox briefings. The contractors lead individual sessions chaired by their respective managing directors to debate these issues. The objectives are mutually beneficial to all; for instance, to avoid problems with the Health and Safety Executive and/or lose labour time.

There are many examples of where competing suppliers work together on projects facilitated by the buying organisation tackling environmental responsibility and health and safety are particularly popular. Some forums have covered issues such as standards in mobile phones the underlying motivation here being enlightened self-interest. Other forums have involved contractors working together on designs and contract remits in order to avoid problems for the successful tenderer further down the line. If contractors do this regularly then no one will lose out and everyone should derive benefit from the shared experience. The key to success in kyoryoku kai is to avoid discussions about the cost base which is generally seen as too commercially sensitive to be covered in such a forum.

It is difficult to devolve policy and strategy to suppliers through kyoryoku kai if the suppliers are different sizes with different cultures -imagination and flexibility are key to success in these circumstances. Equally, the issue of power in supply chains needs to be considered - if one supplier is larger and more powerful than the others this needs to be managed. In particular if the suppliers are more powerful than the buying organisation this should make the kyoryoku kai rather challenging!

It can be argued that kyoryoku kai employs traditional purchasing and supply management processes such as value analysis and value engineering to identify waste and generate options for improvement. Whatever techniques are employed with kyoryoku kai the outcome should be some form of tangible benefit.

Supplier co-ordination is found most often in the private sector but CIPS would argue that in some respects it is also applicable to the public sector. For example a local authority commissioning a new leisure centre could bring together the suppliers of catering, cleaning, pool management etc. under the general objective of improving health and safety. It is also worth mentioning that PFI projects are arguably a form of kyoryoku kai.

Trust is absolutely key to the success of kyoryoku kai -between all those participating. In some cases it may be necessary to have confidentiality agreements in place. All suppliers must be able to benefit from kyoryoku kai. The buying organisation must ensure that they do so, otherwise the forum will not be sustainable. Ideally, the forum should be a long-term arrangement with the objective of continuous improvement.

There are alternatives to kyoryoku kai that can achieve similar ends - such as an eSupply Hub which is a virtual meeting place in which suppliers can air issues, and share experiences and problems - on professional indemnity insurance for instance.

Purchasing and supply management professionals should be mindful of the Competition Act when undertaking any form of supplier co-ordination and seek legal advice, as appropriate.

Kyoryoku kai is a way of solving problems and bringing about improvements but purchasing and supply management professionals need to deploy the necessary hard and soft skills to determine whether, or when, circumstances are right to ensure success. It is perhaps worth adding that greater use could be made of the concept, a development which CIPS would like to see take place.

Conclusion

This paper has highlighted some of the attractions of supplier co-ordination but it is emphasised that any such benefits must be tangible and, ideally, quantifiable. Buyers should

be aware of, and alert to, these benefits, whilst at the same time realising that such arrangements are not necessarily appropriate for every situation. Nevertheless they should ensure that they have the necessary skills to identify and derive benefit from possible supplier coordination scenarios when circumstances are right. As this paper has indicated this includes buyers working in the public sector.

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