

THE UNIVERSITY OF HULL

**THEORY AND PRACTICE OF SUPPLIER DEVELOPMENT
FOR SMALL AND MEDIUM SIZED ENTERPRISES**

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by

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PREFACE

Quality was once a little known or understood part of the production process banished to the shop floor and ignored by all but a few managers. But during the last few years a growing realization of its importance has emerged. Slowly it has crept through the ranks of the firm to become a major preoccupation in Japan and, more recently, boardrooms throughout Europe and the United States.

Quality control emerged as a vital issue area when mass production of components led to the need to produce standard interchangeable parts. Before the Industrial Revolution a craftsman would make, for example, a piece of furniture for a given customer. Standardization was not a concern and the customer was on hand to judge quality and possibly suggest improvements. The Industrial Revolution and mass production channelled industry into a one dimensional logic, based on the division of labour and productivity gains. Taylorism, time and motion study, and the scientific organization of work meant that large production centres were set up remote from the market. As products became standardized to facilitate mass production, quality control (in the form of inspection) became the method to ensure interchangeability of mass production. Quality control departments were born to resolve differences in opinion between quality and productivity.

During the 1960s, awareness of the increasing costs of quality control departments led to a change in attitude. FEIGENBAUM provided an impetus to the growing awareness in his book "Total Quality Control", published during that period. He argued that since inspection always came too late, quality must be built in from the outset. JURAN reached a similar conclusion. DEMING, the champion of statistical process control since 1940, had always rejected the theory of mass inspection and maintained from the outset that quality was the direct responsibility of the processors themselves. However, these messages only began to reach the Western World in the 1970s and 1980s - the impetus increasing as Japanese success stories became more widely told and believed.

It is now recognised that quality is a way of obtaining a competitive edge with a product or service. To use PETER'S expression - "*quality should delight the customer*". Consequently, today the customer occupies a central position. It is essential to transmit the voice of the customer throughout the company to encourage quality thinking and action with the aim to delight the customer and so optimize the opportunities for obtaining a competitive edge.

To satisfy customers, several factors must be well in order, including strategy, quality of staff and quality of the internal systems; but for some companies the

relationship with its suppliers is most essential. Supplier development is key. There are both cost and management implications of this. From a cost point of view, manufacturing companies spend between 50-70% of turnover on bought-in components. From a management point of view, time should be spent on analysing this expenditure with the suppliers thus achieving a holistic approach to quality, from suppliers through manufacturers to the consumer. Only when the whole is considered can effective management be achieved. This prevents unexpected things from happening and enables there to be proper planning and strategy.

Supplier development means organizations and their suppliers working together towards a common goal which involves establishing long term business partnerships with selected suppliers. It is based on the principle that suppliers and clients can gain more benefit through co-operation, rather than pursuing their own interests separately.

Despite the importance of supplier development as just mentioned, surprisingly little work has been done in this field with respect to small/medium sized enterprises (SME's). Obviously, there is much need for research on supplier development. This thesis is a contribution.

Cosalt Holiday Homes is an example of a small/medium sized company that has chosen to implement a supplier

development programme. Its main aim is to gain a competitive edge through supplier development in terms of quality, cost reduction and design improvements. This dissertation reflects on the Cosalt experience and, taking into account the main management literature, attempts to establish a supplier development strategy for small/medium sized companies. It thus contributes to the literature in the field of supplier development.

The dissertation contains 8 chapters bringing together the theory and practice of supplier development just mentioned.

- The first chapter provides the background to the research. It is explained why supplier development has become of growing concern to managers genuinely interested in achieving quality management. The ease by which supplier development has been successfully implemented varies however. For large companies the task has been relatively easy, implementing supplier development using their size and economic clout. SME's like Cosalt Holiday Homes, however, have fared less well and need to adopt a new approach based on negotiation.

Cosalt Holiday Homes is also introduced in Chapter 1. Cosalt is part of the caravan industry. Its

market position is discussed as is its position as part of a public limited company (PLC) group. The background to two other closely related companies featured prominently in the research is also presented. The companies are Manor House Furnishings and Abbey Caravans.

- The second chapter reviews literature already published on supplier development. Some main findings following the study show that implementation to date has been mainly carried out by larger companies like IBM, Rank Xerox etc., and concentrates on vendor rating in the main. Nevertheless, there is seminal work in this area, in particular the work of DALE and LASCELLES. The work of DALE and LASCELLES demonstrates a fundamental shift in attitude is required in the management of the supplier base. It is about treating customers like long term business partners and not adversaries. The evidence is, however, that further theoretical and practical work is needed to build on the foundations already in place.

- The third chapter reviews and concentrates on management theory, working through 4 areas - organizational design, leadership and management styles, culture, and motivation. The purpose of

the review is to develop a framework of thought about management theory that will enable us to develop a clear understanding of where supplier development fits into the management literature and how it may be enriched by it. Principles for supplier development strategies are drawn out as the conclusion of this chapter.

- The fourth chapter develops an ideal methodology for supplier development. Here the strategy based on the work of DALE, LASCELLES and BEVAN is examined. This, together with the interpretation of the supplier development principles established in Chapter 3, combine to form an ideal supplier development methodology.

The ideal methodology directs the organizational structure to be flat, the management style to be democratic, emphasising motivation and a recommended culture similar to OUCHI's Theory Z.

With the ideal methodology in place it is informative in Chapter 5 to examine a pragmatic approach to supplier development in Cosalt Holiday Homes and Manor House Furnishings. The pragmatic approach reports on the application of supplier development prior to the reflections on supplier development and management theory recorded in

Chapter 4. This benefit of having theory and practice in place is that it permits comparison between the ideals of a supplier development strategy based on management theory with the realities of practicing supplier development, thus yielding an improved yet realistic approach within the thesis.

Cosalt Holiday Homes provides a case study where narrowing the supplier base is the main focus: It explains how the process worked - several key findings are drawn out.

A case study focusing on Abbey Caravans uncovers what a company has to do to prepare itself for a supplier development programme, and what happens if a supplier base is not properly managed: the effect on a business can be extremely detrimental.

The Manor House Furnishings case is used as a model to examine the implementation of a Total Improvement Strategy.

The three cases together cover the main stages of supplier development mentioned earlier in the Preface.

- Chapter 6 then combines the ideal methodology with the pragmatic approach to develop a recommended supplier development model for SME's.

- A critical review of the research takes place in Chapter 7 together with recommendations for further work. Each stage of the thesis is discussed and general observations are summarised.

- The final chapter, Chapter 8, summarises general conclusions drawn in the dissertation, and lays out the main contributions to knowledge that come from this thesis. The main conclusions are summarised below.

MAIN CONCLUSIONS:

- (i) Our literature review of supplier development shows three key issue areas: attitudes, communication and control. Furthermore, practical work has usually focused on large company models e.g. Lucas, Nissan and Ford. There has been very little written about small and medium sized companies like Cosalt Holiday Homes. Overall the theory and practice on supplier development was found to be insufficient for our purposes.

- (ii) The following grouping of fundamental principles summarises our findings:
 - (a) The approach to supplier development must be holistic.
 - (b) Empowerment is necessary.
 - (c) Communication is essential.
 - (d) Continuous improvement should be sought.
 - (e) Mutual benefit should be sought.
 - (f) A co-operative attitude should be encouraged.
 - (g) A negotiative style will encourage co-operation.
 - (h) Good management, commitment and common sense are important to supplier development.
 - (i) Suppliers should be treated as long term business partners.

- (iii) Following our review of the literature on management and organization theory, and the subsequent interpretation of the principles of

supplier development, we find that an ideal methodology would include the following features:

The organization would be flat, non bureaucratic and similar to the modern project design. The leadership necessary would follow a democratic style in the main.

The leadership style should also encourage empowerment. Motivation will also be fundamental to successful supplier development. The culture to be encouraged will be similar to OUCHI's Theory Z.

- (iv) Supplier development can be successfully implemented by SME's like Cosalt Holiday Homes using the recommended methodology of this thesis. This substantially reworked version of the basic model of DALE, LASCELLES and BEVAN considers supplier development as a strategic quality initiative. This suggested model for SME's is more prescriptive i.e. a more descriptive framework since SME's are less sophisticated than the larger companies.
- (v) Our research confirms that supplier development has three core stages although other phases such as preparation must be added.

- (a) Reduction of the supplier base, ideally to single source suppliers.
 - (b) Advance Quality Planning meetings run by the operational managers.
 - (c) Co-Development Strategy, but care should be taken to assess the status of management development.
- (vi) Supplier development for SME's can lead to a competitive edge in terms of cost reduction, quality improvement and design advantages.
- Cosalt's market share has grown from 13% to 19% due largely to the competitive edge in the above three areas. The above improvement has taken about two years.
- (vii) Supplier development can help to develop managers, building confidence, expertise and a strong corporate culture.
- (viii) The lack of appreciation of the contribution suppliers can make to a business can contribute to its downfall, for example Abbey Caravans.
- (ix) Supplier development has facilitated the

management of change allowing strategic changes to be taken with confidence.

- (x) A management theory for supplier development is suggested - a gap in knowledge existed prior to this dissertation.
- (xi) An evaluation tool for monitoring SMEs' supplier development progress has been put forward - none existed beforehand.

We will now start by providing the reader, as promised above, with a background to the thesis. This includes stating the importance of supplier development and a review of the three main companies involved in the research - Cosalt Holiday Homes, Abbey Caravans and Manor House Furnishings.

Chapter 1.

BACKGROUND TO THESIS**1.1 INTRODUCTION**

Supplier development is of growing concern to managers genuinely interested in quality management and organizational viability. Large organizations have been able to implement this innovation relatively easily, by either buying up their suppliers or bringing their economic power to bear to get things changed the way they want them. But for small and medium sized enterprises such economic clout is not enjoyed and a wholly different approach needs to be adopted. This approach must be based on negotiation with suppliers to encourage co-operation.

The Centre for Systems Studies at the University of Hull and Cosalt Holiday Homes have been developing a negotiation based approach to supplier development within Cosalt Holiday Homes for several years. Cosalt is a multi-million pound turnover medium sized enterprise that largely assembles holiday homes. The literature about supplier development has been consulted and is reviewed later. Evidently much work remained to be done in the area of SME's in particular. We took up the challenge and have constructed a strategy, working it out "live" as part of the management process of Cosalt. Benefits accrued to date include a cut in expenditure of £750K per year, greater

understanding between supplier and purchaser leading to improved quality of supply and a more certain operating environment for all involved. In addition to this, an improved approach to supplier development has been developed and a better understanding of supplier development as a part of the management literature has been established.

This thesis explains how the progress was made. The explanation begins by providing a background to the industry and the company. Let us first consider the caravan industry itself and Cosalt's competitive position within the industry.

1.2 STATE OF THE INDUSTRY

Holiday home manufacture reached a peak in 1973 with the sale of 29,000 units, then declined to an annual production of 16,000 in 1986. The annual production for 1993 is 22,800.

There are ten main manufacturers. Cosalt Holiday Homes are the third largest, with about 13% of the market share. The main competitors, and approximate market share, are shown below:

		UNITS
Willerby	39.5%	9000
Atlas	17.5%	4000
* Cosalt Holiday Homes	13.0%	3000

		UNITS
Ace Belmont International (ABI)	11.0%	2500
Carnaby	6.5%	1500
BK	4.4%	1000
Tudor	4.4%	1000
Brentmere	3.5%	800

Cosalt's market share has increased from 13% in 1993 to 19% in 1994 - probably mainly at the expense of Atlas Caravans.

The market remained fairly stable in 1986 and 1987, but showed an improvement in 1988/89 due to a more buoyant economy and a promotional campaign by the National Caravan Council. They marketed the industry products as 'second homes'. This enlarged people's perceptions about what a caravan had to offer.

In 1982 after the appointment of Mr. K. Adams as Managing Director of Cosalt Holiday Homes, considerable changes took place in the company. The whole management team was restructured over a period of several years and there was also a series of cut backs and redundancies. From a marketing point of view there was considerable effort expended to increase market share and also to devote about one third of the total factory space to the manufacture of Custom Homes.

Custom Homes is considered to be the 'star' of the company and Holiday Homes the 'cash cow' of the business. Custom Homes offers new products with potentially considerable development where Holiday Homes is a mature market. The market size for Custom Homes is difficult to assess, but its potential is considered to be significant. The turnover of Cosalt Holiday Homes in total was £13,000,000 in 1986/87 and £25,000,000 in 1992. After several loss making years prior to 1986/87 the company returned to profitability in 1987 and has continued to thrive since then. The author of this dissertation joined the company in January 1987 and its sister company Abbey Caravans in August 1991.

A brief introduction to caravan industry and Cosalt Holiday Homes in the context of that industry has now been given. Next, a much more detailed look at Cosalt Holiday Homes is presented.

1.3 COSALT HOLIDAY HOMES

The author of this dissertation is Joint Managing Director of a company called Cosalt Holiday Homes Limited based in Hull, and holds a similar position with the Cosalt Touring Caravan Company called Abbey Caravans. The latter appointment took effect in August 1991.

Both Cosalt Holiday Homes and Abbey Caravans are

subsidiaries of Cosalt PLC, whose head office is based in Grimsby. The main activities of Cosalt PLC are caravan manufacture, ships chandlery, fibre manufacturers, workwear, finance and commercial lighting. The turnover of the group activities in 1992 was £81M.

Cosalt's trading history began in 1873 when the great Grimsby Coal, Salt and Tanning Co. Ltd., was formed by a group of fishing vessel owners. The aim was to supply the fishing trade of Grimsby and the public generally with Coal and Salt and to provide a tanning service for fishing vessel lines and nets. In the opening year of trading the company's turnover was almost £6,000.

The first ten years of operation saw the acquisition of rope, paint, oil, ships chandlery, ships rigging, ironmongery and tinning ventures. By 1889 waterproof clothing, footwear and engineering interests were established, all of which helped to increase the annual turnover to £100,000.

Continued expansion and diversification helped the company to achieve an annual turnover of £1,000,000 in 1981. The company traded successfully with every country engaged in the international deep sea fishing industry.

In 1968 the name of the company was changed to Cosalt Limited, at which time the then Chairman, Mr. C. Ross,

recognised the decline in the fishing industry and inspired a further period of acquisition and development. Cosalt entered the caravan industry in 1975 following the floatation of the company in 1971.

Another company involved in the research programme documented in this thesis is Manor House Furnishings Limited. It is necessary therefore to provide an introduction to this company.

1.4 MANOR HOUSE FURNISHINGS LIMITED

Manor House Furnishings is the biggest supplier to Cosalt Holiday Homes in terms of purchased components and plays a major role in the regular Advance Quality meetings. Manor House also agreed to take part in supplier development by embarking on the Total Improvement Strategy model used at Nissan. The Advance Quality Planning meetings are controlled by the operational managers from both the manufacturers and suppliers and concentrate on improving quality in all its aspects. These meetings will be discussed more fully in Chapter 2 but our research has shown they are the life blood of supplier development. The Total Improvement Strategy model is based on the model introduced to Nissan by BURNES (1992). The development strategy is an in-company action based learning programme. The philosophy underlying it is the belief that a company's own management team knows its own position best and therefore the best

group capable of producing a realistic strategy.

Since it was formed by Mr. Millership (who is the sole owner) in 1985, the Company has demonstrated a capacity for sustained growth from an initial turnover of £500,000 in the first year to an anticipated £10,000,000 in 1992. Manor House manufactures and supplies a wide range of soft furnishings to 13 caravan manufacturers and currently employs 180 people on 5 manufacturing locations in the Ilkeston area.

The main manufacturing site at Belfield Street occupies a floor area of 35,000 sq. ft. and includes the cutting, sewing and assembly of bedding, three piece suites and miscellaneous upholstery, headboards and pelmets. The wood frames for furniture and associated fittings are cut and assembled in a woodmill which the Company operates on 10,000 sq. ft. of leased premises at Stapleford. The cutting and sewing of curtains is carried out at another leased facility of approximately 10,000 sq. ft. at Larklands (Ilkeston).

An additional facility for the manufacture of furniture exists at Trowell which resulted from the purchase of a specialist manufacturer of leather furniture in 1991. Another facility which houses the after sales supply and refurbishment of soft furnishings has been acquired this year in Ilkeston in order to alleviate space limitations at the Belfield Street site resulting from the progressive

increase in the quantity and variety of products ordered by customers.

To meet the growing scale of the business, there has been a corresponding growth in the number of management and supervisory staff, under the direction and control of the Chairman who is directly involved in the daily operation of the Company as well as taking responsibility for all aspects of forward planning. The Chairman recognises that the Company has reached a critical point in its growth, where there is a need for the management team to receive professional assistance in its development and training. Within the next five years the senior management must be in a position to direct and control the future operation and growth of the Company in a manner which is compatible with the successful business principles that the proprietor has established. Mr. Millership has planned the development and strengthening of the management team so that he will be able to relinquish the direct control which he currently applies, without compromising the future development and success of the Company.

Since its establishment in 1985 the Company has, through the personal involvement of its Chairman, earned a reputation for being responsive to the requirements of its customers and reacting promptly to changes in schedules and product requirements, particularly during the development of prototypes. In the future, Manor House wishes to build on

the reputation already gained and sees an opportunity to consolidate its status as a preferred supplier by demonstrating improved effectiveness of its management team in controlling the business and eliminating certain current 'fire fighting' responses.

The Company also seeks to further develop its own Supplier Development Programme. It intends to encourage its suppliers, by example, to embrace further improvements in the development of their management disciplines where it is apparent that improvement is required. Manor House is very willing to demonstrate the improvements that it has enjoyed through training and development of its people in order that its suppliers may take similar initiatives to achieve a programme of continuous improvement.

The third company involved in the research of this thesis is Abbey Caravans. Accordingly, our introduction to Abbey Caravans is given below.

1.5 ABBEY CARAVANS

The story of Abbey Caravans began on 25th May 1966 when approval was given by Mr. J. Carl Ross, the Chairman of the Great Grimsby Coal, Salt and Tanning Co. Ltd., later to be known as Cosalt PLC., for the Humber Insulation Co., located at Convamore Road, Grimsby, to commence caravan production.

By July 1966 Abbey 12' caravans had been produced in a marquee; six for Sweden, two for Holland and eleven for dealers in the Bradford and Sheffield areas. By October 1966 Bill Boasman and Barry Homes from Astral Caravans had formed the company to organise production and sales. By that time, caravan production was in a permanent building and the trading company of Humber Caravans as it was named was producing 10 caravans per week. Later that year Humber Caravan Company joined the National Caravan Council and also appeared at the Essen Show for the first time.

In 1968 the company changed its name to Cosalt Caravans Ltd., trading as the Abbey Caravan Co., and Mr. Raoul Lloyd, the present Chairman of the caravan division, became the first Managing Director. Mr. Lloyd was joined on the board by Mr. T. Hailey, Financial Director, and Mr. M. Lidguard as Technical Director.

"Modern Caravan", reporting favourably on the 1969 Abbey 12' four berth tourer in January 1967 (cost £354), stated that, "*Abbey, in short, looks as if it is a name that will not disappear overnight*", proved to be right with some 20 years to follow.

Abbey was to become one of the leading caravan manufacturers, gaining many awards, among them the Queen's Award for Export in 1972; the best tourer award in 1979 at Earl's Court with the Abbey GT214 and again in 1985 with the

Abbey GT215T, when it also collected the second prize with the new exciting Abbey SR with its modern decor.

Always innovative as a manufacturer leading the way with the GT version of touring caravans, as well as introducing double glazing, hot water systems, central heating as standard equipment, the company became a market leader.

Mr. T. Hailey became Managing Director in 1974 followed by Mr. W. Wood and Mr. G. Mallinson in 1987.

Abbey progressed to become one of the most profitable of the Cosalt companies over many years producing over £4 million profit after interest in the ten years to 1983. In 1984 substantial losses were reported for the first time in its history, in line with the declining market for touring caravans. Aided considerably by the marketing expertise of Mr. John French, the group Deputy Chairman, and the team effort of its management led by Tony Hailey, the company recovered its position to become an important profit centre within Cosalt.

Abbey Caravans is a sister company of Cosalt Holiday Homes and, together with Holiday Homes, forms the caravan division of Cosalt. The division is headed up by a Chairman, and the Managing Directors of both Holiday Homes and Abbey Caravans report to this Chairman.

Abbey Caravans has traded for many years successfully and in 1991 celebrated its 25th anniversary. Throughout its history Abbey's touring caravans have won many awards and have been very popular with the dealer network for their design and quality.

Although, as mentioned above, Abbey celebrated its 25th Anniversary in 1991, problems had started to develop in the company some 4 years previous. The market share had fallen from 11% in 1987 to 4% in 1991. The company's financial performance had also fallen from a break even situation in 1989/90 to a serious loss situation in 1990/91.

In August 1991, the author was invited to join the board of Abbey Caravans to see if the company could be revived.

The supplier development programme discussed herein began in Cosalt Holiday Homes several years ago. An overview of Cosalt's quality approach is therefore presented below, and the supplier development programme given its place in this.

1.6 COSALT'S QUALITY PROGRAMME

Cosalt Holiday Homes a few years ago set itself a target to become a world class "manufacturing" organization. To help to achieve this the Directors chose to introduce a

quality approach. Quality superseded productivity as the company's main thrust. Initially quality control circles (QCCs) were introduced. QCCs involve groups of employees who meet periodically

- (i) to pinpoint, examine, analyse and solve problems - often looking at quality issues, but also handling productivity, cost, safety and work relations issues, and
- (ii) to enhance the communication between employees and management.

A QCC usually comprises 8 to 12 employees whose membership is voluntary and whose activities are guided by a facilitator. QCCs were introduced in 1987 and have thrived since implementation. Satisfied with progress on this front the company was inspired to find out what other quality techniques were available.

A visit to Japan and to some of its key successful manufacturing companies was made in 1989 by the author. The visit was a reconnaissance, to learn about some obviously successful quality strategies. The concept of Kaizen developed in Japan was considered to be particularly useful for the British context. It would impinge a little on UK worker culture, but did not demand radical over-throwing of traditional practices that other Japanese methods would

require. Kaizen was brought back to, and implemented at, Cosalt. Kaizen essentially means continuous improvement, seeking small improvements through the elimination of waste. These activities complement QCCs. Together, QCCs and Kaizen proved to be very successful at Cosalt. A vision of a total quality approach began to emerge from their implementation. This led to the investigation of a much broader approach, BS5750, a British Standard accreditation scheme encouraging implementation of quality management in companies. BS5750 explicitly adds a focus on the client.

The decision to go for BS5750 was questioned by some of Cosalt's directors. Some doubted its value. One concern was that a lack of appreciation of the value of BS5750 exists among Cosalt's clients. Another concern was more disconcerting, that some of Cosalt's suppliers who have been accredited with BS5750 have given more than a few quality problems themselves, raising doubt about the standard's effectiveness. On balance, however, the Board of Directors felt that the standard was common sense and that it should not be blamed for the inadequate implementation of its clauses. BS5750 was implemented. This harnessed even further the worth of QCCs and Kaizen, developing these to a company-wide approach. Further consideration soon pointed to an as yet little dealt with set of supplier related issues. In fact, creating a focus on supplier development in Cosalt's total quality approach was inevitable given its own business context.

Cosalt Holiday Homes is essentially an assembly type factory where limited manufacturing is performed but the final product, be it a caravan holiday home or park home, is assembled only after purchasing a large number of components from outside suppliers. The real skill base of Cosalt's workforce lies in its ability to assemble components, although there is considerable skill and experience in cutting accurately the various timber based materials. Success in achieving a good quality final product therefore depends to a large extent on competitively priced good quality supplies. This is essential because 70% of the selling price of holiday homes is attributable to purchased components. Cosalt's final quality and competitiveness is dependent on its supplier base.

Cosalt thus focused attention on its supplier base, whilst maintaining and improving achievements already in place. The company moved on to work out a supplier development strategy in addition to continuing its internal quality management programme through QCCs and Kaizen, and pursuing BS5750.

