

# Breaking down the barriers

## A European group is addressing the problems preventing effective supply chain collaboration.

Supply chain collaboration is a concept that seems fated to exist in the wrong times. For as long as nobody realised that effective supply chain operations were a fruitful source of competitive advantage, nobody was much interested in collaborative working. Now that it is widely recognised that to coin a familiar phrase, competition is no longer between brands but between supply networks, the idea of collaborating, even with direct competitors on at least some aspects of the supply chain, has become almost respectable.

Almost, but not quite. A recent meeting of ELUPEG in Birmingham sought to explore some of the barriers to effective collaboration, and what could be done to break them down.

ELUPEG, the European Logistics Users, Providers and Enablers Group, is a non-profit organisation which came together in the aftermath of the 2001 Logistics Forum aboard the Oriana. At that Forum it had become apparent that the widespread dissatisfaction among logistics buyers and users at the inability of service providers to deliver on their promises was only matched by the frustration of the suppliers with clients who cannot decide what they want, and where they can, insist on processes and standards that are just different enough from those of every other ostensibly identical supply chain to make it almost impossible to realise gains in overall effectiveness.

Under the chairmanship of Alan Waller, partner at Solving International and a visiting Professor at Cranfield, ELUPEG attracted some 100 active companies from across Europe (with another 200 in the information loop) split between users, providers and enablers (eg consultants and 4PLs), although the commitment is that activity should be user-led. A number of sectoral working groups are in operation, including areas such as high tech/ electronics, CPG/ FMCG, automotive, and chemicals.

### The rewards of cross-sectoral collaboration

These groups have already chalked up some achievements within their sectors and also suggested areas where cross-sectoral collaboration may be fruitful. The high tech sector, for example, has set up a Transport Network Integrity Group Security project to improve the safety and security of products during shipping. This activity has brought together such apparent rivals as Philips, Samsung, Panasonic, Nokia and Sony, with HP also showing interest. Examples of other areas where fruitful collaboration seems plausible in this sector range from benchmarking exercises, through joint representation on Customs duties (when is a phone a camera and/or a PDA which may attract a differing duty) to country-specific opportunities. For example, in Italy, some 85 per cent of the sector's distribution is carried out by TNT so there really should be opportunities for improving efficiency for everyone without surrendering competitive advantage. Equally, Sony representatives suggest that since most of their imports from Asia are 'voluminous', sensible consolidation with the weighty products of other importers could produce massive shared benefits. Other sectoral working groups have similarly exciting agendas. So

what is getting in the way? What stops projects getting off the ground?

A discussion at the Birmingham meeting suggested a host of factors, a few, such as the fear of losing control over intellectual property, having potential technical or contractual solutions, but most falling into the cultural area: cynicism, ignorance of the opportunities, inertia and resistance to change, internal powerplays, silo mentalities and risk aversion. More general problems cited as barriers to logistics improvement include the lowly status and qualifications of many transport managers, the fact that logistics gains tend to be recorded on another function's balance sheet and, given the speed at which good supply chain managers move around, commitment and buy-in is difficult to achieve.

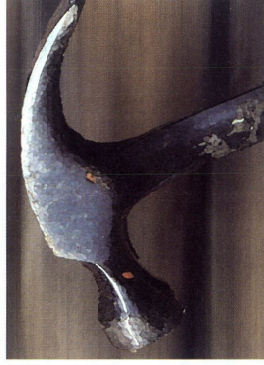
### Revealing economic opportunities

What also came through was a widespread belief that many European companies, including famous names in both the user and provider communities, aren't really capable of managing their own segment of a supply chain properly, let alone of taking the sort of end-to-end view that is likely to reveal economic opportunities for collaboration.

On the other hand, few people in Birmingham felt that judicious collaboration threatened any real loss of competitiveness, or that it would attract unwelcome attention from the competition authorities. That was encouraging.

Of course, ELUPEG can't make anyone collaborate. It is going to develop on two fronts. First, there's the promulgation of the concept, backed by real cases where collaboration has worked for all parties. Secondly, the group wants to develop web-based software that can confidentially analyse users' supply chain data and identify potential synergies with the supply chains of others – a sort of matchmaking service.

The opportunities seem almost endless. What is required is for users to drop the cynicism and actively identify supply chain activities and issues where collaboration can produce real economic gains for users, providers, consumers and even the planet. There is no shortage if supply chain managers will put their heads together.



ELUPEG: hammering home the point

### Briefing points

- Collaboration isn't a New Age fad – it offers genuine opportunities for improving economies and efficiencies for all participants.
- It is not, in general, anti-competitive – many of the supply chain issues to be addressed are imposed by externalities such as government, and are common to all players. But it is a wise precaution to notify the relevant competition authorities of any joint action between potential competitors.
- The major barriers to increased collaboration lie in corporate cultures and mindsets, not in any legal, contractual or technical practicalities.
- ELUPEG offers a promising forum for the safe discussion of collaboration issues. For more information visit [www.FLUPEG.com](http://www.FLUPEG.com)