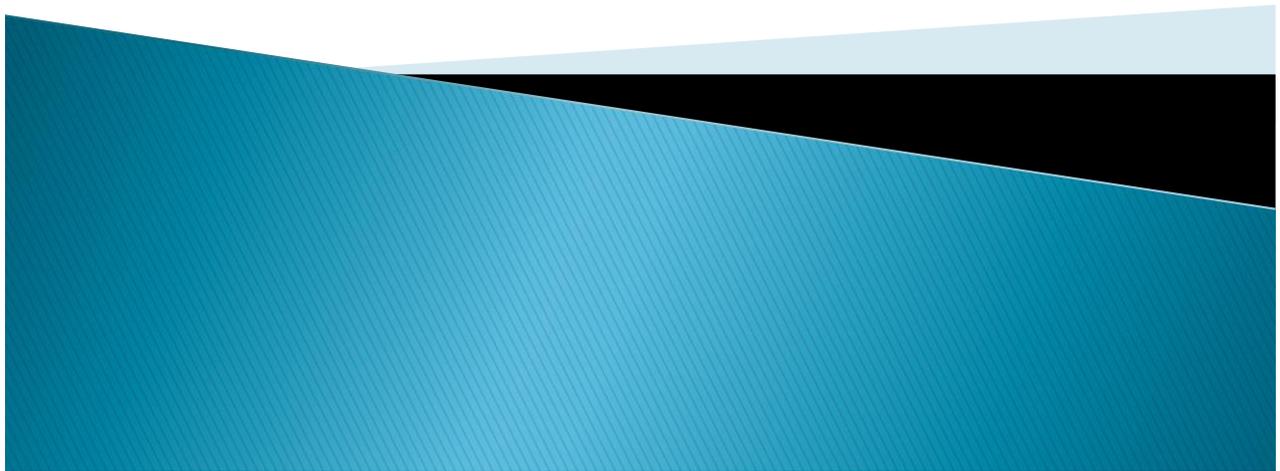


# ***The Glass Floor***

*(The dynamics of sustainable efficiency through  
development of the supply chain)*

**By David E Hawkins**



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## ***Aim***

*The extended supply chain is a key factor in today's business environment and as such many organisations are seeking to exploit this potential through internal development of their capability. The challenge is that whilst conventional approaches will harvest some improvement there comes a stage where these reach the limit of their potential at which point organisations need to look beyond the Glass floor towards more forward looking relationships.*

## ***Background***

There are few organisations today that where their operating cost is not largely spent through its supply chain. In fact in general it is estimated that between 60-80% is expended through the supply chain. Given these figures it is little wonder that there has been a marked increase of focus both in the private and public sectors to enhance supply chain management to optimise these costs and drive down expenditure.

This recognition has lead to many initiatives to improve procurement operations through enhancing skills, improving processes and harnessing technology. In many cases these initiatives have delivered significant results but perhaps because they were focused on operations that had a great deal of slack and head room in the first place.

There is a great deal of focus on the benefits of purchasing power where consideration is directed towards consolidation and aggregation of requirements in order to boost the influence that customers can exert on their supply chains. This is compounded by a drive to exploit globalisation of the supply chain bit sound approaches as an initial strategy. However the supply chain itself does not stand still and as organisations refine their approaches so the market will adapt.

The additional consideration should be the impact of applying supply chain pressure or power. The time taken to develop the market frequently results in time constraints as the process develops. In such cases the power initially exploited can transfer to the supplier where the risk for the buyer is one of retaining performance through to completion.



The next stage is to look at harmonizing the approach and raising the capability to exploit the market. Often the early wins come from reducing the supply bases this enables greater focus on the big issues and consolidates spend again increasing leverage. As organisations start to generate greater focus they soon recognise the need to improve their operating processes which leads on to attacking transaction costs. This is aimed at both cost reduction but also to free up of resources to expend their efforts on delivering savings.

## Saving Zone

The implementation of technology and e-procurement can eliminate much of the low value - high volume activity. The more difficult element of this stage in creating the **Saving Zone** is the recognition that skills need to be improved or replaced in particular those of negotiation skills. At this point the organisation should have reached a stable state but also it becomes the crunch point for many.