This concludes the general background information to the thesis. Now a summary and statement of the main aims of the thesis will be presented.

1.7 SUMMARY AND MAIN AIM OF THE THESIS

Whilst internal quality improvements e.g. QCCs, Kaizen and BS5750 have a significant role to play within a company such as Cosalt Holiday Homes, there is a strong argument to suggest that such a SME can gain much from a supplier development programme.

The fact that manufacturing companies spend considerable amounts of money on bought in components, typically some 50-70% of turnover, suggests that managers should examine more closely how this money is expended. But the benefits are clearly far more reaching than looking for financial gain, although the thesis shows that these are significant.

It is suggested that supplier development should be a part of a holistic approach to quality to seek an overall improvement in business performance. This holistic approach includes listening to the needs of the customer base, listening to the companies personnel (involving QCCs, Kaizen etc.), then involving the supplier base to give the necessary support, through a supplier development programme to effect reductions in lead time, just-in-time (J.I.T.) (discussed in more detail in Chapter 2) etc., i.e. to obtain a competitive edge in terms of cost reduction, quality and design input. This competitive edge should then, as in Cosalt's case, lead to an increase in market share both

for customer and its supplier base.

The more strategic benefits are continuous quality improvements in terms of product, information and communication, better service, reduction in lead times and stock, improved after sales and savings in product development. Another aim must surely be one where the host company (i.e. the manufacturer) and its supplier network are perceived to be the best companies to work for - i.e. a high quality as far as people are concerned.

One of the main difficulties for supplier development, however, is a lack of diversity in the literature in the area of SME's (see Chapter 2). Of greatest concern in this respect is the paucity of literature that relates to established management theory. It seems that supplier development is a good idea, but on what grounds can we claim that it is rigorous and what principles exist that 'guarantee' its success?

These ideas and concerns suggest a hypothesis for this thesis. The broad hypothesis is that supplier development can be formulated as a management philosophy offering benefit to both customers and suppliers.

The above hypothesis will be used throughout the research to learn about supplier development to establish what it can and cannot do for SME's. This will help to

develop an explanation of supplier development and to provide a realistic account of how it may be used for SME's. To this end the thesis builds and tests the value of a supplier development strategy for Cosalt Holiday Homes which may be used as a model for other SME's to obtain the mutual benefits described earlier. A particular focus is to establish general lessons of the experience of the research programme for other SME's.

Traditional aims of supplier development will be as tested in the context of the hypothesis. Some traditional aims are:

- (i) To improve the host company's business performance in terms of quality, cost structure and design input by working closely with its supplier base.
- (ii) To offer greater stability to the supplier base by negotiating long term contracts and helping to optimize business performance by the mutual sharing of ideas and expertise. The closer working relationships should ensure a better future for both customer and supplier by satisfying each customer in the chain - noting that each company is both a customer and supplier in turn.

(iii) To improve business performance of each company in the network, to improve the quality of working life of the people within each company, and to improve the quality of life throughout the network associated with the employees of each company.

(iv) Hence the ultimate aim is for SME's working much more closely with suppliers to improve their own inherent quality as well as improve the quality of its supplier base (mutual improvement is considered to be paramount).

Quality used in this context would be defined as

- (a) optimize business performance
- (b) optimize reputation with respect to customer and supplier base
- (c) optimize reputation with its employees for being the best company with which to be associated
- (d) achieve consistency in meeting customer's agreed requirements, internal and external.

The next chapter reviews the supplier development literature. It will enable us to see what research has been done to date.

Chapter 2.

SUPPLIER DEVELOPMENT REVIEW**2.1 INTRODUCTION**

This chapter reviews the literature on supplier development. It draws together the ideas of supplier development in a most comprehensive way. In this sense the literature review itself contributes to knowledge about supplier development. For example, the research shows that most of the work has been carried out in large companies, and needs to be developed for SME's. The main purpose of the review, however, is to build a deep understanding of the literature and this is achieved at the end of the chapter by drawing out fundamental principles of supplier development.

2.2 RATIONALE BEHIND DEVELOPING THE SUPPLIER BASE

The main aim of developing a supplier base is to secure a competitive edge in terms of quality, design input and a more competitive cost structure. Cosalt turned to use supplier development to build in a guarantee of stability of costs for a minimum of six or, ideally, twelve months, and also to see improvements to each of the other two key areas. This is important because of the dependence that Cosalt has on its suppliers for quality, and hence viability. It is also important in the face of a changing business environment.

There are two main changes in the business environment of concern to Cosalt.

- (i) Technological and competitive pressures have resulted in more firms tending towards greater specialization. The fact that few companies can maintain, in house, the complete range of expertise needed to keep pace with the latest advances in manufacturing processes, as well as products, coupled with increasing global competition, is forcing vendors to develop specialised capabilities.

- (ii) The nature of competition is changing. FEIGENBAUM (1982) postulates that today international competition is a combination of competition in its traditional form (product versus product) and an equally powerful (but less visible) form of competition involving company's skills in implementing and managing a total quality approach. Suppliers are a vital part of a total quality approach. The companies with the best suppliers, and that can make the most effective use of their supplier's capabilities, are likely to have a competitive advantage.

Cosalt's own position, being highly dependent on its supplier base for quality and viability, and the two

business factors relating to technical advances and the changing nature of competition given above, are central issues for management today. These issues underline the need for a supplier development strategy for Cosalt.

2.3 SUPPLIER DEVELOPMENT REVIEW

Developing company-supplier relations is not straight forward. DALE and LASCELLES (1988) in their studies of product quality improvement through supplier development found that supplier development requires a fundamental shift in the supplier-customer relationship. DALE and LASCELLES argue that companies should treat their suppliers as long term business partners. Accordingly, the following five activities are key areas that have to be tackled.

- (i) To investigate the supplier base to ensure continuity of product against the standard required.
- (ii) To improve communication and feedback, internally and between the business unit and the suppliers.
- (iii) To eliminate supplier complacency.
- (iv) To develop customer objectives and strategy for supplier development.

(v) To develop and improve customer credibility.

The PHILIP'S GROUP (1985) pursued a similar line of thought. They coined the phrase "comakership" to describe the new approach. Comakership simply means working together towards a common goal. It is based on the principle that both parties can gain more through co-operation than by separately pursuing their own interests. Comakership means establishing a long term business partnership with each supplier based operation. It pushes a desire for both parties to improve continuously the product and clearly to understand their responsibilities.

The PHILIP'S GROUP found, like DALE and LASCELLES, that to develop comakership considerable changes in behaviour and attitudes were required from both customers and suppliers. Customers have to prepare to develop plans and procedures for working with suppliers and to allocate time and resources to this. Suppliers for their part must accept full responsibility for their products and not depend on their customer's inspectors. As a prerequisite of the new relationship, PHILIPS found that it was necessary to establish a set of ground rules for working together. Cosalt had the same experience. Cosalt's ground rules are documented later in this paper.

MASSON (1986) undertook a comparative study of two electronic manufacturers. He argued that one company, that

had developed a comakership approach, achieved a significantly better performance from suppliers than the other manufacturer who had not implemented comakership, claiming that supplier development was fundamental to the difference in performance. The benefits of the comakership approach, from the manufacturers point of view, were achievement of short lead times, lower stock levels, stable prices, faster implementation of design changes, more reliable delivery performance, and less schedule disruption.

BEVAN (1989) in her studies, reports that one UK motor manufacturer faced with the threat of competition from Europe, the Far East and their competitors in America, came to the conclusion that the most serious threat came from Japan. (As witnessed earlier, Cosalt held a similar conception). Among other things, it was noted that the relationship between Japanese motor manufacturers and their suppliers is entirely different from all others. Some of the main differences are summarised below:

- (i) There are fewer suppliers; which is congenial to a more manageable situation.
- (ii) Working relationships are very close and promote problem solving; problems are discussed openly and solved together. For example, the technical expertise of the suppliers is recognised and this is harnessed to help manufacturers with new

designs and prototypes.

- (iii) Suppliers were totally committed to their customers' objectives. They were able to identify improvements that their customers could make, as well as the buyer identifying changes required in the supplier's organization.

Rank Xerox (HUCKETT, 1985) and TI Rayleigh (HARRISON, 1986) both adopted a comakership approach with their suppliers to improve quality and to adopt a Just-In-Time (J.I.T.) philosophy. WHITE & WYATT (1990) studied the Lucas Industries approach to relationship development (developing both customers and suppliers). We will focus on the Lucas case for a while because it contains items directly relevant to the Cosalt approach reported later.

Lucas concentrate their attention on changing attitudes. They have identified and compared a set of traditional and new attitudes between customer and supplier. Businesses within the Lucas Group have adopted a model for supplier integration that targets achievement of the new attitudes. The model focuses on quality, cost and delivery in three areas.

- (i) There must be internal development in the business unit, to promote co-ordination and operation of the material supply process.

- (ii) There must be improvement in attitude and relationships between the business units and its suppliers, as well as improved communications, both formal and informal.

- (iii) Suppliers must develop to enable them to achieve high quality, low cost J.I.T. objectives (e.g. by the adoption of good manufacturing systems engineering practices).

Lucas believe that change must take place in all three areas if a company is to achieve maximum competitor advantage from its supplier relationships. Lucas also state that their supplier integration programmes have four broad objectives. The objectives follow:

- (i) Zero defects.

- (ii) J.I.T. supply to manufacturing units.

- (iii) Cost reduction for new materials.

- (iv) Reduction in the added cost generated by the material supply system itself, in terms of staff and stock costs, capital equipment, computer services and transport.

A further essential ingredient to Lucas is their task

force. They list seven points for success that have been established from their 60 task forces during a two year period. The seven points follow:

- (i) Full commitment from senior business managers: whoever owns the competitiveness problem is responsible for managing its solution.
- (ii) Full time team leader: experience has shown that multidisciplinary task forces must be professionally set up with a full time leader who is trained in project management and systems engineering methodology. Failure to operate a professional, disciplined approach increases the likelihood of failure.
- (iii) Full-time systems engineering input: a strong systems engineering input is essential to achieve innovation using systems methodologies.
- (iv) Initial team training and team building: prior to the task forces start up, local management and the team should be given training suited to the needs of the project, which will include systems engineering.
- (v) Clear and ambitious business targets: quantified task force targets are defined in key business

ratio terms based on international market and product analysis.

- (vi) High-visibility monthly reviews: formal reviews, chaired by the local factory manager or general manager to demonstrate action and progress.
- (vii) Full involvement of business management and supervision in reviews: solutions to business unit problems and needs embrace new job functions, new organization structures and new information and control systems as well as elements of engineering and technology. The reviews are a forum for presenting proposals for change to management and supervision across the site.

The task forces are essentially cross-functional groups with full time representation from purchasing, procurement, quality and administration. They are supported by a full-time business systems engineer. Normal reporting and control procedures therefore had to change.

Traditional reporting relationships can result in fragmented responsibilities and lack of overall accountability for ensuring total quality supply. With the alternative structure recommended by Lucas the supply module leader is given responsibility for all the elements of total quality supply and can, therefore, be genuinely

held accountable for overall supply performance.

Lucas' approach followed several phases. They initially recognised that communication is a two way process. Consequently 100 of their suppliers were selected for special attention. Each was considered to be key to the future success of the business. Two senior management contacts from each of the suppliers were invited to attend a half-day seminar. At this seminar the Lucas approach to supplier integration was presented and feedback noted and discussed. Cosalt have partially shaped their supplier development strategy on Lucas' approach. The main differences between the Lucas approach to the task forces are that Cosalt's team leader was part time and there was no system engineering input. We will now consider another case, the Jaguar case.

During the early 1980s the production of Jaguar cars reached its lowest point as confidence and identity slowly ebbed from this most prestigious of car marques. A critical in-depth review of the business was carried out according to BIRCH (1990), the purchasing manager of Jaguar cars. Findings pointed to the necessity for Jaguar to address its internal controls, its dealer network and to enlist the support of its suppliers to improve overall quality of the vehicles.

The initial task was to identify the problem components

from the warranty figures. Following this a suppliers conference was held with the Managing Directors and Chairpersons of the companies concerned to discuss the problems.

Multi-function task forces were set up involving the suppliers. Each had a specific role which clearly identified the supplier's responsibilities to quality. Poor suppliers were dropped. Components were resourced in the relentless quest for quality. A single source supply strategy was implemented and care was taken to involve the supplier at the concept stage.

Jaguar claim that a single source strategy was progressive and during the reduction of the supplier base quality improved, creating better value for money whilst trust and stability were built into the relationships. With the mutual benefits of larger contracts, both Jaguar and its suppliers committed themselves to quality, acknowledging this as a merit of long term commitment. Another feature of Jaguar's new approach was the introduction of a "Supplier of the Year" award.

LYONS, KRACHENBERG & HENKE (1990) in their research on US manufacturers and suppliers noted that to achieve world class competitive status a new order of supplier development relationships was necessary. This was characterised by team decision making, longer term contracts, higher levels of

outsourcing and increased independence. They go on to say that the general impression amongst buyers and suppliers is that manufacturing firms are accruing significant advantages whilst the suppliers face significant disadvantages. The truth is probably that both parties gain and lose something from the partnership.

They also go on to make a very interesting observation for the future. Suppliers may well start the next round of initiatives in an attempt to cover the costs of providing the increased original equipment manufacturers (OEM) demanded services - since these costs have not been incorporated into the current relationships, contractual or otherwise.

STRALKOWSKI, KLEMM & BILLON (1988) believe that supplier development partnerships is becoming an increasingly important strategy for American industry. They argue that suppliers and customers must look for ways to achieve greater commitment. Achievement of commitment and reward, they say, are clearly linked (see Figure 1).

Figure 1 shows the link between the degree of rewards and the degree of commitment for a supplier and a customer. It illustrates that there is a wide variety of ways to cooperate, ranging from a relationship in which the supplier simply offers the customer a product with a set price, to a partnership in which the customer and supplier are jointly

committing resources to accomplish complementary objectives. The words partnering and partnership are used to describe generally activity depicted on the right side of the 'commitment' axis of the figure.

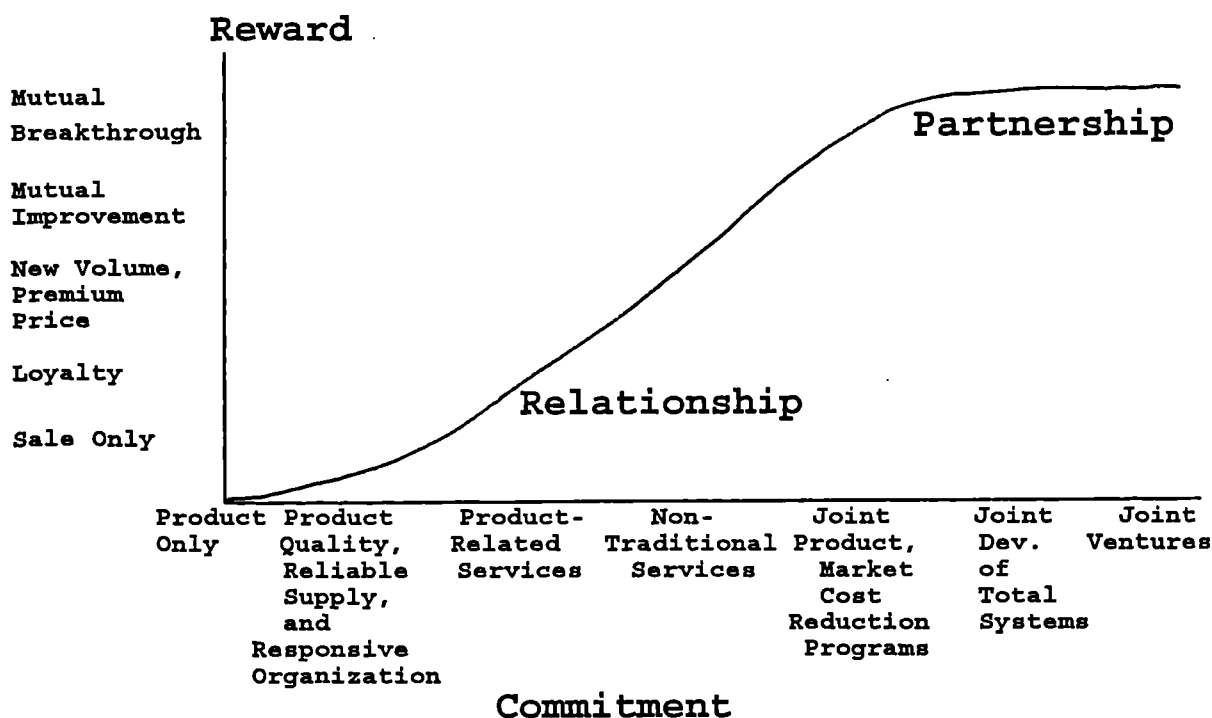


Figure 1. LEVELS OF CUSTOMER-SUPPLIER COOPERATION

The authors went on to develop a rationale to explain why supplier development partnership is logical. They described an alternative strategy to vertical integration in which the advantages of integration can be obtained.

KONIJNENDIJK and WIJNAARD (1991) studied comakership in the delivery of packing materials in a Dutch customer/supplier relationship. They recorded several observations.

Comakership is a very special approach where two companies deal very closely with each other. This provides major benefits to both customer and supplier. The benefits are described as:

- (i) Improved control over the design process.
- (ii) A 50% reduction in inventory for the manufacturer.
- (iii) 30% reduction in printing costs to the supplier and 5% reduction in costs to the manufacturer.
- (iv) Communication structure - better and faster.
- (v) Yearly quality audits by senior management to maintain quality standards.

A further observation in this Dutch study was that as supplier development meetings were held by the operational managers, many hitherto annoying problems disappeared. This would appear to be due to the better communications afforded by regular meetings where a manager from the supplier could talk directly to their counterpart in the customer's company.

SMITH (1990) describes the Nissan model of comakership following his experience of the Washington plant in Tyne and Wear. The "Nissan Way" with suppliers has three

main aspects:

- (i) Teamwork and respecting the individual.
- (ii) Quality.
- (iii) Flexibility.

In essence, suppliers must co-operate to survive. The benefits are:

- (i) Production time at the right quality and cost.
- (ii) Shorter development lead time.
- (iii) Minimal indirect overhead.
- (iv) Shared increase in profitability and market share.
- (v) State of the art design, technology and process.

SMITH concludes that the secret of Nissan's comakership is that there is no secret, only common sense, good management and commitment. He also believes that there is no universally acceptable approach, no tablets of stone to be handed on, no consultant-inspired flavour of the month scheme. SMITH seems to be fairly convinced that, by thinking strategically and consciously changing the way

industry is managed, by developing team working and flexibility, by putting quality first, by building meaningful jobs and responsibilities, and by seeking to involve people in those areas in which they can contribute, British Industry will continue to improve. British Industry will be a place in which highly talented people will wish to be associated. Success breeds success it is argued.

What has been discovered at Nissan Manufacturing (NMUK) is that it is possible to marry British and Japanese management. Mixing management styles has created something stronger than either has achieved independently. Facilities have not done it; it has been people, teamwork - it is comakership.

2.4 LEGAL ASPECTS OF COMAKERSHIP

BEVAN (1987) postulated that supplier development, which originated in Japan is founded on co-operation between customer and supplier. Japanese companies, BEVAN argues, tend to do business more on trust than contracts. In the United Kingdom, according to SMITH (1990), comakership will need to be reflected in contractual arrangements between supplier and purchaser.

Because comakership in the U.K. is a relatively new concept, the idea of a 'normal' comakership contract may well be a long way off. It may well be thought that a

contract is not the way to achieve a relationship of trust, co-operation and good faith. SMITH, however, would not agree. He believes that in the context of the Anglo-American legal system and business culture it is only against the background of a good contract that such a relationship can develop and flourish. Accordingly, it is necessary to consider the terms that should be included in a contract. SMITH suggests that they should include at the very least:

- (i) Terms defining the length of the contract.
- (ii) Terms specifying whether and to what extent the relationship is exclusive.
- (iii) Terms dealing with price, quality, delivery and ordering procedures.
- (iv) Confidentiality provisions.
- (v) Provisions dealing with deadlock, default and termination.
- (vi) Dispute settlement procedures.

SMITH also makes the point that long term exclusive contracts may give rise to problems within both U.K. and European competition law, which will need to be addressed.

SMITH'S message is that comakership does not present any insuperable legal problems. However, translating the concept into U.K. form will give rise to certain legal issues.

NEWMAN & RHEE (1990) in their study of the supplier development programme practised by the New United Motor Manufacturing Campaign (NUMMI) in America, which is a joint venture between Toyota and General Motors, found effective communication and the sharing of information to be essential to supplier performance. At the heart of the NUMMI system is the J.I.T. concept (similar to Cosalt Holiday Homes). The key elements in the NUMMI system lie in its approach to scheduling, communications, and the relationship between planning and order release. The specific responsibilities of both NUMMI and the suppliers are carefully defined. Rewards for good supplier performance are prompt payments, improved profits and reduced paperwork.

NEWMAN & RHEE also make the point that both NUMMI and the suppliers constantly review and examine their relationships to ensure a Win-Win situation still exists. This would seem to be fundamental as it must be critical to the success of comakership. As suppliers to NUMMI communicate and plan with their own suppliers the system continues to expand as the suppliers see similar benefits could be attained by them working more closely with its supplier base. Cosalt Holiday Homes is also experiencing

the same situation with their supplier base. A number of the suppliers are calling the approach the "Cosalt Model".

HAHN, WATTS AND KIM (1990) have designed a conceptual model for a supplier development programme. They define a supplier development programme as any systematic organizational effort to create and maintain a network of competent suppliers. The steps involved in the process are:

- (i) Recognition of the need for the programme by top management.
- (ii) Formation of a supplier development team.
- (iii) Evaluation of the suppliers.
- (iv) Identify areas for improvement.
- (v) Organise a supplier development team with the appropriate expertise.
- (vi) Implement plans and evaluate results.

MOFFAT & ARCHIBALD (1990) studied the development of suppliers in the electronics industry in Korea. They found that Texas Instruments (TI) have identified the need to initiate a supplier development programme in their bid to identify a supplier base that could produce high quality low

cost components. Korea is clearly trying to increase the local content of its products and to develop employment in the country's manufacturing sector. TI began the supplier development process working with the Korean Trade Promotion Corporation (KOTRA) which is a government supported development organization.

KOTRA and TI established a parts procurement trade exhibition in Seoul. Interviews were held with 80 potential suppliers. 29 site visits were made. The feedback from these visits provided the main material for a further paper from MOFFAT and ARCHIBALD, which has not yet been published.

CARTER and NARASIMHAN (1990) in their study of purchasing in the international market place found that multi-nationals are increasingly employing a supplier development programme e.g. the Chrysler Corporation, Deere & Co., Xerox, and Fuji. International sourcing has become a critical part of corporate strategy aimed at reducing costs, raising product quality, and improving flexibility and design.

THE CONFEDERATION OF BRITISH INDUSTRY/DEPARTMENT OF TRADE AND INDUSTRY (CBI/DTI), according to TOWILL and NAIM (1993) defines partnership sourcing as a commitment by customers/suppliers, regardless of size, to a long term relationship based on clear, mutually agreed objectives, to strive for world class capability and competitiveness. For

our purpose, this is best amplified by the CBI listing of advantages for purchasers and suppliers as shown in Figure 2. For supplier development, the most relevant topics are the lower inventories and improved logistics. These in turn reduce the total cost and hence profitability of both parties.

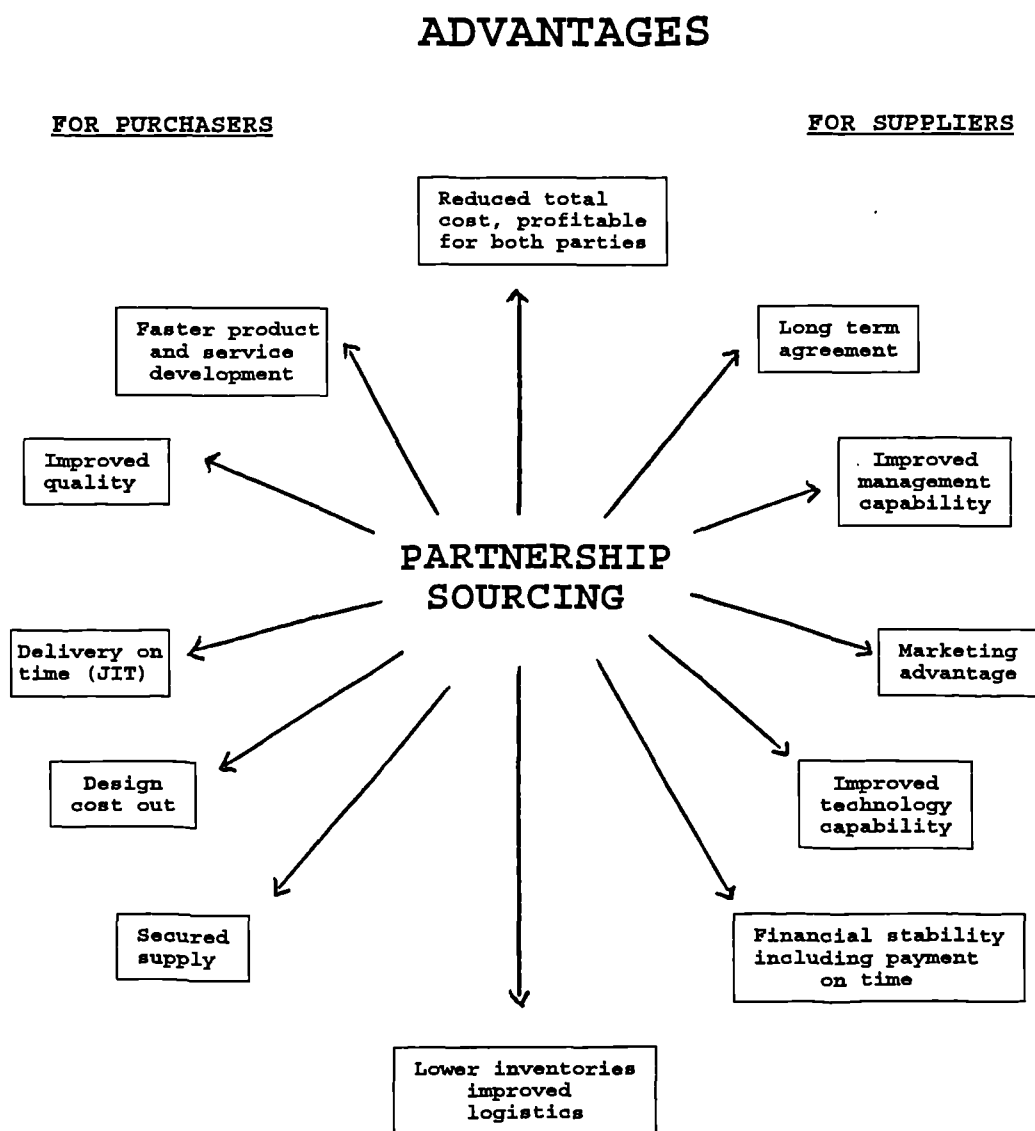


Figure 2.

PARTNERSHIP SOURCINGADVANTAGES FOR PURCHASERS AND SUPPLIERS

GARNETT (1990) of Glaxo sees building relationships with suppliers as a monumental undertaking but the benefits are well worthwhile.

FLAATIN (1991), Vice President Corporate Procurement, Statoil Norway, believes that for key products and services Statoil wants "closer co-operation with suppliers who can fully meet our requirements, understand our needs and can work in a co-operative manner with us". FLAATIN believes it is necessary to evaluate the existing suppliers' performances, identify the required standard of performance and use this to establish criteria for selection of the most competitive supplier for closer co-operation. To make different use of internal resources and increase supplier commitment, Statoil will reduce the number of suppliers.

Let us now continue our review of the literature looking at barriers to a supplier development relationship.

2.5 BARRIERS TO A SUPPLIER DEVELOPMENT RELATIONSHIP

LASCELLES and DALE (1988) in their research in the automotive industry found a number of barriers to successful supplier development:

- (i) Poor communications.

- (ii) Supplier complacency.
- (iii) Poorly defined purchasing supplier quality improvement programmes.
- (iv) Poor credibility of purchasers as perceived by their suppliers.
- (v) Misconceptions regarding purchasing power.

LASCELLES and DALE also point out that the quality of purchased components is crucial to the ultimate quality of the company's finished products - this will be especially true for an assembly operation like Cosalt Holiday Homes where 70% of their turnover is spent on purchased components. SMOCK (1982) using CROSBY (1979) estimates that 50% of a company's quality non-conformances are caused by defective purchased material. DEMING (1988) and ISHIKAWA (1985) believe that at least 70% of the blame for defective purchased materials lies with the purchasing organization. This is also the experience of Cosalt Holiday Homes and Abbey Caravans which will be discussed in more detail in Chapter 5. DEMING takes the view that buyers have a new responsibility to take, which is to discontinue the practice of awarding business solely on the basis of price. DEROSE (1987) in his article "Changing Purchasing Practices" notes that many buyers have recognised this and are experimenting with various new approaches such as supplier base reduction,

single sourcing and a closer integration with supplier planning and scheduling. HART (1986) in his article "Letter to all single suppliers" believes that suppliers have an obligation to study their customers' processes to see how their products are used. DEBRUSCKER and SUMME (1985) and ROBERTS (1986) believe that suppliers should take the initiative in developing their customer base as a competitive strategy rather than reacting to quality improvements initiated by the customers.

As part of the methodology for the programme for quality improvement LASCELLES and DALE formulated a quality improvement change agent hypothesis (LASCELLES and DALE 1986). Here their preliminary work indicated that a demanding customer is the most powerful change agent in getting a supplier to initiate a process of quality improvement. This is certainly borne out in practice with Cosalt Holiday Homes' customers and, in the view of the author, a similar view would be held by its suppliers. To further investigate the effect a major customer might have on supplier behaviours and attitudes to quality improvement, a questionnaire survey of the suppliers of 3 automotive manufacturers was conducted by LASCELLES and DALE (1988). One of the main problems encountered was poor communication and feedback. The need for improved communication between supplier and customer was summed up by Sir John Egan : "when in 1980, Jaguar started to nobble component suppliers for poor performance of their product, they (component

suppliers) were often surprised, because until that time no one had bothered to give them feedback of this kind and they, therefore, could be partly forgiven for believing that everything in the garden was rosy. I say partly because component suppliers did very little to find out how their products performed in service." EGAN (1986).

Commenting on misguided supplier improvement objectives LASCELLES and DALE note that some of the suppliers they studied held the view that the imposition of a particular quality management technique on them, as condition of sale, is the same as supplier development. Rather than resulting in a positive change of behaviour the outcome tends to result in what SCHON (1977) calls "dynamic conservation", since the imposition is seen as a disruptive threat to the organization. The distinction between the use of the techniques and total quality management needs to be clearly articulated and communicated by the senior management team to all employees.

2.6 SINGLE SOURCING

Single sourcing, according to our literature review, has an important part to play in supplier development. Let us now look at the pros and cons of single sourcing from the vendor's point of view. TRELEVEN (1987), in his research on single sourcing believes that single sourcing is a desirable component of a quality system, especially in the case of

J.I.T. production and purchasing systems. TRELEVEN goes on to make the point that major arguments for vendor participation in single sourcing are factors such as increased turnover and stability of the long term relationship but if single sourcing is to become a widely accepted business practice then it must be equally profitable for both the buyer and the seller. This would be supported by the win-win aspect of supplier development. A further point made by TRELEVEN is that whilst quality is not the only factor that should be considered in single sourcing decisions, it is one of the most important. The emphasis throughout TRELEVEN'S article was the inter relationship between quality and single sourcing. It is interesting to note JURAN'S distinction of quality "incorporating fitness for use" which includes:

- (i) Meeting the buyers performance needs.
- (ii) Doing so on time.
- (iii) Charging a price that produces a reasonable life cycle cost for the buyer (JURAN and GRZYNA 1980).

2.6.1 Historical Origins

According to BARTHOLOMEW (et al 1984) the practice of relying solely on one source of supply began years ago as "sole sourcing". At that time, the use of only one supplier

for an item was not a conscious managerial strategy but more a result of a number of factors:

- (i) Geographic proximity to suppliers, together with inadequate transport methods.
- (ii) Existing monopolies.
- (iii) Propriety products.
- (iv) Inflexible design specifications.
- (v) An absence of alternate suppliers.

After World War II, in the interest of quality DEMING began to urge manufacturing units to reduce the number of vendors used - ideally to the point of single sourcing. DEMING (1982) believed that a second source for most purchased materials increased the aggregate cost of materials substantially. This view was not widely accepted in the United States until recently. JURAN argues that single sourcing implies a long term relationship with the emphasis on mutual cost effectiveness where quality considerations are very important. HAY (1984) claims the J.I.T. concept is based on a philosophy supporting the elimination of waste, where waste is defined as anything other than the minimum resources required to add value to a product. It typically focuses on the reduction of inventory

levels which translates into frequent, on time deliveries of materials that are 100% fit for use. HAHN, PINTO and BRAGG (1983) argue that unless there is a capacity problem, using multiple sources violates the J.I.T. principle of absolute minimum sources. HAHN, PINTO and BRAGG suggest that advocates of the Material Requirements Planning II (MRPII) system also are adopting the single source concept.

2.7 JUST IN TIME (J.I.T.)

During the past two decades, Japan has achieved excellent levels of productivity and product quality compared with most other industrialized nations. This success appears to be tied to three inter-related factors:

- (i) A consultative management style.
- (ii) J.I.T. and Total Quality Control (TQM).
- (iii) Application of unique technological changes and innovation.

WATERS (1984), in his study of a number of American industries, large and small, found that the Americans faced with the increasing competition from Japan were forced to adopt J.I.T. purchasing techniques. This use of J.I.T. was usually associated with a relatively small number of suppliers, located as closely to the customer's premises as

possible.

A survey of J.I.T. practices by ANSARI (1984) indicated that the use of the J.I.T. concept had resulted in substantial benefits to American companies. For example, among the firms surveyed stock turnover increased by an average of 97%, punctual deliveries increased from 67% to 83% and scrap costs reduced by 40%. The survey revealed that the greatest improvement occurred in the areas of product quality and productivity.

Let us now discuss comakership as an extension of quality care.

2.8 COMAKERSHIP AS AN EXTENSION OF QUALITY CARE

2.8.1 Introduction

HARRISON (1990) investigated the role of quality in the supply chain of various Original Equipment Manufacturers (OEM), referring to quality as the exchange of the right quality of the right goods at the right time between one level in the supply chain and the next.

2.8.2 Traditional Role

HARRISON (1990) firstly considered the traditional role looking at such quality systems that have been used by

OEM's, in a directive rather than in an educative way. HARRISON points out that there are signs that the educative processes are being developed in some relationships. For example Statistical Process Control (S.P.C.) is an increasing requirement in automotive supply contracts and OEM's are often prepared to help OEM's to develop the technique (FORD MOTOR COMPANY Q101 Quality System Standard). COLE (1983) investigated the cost significance of quality at different stages in the supply chain (see Figure 3).

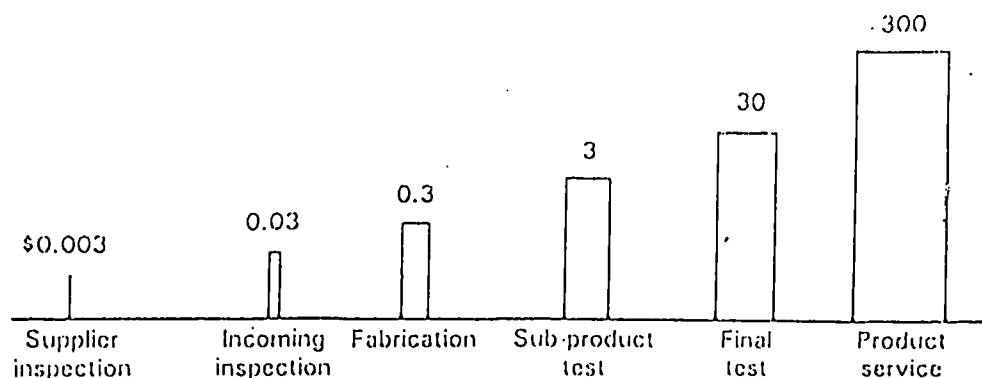


Figure 3. ESCALATION IN COST OF ERRORS UP THE PRODUCTION CHAIN

According to COLE'S analysis, conducted by General Electric in the U.S., failure costs escalate rapidly up the production chain. An error of \$.003 at the supplier is magnified to \$300 if it has to be corrected when the product is in service. This scale is borne out in the author's experience in the caravan industry. ISHIKAWA (1985) reminds us that quality needs to be built in at each process from

the beginning of the supply chain, using his now familiar saying "The next process is the customer".

2.8.3 Supplier Selection

SCHONBERGER (1982) studying Japanese manufacturing techniques found that most OEM's are pursuing supplier reduction programmes because of the opportunity to develop closer relationships, higher volumes etc. with a much reduced supplier base. When the OEM's strategy is based on J.I.T. then additional pressure is on the supply chain. SCHONBERGER considered products like cars typically having 3000 to 5000 parts. Comparing an acceptable quality level (A.Q.L.) of 1% for each part with the quality level achieved by a defect rate of one part per million (ppm) for each part, the number of defects per unit of finished product (F.P.) will be shown in Figure 4.

Quality Level	Potential defects	
	Per unit of FP	Per 1,000 Fps
AQL = 1%	30-50	30,000-50,000
1 ppm	0.003-0.005	3-5

Figure 4. COMPARISON OF DEFECTS FROM AQL AND PPM QUALITY LEVELS BY PROFESSOR YAMASHINA

Defects 30 to 50 per unit of F.P. not only mean that the product is uncompetitive in the market place, but also there are severe implications to material control and to product costs. IBM according to WARD (1987) reported vendor conformance at Havant in 1981 in percentage terms but their development of J.I.T. has made this unrealistic. CAULKIN (1988) claims that the plants election as one of Britain's best factories confirms what has been achieved both internally and with suppliers.

2.8.4 Quality Record

WINN (1987) argues that a supplier who sells good products is of doubtful value unless the production processes are also good. Poor quality and late deliveries make J.I.T. impossible to work WINN goes on to argue. This would certainly agree with the author's experience which is that good quality and on time deliveries are essential prerequisites for effective J.I.T. manufacture. Hewlett Packard list the following quality related issues in supplier selection:

- (i) Lowest total cost (quality - delivery - price).
- (ii) Control of internal planning activities.
- (iii) On time delivery (every time).

(iv) Good internal process control.

(v) Good communication.

Intel made their approach to their suppliers selection quite clear - "we chase quality first".

2.8.5 Supplier Responsibility For Quality

HARRISON (1990) argues that the supplier is responsible for quality, a view totally held by the author of this dissertation. A good quality product is expected as part of the purchase. Gradually, the role of the customer becomes one of audit and review. GAVIN (1988), reports that there is an important difference in quality in the U.S. air conditioning industry between plants having quality programmes to prevent quality degradation and those that did not have such programmes. NAKAYAMA (1986) suggests there is a role to play in having joint problem solving meetings. NAKAYAMA cites the example of Sumitomo Tyres in Japan who when they started their J.I.T. programme seconded several people full time from their major customer Toyota to assist in the launch of their programme.

2.9 MEASURING SUPPLIER RESPONSIVENESS

2.9.1 Introduction

VANDERMER (1991) carrying out research into supplier responsiveness in the Scottish electronics industry analysed a number of issues concerning the measurement of supplier performance from a theoretical basis and then goes on to describe how supplier development may be measured in practice.

In terms of business strategy VANDERMER explains that the source of competitive advantage for firms is changing. Because of the wide spread availability of acceptable alternatives, customers are not prepared to wait if the products are not available in the short term. This situation is very typical of the author's experience in the very competitive caravan industry. The ability to respond quickly to the unexpected shifts in customer demand by ensuring that the right products are available when and where they are required are now of the utmost importance for any manufacturer who wants to hold on to, and increase, his market share.

SWAM, DASS and NEWELL (1987) argue that "flexibility offers the capability to cope with environmental uncertainty". This view is also supported by SLACK (1990).

GOLDMAR, JELINEK and SCHLIE (1990) consider flexibility as the most important source of competitive advantage. They argue that firms need to offer a wide range of customised products simultaneously to increase the level of economic efficiency in manufacture. Cosalt Holiday Homes are currently enjoying an increase in market share because it offers a wide range of customised products which, in turn, is forcing the operational management to improve the manufacturing efficiency. The actual market share increase has gone from 13% to 19%.

SLACK (1989) argues that a rapid response capability to cope with unexpected changes in demand for individual products can be achieved in two ways:

- (i) Holding of stock.
- (ii) Through reduction in manufacturer's cycle times advocated by BOWER and HOUT (1988) and supported by the author's experience.

The first option tends to be very expensive and has no place in the J.I.T. production/stock management philosophy. The second option is advocated to Cosalt's supplier base.

2.9.2 The Role of Supplier Responsiveness

HARRISON (1990) found that in keeping with other large

manufacturers in the electronics industry most of the changes in the purchasing function have been driven by the need to implement J.I.T. manufacturing coupled with a reduction in the supplier base.

In order to achieve a rapid response capability suppliers have to make a choice. Firstly they can increase their stock holding, especially components ready for despatch. OLIVER and WILKINSON (1988) quote one Managing Director of a U.K. automotive supplier "J.I.T. has been used as a myth on which to hang the transfer of the responsibility for stock holding to another point in the supply chain - as long as it's not the car manufacturers". This sort of comment has been levelled at Cosalt by one of its major suppliers. WOMACK, JONES and ROOS (1990) produced figures showing where European Car assembly plants have reduced their stock levels of components to a couple of days, European suppliers of components hold an average 16 days supply.

The second option available is that suppliers can attempt to decrease their own manufacturing cycle times in line with the reductions in requested purchasing lead times. This option is very much the option advocated by Cosalt to its supplier base.

2.9.3 The Japanese Approach to Manufacturing Responsiveness

J.I.T. production/inventory management as practised by many Japanese firms and described by MONDEN (1983) is based on repetitive manufacturing which combines predictability with product and mix flexibility. Through dramatic reductions in set up times, Japanese manufacturers have made mixed-model production economically viable, not just in final assembly, but also increasingly in sub-assembly and fabrication. (SCHONBERGER, 1982). Volume/delivery flexibility, on the other hand, is not emphasised - rather the opposite has happened. In the Toyota production system master production schedules are smoothed over a monthly, or even three monthly, period. The Kan ban production control system used in the assembly plant is essentially a fine-tuning device, which can handle variations of up to 10% in the daily quantity required for each option in the master production schedule. (NEW and CLARK, 1989; WILKINSON and OLIVER, 1989). For the Japanese motor vehicle industry the state of affairs has been neatly summed up as follows:

"Lean production ... is characterized by extraordinary flexibility in shifting the mix of products manufactured and doing so on only a few hours' notice. At the same time, the system is extremely sensitive to fluctuations in the total volume of cars and trucks made ... so Toyota and other practitioners of lean production work very hard at

'heijunka' (production smoothing), in which the total volume the assembler manufactures is kept as constant as possible." (WOMACK, JONES and ROOS, 1990).

A vital element in the success of the Japanese production system described above is the way in which each large assembly plant manages its supply chain. Instead of the short-term purchase contracts with multiple sources for each component that have traditionally been used in the West, Japanese industrial buyers tend to rely on long-term contracts with a small number of nearby suppliers. Each component is purchased from one or (more usually) two suppliers who can deliver the exact quantity at the exact time to the exact specification required. This long-term commitment by the assembly plant to its suppliers typically takes the form of blanket purchase orders, whereby the plant offers each vendor a certain amount of business (in terms of financial value) over some fixed period of time in return for a limited degree of delivery response flexibility on the part of the vendor. (LUBBEN, 1988).

In the context of J.I.T. purchasing, the sharing of information on component requirements (on the part of the buyer) and the availability of production capacity (on the part of each supplier) is crucial. The assembly plant communicates the necessary information from its (smoothed) master production schedule to its component suppliers, allowing them to carry out advance capacity planning. (NEW

and CLARK, 1989); each supplier notifies the assembly plant of any actual or anticipated supply disruptions. This process has been termed vendor capacity planning (VCP) by HO and CARTER (1988), who argue that:

"One of the core concepts in Japanese purchasing and production management is the rapport developed between a buyer's firm and its vendors. This relationship must be cooperative and supportive in nature, not adversarial. Sharing information in the purchase order schedule and the vendor capacity report for buyers and suppliers alike can lead to the development of this type of relationship."

Mixed-model production at the assembly plant makes it possible to provide suppliers with stable purchase order schedules. (SCHONBERGER (1982), ABRAHAM, HOLT and KATHAWALA (1990)). Suppliers are expected to make frequent deliveries of small quantities of components. (The exact quantities may be called off on a daily basis.) Again referring to the motor vehicle industry, WOMACK et al argue:

"The Japanese have another motive for practising production smoothing. They want to ensure a steady volume of business for the suppliers. That way, the suppliers can utilize employees and machinery much more effectively than in the West, where they are constantly faced with sudden changes in the volume and mix of orders at very short notice." WOMACK, JONES and ROOS, (1990).

2.10 MANUFACTURERS AND SUPPLIERS IN BRITAIN AND JAPAN - A COMPARISON

Research carried out by TREVOR and CHRISTIE (1988) where they studied the relationship between manufacturers and suppliers in Britain and Japan showed there were major differences. Japan view their approach to their supplier base as a major source of competitiveness. TREVOR and CHRISTIE argue that British suppliers can improve their management, work organizations and performances as a result of working for Japanese customer companies which lead the authors to conclude that working to Japanese requirements can assist the growth of SME's in Britain.

Some observations of TREVOR and CHRISTIE'S work:

- (i) *A Japanese view of J.I.T. service.* As part of the National Quality Campaign, the Department of Trade and Industry (DTI) sponsored a Pacific Basin Study Mission to visit Japan in 1984. When the mission visited the Sony factory the mission asked where the stock was kept. The Japanese reply was that they virtually kept no stock as UK firms would know it, their close relationship with their suppliers had led to a J.I.T. philosophy under which the goods arrived 'just-in-time' to go straight to the production line. The question was

asked what happened if the supplier's lorry broke down to which the Japanese replied that their lorries did not break down. The Japanese further added if the driver was ill then there is always the supplier's competitors waiting around the corner DTI (1984).

- (ii) *Subcontracting Logic* : PILDITCH (1987) noted that whilst Japanese companies did exploit their commercial strength, they ensure that their behaviour is consistent with industrial logic. PILDITCH also adds that although Japanese firms drive their suppliers hard, their links with their suppliers are long term and are based on quality and reliability. The link is more like the Marks & Spencer approach than the traditional adversarial one. DORE (1984) argues that the bargaining position of Marks & Spencer is greater than its smaller suppliers but this does not mean that the benefits are all one way. MORLAND (1983) describes how the Japanese firms respect their SME suppliers and do not endanger its relationship with a valued supplier for the sake of a short term gain.

2.10.1 British Suppliers Environment

Writers such as VAN DE VLIET (1986) believe from his

experience of research with Japanese managers in UK manufacturing that "If we (the Japanese) can succeed ... all British companies can". WIENER (1948) believes one of the UK problems is that too many capable people prefer to become solicitors or civil servants. But historians such as BARNETT (1987) believe British managers "seemed more interested in getting their golf handicaps down than their profitability up".

An article published in the SUNDAY TIMES (1987) suggested that one of the constraints of SME's was removed in the 1987 budget. A quarter of a million firms with a turnover less than £250,000 will no longer have to pay value added tax (VAT) in advance. The Chairman of the Small Business Bureau commented that "it should stop thousands of small firms going out of business".