### The Glass floor or Sustainable efficiency



As the methods and capability increase so the market starts to react and reposition itself. Those that have enjoyed a favorable position as suppliers and recognised the changes in approach will begin to adopt alternative approaches. Market awareness becomes the enemy of sustainable savings. Reduce competition through consolidation can lead to challenges. Rising input costs which had previous perhaps been absorbed through high margins now start to bite. On the other side of the fence the savings achieved may induce complacency and lead to opportunism by suppliers. This is the **Danger Zone** where organisations need to recognise and plan their next moves.



## Strategic Zone

By looking beyond the conventional stages we have already discussed organizations need to consider what next. This means considering how organisations and their suppliers can work together to both sustain savings but also perhaps enhance them based on an alternative collaborative model. There are two complimentary influences that can be brought to bear. On the buy side supply change management needs to become more strategic in its thinking. Improving the longer term demands enables organisations to rationalize the potential for framework agreements which can be both valuable to buyer and supplier in predicting requirements and reducing costs. Integrating planning allows more transparency and less opportunity for short term exploitation. Process improvement can develop through understanding the joint impact on cost and performance. Through collaboration specifications and requirements can be harmonized to eliminate specialty pricing. Establishing the **Strategic Zone** provides an enticing opportunity for the supplier to be more creative and innovative in bring value to the table.

For the more sophisticated supplier they will likely see this as an **Opportunity Zone** where by harnessing forward planning they can optimise production demands and look to present longer term pricing models that provide them will potential stability. This in term helps to focus future investment and through collaboration introduce innovation, process improvement and reduced overheads some of which can increase their competitive edge.

## Conclusion

The process of developing or exploiting the supply chain and considering a more strategic approach needs careful consideration. Whilst clearly going beyond the Glass floor is not always appropriate. Targeting those commodities, products or services where joint development can bring benefits is important. Using initial development as a spring board for further development can introduce greater stability for key markets and offers more sustainable savings.



David E. Hawkins FCIPS

David has an extensive career in projects and procurement within the construction industry. For over 40 years he has been associated with the development and implementation of major projects in many parts of the world, which has provided an insight into the many organisational and cultural challenges that projects can generate. Over the past decade he has been an active promoter of partnering concepts and the development of extended enterprises through the building of alliances.

As a strategic thinker he has deployed these approaches to support manufacturing to outsourcing programmes, capitalising on the opportunities within project operations to exploit global sourcing. Building on these experiences he has helped a number of major organisations to implement change management programmes in different industrial arenas including chemical processing, oil and gas, power generation, and mining and minerals processing.

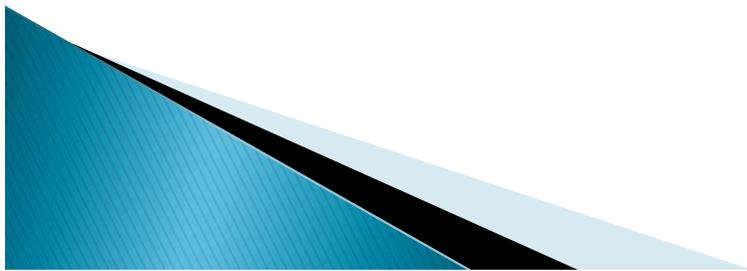
He was the architect and author of the CRAFT collaborative methodology and technical author of the British standards Institution (BSI) PAS 11000 framework the world's first Collaborative business relationship standard and chairman of the BSI committee who developed the BS 11000 standard. In 2009 he was acknowledged as one of the world's top 100 thought leaders on CSR. He has been a regular contributor to professional magazines, published a wide range of papers on the subject of collaborative working and as an established author he has several publications to his credit including

*Sun Tzu and the Project Battleground: Creating Project Strategy using the Art of War* published by Palgrave Macmillan 2004

*The Bending Moment: Energising corporate strategy* published by Palgrave Macmillan 2005.

*Corporate Social Responsibility; Balancing Tomorrows sustainability with Today's profitability* published 2006 published by Palgrave Macmillan.

*Raising the standard for collaboration:* published by British Standards Institution 2013



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