The Japanese believe that "a company is only as good as the people who work for it", but TREVOR and CHRISTIE suggest that British companies tend to pay lip service to this statement. Since the beginning of the Japanese industrialization after 1868 it was impressed upon the Japanese that they should seek knowledge from over the world. Japan, according to FORD, has rightly been called a "learning society" and that Japanese education since the war has produced a work force with a high level of literacy, numeracy and motivation to succeed DEVOS (1973). Whilst the UK seems to be taking education and training more seriously

BARNETT believes there is still much to be done. BARNETT claims that in 1936 there were one million unemployed and a shortage of highly trained industrial personnel. Fifty years on the same problem seems to exist.

In the United States GALBRAITH (1987) commenting on mergers and acquisitions wrote in the MCKINSEY JOURNAL "from the mergers, acquisitions and buy backs, it is now reasonably well agreed, comes no increase at all in industrial competence". Clearly some mergers and acquisitions have a valid rationale but if companies ignore DRUCKER'S (1984) admonition to concentrate on providing goods and services that are substances of what they are about, their competitiveness in the market place and the future prospects of their business may be damaged. TREVOR and CHRISTIE note that mergers and takeovers are less common in Japan than in the UK or America and believe the reason for this is the long term approach to business taken by the Japanese. MORLAND (1983) describes the difference as follows:

"In the West, firms tend to exchange a defined product or service for a sum of money. The transaction is cash based and involves few benefits beyond those that are clearly visible. By contrast, the Japanese expect the exchange to be few more complex processes ... (which) ... make for much more durable and robust relationships." MORLAND claims that only Marks & Spencer in the UK have a

similar relationship with the suppliers. The author of this dissertation would suggest that Cosalt Holiday Homes has a similar relationship with its supplier base, some four years after initiating a supplier development programme.

2.10.2 Improving Customer-Supplier Relationships

To improve relationships between customers and suppliers TREVOR and CHRISTIE (1988) postulate that changes are needed on both sides and relationships need to be closer. Also, SME's need to upgrade their operations. The European Commission has a placement scheme for managers to work in Japan whilst the DTI offers information and financial assistance to firms assessing the Japanese markets. Regarding the broader issues of education and training, whilst they are improving, it will take some time for the improvements to filter through into performance. More needs to be done. TREVOR and CHRISTIE make a final point - that the competition will not wait.

2.11 VENDOR RATING SCHEMES AND THEIR OPERATION

HARRISON (1990) postulates that a vendor rating scheme is an important tool for assessing supplier performance for large organizations. EBRAHIMPOUR and MANGIAMELI (1990) point out that "the literature suggests the existence of a positive relationship between the vendor evaluation criteria and perceived organizational performance measures, e.g.

increased market share, higher productivity and improved product design." In support of this argument they quote GAVIN (1983) who found that the primary objective in the firms with the highest performance was to obtain the highest quality components. On the other hand, in the companies with the poorest performance, the primary objective was to obtain parts and materials with the lowest possible prices.

There are broadly three different types of vendor rating schemes, namely:

- (i) Categorical method.
- (ii) Weighted point method.
- (iii) Cost ratio method.

These have been described fully by writers such as DOBLER, BURT and LEE (1990) and all three are considered to have their advantages and disadvantages. The cost ratio method, for example, recognises that purchase price represents only a fraction of the cost associated with the receipt of materials. Although flexible, providing accurate and detailed information on vendor performance, the complexity of the method is usually viewed as a drawback. But DALE and POWLEY (1984) argue that purchasing managers have noted that if the rating system does not quantify vendor performance in terms of financial information then

its use is limited. The categorical method is inexpensive and requires a minimum amount of performance data but its reliance on personal assessments of key objectives is subjective. The weighted points method is flexible and is simple to apply.

BAILEY and FARMER (1986) suggest that the best use of vendor rating schemes is as a tool for persuading the supplier to improve performance. Authors such as WILLIS, MATTHEWS and HUSTON (1990) suggest that performance assessment models "should be considered as a supplement rather than a substitute for managerial judgement". DOBLER, BURT and LEE (1990) describe the 'bill back' approach to punishment, which involves back charging the supplier for poor performance which resulted in costs being incurred by the customer. This approach was used by Cosalt Holiday Homes prior to the introduction of supplier development. The practice of back charging stopped when supplier development was introduced since most of the problems resulting from the suppliers tended to have been caused by Cosalt. MASSON (1990) discusses the role of vendor rating in what he terms "short term shopping around regimes" under which the purchasing firm selects its suppliers mainly on the basis of price competitiveness. According to MASSON vendor rating "simply causes the user company to more or less exclude all the available vendors because of their poor quality and delivery performance."

Above we have covered a variety of concepts, ideas and methods that, broadly speaking, fall under the heading 'supplier development'. This may be considered to be a new paradigm for customer and supplier relationships as explained below.

2.12 A NEW PARADIGM FOR CUSTOMER-SUPPLIER RELATIONSHIPS

2.12.1 Introduction

Research carried out by ASHKENAS (1990) suggests that relationships between customers and suppliers for much of the past century may have to be recrafted. His work examines the old assumptions with their limitations and goes on to suggest a new set of assumptions - a new paradigm to steer companies through the 1990's and beyond. WELCH (1990) the Chairman of General Electric writes of his company "Our dream for the 1990's is a boundaryless company where we knock down the walls that separate us from each other on the inside and from our key constituencies on the outside".

2.12.2 The Customer Value Chain - A Traditional Paradigm

Most companies are part of a supply chain acting both as customer and supplier. The overall purpose of this chain

of inter company relationships is to maximise profit by producing higher value than the competition by meeting market needs, low cost, high quality and minimum time to market ASHKENAS (1990). The automotive industry, especially in the west, typically have models requiring 10,000 parts with 75% manufactured by independent suppliers. (WOMACK, JONES and ROOS (1990)).

The traditional view held by participants in this chain has been for each company to maximise its own profitability even at the expense of its customers and suppliers. CARLISLE and PARKER (1989) described the relationship between members in the value chain as a "sophisticated form of haggling in the hope of making their piece of the transactional pie larger than the one received by the other party." The traditional every man for himself view which has lead to the destruction of competitive values such as:

- (i) Strategies and plans are developed independently.
- (ii) Information sharing and joint problem solving is limited.
- (iii) Accounting, measurement and reward systems are separated.
- (iv) Sales force push products on their terms.

(v) Resources are inefficiently used.

2.12.3 Pressures on the Value Chain are making the Traditional Paradigm less Viable

BEST (1990) argues that many competitors in the Far East do not operate in the same adversarial way as the West. He notes "the primary goal of industrial policy in Japan is to promote the entrepreneurial firm, consultative buyer vendor relationships, and inter-firm associations ". These companies have extensive co-operative arrangements and as a result are often able to produce better products faster than the West with less cost.

BEST goes on to argue that it is dangerous to take isolated parts of the Japanese philosophy, for example, J.I.T. He describes an example of how this could go wrong - J.I.T. "becomes an instrument for parent firms to shift the cost of holding stock to suppliers firms." If some of these suppliers cannot support the cost of this stock holding they may collapse and hence weaken the overall chain. SENGE (1990) calls this "shifting the burden". DREYFUSS (1988) believes this going alone approach of companies does not work and refers to the study cited in "FORTUNE" noting that while 85% of the companies surveyed did have quality improvement programmes, fewer than one third reported any improvements in quality.

2.12.4 A New Paradigm is Needed

CARLISLE and PARKER (1989) suggest that to increase overall competitiveness companies will need to take a holistic approach concentrating on the profitability and continuing vitality of the value chain as a whole. The authors' description of this new paradigm states: "if customer and supplier firms can recognise their common ground in a shared interest in capturing the consumer sale which actually nourishes them both, it should be possible for them to work creatively and effectively together to capture that sale for 'their' product". KOTLER, FAHEY and JATUSRIPITAK (1985) believe this kind of perspective becomes more and more critical when companies face new competition whose strategies for winning are based on customer service, quality, cycle time and constant innovation rather than cost and technical excellence alone.

The above view of a more co-operative and systemic paradigm leads to a different set of assumptions as to how customer-supplier relationships should be managed:

- (i) Business and operational planning should be co-ordinated.
- (ii) Information should be shared and problems jointly resolved.

(iii) Accounting, measurement and reward systems must be consistent. SULLIVAN, BOBBE and STRASMORE (1988) quote an example of this with P.P.G. Industries Fibreglass who have their suppliers sales representatives working with their distributor sales people to establish sales goals and targets.

(iv) Sales should be a consultative process.

(v) Resources should be shared.

a comparison between Cosalt's supplier development programme and the suggested new paradigm is given in Figure 5.

	NEW PARADIGM	COSALT'S SUPPLIER DEVELOPMENT PROGRAMME
(i)	Business and operational planning should be co-ordinated.	Cosalt advises all suppliers of its budget volumes, 3 month production of trends and a 4 weekly fixed programme.
(ii)	Information shared and problems jointly solved.	Cosalt's programme closely matches this approach.
(iii)	Accounting, measurement and reward systems should be consistent.	Cosalt's programme has some considerable way to go in this area.
(iv)	Sales should be a consultative process.	Again more could be done in this direction.

	NEW PARADIGM	COSALT'S SUPPLIER DEVELOPMENT PROGRAMME
(v)	Resources should be shared.	Cosalt's programme favours this approach - much sharing of resources has taken place e.g. Manor House.

Figure 5. A Comparison between Cosalt's Supplier Development Programme and the Suggested New Paradigm

2.12.5 Barriers to the New Paradigm

Whilst the new paradigm looks to be based on common sense several writers have suggested possible barriers. THURLOW (1985) discussing U.S. competitiveness compared with Japan suggests that the anti trust structure of cross company collaboration has out lived its usefulness. Inter company mistrust may also be a barrier, but as IMNI (1986) points out the relationship between Japanese suppliers and customer is based on more trust and co-operation than the typical relationships that exist in the West.

2.12.6 Closing the Gap - The Challenge for Human Resources

BEST (1990) argues very strongly that the North American companies will not be able to compete unless they move in the direction of "consultative relations" between customer and suppliers. SCHAFFER and COHEN (1991) suggest that managers will have to step up their consultation and

leadership role to close the gap between the old and new paradigm. Some North American companies have started to go in this direction - DEUTSCH (1991) quotes the Chief Executive of General Electric J.P. Banghman as saying "we have shifted our emphasis from transactions to relationships - that means feeling we and the customer are part of one system, not two." HAYES (1991) quotes the example of Ford Motor Company having aggressively introduced its Q1 quality process in order to create an integrated network of high quality component supply. ASHKENAS suggest that when line management has begun to see the potential benefits of the new paradigm relationships with customers and suppliers, meetings need to be held between customers and suppliers. ASHKENAS believes human resources can play an important role in planning, organising and facilitating working sessions in which these dialogues can take place. These meetings would be very similar to the Advance Quality Meetings suggested by DALE and LASCELLES and carried out by the operational managers in Cosalt Holiday Homes and its supplier base. JICK (1990) suggests that managers from different companies would come into the meetings with different values, attitudes and expectations. JICK goes on to say skilful facilitation will be critical to help everyone listen effectively, to put aside mistrust and the withholding of information and find common ground for action. There is much similarity between the suggested approach of JICK, ASHKENAS, and DALE & LASCELLES - and is also consistent with the experience of Cosalt Holiday Homes in the practice

in their supplier development programme.

2.13 SUPPLIER DEVELOPMENT AND INFORMATION TECHNOLOGY

2.13.1 Introduction

HENDERSON (1990) of the Sloan School of Management, studied the concept of building partnerships as a management strategy based on the need to use information systems in an increasingly complex technological infrastructure. HENDERSON suggests that in today's competitive world the effective use of information technology (I.T.) is crucial. We will now examine HENDERSON et al's research findings to examine how competitive advantages have been obtained.

2.13.2 I.T. and the Competitive Edge

CASH and KONSYNSKI (1985) believe there is a common use of I.T. to improve co-ordination of the activities across organizations that are critical to the delivery of goods and services to the market place, but add that they did not believe that the companies had gained an advantage by I.T. alone.

ROCHART and SCOTT-MORTON (1984) cite the case of a company that changed both its internal operations and its

relationships with its customers in an effort to maintain a competitive edge over large integrated pharmaceutical companies. ROCHART and SCOTT-MORTON argue that effective internal integration across value added functions are key to inter-organizational information systems (I.S.) implementation. Other researchers, for example, KONSYNSKI and WARBELOW (1989), and SCOTT-MORTON (1990), make the point that the use of information technology linkages between organizations may only "speed up the mess" if a fundamental restructuring of the nature of work in organizations is not achieved. HENDERSON and VENKATRAMAN (1989) suggest that senior managers should learn how to integrate information technology into every aspect of their organizations. HENDERSON suggests that one way of achieving this level of integration is to decentralize the information systems organization, placing the responsibility of the I.S. function directly under the general manager of the strategic business unit. However, KEEN (1986) argues that such decentralization may increase the cost of co-ordination for telecommunications or data resource management. CURLEY and HENDERSON (1989) claim that investment in I.T. does not necessarily mean there will be any competitive advantage. The failure to see any advantages materialise appears to stem from the organization's inability to integrate and use the management of the technology into the mainstream of the firm.

MUMFORD (1981) postulates that strategies for managing

the development and operations of information technology are often grounded in participating decision making/problem solving theory. KLING (1980), argues that a social-political perspective provides an important paradigm for understanding the effective management of information technology. In a similar way MARKUS and PFEFFER (1983) argue that theoretical perspective for managing information technology should also take into account the importance of power and influence. WILSON (1989) focused his research merely on the partnership concept with suppliers where the term 'partnership' is used to describe a working relationship that reflects a long term commitment with a sense of mutual co-operation, sharing the risks and benefits which is very similar to the comakership concept described by DALE and LASCELLES.

2.13.3 The Partnership Concept

JOHNSTON and LAWRENCE (1988) carrying out a study of the use of value added partnerships as a competitive strategy by Italian firms, show how these firms achieved a superior performance by working closely together to manage the flow of goods and services along the entire value chain for an industry. These authors also point out that information technology increases the opportunities to use corporate strategies to reduce costs or improve performances in many different markets. STERN and REVE (1980), and AXELROD (1984) hold similar views. AXELROD believes that

effective co-operation requires an explicit "tit for tat" process that clearly penalises a party for non co-operative behaviour. STERN and REVE (1980) depict such exchange relationships both in terms of the rational, economic motive of the parties and the social-political processes reflected in the working relationship. GARDINER and COOPER (1988), describes his model of partnership as needing a long term foundation as well as tactical means to achieve effective operational performances.

2.13.4 Mutual Benefits of Partnering

The mutual benefits described by HENDERSON (1990) are:

- (i) Financial returns directly attributable to the actions taken by the partnerships.
- (ii) Process and product innovation.
- (iii) Risk sharing.
- (iv) The ability to create a positive working environment.

Let us now discuss the value of vendor rating systems.

2.14 VENDOR RATING SYSTEMS

LASCELLES and DALE (1988) remind us that there is a wealth of literature available on the use of evaluation or rating systems in managing the supplier base. GROOCCOCK (1986) and BACHE (1986) in their research into purchasing and quality management found no correlation between ratings awarded to suppliers and their actual performance.

LASCELLES and DALE argue that supplier development requires a radical shift in the supplier customer relationship. LEVITT (1983) compares the relationship between industrial buyers and sellers as a marriage. A number of researchers offer evidence to support the notion that vendors will perform better for certain customers, and suggest this is an important reason for shifting from the traditional adversarial customer-supplier relationship. Both BROKAW and DAVISSON (1977) and FELDMAN (1984) state that suppliers can and do allocate resources to their customers based on their preference for dealing with them. In conclusion, it is felt that further research into vendor evaluation or rating system would be outside the brief of this dissertation.

2.15 OBSERVATIONS OF SUPPLIER-BUYER RELATIONSHIPS IN JAPAN

ISAAC (1990), when studying supplier development in Japan, made a number of observations.

The companies visited were:

OMRON	-	electronics company
ITORI	-	office furniture manufacturer
TOTO	-	sanitary ware and bathroom
NISSAN	-	car manufacturer
NATIONAL PANASONIC	-	electronics
SUNTORY	-	a brewery
DAIMEN	-	welding equipment
JUSE	-	Japanese Union of Scientists and Engineers

The main points to emerge from the visit to the above companies are summarised below:

- (i) A need to constantly improve the all important communications between customer and supplier.
- (ii) Price is considered negotiable but product and service quality are not.
- (iii) Effective supplier development requires purchasing to treat suppliers as long term business partners.
- (iv) Demanding customers are the prime motivation for long term quality improvements.
- (v) The use of long term purchasing contracts.
- (vi) Reduction of the supplier base and the inspection of purchased components.

Whilst the above is a brief report of the supplier development approach of a number of Japanese companies, it can be seen to be very similar to the supplier development programme initiated by Cosalt Holiday Homes.

2.16 A MODEL FOR CUSTOMER-SUPPLIER ALLIANCES

2.16.1 Introduction

BURDETT (1991) suggests that strategic customer supplier alliances can provide a new approach to marketing.

In the present complex world of business BURDETT postulates that the forces of change combine to create a whole host of new inter company relationships. SETHURAMAN, ANDERSON and NARUS (1988) note that pushed by international competition, companies are seduced and sometimes bludgeoned into what are sometimes intricate alliances which are invariably more difficult to get out of than into. KANTER (1989) points out three such alliances:

- (i) A multi-company service alliance.
- (ii) A joint venture, a phase that found many variations in the 1980's MODIC (1988).
- (iii) Stake holder alliances - a new approach to customer-supplier relationships.

However, strategic alliances are not new. Toshiba started such relationships in 1906. BOWERSOX (1990) argues that customer-supplier alliances are an entirely new way to think about business partnering and arguably a new way to think about marketing. BOWERSOX claims that this new type of business partnering could be described as a revolution in basic relationships. The driving force behind these new forms of customer supplier relationships have their origins in three areas:

- (i) Globalization.

- (ii) The paradox between globalization and local buying patterns.
- (iii) Increased competitiveness at a domestic level.

The global issues are built around the high cost of raising capital to operate on an international scale. The paradox between global and localised factors has an even greater impact on the need for new relationships. On the one hand we have what OHMAE (1989) calls Californiasation with its common images of lifestyle communicated through the American pop culture, creating a world wide demand for some products. Whilst, on the other hand, according to LYNCH (1990), markets are fragmented by custom, historic preference, lifestyle and socio-economic grouping. This in turn would create, according to RUGMAN, VERBEKE and CAMBELL (1990), a need for multi internationals to act globally whilst thinking locally, in partnerships with suppliers who have the capacity to act locally and at the same time fully understanding the global context of their customer's business. Although globalization is refuelling many of the customer supplier alliances (C.S.A.'s), the domestic organizations are also finding strategic alliances an appropriate response to increased levels of local competitiveness.

2.16.2 Outside-in Versus Inside-out Management In C.S.A.'s.

LEVITT (1960) postulates that in any commercial relationship nothing beats keeping the customer happy, stating that "industry is a customer satisfying process, not a goods producing process". The dilemma being that maximising customer satisfaction demands an entirely different focus to say cost cutting. The latter is an inside-out approach where the cost of production is the critical issue. Maximising customer satisfaction, according to MORGAN (1988), is an outside-in process, driven by innovation and a desire to satisfy the short and long term needs of a customer at a profit. When suppliers listen to the customer, quality and service inevitably rank higher than cost. The link between C.S.A.'s and outside-in management becomes evident when the extent to which C.S.A.'s give organizations an opportunity to better understand the value chains within the business and to understand better the real value as opposed to invoiced price. QUINN, DEORLY and PAQUETTE (1990), in their research determined that organizations that understood this "build their strategies not around products but around deep knowledge of a few core service skills. The company strips itself down to the essentials to deliver to the customer the greatest possible value from its core skills, and outsources as much of the rest as possible."

2.16.3 C.S.A.'s - Analogy to Marriage

BURDETT argues that having a model in any change process is significant. BEER (1986) also endorses the need to define ahead of time in a systematic way the critical linkages and/or the steps involved. One potential model is that of an executive joining a new company. The parallel is valid in that the factors are much the same: culture, leadership, boundaries management, networking, constituency building and goal setting. GABARROL (1985) in his research outlined five stages in the induction process:

- (i) Taking hold.
- (ii) Immersion.
- (iii) Reshaping.
- (iv) Consolidation.
- (v) Refinement.

GABARROL argues that these stages make a sound framework for outlining the critical steps in a partnership. One of the critical issues at each stage of building alliances is that an alliance may spread the risk but it can also reduce the pain when the downstream alliance partner suffers through a soft market. But LYONS, KRACHENBERG and

HENKE (1990), point out that the corollary to fewer suppliers is fewer customers. DEVLIN and BLEAKLEY (1988) claim that long term relationships demand a level of stability from within both organizations in an alliance, if the long term benefits are to be achieved. Stability in high calibre management is, in particular, difficult to achieve when taking into account issues of early plateauing and the reality that those who excel in partnership assignments are likely to be highly sought after, either elsewhere in the organization or by others seeking to form similar alliances.

HENDERSON (1990) argues that the alignment between the customer and supplier represents a stage in the relationship where interpersonal bonding gives way to the early integration of information systems and processes, and where the supplier's resources have to be re-focused around the customer's needs and strategy. (MYER, 1989).

BLOCK (1987) postulates that partnering has a significant impact on the relationship a company has with the outside world. Also, the impact an alliance has on the dynamics within an organization. Union/management relations for example can no less lay behind the value implications of customer-supplier mutuality, than can the relationship which downstream provides to the supplier. We will now continue our review of the supplier development literature by examining the recent research carried out by the British

Deming Association.

2.17 BRITISH DEMING ASSOCIATION

2.17.1 Introduction

Supplier development research carried out by the BRITISH DEMING ASSOCIATION (1993) focused on four major interrelated areas with win-win between both supplier and customer the ultimate aim. The four areas are:

- (i) Management style.
- (ii) Communication.
- (iii) Alternative customer or supplier.
- (iv) Measurement.

The research group was set up to explore point 4 of DEMING'S philosophy to "End the practice of awarding business on the basis of price tag. Instead minimise total cost. Move towards a single supplier for any one item, on a long term relationship of loyalty and price".

Each of the above four areas are examined in turn.

Let us now consider management style.

(i) Management Style

NEAVE (1990) makes the point that most of DEMING'S 14 points require changes only in the internal workings of an organization, but the fourth point does require radical changes in which the suppliers operate if they want to continue in business with that organization. CARLISLE and PARKER (1989) argue that the management style that will encourage a win-win relationship is a learning rather than a knowledge culture. The authors claim that the management style will insist on data being collected to aid decisions and will be well trained in people coaching. The research group found that the element of fear created by the reduction of the supplier base can lead to a driving force for change but there are risks which can be minimised by good communication so that the customer can see what the supplier is doing to improve their processes. Also, the customer organization must concentrate on the reduction of total cost in use and avoid driving the supplier to focus on reducing sales cost. The research group go on to say that demonstration of the total cost achieved by the new approach will ensure the continued use of the win-win relationship.

(ii) Communication

The research group state that supplier development relies heavily on communication for achieving win-win situation but also make the point that both parties often do not know how to communicate. The group argue that good communication follows the process rather than the hierarchy of the functions. The findings of the group suggest that good communication systems develop simple contracts between customers and suppliers at all levels (similar to the operational manager approach of Cosalt's advance quality meetings) and are created by asking the questions "what is required of me by my customer?", and "what can I do to help my customer?". Another finding was that it is important to be open with a customer if deadlines cannot be met. DEMING (1988) reminds us that if a fear of retribution exists in a company, then the consequence is poor specification and the customers' requirements will not be met.

(iii) Alternative Customer or Supplier

(a) Alternative Supplier

If an alternative supplier is necessary, DEMING argues that a particular approach is required if

a win-win relationship is to be developed. DEMING suggests that the alternative supplier should be treated with equal favour and not as 'second best'. This supplier should be treated in an open and honest way and made aware of the circumstances in which his product or service is required. It is also suggested that competition between the usual supplier and the alternative supplier should be avoided.

(b) Alternative Customer

The research group found that the factors crucial to an alternative supplier win-win relationship apply equally to the development of an alternative customer win-win relationship with the supplier with both the regular and alternative customer to satisfy both at minimal cost.

(iv) Measurement

In a good measurement system managers will understand their processes and also those of their customers. The managers will have identified:

(a) Their customers.

(b) The services and products provided to those

customers.

- (c) The main concerns relating to those services and products.

The research group suggest a proactive strategy is established for listening to the customer, not relying solely on customer complaints. The group also advise the use of deployment flow charts to establish all the customers of a process and the relationship of those customers with other parts of the system.

2.17.2 Conclusion

The group concluded that the benefits multiply by working on all of the above four areas rather than one in isolation and the effect is illustrated in the following Figure 6.

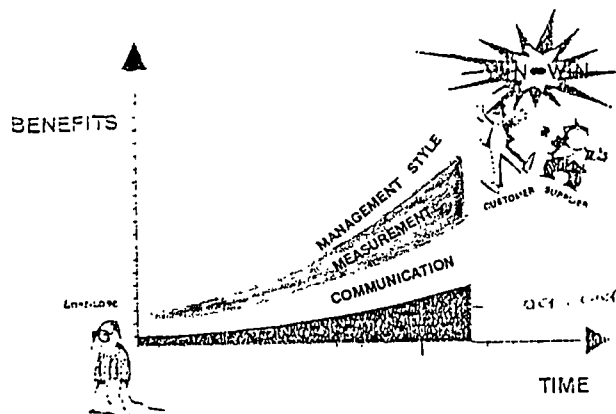


Figure 6. FROM WIN-LOSE TO WIN-WIN

Source : TQM Magazine Oct. 1993.

Let us now consider some recent developments in supplier development discussed in the CHARTERED INSTITUTE OF PURCHASING AND SUPPLY CONFERENCE (1994) (C.I.P.S.).

2.18 PROCEEDINGS OF THE INSTITUTE OF PURCHASING AND SUPPLY CONFERENCE 1994

2.18.1 Introduction

Addressing the 1994 C.I.P.S. Conference in London, SYSON made a number of observations as to how he saw recent developments in supplier development. His observations are as follows:

- (i) SYSON (1994) distinguishes between long term contracts and partnership sourcing. Long term contracts develop into partnership sourcing when the supplier invests in machinery specifically for the customer and in so doing share the risks involved and also possibly fund research and development costs with the customer.
- (ii) SYSON also suggests that there may well be a role in supplier development for the approach taken by SENOR LOPEZ latterly of the car manufacturers Volkswagen. LOPEZ'S approach was to confront the suppliers in an adversary manner demanding

considerable reductions in the cost of purchasing components, or alternative suppliers would be given the work. LOPEZ would appear to be justifying his actions in times of recession arguing that everyone involved in automobile manufacture should have to share the burden when necessary. LOPEZ appears to be saying long term strategies are fine providing there is a long term. The author of this dissertation experienced a similar, but less dramatic experience in Cosalt in 1993. All the suppliers were told that due to the depressed state of the market price increases simply would not be entertained. This approach taken by Cosalt does not appear to have had any detrimental effect on the relationships with the supplier base.

2.18.2 Conclusion

Whilst there is a marked difference between the approach taken by LOPEZ and that taken by Cosalt, there does seem to be a case for suggesting that desperate situations require a change in direction when the situation justifies such action. The suggested approach by the author would be similar to the one taken by Cosalt in explaining the situation to the suppliers but expecting their co-operation for everyone involved to survive.

2.19 GUIDELINES ON CUSTOMER-SUPPLIER PARTNERSHIPS
IN THE UNITED KINGDOM (U.K.) AUTOMOTIVE
INDUSTRY

The Society of Motor Manufacturers and Traders (S.M.M.T) (1994) published and recommended guidelines for partnerships in the motor industry.

2.19.1 Purpose

The purpose of the guidelines is to define the fundamental principles on which to build relationships for the automotive industry in the U.K., within which customers and suppliers can work together to achieve and maintain best-in-class performance.

2.19.2 Partnership

These guidelines concentrate on the core elements which are:

- (i) A consistent understanding and adoption of the philosophy of partnership by all functions in all companies in the customer-supplier interface.
- (ii) Management of relationships - facilitated by a reduction of the supplier base.

- (iii) Commitment to continuous improvement and shared benefits.
- (iv) An open exchange of relevant information.
- (v) Complete understanding of the real costs in both parties - opportunities for improvements should be identified.
- (vi) Establishment of common objectives focussed on customer needs.
- (vii) Establishment of world class targets through benchmarking and clear performance evaluation.
- (viii) Agreement on a checklist to evaluate the capability and performance of a supplier.
- (ix) An agreement or understanding. Both parties should independently and freely decide the type of arrangements entered into.
- (x) Accurate forward forecasts and continual dialogue to update.
- (xi) Early involvement in new projects.
- (xii) Combined resources to tackle problems.

The S.M.M.T. Executive Committee summarised by saying that the fundamental principles are that by working together in an open and trusting environment, with a recognition of the needs of the purchaser of the article, can bring success and prosperity to all parties.

2.20 DEVELOPING CUSTOMER-SUPPLIER RELATIONSHIPS

As we continue with our review of the supplier development literature we will now examine the research carried out by MACBETH, FERGUSON and NEIL (1992).

2.20.1 Introduction

The research of MACBETH, FERGUSON and NEIL focused on the factors involved in relationships between buyers and suppliers and how they may be improved by measuring current relationships and then suggests action for mutual improvement. The authors' research studied a wide cross section of buyer and supplier companies in the electronics and mechanical industries.

2.20.2 Research Findings

As a result of their research the authors developed what they described as a Positioning Tool (P.T.). The Positioning Tool is a technique which measures the relationship between the buyer and supplier, identifying the

strengths and weaknesses in the customer supplier relationship, enabling the creation of a joint agenda for improvement. The philosophy behind P.T. is rooted in total quality, waste elimination, continuous improvement and supply chain partnering. The P.T. is based on a relationship model (Figure 7).

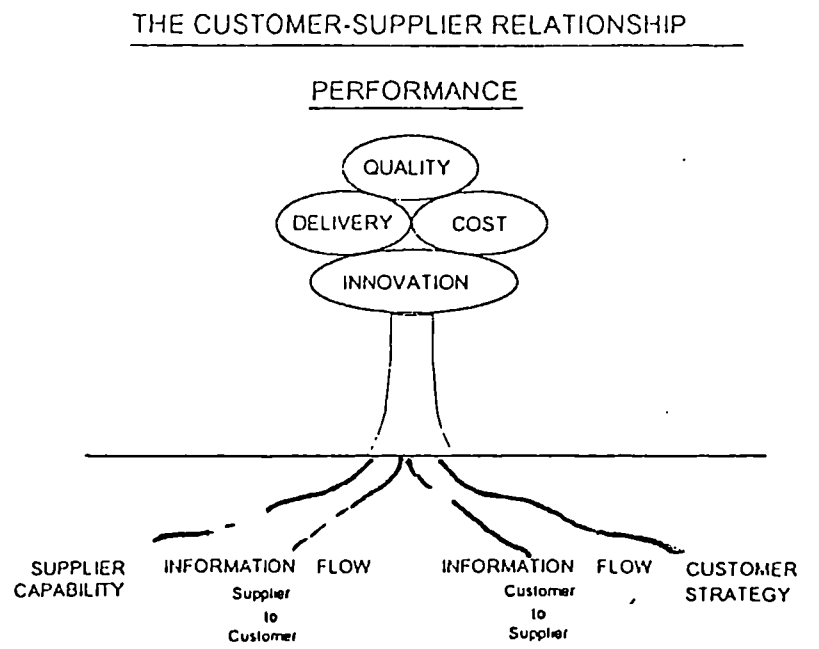


Figure 7. THE POSITIONING TOOL MODEL

Source: Purchasing & Supply Education & Research Group 1992.

As the leaves on a tree can indicate its overall health, the PERFORMANCE elements of Quality, Delivery, Cost and Innovation provide historic evidence of the general health of the relationship. Adverse variations from targets for Quality, Delivery and Cost with respect to supplied goods

are unwanted wastes and indicate weaknesses in the Performance of the Relationship. Similarly, the Relationship has to be effective in a way which ensures that continuous improvement through innovation of the supplied goods takes place. However, the health of a tree's leaves, now and in the future, is dictated to a certain extent by the strength of its root system. Similarly the P.T. model shows that PERFORMANCE, now and in the future, is influenced by four major contributory factors, divided between the customer and the supplier.

The potential of the relationship to meet present and future demands with respect to quality, delivery, cost and innovation is therefore dependent on:

- (i) The strategy developed by the customer measured in terms of attitude adopted by the supplier.
- (ii) The capability of suppliers to provide goods/ services at the right quality, right time and the lowest cost.
- (iii) The customers ability to generate a flow of information.
- (iv) Suppliers ability to create a flow of information to the customer.

GENERATING THE P.T. SCORES

Two questionnaires are generated, one for the customer and one for the supplier, gathering over 300 pieces of data. Each piece is scored against the best practice: The results are then fed back to the individual companies.

2.20.3 Conclusion

The most significant effect of the P.T. is that it brings both the customer and supplier together to enable the process of improvement to begin and does not appear to take up too much time on the part of the operational managers involved.

Following our review of the supplier development literature we will now consider the grounding of a supplier development strategy.

2.21 THE GROUNDING OF A SUPPLIER DEVELOPMENT STRATEGY

BEVAN (1989) emphasises conclusions evident in the review above. This provides a useful summary. She postulates that the management of change with respect to comakership falls into two main areas.

- (i) **CHANGING ATTITUDES** and gaining commitment from suppliers, staff and other people in the company who must be persuaded to adopt a new approach in their dealings with each other.
- (ii) **CHANGING PROCEDURES AND PRACTICES** which are historical (i.e. communication and control procedures like scheduling, source selection and contract terms and conditions).

Building on this, a supplier development programme has been suggested by DALE and LASCELLES (1988). A main principle that underlies their approach is to tackle the need for changing attitudes and procedures. Seven stages were advocated as follows:

- (i) Establish and articulate programme objectives.
- (ii) Set priorities for action.
- (iii) Identify key suppliers as potential long term partners and make plans to reduce supplier base.
- (iv) Assess the capability of suppliers to meet purchase requirements.

- (v) Engage in advanced quality planning with suppliers.
- (vi) Formally recognise suppliers which achieve preferred status.
- (vii) Develop an on-going quality improvement relationship with suppliers based on a free exchange of information.

BEVAN and DALE and LASCELLES, provide what we consider to be a grounding for the Cosalt supplier development strategy. It was on the basis of these ideas that we launched our own programme of action research. Let us now conclude the review.

2.22 CONCLUSIONS

The main theoretical ideas draw our attention to three key issue areas; attitudes, communication and control. Each of these areas has a well developed literature that has not been drawn upon in the comakership literature. Furthermore, practical work has usually focused on large company models (e.g. Lucas, Nissan, Rank Xerox, Ford, IBM, Jaguar and TI Rayleigh). There is a notable paucity in efforts relating to small and medium sized companies such as Cosalt Holiday Homes. Overall, the theory and practice on supplier development was found to be insufficiently developed for our

purposes. Cosalt therefore took up the challenge to develop its own strategy, taking a start from the lessons provided above.

To start, the literature review was approved and from it some commonly occurring and fundamental principles have been extracted. The following grouping of fundamental principles structure and summarise our findings. They also act as a link between the above review and later chapters. There are 9 principles that assess the value and utility of supplier development to take forward.

The 9 principles of supplier development are derived from the three key issue areas; attitudes, communication and control. Some of them show more than one facet as discussed below:

(i) HOLISTIC - (the umbrella principle)

Optimum business performance demands a holistic approach to quality involving the customers, the SME's people and processes and also the supplier base. The involvement of the supplier base is essential.

(ii) EMPOWERMENT (attitudinal and control)

Empowerment is absolutely necessary if operational

managers between customer and supplier are to cooperate to identify and solve problems between the two companies. Operational managers are the people whose job is to make things happen.

(iii) COMMUNICATIONS (communications)

Communications will be vital to successful supplier development - lack of communications is one of the major obstacles to poor quality between companies.

(iv) CONTINUOUS IMPROVEMENT (communication and attitudinal)

World class companies seek continuous improvement and so it is argued that companies seeking world class status should also very actively seek continuous improvement.

(v) MUTUAL BENEFIT (attitudinal)

Any partnership will not flourish if the perceived benefits are one sided. A win-win situation should be the aim of both customer and supplier.

(vi) ATTITUDE (attitudinal)

It is the responsibility of management to ensure the right environment is created for co-operation to flourish i.e. attitudes must be shaped accordingly.

(vii) NEGOTIATION (control and attitudinal)

A negotiation based approach will be necessary for SME's since they do not have the clout of the larger companies. It is suggested that this style is necessary, any way, to encourage a co-operative atmosphere between the SME and its supplier base.

(viii) GOOD MANAGEMENT (attitudinal)

Good management, commitment and common sense must be fundamental to supplier development as they are to any other organizational group. Good management would show leadership to encourage empowerment, motivation, be non bureaucratic and also encourage the OUCHI's Theory Z culture. The optimum structure for good management would be flat.

(ix) LONG TERM BUSINESS PARTNERSHIPS (attitudinal)

One of the most important fundamentals of supplier development is to treat suppliers as long term business partners. Without such a commitment the author of this dissertation doubts if suppliers would take a quality improvement programme such as supplier development seriously.

We will now examine what aspects of management best suit supplier development as reviewed and summarised in this chapter. Complementary ideas between supplier development and management theory can be located to establish which are necessary for the initiation and implementation of supplier development. In other words, the next chapter links the fundamental principles of supplier development to the literature on management theory, thus making a coherent theory in its own right. This prepares the way for methodological work that constitutes the remainder of the thesis.

Chapter 3.

MANAGEMENT AND ORGANIZATION THEORY REVIEW**3.1 INTRODUCTION**

The previous chapter was concerned with reviewing the literature written about supplier development. This chapter progresses one further step by examining key areas of Management and Organization Theory to establish those aspects that will best enable a supplier development programme to be managed. The following topics will be considered: organizational design, leadership and management styles, motivation, and organizational culture. The principles of supplier development derived in Chapter 2 will then be interpreted according to our findings in these key areas of management and organizational design. Our research will show there is no rigorous supplier development management theory. No one has attempted to create a management theory for supplier development and hence there is a gap in knowledge. We will construct a management model to justify and validate management action during implementation.

3.1.1 Organizational Design

We will explore various theories about organizational design to establish which of these are suitable for supplier

development. In particular we will focus on the modern argument that a 'flat organization' is most suitable for organizations today; and particularly for management approaches such as supplier development where attitudes, communication and control are key issues and, it is argued, is facilitated with this type of structure. We will examine both flat and tall structures and consider the merits of each one.

3.1.2 Leadership and Management Styles

In this section we will assess leadership and management styles which are most appropriate for supplier programmes. The main issues are attitude, communication and control.

3.1.3 Motivation

Methods for motivation have been formulated, with the aim of improving the performance of people in the workplace and the organization as a whole. The same general drive can be found in the literature of supplier development. Motivation theories will therefore be examined to uncover which ones dove-tail with the thrust of supplier development.

3.1.4 Organizational Culture

Organizational culture is said to play a vital role in supplier development. Organizational culture and supplier development both focus on attitudes and the way organizations carry out various business activities. It is therefore important to understand the culture of organizations and to establish how attitudes can be changed to help to achieve successful implementation of supplier development. Let us now consider organizational design.

3.2 ORGANIZATIONAL DESIGN

A review of the management and organizational theory is given in Appendix I.

We will now consider organizational design under the following headings:

- (i) Overview, with the aim of summarising the key factors of the literature that may be of use to supplier development.
- (ii) Author's practical experience with the aim of establishing the key features of management practice which have been experienced and which may be relevant to our study of supplier development.

This method will be repeated in each of the 4 sections of this chapter.

3.2.1 Overview

WEBER suggests that his bureaucracy model of rules, specialisation and impersonal relationships was an ideal organization structure leading to optimum efficiency. Specialisation or hierarchy certainly can lead to organizational efficiency but equally so can have a very negative effect on communications. LUTHANS (1989) makes the point that rules all too often become ends in themselves and do not necessarily make an organization more efficient. A further suggestion of LUTHANS was that decentralized flat structures, departmentation and staff organization were developed to extend and modify the pure classical principles of bureaucracy.

Modern organization theory has grown from a systems approach as well as information processes and the contingency approaches. The systems theory takes the external environment into account whilst information processing pays due regard to the information flow in a company. The contingency theory pays specific attention to the environment by relating it to organization design.

The project and matrix structures represent a significant departure from WEBER'S model and have been

designed to meet changing needs. The classical ideals of bureaucracy such as unity of command and equal authority and responsibility are opposed by the more modern project and matrix systems. The literature would suggest that the new designs in general, particularly in information processing and the contingency concept, have already proved themselves valuable to become part of modern organization theory and practice. (KOLODNY, 1981).

3.2.2 Author's Practical Experience

WEBER'S bureaucracy model in the author's experience represents many of the features that have plagued British management for many years. Each layer of management must be supervised by one above. But management do not need to be closely supervised as WEBER suggests. The senior managers/supervisors can act more like a team leader or coach. Empowerment is essential to tap the huge reservoir of experience and knowledge existing in all organizations. The rigid control suggested by WEBER would tend to stifle the beneficial effects of empowerment.

Bureaucracy does not allow for personal development. Communications are much more efficient with a flatter type structure and also more cost effective since extra layers of managers are no longer required. The concept of the internal customer - so important to a TQM programme - is lost in a bureaucratic structure with its rigid approach to

control and authority.

MCGREGOR'S Theory Y supported the author's experience. People tend to be more motivated and self controlled when they are given responsibility and not closely controlled. The "staff concept" with its somewhat elitism approach in the author's experience is becoming obsolete with a tendency for British industry to behave more like the Japanese (i.e. communal canteens, all monthly paid, no clocking on/off etc.). Finally, the author has found the more modern project and matrix organization design suitable to modern day management where "persuasion" is used for the team to become effective.

Following our discussion on organizational design we will now consider leadership

3.3 LEADERSHIP

We will now consider leadership further under the following headings:

- (i) Overview

- (ii) Author's Practical Experience

3.3.1 Overview

HANDY in his book "The Gods of Management" (1991) reports that an examination of a variety of organizations operating in the U.K., ranging from craftsmen, local community schemes, welfare organizations to chemical companies and motor cycle manufacturers, reveals that the successful ones were always led by a charismatic energising figure. The examination also shows that the power of the leader seldom stems from ownership, but from personality, ideas and initiatives. HANDY further argues that organizations of consent have to be led not managed. A criticism of contemporary organised society levelled by HANDY is that it is over managed and under led. HANDY suggests that the leader should be one of the gang, different only in his personality, his attitudes and the way he works, operating on power granted to him as a leader, but depending always on his colleagues for their consent.

MONTGOMERY defined leadership with his well known quote "The Leader must have infectious optimism -The final test of a leader is the feeling you have when you leave his presence after a conference. Have you a feeling of uplift and confidence?".

PETERS (1982) in his book "In Search of Excellence" postulates that the role of the manager is changing to become more of a leader. PETERS argues that the previous

view of a manager was that of referee, decision maker, professional. The alternative now proposed by PETERS is that the manager has to be a leader, an enthusiast: nurturer of champions, coach, facilitator and builder. PETERS suggests there are many examples in American industry to support his view e.g. Bill Hewlett of Hewlett-Packard and it is suggested that Sir John Harvey Jones is another example in the U.K.

LASCELLES and DALE remind us that whilst leadership and management are frequently used interchangeably they represent two fundamentally different activities. KOTTER (1990) summarises these differences: management is about coping with complexity whilst leadership is about coping with change. Sir John Harvey Jones in his book "Managing to Survive" agrees with KOTTER'S definition of leadership and goes on to say that the 1990's will see a period of faster change than any other decade. Clearly Sir John is arguing that leadership will play an increasingly important role in the 1990's.

Approaches to the problem of leadership have normally fallen into one of three general headings:

- trait theories

- style theories

- contingency theories.

The background behind these theories are described in Appendix II.

3.3.2 Author's Practical Experience

The author's experience would agree with the following:

- (i) Tendency to favour the view that leadership is growing towards a more supportive style of management and the leader becomes the coach or facilitator.
- (ii) With HANDY and MONTGOMERY in that optimism, enthusiasm, charisma and personality are very important ingredients of good leadership.
- (iii) That leadership has always been crucial to any organization and its role will become more crucial in the 1990's if we accept the view that the rate of change will be greater and the need to successfully handle change will also become more vital. To this end the management of change has become the focus of the management development at the author's company, Cosalt Holiday Homes. In the author's experience autocratic management is on the decline and rightly so since it does not

lead to effective management. Autocracy has always lead to demotivated and alienated staff that are difficult to inspire.

Following our discussion on leadership we will now consider motivation.

3.4 MOTIVATION

We will now consider this topic further under the following headings:

- (i) Overview
- (ii) Author's own experience.

3.4.1 Overview

When the theories of motivation are specifically focused on work motivation, there are several approaches. The MASLOW, HERZBERG, and ALDERFER models attempt to identify specific content factors in the individual (in the case of MASLOW and ALDERFER) or in the job environment (in the case of HERZBERG) that motivate employees. Although such a content approach has surface logic, is easy to understand, and can be readily translated into practice, the research evidence points out some definite limitations. There is very little research support for these models'

theoretical basis and predictability. The trade-off for simplicity offers little true understanding of the complexity of work motivation. On the positive side, however, the content models have given emphasis to important content factors that were largely ignored by the human relationists. In addition, the ALDERFER model allows more flexibility, and the HERZBERG model is useful as an explanation for job satisfaction and as a point of departure for job design. The work of MASLOW, HERZBERG and ALDERFER is examined in more detail in Appendix III.

3.4.2 Author's Practical Experience

As mentioned earlier the author considers motivation to be a powerful tool in any manager's toolkit, but one which is often not used. Everyone is aware of how praise applied to them, albeit sparingly, can be a very powerful motivator. All too often as managers learn their craft as they progress through the management ranks they seem to forget how easily they could become motivated by praise and as a result they tend not to praise.

The author's experience of Japanese companies is that they readily identify with acknowledging performance and achievements of their people and liberally use photographs etc. - we could well take a leaf out of their book. As a board member of my company I encourage managers to keep me advised of individual achievements and performance so that

I can make a point of approaching the people concerned personally.

Following our discussion on motivation we will now consider organizational culture.

3.5 ORGANIZATIONAL CULTURE

Culture will now be considered further under the following headings:

(i) Overview

(ii) Author's Practical Experience.

3.5.1 Overview

Organizational culture, according to SCHEIN (1984), may be explained as a pattern of basic assumptions that are taught to new employees to an organization as the correct way to perceive, think and act on a day to day basis. Some of the important characteristics of organization culture include observed behavioural regularities, norms, dominant values, philosophy, rules and organizational climate.

Dominant culture is a set of values shared by the majority of the organization's members but sub cultures may be shared by smaller groups. Cultures may be strong in some

companies but be weak in others.

Cultures may be created by a founder or top level manager who forms a core group that shares a common vision. This group acts to create the cultural values and climate necessary to carry on the vision. In maintaining this culture enterprises typically carry out several steps such as careful selection of candidates for jobs, on the job experience to familiarising people with the company's culture, rewarding individual performance and finally recognition and promotion of individuals who have done their job well and who can service as role models to new personnel in the organization.

Research carried out by JOINER (1985) and published in the Sloan Management Review has shown that companies are changing their culture to remain competitive. The author has experienced this culture change at Cosalt Holiday Homes. The culture existing some 4-5 years ago was a production driven company where little notice was taken of the customer - in fact if our products were not successful it was assumed by the design team that the customers had no taste. To survive we had to change the culture to one where the company was market driven listening very closely to the customer, then developing production efficiency with small batches, J.I.T., and reduced lead times. Supplier development plays a major part in the effectiveness of this cultural change to ensure the small batch J.I.T. etc.

actually happen. The work of JOINER and OUCHI (1981) shows that the cultural change is becoming more Theory Z in its approach.

Let us now examine the Theory Z approach of OUCHI.

Theory Z is an approach to managing that calls for:

- Consensus decision making.
- Broader participation by the workforce.
- Concern for the well being of employees.

The theory is similar to the approach of Japanese management and in the author's experience has much to recommend the approach to industrial experience. OUCHI helped American management to study the concepts of the Japanese culture and his book "Theory Z How American Business Can Affect the Japanese Challenge" he compared both American and Japanese cultures. As the table below shows Theory Z is really a combination of current American and Japanese approaches to management (see Figure 8).

CHARACTERISTICS	THEORY A (AMERICAN)	THEORY J (JAPANESE)	THEORY Z MODIFIED
Employment with firm	Usually short term - lay off quite common	Usually for life - lay off rare	Fairly long term - develops a semi permanent workforce
Evaluation and Promotion	Quite fast - often tend to go elsewhere	Very slow, - promotion takes years	Slower - more training and evaluation rather than promotion
Career Paths	Very specialised, people tend to stay in one area	Very general rotation of jobs is the order of the day	Job rotation and training to give a better appreciation of the entire organization
Decision Making	By the individual manager	Group decision making	More group decision making and consensus
Control	People know what to control and how to do it	Informal - reliant on trust and goodwill	Informal control procedures
Responsibility	Individual basis	Group sharing	Individual basis
Concern for the Personnel	Concerned primarily with the workers' work life only	Concerned with the whole life of the worker - business and social life	Concern is expanding to include more aspects of workers' whole life

Figure 8. THEORY Z IN ACTION

According to HARRISON (1972) there are four main cultures which are called power, role, task and person. These 4 main cultures are described in Appendix IV.

3.5.2 Author's Practical Experience

In the author's experience one of the major cultural changes to take place at Cosalt Holiday Homes within the last 3-4 years is the one where the company as a whole must change from being a manufacturing driven company to a market driven company. Further examples have been the acceptance by management that the workforce in general have much to offer and this vast reservoir of experience and knowledge must be tapped if a company is to become world class and to survive. The author's experience in this field has seen the introduction of quality circles, kaizen, the reduction of lead times, small batches and cell manufacture. Cell manufacture means that a component on completion of the first operation is moved immediately to the next operation. Hence a finished component is achieved much more quickly than conventional manufacture where the components have to wait until the whole batch has received the first operation before moving onto the next operation. Cell manufacture means that a smaller number of completed components are available for assembly much quicker than a larger batch. J.I.T. manufacture is another initiative which has required cultural changes on behalf of customers and suppliers alike. Supplier development has required a major cultural change by accepting that suppliers are the experts in manufacturing their components and consequently have much to offer if the environment and culture is such that the suppliers

will be consulted when using their products. Training is another example of a cultural change. The change has been one where managers have started to accept that training is necessary to cope with the complexities of the modern manager's role. A further change, although with still some way to go, is the acceptance amongst board members that training is an investment not just a cost or overhead.

As promised we will now interpret the principles of supplier development in terms of organizational design, leadership, motivation and culture.

3.6 INTERPRETATION OF SUPPLIER DEVELOPMENT PRINCIPLES

3.6.1 Introduction

We will now interpret the principles of supplier development in terms of organizational design, leadership, motivation and culture.

3.6.2 Interpretation of Principles - Organizational Design

- (i) To achieve a world class standard through the involvement of the supplier base the approach

must be holistic.

WEBER'S bureaucracy model - this tends to have a narrow span of control and is not conducive to a holistic approach required for supplier development.

Tall and flat structures - a feature of flat structures is the assumption that capable people can work effectively under conditions of independency - more conducive to a holistic approach.

Modern organization design - both the project and matrix design rely on managers possessing a persuasive approach which will be required for the holistic approach for an SME.

- (ii) Empowerment is necessary for the operational managers to work as a team and share knowledge.

WEBER'S bureaucracy model - this would appear to be almost the complete opposite to the empowerment approach and hence would not optimize supplier development.

Tall or flat structures - flat structures would lend more to an empowerment approach since the very nature of less layers of management encourages empowerment.

Modern organization design - the project design whereby the project manager with direct authority would equate with empowerment using

the easier communication route and persuasive style.

- (iii) Communications are clearly essential to any effectively managed organization.

WEBER'S model probably would not encourage good communications. Whilst its rigid control and close supervision of each managerial layer might ensure good communication from the top down the author would severely doubt if this rigid supervision would encourage the very important communication from the shop floor up through the managerial layers to board level. It is thought that effective communications must be two way.

Tall and flat structures - The belief here is that flat structures must facilitate good communications since they do not have the extra layers of management of the tall structures. Whilst each layer should communicate with its associated layers the practice tends to be different. It may be interesting to note that with Investors in People initiative where communications are considered to be so important, Managing Directors have to have quarterly communication meetings directly with the whole company. It is suggested that this approach supports the view that communications through managerial layers is not effective in practice.

Modern organization design - project designs were developed to cater for organizations which need to be more adaptable. Accordingly the project manager needs to have a high degree of negotiative skills as KOLODNY reminds us, and since communication is vital to negotiations their project design must be important to supplier development.

- (iv) Continuous improvement is required by both customer and supplier for optimum effectiveness in supplier development.

WEBER'S bureaucracy model - Continuous improvement relies heavily on empowerment and generally allowing people to do their own job without the restriction of close supervision. WEBER'S bureaucracy would not encourage continuous improvement since his model advocates close supervision at all levels.

Tall and flat structures - flat structures would encourage continuous improvement since by their very nature they rely on people becoming more independent and not wanting or needing close supervision. More delegation and control is given to subordinates in flat structures which in turn will give the right environment for continuous improvement.

Modern organization design - project design and matrix designs are modern developments to cater for the changing needs of organizations - the need for greater adaptability. Whilst this is an improvement the improvement cannot be considered as continuous unless of course the designs are continually looked at and improved.

- (v) Mutual benefit - a win-win situation is to be sought.

WEBER'S Model - Close relationships between operational managers is essential to the win-win target of supplier development. WEBER'S model where impersonal relationships are considered ideal would not encourage a win-win situation. Also, the specialisation associated with WEBER'S model would not encourage mutual benefit since supplier development requires involvement from a range of managerial disciplines.

Tall and flat structures - supplier development requires managers to be more independent and to action their own initiatives without close supervision. If both suppliers and customers adopt this approach then mutual benefit will result. Flat structures where a greater degree of delegation is given will encourage a win-win situation provided the operational managers use their own initiative and optimize the extra

responsibility entrusted to them.

Modern organization design - supplier development is similar to project management in that the operational managers are given full responsibility and authority. If both the customer and supplier adopt this approach then the business performance of both companies will improve and mutual benefit will result.

- (vi) Attitude - A co-operative attitude is necessary for successful supplier development.

WEBER'S bureaucracy model - BENNIS' view of bureaucracies claims that full human resources are not utilized because of mistrust and fear of reprisals. Whilst this is one extreme view it would not encourage a co-operative attitude so necessary for supplier development. The fact that bureaucracy does not allow development as personalities could well be more detrimental to developing a co-operative attitude - it is agreed that the development of personalities will encourage a better attitude to co-operation.

Tall and flat structures - The autonomy given to operational managers in supplier development, assuming these managers to be capable, will offer a wide span of control and give the team a better opportunity to work together. A flat structure will offer similar opportunities and if the

supplier development teams co-operate with each other, as they will need to for optimum effectiveness, then success amongst their team may well spread to the other teams (suppliers or customers).

Modern organization design - Both the project and matrix structures were designed to meet the changing needs of organizations. BEVAN (1989) argued that U.K. manufacturers need to change their attitude to suppliers and copy the Japanese where relationships are much closer and co-operation is much higher. Hence it will follow that the modern project and matrix structures will be effective for handling the changes to say the Japanese approach to its supplier base.

- (vii) Negotiation - this approach is necessary for SME's since they do not have the clout of the larger companies.

WEBER'S bureaucracy model - A negotiative approach is necessary for SME's - WEBER'S model with its rigid control and precise areas of responsibility would not favour the negotiative attitude, internal or external - the bureaucratic structure would be too set in its way to encourage or receive any response to negotiation.

Tall and flat structures - Flat structures with

their wider span of control and greater autonomy will encourage a negotiative approach by the operational managers involved. The argument here is that with the greater autonomy and freedom comes the responsibility of having to get things done through other people. In order to get things done the managers will have to develop their negotiative skills.

Modern organization designs - The reliance on influence and persuasion, fundamental to a negotiative approach, by the modern style project managers will be of clear use in the negotiative style necessary for SME's.

- (viii) Good management - SMITH (1990) states that supplier development success at Nissan is based on good management, common sense and commitment. The author would argue that good management, common sense and commitment are fundamental to any management initiative including supplier development.

In the author's experience good management does not equate with bureaucracy but does equate with flat structures, and the project manager approach where persuasion is freely used. Let us now substantiate the author's views.

- (a) Good management does not equate with bureaucracy. The rigid control, lack of personal development and the reluctance to offer empowerment are the negative features of bureaucracy.
- (b) Flat structures offer greater personal development and allow managers to tap into the considerable reservoir of experience and knowledge available. Flat structures facilitate communications and tend to remove unwanted and expensive layers of management.
- (c) The more effective managers are ones who act as a coach and team captain where persuasion is used - star managers will make their people shine.
- (ix) Long term business partners - a fundamental principle of supplier development.
WEBER'S bureaucracy model - it is argued that bureaucracy does not play any part in establishing long term business partners - it is internal and so cares too little about suppliers or customers.
Tall and flat structures - The better opportunity to work together afforded by the flat structures will create the environment to develop long term partners but only if both suppliers and customers believe in the concept.
Modern organization design - the contingency

theory recognising the need to relate the external environment e.g. the suppliers to the organization design, would equate with long term partnerships. An example of this would be at Cosalt Holiday Homes where the purchasing manager has his title extended to include "project manager Cosalt Holiday Homes supplier development". A further example would be at Nissan, UK., which has their own supplier development team.

3.6.3 Interpretation of Principles - Leadership

- (i) To achieve a world class standard through the involvement of the supplier base the approach must be holistic.

Trait theory - one of the traits mentioned in the research is that of taking a helicopter view - essentially in keeping with a holistic view.

Style theory - the democratic style would seem to favour the holistic approach since the power is shared by the group - which includes the supplier base.

Contingency theories - the style suggested by VROOM, where the problem is shared by the group (including the suppliers), then together the group make the decision would tend to agree with a holistic approach, indicating total participation.

Ambassador role - as an ambassador the leader

represents the group throughout the supplier base and hence will tend to form a holistic approach.

- (ii) Empowerment is necessary for the operational managers to work as a team and to share knowledge. *Trait theory* - self confidence - a factor in the trait theory is necessary to empower managers - without self confidence empowerment is unlikely to happen.

Style theory - supportive evidence of the style theories include subordinate satisfaction.

Contingency theories - the most important of FIEDLER'S findings was that the group should like and trust the leader - this is far more likely to happen if he empowers the group.

- (iii) Communications will be vital to supplier development.

Trait theory - The shortcomings of this theory would suggest that no particular trait would equate with the awareness of the importance of communications.

Style theory - the supportive democratic style where the power is shared by the group would equate with realising the importance of communications - otherwise the group would tend not to function as a group. The authoritarian on the other hand tends not to communicate well - the

author's experience would argue that authoritarian managers tend to give instructions but tend not to listen to their people. Communication is one way only in this situation.

Contingency theories - FIEDLER claims that an effective leadership style occurred when a situation was favourable to the leader i.e.

(a) The leader was trusted by the group.

(b) The task was clearly defined and laid down.

(iv) Continuous improvement is required by both customer and supplier for optimum effectiveness in supplier development.

Trait theory - Again there would appear to be no clear correlation between any of the traits and the need for continuous improvement.

Style theory - Contingency theory would not identify with continuous improvement.

(v) (vi) It is argued that the four principles of supplier development viz. mutual benefit, attitude, the need for negotiation and the establishing of long term partners do not clearly relate to any specific aspect of the various theories of management. The only arguments that could be suggested are general such as taking the

helicopter view will equate with adopting the need for SME's to negotiate but these are considered not to be strong arguments.

- (viii) Good management, common sense and commitment - basis for success in supplier development.

Trait theory - the four main traits mentioned above i.e. intelligence, initiative, self confidence and the helicopter view are conducive to good management. The author would suggest that common sense and commitment are also important characteristics of good management.

Style theory - It is argued that both autocratic and democratic styles have a role to play in good management although not in their extreme forms. An autocratic style may well be necessary when a new quality initiative is to be introduced into a company. In the author's experience at Cosalt Holiday Homes when Quality Control Circles (QCCs) were introduced into the company there was opposition from several stratas of management. The autocratic style was necessary on this occasion to ensure the implementation of the QCC programme. In the main, however, there is much more to be gained by the democratic supportive style where the power is shared and employees are listened to and involved in the running of a company.

3.6.4 Interpretation of Principles - Motivation

- (i) To achieve a world class standard through the involvement of the supplier base the approach must be holistic.

MASLOW'S Model - the belonging needs, described in his hierarchy needs, may well encourage the need to work in groups with suppliers for survival.

This in turn will encourage a holistic view to be taken of group working.

HERZBERG'S Model - this research dissertation has shown that the job content has been considerably extended for many people in both Cosalt Holiday Homes and its supplier base. HERZBERG'S model equates with supplier development in that involvement with supplier development encourages job content to be enriched with such features as achievement, recognition and responsibility. It is anticipated that this model will be used in our research.

ALDERFER'S Model - the need for survival, personal and social developments are integral parts of a holistic approach to supplier development and so this model will be used in our research.

- (ii) Empowerment is necessary for operational managers to work as a team and to share knowledge.

MASLOW'S Model - empowerment will encourage

belonging needs and also self actualization needs so this model will find a limited role in our research.

HERZBERG'S Model - this research dissertation has shown that involvement in supplier development where empowerment has been exercised, the job content and job experience have become enriched - supporting HERZBERG'S model.

ALDERFER'S Model - as supplier development teams work together and share knowledge the existence needs (survival), and social relationship will be met. This being the case empowerment will be supported by the ALDERFER'S model.

- (iii) Communications are essential to supplier development.

The literature research has shown that the models of MASLOW, HERZBERG and ALDERFER all make a contribution to work motivation. It is argued that for supplier development to be successful managers will have to motivate people through effective communication taking into account the needs of the individuals and groups as described in the 3 models. Hence it is claimed that all models will have their use in supporting the vital issue of communications.

- (iv) Continuous improvement is required by both customer and supplier for optimum supplier development.

MASLOW'S Model - most people whether working for the customer or supplier would want to see a continuous improvement in the needs described in the hierarchy needs of this model. Our research has shown that many suppliers considered supplier development to be a common sense way of improving the business performance of both companies - this would in turn lead to an improvement in the needs described by MASLOW.

HERZBERG'S Model - Involvement in supplier development has resulted in an improvement in job content and job experience. Continued involvement would hopefully provide a continuous improvement.

ALDERFER'S Model - survival, social relationships and personal development - are provided by involvement in supplier development. It is argued that the participants of supplier development would aim to see a continuous improvement in these areas.

- (v) Mutual benefit - a win-win situation is to be sought.

MASLOW'S Model - It is suggested that both customers and suppliers will want to work together to optimize the needs described in MASLOW'S model

as the needs of most participants in both groups will be similar. This working together would then result in a win-win situation.

HERZBERG'S Model - The research has shown that by working together in supplier development that there has been an improvement in job experience and job content. Hence HERZBERG'S model will find a role in supplier development.

ALDERFER'S Model - continuing survival is of paramount importance to all companies and the research has shown that supplier development offers a vehicle for this to be realised. In this way the ALDERFER model will also be used in supplier development.

(vi) Attitude - co-operation is necessary for survival.

Whilst it may be argued that satisfying or improving the factors described in MASLOWS, HERZBERG and ALDERFER'S models will help to improve the working environment and business performance of both companies, there need not be any significant improvement in attitude for co-operation. It is suggested that this change of attitude comes about as a direct result of the realization that there may be no future for companies who do not co-operate with their suppliers and vice versa.

- (vii) Negotiation - necessary for SME's who do not have the clout of the larger companies.

As with the comments on attitude it is argued that the acceptance of negotiative approach for SME's is prompted by a realization of their relative negotiative position. The author would suggest that this is the driving force of motivation in this case.

- (viii) Good management, common sense and commitment are all necessary for successful supplier development.

As mentioned earlier, motivation in its various forms is fundamental to good management, and so it would follow that motivation will be equally crucial to supplier development success.

- (ix) Long Term Business Partners - a fundamental principle of supplier development.

The maintenance of any long term partnership will depend on the application of principles of good management practice. Motivation is clearly a fundamental principle of good management and so must assume a significant role in the maintenance of long term business relationships.

3.6.5 Interpretation of Principles - Culture

- (i) To achieve a world class standard through the involvement of the supplier base the approach must be holistic.

Theory Z approach of OUCHI - this approach with its consensus decision making, broader participation of the workforce must be fundamental to a holistic approach.

Power culture - this culture with its political bias and power orientation does not equate with a holistic view and the web might break if too many activities are linked together.

Role culture - the assumed lack of co-ordination in a role culture would not fit well with a holistic approach since the various departmental roles seem to assume more importance than the whole.

Task culture - a feature of the task culture which utilizes the unifying power of the group to improve efficiency should support the holistic approach of supplier development.

- (ii) Empowerment is necessary for operational managers to work as a team and to share knowledge.

Theory Z approach of OUCHI - this approach with consensus decision making, broader participation and concern for the employees must have total

identity with empowerment.

Power culture - since this culture depends on a central power source e.g. entrepreneurial organizations, it must be the complete opposite to the requirements for empowerment.

Role culture - the pillars of the role culture are co-ordinated at the top by a narrow band of senior managers - it is argued that this would not promote empowerment.

Task culture - the adaptability of this culture, project teams, task forces etc. containing the decision making process would encourage empowerment.

- (iii) Communications are clearly essential to any effectively managed organization.

Theory Z approach of OUCHI - this must recognise the importance of communications through its concern and appreciation of the workforce.

Power culture - this would probably have a limited benefit on communication, since it relies on personal conversations for its communications - hardly sufficient in larger organizations. In the author's experience of smaller companies with this type of culture communications are generally poor.

Role culture - since this culture relies on a small band of managers co-ordinating the functional activities the resultant communications

would probably be limited.

- (iv) Continuous improvement is required by both customer and supplier for optimum efficiency.

Theory Z approach of OUCHI - the environment created by this approach should encourage continuous improvement through its involvement of the workforce/managers.

Power culture - the ability of power cultures to react quickly may help in many ways although the environment for continuous improvement would not necessarily be created.

Role culture - this culture would seem to be more concerned with specific departments or roles and less inclined to consider a continuous improvement approach, which in the author's experience tends to be promoted by a wider involvement.

Task culture - the sensitivity and adaptability to market environments and its tendency to form task forces etc. would seem to be very receptive to continuous improvement.

- (v) Mutual Benefit - a win-win situation is to be sought.

Theory Z of OUCHI - since this theory has much in common with the Japanese style of management with its well known involvement with supplier development where win-win is the norm then clearly

Theory Z would favour a mutually beneficial goal.
Power culture - it is difficult to see how this culture would cultivate a win-win situation since too much power is held by only a few individuals who appear not to want to share it.

Role culture - there would appear to be no particular evidence for or against promoting a win-win situation.

Task culture - the team nature of this culture should encourage a win-win atmosphere.

(vi) Attitude - environment for co-operation.

Theory Z approach of OUCHI - must play a vital role in creating the environment for co-operation since it depends heavily on involvement and consensus decision making.

Power culture - it is difficult to see how a co-operative approach could survive in a power culture where too much power is held by too few people.

Task culture - market sensitivity and response to the market place must depend on co-operation between suppliers and customers to become effective.

Role culture - too much bureaucracy e.g. sets of memos etc. is hardly conducive to creating co-operation - in the author's experience it tends to encourage the reverse.

- (vii) Negotiation - necessary for SME's.

Theory Z of OUCHI - it is argued that concern for and the involvement of employees makes SME's realise that for survival they need to adopt an approach which is necessary to look after the employees, i.e. the necessary discussions would take place with the employees.

Power culture - at first glance it may appear that this culture would be alien to a negotiative style but this may not necessarily be the case. In the author's experience the entrepreneurs who typify power cultures can be very adept at negotiating sales etc. and they have a real instinct to survive.

Role survival - the importance placed on positional power would not seem to suit a negotiative climate - the impression given by this culture is that there is a department for negotiating with its tight rules and regulations.

Task culture - since individuals in this culture have a high degree of control and know the effectiveness of the team is judged on results it would seem reasonable to assume that this culture could very easily adapt to the climate prevailing i.e., having to negotiate.

- (viii) Good management, common sense and commitment are necessary for successful supplier development.

Theory Z of OUCHI - this theory having much in common with the Japanese style has been proved to be very successful and must be fundamental to good management and the theory in the author's experience is based on common sense.

Power culture - this culture can be very effective in an entrepreneurial way but tends to become limited in that managers are not allowed to manage. The typical entrepreneur tends to have a great deal of common sense but all too often lacks the skills of good management.

Role culture - the abundance of rules and formal roles is unlikely to fit well with good management techniques and common sense, although departments like technical will flourish in these cultures.

Task culture - the style in this case where task oriented groups bent on success which have the authority to get things done must use good management, common sense and commitment as they successfully achieve their goals.

- (ix) Long term business partners - a fundamental principle of supplier development.

Theory Z of OUCHI - concern for employees, wide participation and involvement must be a good breeding ground for establishing long term business partners.

Power culture - pride which is typical of this

culture may well inhibit long term partnerships as the power culture tends not to want equal partners.

Role culture - since this culture is more concerned with the role rather than the person filling the role it is difficult to see how relationships are important in this culture.

Task culture - relationships are important in this culture for the teams to work effectively and so long term business partnerships would seem to be a natural progression.

We will now conclude our thoughts on the management theory to establish a theory for supplier development.

3.7 CONCLUSION

In this chapter we have reviewed the literature on management and organization theory. We then proceeded to interpret the principles of supplier development established in Chapter 2 using the various aspects of organization theory viz. organization design, leadership, motivation and culture, to help us understand how we may use the principles of supplier development more effectively in our research. The findings of this interpretation of the principles are tabulated below. The following ratings of contradictory, supportive and neutral will be used to assess if the supplier development principles are contradicted, supported

or have no effect by key positions in organizational design, leadership, motivation and culture as shown in Figure 9.

	ORGANIZATIONAL DESIGN	LEADERSHIP	MOTIVATION	CULTURE
To achieve a world class status the approach to supplier development must be holistic	Flat structure supportive	Democratic style, ambassador role, helicopter view - supportive	MASLOW and HERZBERG generally supportive - ALDERFER particularly supportive	Theory Z and task culture supportive, power and role culture contradictory
Empowerment is necessary for managers to work as a team and to share knowledge	Bureaucracy contradictory, flat structures and project design supportive	Self confidence, supportive style. Trust given - all supportive	HERZBERG'S model very supportive	Theory Z and task culture supportive, power and role culture contradictory
Communications are essential to supplier development	Flat structures and project design supportive	Trait theories contradictory democratic style supportive	All 3 models supportive	Theory Z is supportive, role and power contradictory
Continuous improvement is required by customer and suppliers to optimize supplier development	WEBER bureaucracy contradictory, BEER and viable model and project design favourable	Trait and style neutral	Generally supportive but especially HERZBERG	Theory Z and task supportive, role and power contradictory
Mutual benefit - or win-win situation is to be sought	WEBER contradictory and flat supportive, and also project design	Generally neutral	All 3 models generally supportive	Theory Z supportive, power contradictory role neutral, task supportive
Attitude - cooperation is necessary for survival	WEBER contradictory and flat supportive, and also project design	Generally neutral	All 3 models generally neutral	Theory Z supportive, power, role and task neutral

	ORGANIZATIONAL DESIGN	LEADERSHIP	MOTIVATION	CULTURE
Negotiation necessary for SME's	WEBER contradictory and flat supportive, and also project design	Generally neutral	Neutral	Theory Z and task culture supportive, power supportive sometimes, role contradictory
Good management common sense and commitment are necessary for successful supplier development	Flat structures supportive, bureaucracy contradictory	Democratic supportive generally but autocratic can be useful in some situations	Generally supportive	Theory Z and task culture supportive, power sometimes supportive, role - contradictory
Establish suppliers as long term business partners - fundamental to supplier development	Bureaucracy contradictory, flat structures, and cybernetics approach and contingency theory supportive	Generally neutral	Generally supportive	Theory Z supportive, power contradictory and task supportive

Figure 9. INTERPRETATION OF SUPPLIER DEVELOPMENT PRINCIPLES: SUMMARY

Figure 9 is in effect a theory for supplier development. Such a theory is not to be found in the literature and is a contribution to knowledge about supplier development. It suggests that any methodological approach to supplier development must strive to achieve the ideals of the theory. An ideal methodology for supplier development would therefore have to include the features discussed below:

The organization design would be flat, non-bureaucratic and similar to the modern project design. The leadership necessary would follow a democratic style in the main, but firm if the message is not welcome to say some areas of middle management for example. The leadership should also freely encourage empowerment and have the self confidence for this to happen. It must also be able to take the helicopter view. Motivation will be fundamental to successful supplier development, as it is to any organizational group for optimum performance. The culture to be encouraged will be similar to OUCHI'S Theory Z which in turn is similar to the Japanese culture which is well tried and very successful in Japan.

In the next chapter, Chapter 4, we will use the above established theory of supplier development to construct an ideal methodology for a supplier development programme for SME's. Chapter 5 reports on a pragmatic non-theoretically based approach to supplier development. We will be in a position in Chapter 6 to combine the ideal methodology with the pragmatic and then to recommend a well developed and realistic supplier development methodology for SME's.

Chapter 4.

AN IDEAL METHODOLOGY FOR AN SME SUPPLIER
DEVELOPMENT PROGRAMME

4.1 INTRODUCTION

The previous two chapters have been concerned with the literature written about supplier development and also what aspects of management will be best employed in supplier development. By reflecting upon these two previous chapters we will now construct an ideal methodology for SME's.

4.2 AN IDEAL SUPPLIER DEVELOPMENT PROGRAMME FOR
SME'S.Introduction

In our research of the supplier development literature in Chapter 2 we concluded that the research undertaken by DALE, LASCELLES and BEVAN provided what we considered to be the grounding for a supplier development programme for SME's. We would then use this supplier development programme at Cosalt Holiday Homes, with its supplier base, as a model for testing and evaluation. We will now proceed to consider our ideal objectives and principles followed by the stages involved in our ideal programme.

IDEAL PROGRAMME AIMS AND OBJECTIVES

Let us now consider the programmes aims and objectives.

PROGRAMME AIMS AND OBJECTIVES

- (i) The overall objective of a SME is to buy at the lowest price, taking into account the lowest overall total cost to the company. This includes quality cost. Targets should be set for each supplier that include quality and delivery performance objectives and take account of the whole supply chain through to customer warranty and after sales.
- (ii) The suppliers who best meet these objectives must be defined and sourcing strategies developed for families of products. Suppliers will need to have the capabilities to meet the quality and delivery performance criteria as well as make an active contribution towards reducing their own costs, passing on the benefits of lower prices.
- (iii) A gradual move towards long term contracts with a single source supplier should be sought which should enable suppliers to implement investment and improvement programmes. In return suppliers should be in a better position to achieve

accurate quality and delivery targets with year over year price reduction.

- (iv) A material scheduling strategy must be provided to give suppliers greater stability and also to facilitate planning and scheduling.
- (v) A purchasing strategy must be defined to take into account the technical requirements of the supplier base. This must be done to achieve the objectives at the lowest overall cost to the SME.

To achieve these objectives and principles an ideal supplier development programme with three key stages must be followed:

Stage I Narrowing the supplier base. Identify key suppliers as potential long term partners and establish plans to reduce the supplier base - ideally to single source suppliers.

Stage II Advance Quality Planning. Engage in advance quality planning with suppliers through a series of regular meetings.

Stage III Co-Development Strategy. Develop an on-going quality improvement relationship with suppliers by introducing a co-development strategy for the

SME's supplier base.

Let us now discuss these stages in more detail.

STAGE I NARROWING THE SUPPLIER BASE

Ideal Methodology

The ideal methodology has seven stages. These are summarised below:

- (i) Ensure full commitment from the SME's management team (including assessing management style - see later).
- (ii) Form a task force to evaluate the supplier base (including assessing management style - see later).
- (iii) Evaluate the supplier base
 - (a) to determine types of suppliers for families of product,
 - (b) to determine the SME's expenditure profile with the suppliers.
- (iv) Invite all suppliers to preliminary presentations

and discussions to state the SME's commitment to supplier development and evaluate feedback from the supplier.

- (v) Prioritise suppliers on the basis of the evaluation of (iii) and (iv).
- (vi) Visit prioritised suppliers to achieve the following:
 - (a) for an in-depth evaluation and discussion
 - (b) to explain the value of supplier development from the suppliers point of view
 - (c) to explain how expertise may be shared.
 - (d) to discuss management style (see section 4.3).

STAGE II ADVANCE QUALITY MEETINGS

A series of meetings set up with the suppliers, initially to be chaired by a board member of the SME. The operational managers from both the SME and the respective suppliers will be present.

The meetings concentrate on improving the following:

- (i) Quality in all its aspects.
- (ii) Communication.
- (iii) Reduction in lead times.
- (iv) Reduction in stock levels.
- (v) Higher priority required for SME's orders.
- (vi) Faster implementation of design changes and far more involvement of the supplier at the crucially important prototype stage.
- (vii) Customer care requirements.

STAGE III CO-DEVELOPMENT STRATEGY

The Co-Development Strategy is an in-company action based learning programme. The philosophy underlying it is the belief that a company's own management team knows its own position best and therefore the best group capable of producing a realistic strategy.

The first stage of this part of our ideal programme is for the company's management team to develop a vision of what they want the company to become in the next 5-10 years. The programme goes on to construct the functional strategies

which enable the vision to be realised. The end objective of the programme is to construct a business strategy accompanied by an implementation programme and monitoring mechanism.

Our research of the supplier development literature in Chapter 2 also lead us to the conclusion that an ideal supplier development programme would have 9 fundamental principles:

- (i) Holistic approach.
- (ii) Empowerment.
- (iii) Communications.
- (iv) Continuous improvement.
- (v) Mutual benefit.
- (vi) Attitude.
- (vii) Negotiations.
- (viii) Good management.
- (ix) Long term business partners.

These 9 fundamental principles will be taken forward for us to consider the ideal management approach best suited to them, in terms of organization design, leadership, motivation and culture.

Let us now consider our ideal management framework for a SME supplier development programme.

4.3 AN IDEAL MANAGEMENT FRAMEWORK FOR A SME SUPPLIER DEVELOPMENT PROGRAMME

Ideal Steps

- (i) Ideally a company should have an overall strategy of which supplier development is an important part - supplier development being a part of its quality strategy for the company. Before embarking on a supplier development programme a company should assess the status of its managerial development - the case study with Manor House Furnishings will illustrate this in Chapter 5. The company should also ask itself if they are ready for supplier development. This point will be discussed fully in the case study of Abbey Caravans also in Chapter 5. By assessing the status of its management and establishing whether it is ready for supplier development, the starting point for

an ideal supplier development programme will be established. By considering supplier development as part of a strategic quality programme the approach to quality will be holistic. Normally the quality approach would include the customers and the company internally, and not include the suppliers - supplier development would fill this gap.

(ii) The ideal management approach based on nine fundamental principles of supplier development already established would have the following features:

(a) A flat *organization design*, non bureaucratic and similar to the modern project design.

(b) A democratic *leadership style* in the main, but firm to overcome any resistance from say middle management who might not find the supplier development message welcome. The leadership style should also freely encourage empowerment and have the self confidence for this to happen. The ability to take the helicopter view will also be necessary for the ideal leader. The leader will also need to have the ability to motivate for optimum

performance.

- (c) An ideal *culture* similar to OUCHI'S Theory Z created by a negotiative approach by the SME. The negotiative style is vital since it creates an environment where co-operation is encouraged, and creates a feeling that suppliers are being treated as long term business partners. The negotiative style also gives the suppliers confidence that a win-win situation is sought.
- (iii) Set up a cross functional task force. Prior to meeting the suppliers the following steps are required:
- (a) Evaluate the task force with respect to management style discussed in (ii) (a) (b) and (c) and carry out any training necessary to equip the task force for the job ahead.
 - (b) Ensure that the task force understands the vital role communication will play in their task ahead.
 - (c) Ensure the task force has adequate training in project management to ensure the advance quality meetings are managed effectively.

4.4 CONCLUSION

In conclusion, the ideal methodology has five aims and objectives to be implemented in three stages:

- (i) Reduction of the supplier base.
- (ii) Advance Quality Planning meetings.
- (iii) Co-Development strategy.

The management style needed to successfully implement the above supplier development programme includes:

- (i) A flat, non-bureaucratic organization design.
- (ii) A democratic leadership style encouraging empowerment and having the ability to take the helicopter view.
- (iii) A culture that encourages participation, co-operation and the feeling that a long term relationship is desired by the SME. This requires a negotiative style.
- (iv) Communications that play a vital role in supplier development.

- (v) Our ideal methodology for supplier development has suggested that a company considering supplier development should include supplier development as part of its strategic quality programme and consequently should assess its management development and ask itself if the company is ready for supplier development.

We have constructed an ideal methodology consisting of a programme and its supporting management framework. Chapter 5 now examines a pragmatic approach to supplier development constructed on lessons of practice rather than theory, as done in this chapter. The two will then combine the ideal methodology with the pragmatic methodology. The findings are then synthesised into a recommended supplier development programme for SME's that takes advantage of both theoretical developments and practical experience.

Chapter 5.

A PRAGMATIC APPROACH TO SUPPLIER DEVELOPMENT5.1 INTRODUCTION

The previous chapter showed how an ideal methodology for supplier development consisted of three main stages together with an ideal organization design, leadership style, culture, and approach to motivation. This chapter will concern itself with an implementation of supplier development carried out before the theoretical examination had been undertaken. This paves the way for the next chapter that combines the theoretical model of Chapter 4 with the practical experience given in this chapter, yielding a synthetic model for supplier development.

In this chapter we will examine the three stages of supplier development as they were applied to Cosalt Holiday Homes and its supplier base. Viz:

- (i) Stage I reduction of the supplier base.
- (ii) Stage II advance quality planning meetings.
- (iii) Co-development strategy.

In fact, the study includes 105 companies involved in Stage I, the reduction of the supplier base, of which 40 were involved in implementing Stage II, advance quality planning stage. In addition to Cosalt Holiday Homes, two further case studies are examined, that of Manor House Furnishings where Stage III was researched (the co-development strategy) and, that of Abbey Caravans. The latter case study shows how a number of important criteria have to be satisfied before supplier development can be introduced and the importance of a supplier base to any SME.

As part of the Cosalt case study we will discuss the postal questionnaire sent to its suppliers to establish if Cosalt's suppliers were involved in a supplier development programme with either its suppliers or customers. We will also examine in more depth 7 case studies of Cosalt's suppliers who have progressed with Cosalt through Stages I and II (Appendix VI). These seven case studies will show the results of supplier development through Stages I and II highlighting what has, and what has not, been achieved. Cosalt's appraisal scheme for its supplier base as part of its BS5750 accreditation will be reviewed to examine its value to our research into supplier development. Finally, this case study will examine an independent evaluation carried out to test if Cosalt's supplier development was beneficial to Cosalt's supplier base.

Let us now consider the case study of Cosalt Holiday

Homes.

5.2 COSALT HOLIDAY HOMES - A CASE STUDY

The first step at Cosalt was to introduce the concept of comakership to all the staff and management (see Appendix VII for minutes of the meeting). This was followed by a more in-depth meeting with senior plant managers covering purchasing, design, technical and production. Discussions took place to describe the aims and objectives of the supplier development philosophy to obtain full commitment from the management team. Once this had been achieved the next step was to form a task force consisting of a senior purchasing manager, a senior manufacturing manager, a technical manager with the general works director as the project leader (now the Managing Director and author of this dissertation). All members of this task force were experienced managers with known negotiative skills and were very committed to the success of supplier development.

The task force then set about the evaluation of the supplier base. The evaluation showed two very broad classes of supplier:

- (i) The sole suppliers who tended to show supplier complacency, an indifferent attitude to product development and quality and whose attitude was that price increases could be simply passed on to

their customers (as a right).

- (ii) The vast majority of suppliers, who formed the basis of the traditional multi-sourcing of Cosalt in the traditional customer-supplier manner.

The suppliers in Class (i) were labelled rogues. Alternative suppliers were sought. The suppliers in Class (ii) were grouped by product. Cosalt's expenditure profile with them was set out. These evaluations contributed later to the narrowing of the supplier base.

The Managing Director and the co-Directors of each supplier were then invited to a presentation at Cosalt. This was given by the author with other task force members present. In this presentation the following nine points were made:

- (i) Cosalt has a commitment to comakership and a genuine desire to develop suppliers as long term business partners.
- (ii) Single source suppliers were sought by Cosalt and the perceived benefits to both parties was explained.
- (iii) Each supplier was asked to consider if they wanted to develop and grow with Cosalt along the

comakership route and if they felt they had the ability to do so. Each supplier was also requested to consider the price advantage Cosalt would have from offering considerably more business to the favoured supplier and that price stability for six or twelve months would be required. It was also made clear that Cosalt understood the supplier's need to maintain sensible margins.

- (iv) Trust and integrity were considered to be the hallmarks of the new approach.
- (v) Quality is of prime importance.
- (vi) Cosalt assured all the suppliers that full information with respect to Cosalt's budget volumes, sales and production programmes would be available to them and they would be fully involved at all important stages, especially the development stages. Their expertise would be acknowledged and needed by Cosalt to obtain a competitive edge.
- (vii) Cosalt's management would be prepared to help and to develop its supplier base by using its own knowledge and experience (e.g. in Kaizen, QCCs and BS5750) as well as wishing to receive help in

terms of new ideas.

(viii) All suppliers would be expected to seek BS5750 certification.

(ix) Each newly formed single source supplier would be evaluated by both parties after a trial period of either six or twelve months. The objective would be to award longer term contracts of two then three years etc.

Following the above presentation and the evaluation already mentioned, a degree of prioritisation was undertaken. Arrangements were made for the task force to visit the prioritized supplier's premises.

5.2.1 Visit of Task Force to Supplier's Premises

These visits enabled a more in-depth evaluation to take place. As part of the evaluation a Strengths, Weaknesses, Opportunities and Threats (S.W.O.T.) analysis was undertaken. The following characteristics of the suppliers were analysed:

(i) The attitudes and quality of the management team and its view of comakership.

(ii) The attitude of the workforce.

- (iii) The financial stability of the company.
- (iv) The company's procedures and systems.
- (v) The company's status with respect to BS5750 and their quality approach, including their inspection procedures and view on responsibility for quality.

The process made clear to the suppliers that Cosalt was serious about developing its supplier base. It also pointed out that quality is fundamentally important to Cosalt. To meet these increasingly exacting standards, it was explained to suppliers that they would have to achieve certain things. The benefit of these would be realised by both companies. They included clearly defined strategic and operational objectives, competent management in depth, a skilled and flexible workforce, and a culture that encourages involvement, teamwork and continuous improvement. The rewards for suppliers who achieve this was shown to be substantial.

Finally, in order to encourage achievement of the above objectives, Cosalt's suppliers were offered a structured programme of support. This is termed a "Co-Development Strategy" and consists of two inter-related elements. First is a strategic planning programme tailored to the needs of Cosalt's suppliers. Suppliers were helped to achieve a number of things. They were helped to identify the future

opportunities and threats faced by their company, and to establish clear future objectives in the form of a sound business strategy that can be communicated to, and implemented by, their employees. Second is an operational and developmental programme designed especially for Cosalt's suppliers. This is the construction of a programme capable of implementing and sustaining the business strategy.

5.2.2 Reduction of the Supplier Base

During this exercise some 105 companies were visited over a period of 12 months in England, Wales, Scotland and Ireland, as well as mainland Europe. Details of all visits were recorded and used to evaluate and reduce the supplier base. Details of these visits are shown in the Appendix (VIII).

It cannot be stressed too strongly that this stage of the research was extremely time consuming to the extent that the task force team spent 70% of their time for the 12 month period.

Following an evaluation of the information gathered the supplier base was reduced by 35%. The methodology and implementation set out to achieve ideals. These ideals are those of the Cosalt supplier development strategy. Ideals are strived for but never fully met. So let us now analyse how successful the programme has been to date in terms of

general findings, achievements and failures.

5.2.3 Findings

The findings may be listed as follows:

- (i) Cosalt's non bureaucratic organization and flat structure helped communications - especially when dealing with similarly structured suppliers. The same good management principles should be applied to the supplier base as to the internal organization. Standards must be set and maintained. Credibility, respect, trust and involvement will pay dividends and the stability of longer term contracts will give confidence to suppliers and should enhance loyalty. Empowerment was necessary to allow the operational managers of both Cosalt Holiday Homes and its suppliers to become effective. The creation of a blame free environment was sought to facilitate continuous improvement and to encourage a win-win situation.

- (ii) With some rogue companies only the surprise of competition forced a response. Competitive prices became a very important feature of Stage I. The arrogance and complacency among some suppliers was broken down by nurturing alternatives. The

original supplier would have to win the lost business back. Cosalt's window and door supplier is a good example of this - the alternative supplier now has 100% of Cosalt's business.

- (iii) The supplier base is so vital to a manufacturing company like Cosalt that considerable time must be devoted to this area on an on-going basis. A lack of attention in the past has clearly been to the detriment of Cosalt's business performance.
- (iv) Cosalt has been charged too much for its components prior to this exercise and it is likely that many other small and medium sized enterprises are treated in the same way.
- (v) There is a wealth of experience and expertise among the supplier base that must not be ignored.
- (vi) Without exception suppliers were very enthusiastic about comakership and wanted to take a very active part - even the rogue suppliers.
- (vii) Very few suppliers had embarked upon supplier development and even then had made no great progress to date.

- (viii) There is a growing awareness of the importance of quality, after sales service, customer satisfaction, reduction in stock, J.I.T. and lead time reduction. The wind of change started to blow, at least through Cosalt's suppliers.
- (ix) The general view of Cosalt, seen through the eyes of the supplier base, is that it is a very progressive, stable company.
- (x) University involvement was very well received. Cosalt and its suppliers had access to the University's experience and expertise.
- (xi) In some cases Cosalt's purchasing power had a very limited effect on the size of some suppliers turnover - a point made to Cosalt whenever this occurred. One company mentioned that they could achieve Cosalt's annual order book in one day.
- (xii) Motivation was facilitated by the willingness of suppliers to take part in supplier development.

5.2.4 Main Achievements

The main achievements are now given:

- (i) The principal achievement to date must be the financial savings. These are in the order of 5% of cost and for Cosalt that means a saving of some £750K per year. These savings do not take into account the inflationary increases that would have taken place. Experience would suggest a further 3-5% has been saved in this way.
- (ii) The realization among the suppliers that a way forward to improve their future was on offer and, in their view, one which was based on a common sense approach.
- (iii) Cosalt's management team are very enthusiastic about comakership and their knowledge and expertise is being enhanced. There is also a growing confidence in the task force. There is a real sense of involvement and commitment in the company.
- (iv) Comakership is involving all stratas of management from board level to first line management. This level of participation helps to develop a cohesive corporate culture.

5.2.5 Failures

There were also failures to be reported:

- (i) An early failure was over eagerness to accept the lowest price on offer. It was all too easy to be seduced by this method, which takes no account of quality. However, with Cosalt's main bought-in components, i.e. ovens and hobs, aluminium and soft furnishings, quality was considered to be more important than cost. Some suppliers attempted "to buy" business.
- (ii) There are still areas within Cosalt where supplier's ideas are not fully encouraged. This flaw must be eradicated if Cosalt is to achieve world class status, i.e. some of the attitudes at Cosalt need to be changed.
- (iii) Communications from Cosalt to the suppliers is often not good enough. Feedback is essential to optimize this vital area of business performance, but has proven very hard to maintain.
- (iv) Gaining exact achievement of specification, quality and lead time is never possible. Suppliers that are not wholly owned as subsidiaries have conflicting requirements from

different customers. A further failure throughout the supplier development programme, in the author's view, is the lack of success in convincing the supplier base that it is their responsibility to be continually reducing their costs to Cosalt by increasing their internal efficiency. When this subject is discussed with the suppliers the reaction tends to be "we have not increased our prices for say 12 or 18 months". This attitude is probably due to the economic situation prevailing during the period of research.

- (v) Most suppliers are very reluctant for Cosalt to have knowledge of their cost structure - some suppliers have said that Cosalt should not determine their profitability and hence the suppliers' cost structure does not concern Cosalt.
- (vi) In all cases except two, Cosalt suppliers would not continue supplier development without Cosalt's encouragement - the programme would lose momentum without such encouragement.

5.2.6 Further Development

There are some ideas to be recorded here for further development:

- (i) Vertical integration should be considered. In some areas it may be possible to eliminate the supplier and for Cosalt to produce the components itself. This will give control over specification, quality and reduced lead times. The vertical integration may well mean the purchase of a supplier or setting up a subsidiary company. In February 1993, Cosalt invested £0.5 million in machinery to manufacture its own vinyl wrapped drawer fronts and doors for the kitchens and bedrooms of its holiday homes. This investment was considered necessary to overcome continued quality problems with suppliers. This newly created department is trading under the name of 'Kings Form' and, in addition to supplying Cosalt's needs, is making a significant contribution to Cosalt's profitability by trading in the external kitchen and bedroom industry.

- (ii) Stage II is the advance quality planning meetings stage. This is already underway in Cosalt. Cosalt is concentrating on improving the following:

- (a) Quality in all aspects.
- (b) Communication.
- (c) Reduction in lead times.
- (d) Lower stock levels.
- (e) Higher priority given to orders.
- (f) Faster implementation of design changes.
- (g) Customer care.

The agenda used by Cosalt in its advance quality planning meetings is shown in Appendix IX. These advance quality planning meetings, as reported several times, became the life blood of supplier development. The considerable improvement in quality discussed in detail later in this chapter resulted from the better working relationships developed through the advance quality planning meetings. The following observations are made of these meetings:

- (a) It is essential to seek a blame free environment. This, in Cosalt's experience, took some 6-9 months to achieve but no real improvements started to show until this blame free environment started to be believed.

- (b) Empowerment is key to creating this environment - operational managers were allowed to develop relationships and hence trust when they knew they have the freedom to make decisions.

- (c) Customer care is all too frequently forgotten as part of quality performance. Cosalt's experience showed that the involvement of the customer care manager resulted in this area of the business improving dramatically. This manager was able to develop a relationship with his suppliers' managers via the advance quality planning meetings.

There is no doubt in the author's mind that the quality improvements, achieved as a result of the supplier development programme, have been due to the improved relationships developed in a blame free environment where improved communications have been an integral part of the improvement process.

- (iii) Stage III is the Co-Development Strategy.

As mentioned earlier the Co-Development Strategy as postulated by BURNES (PRIVATE CORRESPONDENCE) is an in-company action learning programme.

Whilst Stage II, the Advance Quality Planning Stage progressed well, it was felt important to make progress with Stage III. In order to achieve this three suppliers were invited to participate in the scheme and following several meetings with them it was decided to set up a visit to Nissan in Sunderland to hear about the supplier development programme implemented there by BURNES.

The visit to Sunderland took place on April 30th 1992. (See Appendix X for details of this visit). Following this visit all participants were very impressed by the work done at Nissan with their supplier base. Subsequent meetings were set up with all three suppliers i.e. Manor House, CV Carpets and Stoves to discuss the next step. Following these discussions both CV and Stoves felt, although they were impressed by the supplier development work done at Nissan, that they were making sufficient progress in their own strategic development to not justify a change at this stage. Manor House, however, took a different view and enthusiastically agreed to take part in the programme (see Case Study on Manor House Furnishings in this chapter).

- (iv) A further idea for future development was to arrange a series of visits to Nissan in Sunderland following the success of our earlier visits. The main aim of the visits was for Cosalt and its suppliers to study how Nissan works with its supplier base and to establish if any lessons may be taken on board by SME's like Cosalt and suppliers to SME's.

From September 1993 to April 1994 7 visits were made to Nissan, each visit containing some 30-40 people from Cosalt and its suppliers. These visits were very successful with everyone present expressing admiration for the handling of the materials to Nissan from its suppliers. A follow up to this meeting has been arranged for 7 of Cosalt's key suppliers to visit one of Nissan's suppliers at Sunderland to discuss their approach to supplier development with Nissan. This meeting was scheduled for 7th June 1994. The company concerned was Marley Kansei Limited who manufacture bulkheads and facias for the automotive industry.

5.2.7 Cosalt's Supplier Development Questionnaire

5.2.7.1 Research Methodology

A postal survey was recently conducted on 50 of the major suppliers to Cosalt (equal to 85% of Cosalt's expenditure with their suppliers), whose products span the range of components used by the Company in the manufacture of Holiday Homes and Park Homes. The 23 questions included in the questionnaire are shown in Appendix V.

The purpose of the survey was to determine:

- (i) To what extent have other customers involved Cosalt suppliers in some form of Supplier Development initiative?.
- (ii) The extent to which our suppliers had, in turn, implemented Supplier Development Programmes with their own suppliers, thus extending the network of improvement and development in line with the Cosalt initiative.
- (iii) To provide an opportunity for suppliers to submit reciprocal questions/comments relating to the questionnaire and their relationship with Cosalt.

The Caravan Manufacturing industry comprises

approximately 13 firms in the British Isles which are affiliated to the National Caravan Council. Inevitably this results in many manufacturers using the same suppliers.

5.2.7.2 Findings

A total of 39 suppliers completed and returned the questionnaire. The findings are as follows:

(i) Involvement of Cosalt Suppliers in Supplier Development Initiatives by other Customers

(a) 51.3% of suppliers are involved in some form of supplier development initiative with other customers. 48.7% of suppliers are only involved with the Cosalt supplier development programme.

(b) All the suppliers who are involved in the above initiatives indicated that they have benefitted from the involvement.

19 suppliers indicated how they have benefitted, as follows:

- 'Further knowledge in these areas' (melamine faced chipboard supplier).

- 'Better understanding of customer's requirements' (electrical accessories supplier).
- 'To help understand the customer's manufacturing problems and deadlines' (plastic components supplier).
- 'BS5750 update, appreciation of our customers' concerns' (gas fire supplier).
- 'Fuller and more complete appreciation of customer needs and the way in which we can jointly impact product service quality objectives' (carpet supplier).
- 'It gives both companies a closer understanding of working procedures' (iron mongery supplier).
- 'Generally, we have been able to benefit from their experience of new techniques and ideas. A disadvantage is that they often pull you in different directions - they all want their own thing' (plastic component supplier).
- 'Appreciation of suppliers' exact requirements on quality, procedure and

documentation' (pre-finished wallboard supplier).

- 'Consistency of quality and reliability of supply in respect of components' (timers and heaters supplier).
- 'Better information on forecast demand' (vacuum moulding plastic supplier).
- 'Any joint involvement creates more awareness of our customer's culture, methods and goals' (consumable products supplier).
- 'Getting specifications to suit our needs' (blind supplier).
- 'The major benefit has been the close working relationship that has emerged at all levels between our organizations. This has resulted in both companies improving their trading performance at a much higher standard of quality. The only problems encountered arise with customers who have yet to realise the importance of involving key suppliers in their own strategic development' (stove supplier).

- 'We help most of our customers with their Design and Development. This, we believe, is mutually beneficial' (toughened glass supplier).
- 'A closer working relationship, cost savings and exclusivity on certain products' (wallboard supplier).
- Planning of stock forecast and production lead times' (cooker and wall heater supplier).
- 'Mutual understanding, progression of partnership, Statistical Process Control (SPC) and Failure Mode and Effects Analysis (FMEA) etc.' (bathroom accessories supplier).
- 'Stronger trading links, accurate schedules, improved production planning/reduced stock and long term contracts' (wallboard supplier).
- 'We have become more aware of our customers' needs and have therefore been better able to offer the service they require' (plastic extrusion supplier).

Detailed observations of these findings will be discussed later in this chapter.

(ii) Supplier Development Initiatives taken by Cosalt Suppliers with their Suppliers

- (a) 94.9% carry out appraisals of new suppliers.
5.1% sometimes appraise new suppliers.
- (b) 35.9% use postal questionnaires as a means of appraisal.
7.7% sometimes use postal questionnaires.
56.4% do not use postal questionnaires.
- (c) 53.9% visit new suppliers as a means of appraisal.
41% sometimes visit new suppliers.
5.1% do not visit new suppliers.
- (d) 51.3% maintain a rating system for new/
existing suppliers.
5.1% sometimes update the rating system.
43.6% do not update their rating system.
- (e) 48.7% update the rating system at intervals.
5.1% sometimes update the rating system.
46.2% do not update their rating system.

- (f) For those suppliers who stated how frequently the rating system was updated, the time interval ranged from monthly to annually, with a mean of 6 months.
- (g) 66.7% of suppliers take into account incoming material screening records when appraising their suppliers.
12.8% sometimes take into account screening records.
20.5% do not take into account screening records.
- (h) 100% of suppliers hold meetings with their suppliers to discuss service failures and quality problems. This includes suppliers who indicated that meetings were 'sometimes' held.
- (i) 64.1% of suppliers have a senior management involvement at these meetings.
25.6% sometimes have senior management involvement.
10.3% do not have senior management involvement.
61.5% of suppliers have operating management involvement.
25.7% sometimes have operating management

involvement.

12.8% do not have operating management involvement.

- (j) 82.1% of suppliers discuss new products with their suppliers before the specification is finalised.

10.3% sometimes discuss new products.

7.6% do not discuss new products.

- (k) 64.1% of suppliers have assistance from their suppliers in developing the specifications.

28.2% sometimes have assistance from their suppliers.

7.7% do not receive assistance from their suppliers.

- (l) 43.6% of suppliers have their suppliers review prototype products.

43.6% of suppliers sometimes review prototypes with their suppliers.

12.8% of suppliers do not review prototypes with their suppliers.

- (m) 56.4% of suppliers invite their suppliers to suggest modifications to new products to obtain mutual cost reductions.

33.3% sometimes invite their suppliers.

10.3% do not invite their suppliers to suggest modifications.

(n) 41% of suppliers take part in training seminars with their suppliers.

30.8% sometimes take part in training seminars.

28.2% do not take part in training seminars.

(o) 64.1% of suppliers permit interchange visits by personnel to experience and solve problems.

28.2% sometimes permit interchange visits.

7.7% do not permit interchange visits.

(p) 53.9% of suppliers encourage their suppliers to obtain registration to the international quality standard BS EN 9000.

12.8% sometimes encourage their suppliers to obtain registration.

33.3% do not encourage their suppliers to obtain registration.

(q) 35.9% of suppliers have documented supplier development procedures.

64.1% do not have documented procedures.

(r) 48.7% of suppliers have documented operating

procedures agreed with a particular supplier.
51.3% do not have agreed documented operating procedures.

(s) 94.9% of suppliers do not authorise their suppliers to replenish on-line storage racks on a direct access basis.
(2 suppliers said that they did).

(t) 12.8% of suppliers operate a direct manufacturing communication link with their suppliers for scheduling of components.
5.1% of suppliers sometimes operate a direct communication link.
82.1% of suppliers do not operate a direct communication link.

(u) 94.9% of suppliers do not operate a computer interface with their suppliers to illustrate specification requirements.
(2 suppliers said that they did).

Detailed observations of these findings will be discussed later in this chapter.

As part of the questionnaire the suppliers were invited to ask Cosalt questions or to comment on the supplier development programme.

(iii) Reciprocal Questions/Comments to Cosalt

(a) 'No, we are happy with your weekly call off programme, which enables us to give you prompt service'. (From Mr. M. Dyer, Mateer and Nelson - ironmongery supplier).

(b) 'What is your supplier development procedure'?.

'What will you be expecting from your suppliers and what assistance/input will you be providing?'. (From Mr. W.A. Cooke, M.D., COBA Plastics - plastic components supplier).

(c) 'What is your company's policy on when and where you seek competitive tenders to compare against existing suppliers' prices?'.
'Are you still operating on two year supplier agreements with price review options at regular intervals?'.
'Would you consider a longer supplier agreement period?'. (From Mr. D. Rhodes, Bayram Timber - timber supplier).

(d) 'We are an importer/distributor supplying Cosalt with (soon to be) Certification Europe (CE) marked appliances. In the light of this:

- Will you expect us to gain BS5750 eventually?

- Do you perceive any benefits/savings for us if we do?'. (From Mr. C. Gillett, Morco Products - gas water heater supplier).

(e) 'In certain circumstances are development costs shared?'. .

'Can new developments be introduced at any time in a production year?'. .

'When is best for meetings to discuss customer requirements/development?'. .

(From Mr. R. Robinson, Carawin - window and door supplier).

(f) 'Our product development with Cosalt started well, then seemed to lose momentum. Why?'. .

'I believe that certain raw material suppliers to Bryboard are restricting our competitiveness to Cosalt Holiday Homes. Is there anything Cosalt can do about this?'. .

(From Mr. J. Ezra, Bryboard - wallboard supplier).

(g) 'The questionnaire has given me a few ideas in relation to further assessment analysis and our own development procedures'. (From

Mr. L. Forster, Caberboard - MFC and MDF supplier).

- (h) 'How do you see open book approach?'.
'What is your opinion of single sourcing?'.
'How are Cosalt progressing with TQM and how do you see supplier development progressing?'. (From Mr. A. Eavis, Thompson Plastics - bathroom accessories supplier).
- (i) 'Do you intend to introduce a vendor rating system?'.
'Do you intend to implement 'ship to stock' for nominated suppliers?'.
'Will you issue schedules i.e. buckets 8 weeks firm with 3 month forecasts?'. (From Mr. S. Dale, Lamin 8 - wallboard supplier).
- (j) 'Can any of our staff visit your works to see how your production works?'. (From Masterprint - badge and label supplier).

As promised we will now discuss our observations of the responses to (i), (ii) and (iii) above.

5.2.7.3 Observations

- (i) (a) Approximately half of Cosalt suppliers are now involved with other customers in supplier development activities.
- (b) All of these suppliers have confirmed that they have derived benefit from their involvement.
- (c) A common acknowledgement of one of the benefits has been the mutual increase in awareness and appreciation of the needs and requirements of both supplier and customer.
- (d) The responses from the suppliers serve to support the hypothesis that improved communication between supplier and purchaser is a key outcome of the supplier development process.
- (e) A less apparent benefit is that some suppliers have used the process to learn and apply other quality initiatives to improve their own business performance. In other words, some suppliers have started to use the Cosalt supplier development programme as an informal process of best practice

benchmarking.

- (ii) (a) There is a clear indication that the supplier development programme has helped to produce a more positive attitude of co-operation between Cosalt suppliers and their suppliers. The reader is reminded that when supplier development was introduced to the supplier base very few had heard of supplier development.
- (b) The initiatives which are accepted and introduced by a majority of suppliers who responded to the survey include:
- Appraisal of new suppliers.
 - Visits to new suppliers.
 - Use of rating system for suppliers which is updated at intervals and takes into account incoming material screening records.
 - Regular meetings to discuss service failures and quality problems.
 - Discussion of new product introductions before finalisation of specification.

- Review of prototype products.
 - Joint participation in training seminars.
 - Visit interchange between personnel to solve problems.
 - Encouragement for suppliers to obtain registration to International Quality Standard.
- (iii) (a) The questions received by Cosalt indicate an awareness of a broad range of factors which form a part of supplier development, including:
- Open book approach.
 - New phases of supplier development.
 - Certification Europe (CE).
 - Total Quality Management.

We will now consider the progress of 7 of Cosalt's suppliers through Stages I and II of the supplier development programme.

5.2.8 Case Studies of 7 of Cosalt's Suppliers -
A Progress Report

Appendix VI describes the progress of 7 major suppliers to Cosalt through the supplier reduction exercise through to the advance quality planning meeting stage. The following points are noted:

- Each of the 7 suppliers is now single sourced, with Carawin being a nurtured alternative.
- These 7 key suppliers helped to initiate and develop the advance quality meetings. The development included the value of the creation of a blame free environment. This then paved the way for substantial quality improvements in the quest for lean manufacturing.
- The quality improvements enabled Cosalt to increase its market share from 13% to 19% with a corresponding increase in business for the suppliers.
- The quality improvements are:
 - (i) Reduction in lead times from 8 to 3 weeks.

- (ii) 60% J.I.T. deliveries.
 - (iv) 80-100 deliveries per day.
 - (v) Batch sizes reduced from 50 to typically 5 or 10.
- The business performance of all 7 suppliers has increased dramatically e.g. turnover and efficiency improvements as a direct result of their involvement in supplier development.
 - These case studies reinforce the benefits of supplier development including the nurturing of alternatives when rogues are identified in Stage I of the supplier development programme.
 - Our experience with these 7 suppliers has shown that empowerment is necessary for successful supplier development but the Managing Director should still monitor progress. This, in Cosalt's experience, was handled by discussions with the operational managers. The author notes that progress in the various areas of quality would tend to plateau and board level encouragement was sometimes needed to facilitate continuous improvement.

Examples of progress:

- Carawin, the nurtured alternative supplier to one of the rogues - their turnover has increased from zero to £1.2 million in three years.
- Atlas Trailers are known to have had a similar experience to Carawin.

A recent observation of Carawin and also another supplier, Bonus Electrical, is that both are showing the early signs of arrogance of the rogues encountered some 4 years ago at the reduction of the supplier base stage.

Let us now consider Cosalt's supplier development rating assessments.

5.2.9 Cosalt's Supplier Development Rating Assessments

5.2.9.1 Introduction

Cosalt's supplier rating assessment form is shown in Appendix XIII. In addition to being part of the BS5750 accreditation process they are used to monitor supplier performance. The sheets are completed every six months. The assessment falls into two stages, Section A carries most marks, dealing with the primary purchasing requirements. This section covers pricing, delivery performance, material

specification performance and the suppliers' ability to provide the documentation e.g. working drawings, composition certificates of conformity or any details of the care of substances hazardous to health that may be relevant. Section B covers such areas as reacting to emergencies, keeping promises and the consciousness of cost control. The points obtained in this section A and B are added up and the suppliers are grouped as follows:

A rating - top class

B rating - acceptable

C rating - only just acceptable

D rating - not responding to supplier development techniques and should perhaps be dropped.

5.2.9.2 Use of Rating Assessments at Cosalt

The rating assessment forms are used to discuss supplier performance. When Cosalt first started in 1992 their BS5750 journey the distribution of suppliers into the various groups was as follows in Table 1:

	1992 (April)	1993 (April)	1994 (April)
A	38%	45%	42%
B	42%	47%	39%
C	16%	8%	17%
D	4%	NIL	2%

Table 1. SUPPLIER RATING ASSESSMENT TABLE

The above figures show that the improvement made in 1993 has been lost to some extent in 1994. These results are thought to have occurred due to the increasing number of specials and late changes in customers' requirements which has been the normal trading environment in late 1993 - 1994. However, attention is being paid to reversing the above trend.

5.2.9.3 Conclusion

When used in conjunction with the advance quality meetings, the supplier assessment sheets form useful quantitative information to show varying trends in supplier performance. This information is useful to both Cosalt and its suppliers as any fall off in performance e.g. delivery etc., can be noted and corrected.

We will now consider if supplier development is a beneficial process to the supplier base.

5.2.10 Is Supplier Development a Mutually Beneficial Process?

5.2.10.1 Introduction

In addition to speaking to the Managing Directors of a number of Cosalt's suppliers (see Appendix XIV) it was felt necessary to carry out independent research to establish if supplier development was truly mutually beneficial to the supplier base.

This research was undertaken by RAVENSCROFT [1993] during the summer of 1993, some three years after the start of the supplier development programme. RAVENSCROFT carried out the research acting as an independent body. IT WAS FELT THAT INDEPENDENT RESEARCH WAS NECESSARY TO GIVE ACCURATE FEEDBACK TO ESTABLISH IF SUPPLIER DEVELOPMENT WAS TRULY BENEFICIAL TO BOTH CUSTOMER AND SUPPLIER.

5.2.10.2 Aim of the Study

Since supplier development has a policy whereby the co-operation of the suppliers is essential, and mutual benefit is paramount to a successful venture, then the aim of the study was to establish the suppliers' opinion of the programme, to identify what problems had occurred and any areas of improvement the suppliers believe could be made.

5.2.10.3 Research Methodology

The selection of 12 suppliers was taken at random to obtain a broad cross section of industries, company size and operating environments. Discussions with the suppliers took place with the operating managers involved in the supplier development programme. The discussions took place at the suppliers' premises. Each discussion that took place was based around a set of questions (Appendix XV), but obviously other conversations took place that were felt to be relevant.

Every respondent contacted stated that whilst they were aware of supplier development they did not feel it was their responsibility to approach Cosalt, seeing the matter very clearly as the customers' responsibility.

The suppliers' response to Cosalt's proposed programme was that they were all in complete agreement and most felt they could accept it as a matter of course, and there appeared to be no apprehension about a loss of independence.

There were diverging views as to the supplier benefits presented by Cosalt but most felt that the benefits would be a closer working relationship with a greater understanding between the two companies. Others felt that a more secure environment would be created as a result of the supplier development programme.

Another view put forward was that as a single source supplier there was a clear financial benefit from the extra business involved. The extra volume of work would enable more cost effective production to take place and some of these savings could be passed on to Cosalt. Some, however, viewed this situation more as a manner of Cosalt obtaining goods at a reduced price. Most suppliers did agree that one of the main benefits to them, suggested by Cosalt, was that of a long term working relationship.

Several suppliers did state that there was a lack of feedback from Cosalt, hindering the progress of a closer working relationship. One company feels that there had been insufficient follow up work on Cosalt's behalf believing that Cosalt do not really understand the true concept of supplier development, and are not providing sufficient information to the suppliers.

The results of the programme anticipated by Cosalt were generally felt to have come true and there were no apparent unanticipated results. Several suppliers did mention that they now had started their own supplier development programme, but would be careful to learn from Cosalt's mistakes i.e. to follow up all proposals made.

When asked if they felt Cosalt were trying to impose supplier development on them, all agreed that it was carried out in the spirit of mutual partners progression.

5.2.10.4 Attitudes

Cosalt's proposals were welcomed by all the suppliers contacted and they all agreed to participate as they felt they would continue to survive in an easier environment and there was no hostility at all. In the main the suppliers felt the benefits to them would be realised. Where suppliers were selected to be single source suppliers, there was felt to be an immediate commitment to the selected supplier.

5.2.10.5 Critique

The critique will now set out to answer the question "has supplier development brought about a mutual benefit for both customer and supplier?"

There was a general belief that Cosalt had received the benefit of reducing their supplier base by having a more stable cost structure, but the benefits to the suppliers were seen as minimal.

Some suppliers claimed that Cosalt had placed unrealistic demands on them and that Cosalt did not give sufficient information to help reduce lead times.

From the suppliers' point of view the programme was seen to be losing momentum and that Cosalt were not carrying

out the policies put forward. The communications between Cosalt and its suppliers is claimed to have improved, but criticism was levelled at Cosalt for inadequate feedback.

We will now conclude our thoughts on the independent research to establish if supplier development is beneficial to suppliers as well as Cosalt.

5.2.10.6 Response to Criticisms

Following the criticisms concerning Cosalt's supplier development programme the author of this dissertation took up the various points in the advance quality meetings. Whilst the companies approached by RAVENSCROFT were confidential, the author was unable to establish if there was any basis to the criticisms in the meetings attended. However, the author would believe that criticisms were genuine and Cosalts' managers were briefed to be aware of the criticisms and to seek to make improvements in these areas.

5.2.10.7 Conclusion

- (i) Despite the reluctance to praise the Cosalt programme, it is interesting to note that no supplier complained that their trading position had regressed, indeed in some cases it had improved considerably.

- (ii) All suppliers would appear to accept that supplier development is offering a more stable long term partnership.
- (iii) The concepts of supplier development are right but Cosalt need to develop them further.
- (iv) More feedback/information is required from Cosalt to optimize the supplier development programme.
- (v) The reader is reminded that, at the start of our supplier development research, very few suppliers had heard of supplier development and those who had attempted supplier development had made little progress.

5.2.11 Conclusion

Stage I, the reduction of the supplier base, has been successfully implemented but care had to be taken not to be influenced by the lowest price - quality must be taken into account. Stage II, the advance quality planning stage, became the life blood of supplier development but only after a blame free environment was believed to exist. Empowerment and communications are vital ingredients of Stage II. The independent work carried out by RAVENSCROFT showed that whilst important benefits were gained by the suppliers Cosalt were criticised for inadequate communication and

feedback. The postal questionnaire showed that supplier development has widely spread throughout the supplier base with 51.3% of Cosalts' suppliers participating in supplier development with other customers. Cosalt's supplier rating assessment was found to give a useful feedback of suppliers' performance.

Following our conclusions on the question "Is supplier development a mutually beneficial process?", we will now move to discuss our second case study, Manor House Furnishings.

5.3 MANOR HOUSE FURNISHINGS - A CASE STUDY

5.3.1 Introduction

Both Manor House and Cosalt agreed to use LASCELLES and DUSTING as consultants to steer Manor House through the Stage III process.

Details of the programme will now be discussed but the point is made that the programme was modified by LASCELLES and DUSTING to allow for the fact that Manor House is a typical SME, i.e. a company not as well developed as the Nissans of this world and certainly not having the in-house training facilities.

5.3.2 Aims of the Project

The aim of the project was to provide the individual members of management and supervision with the essential education and training. This would fully equip them with the skills necessary to effectively manage the company as a cohesive team, capable of successfully controlling the operation and future development of the Company.

OBJECTIVES OF PROJECT

The objective of the Project include:

- (i) Identifying the specific requirements of individuals needed to effectively discharge their job responsibilities.
- (ii) Determining the opinions and attitudes of managers regarding:
 - (a) Their perception of the company's standing with suppliers and customers.
 - (b) The likely development of the company in the next five years regarding growth and diversification of products and for markets.

- (c) Their current relationships, difficulties and possible improvements in their role as a Departmental Manager, in relation to their internal suppliers and customers.
- (d) Their developing role as an individual manager within the next five years, including their own estimate of growth potential, together with their assessment of personal difficulties or requirements in order to attain their goal.
- (e) Improving the communication throughout the management team leading to an effective two way communication throughout the company at all levels from individual operator to chief executive.
- (f) Providing the professional training assistance to enable each member of management and supervision to understand their role and be able to carry it out effectively.
- (g) To create an atmosphere of awareness and trust between individuals in understanding and accepting the

importance of each person's role.

- (h) To enable the management team to progressively demonstrate its competence in order to similarly obtain the full trust of the Chairman that he may safely delegate the operation and control of the business.
- (j) To enable the management team to consistently apply the essential directives and disciplines on which the successful operation of the Company depend.
- (k) To consolidate the improvements already made in the establishment of a documented quality management system, by co-operating as a team in the implementation of outstanding discipline requirements.
- (l) To provide the Chairman with an opportunity for an impartial assessment of the capabilities of individual members of the team regarding present and future responsibilities.

5.3.3 Implementation

BUSINESS AND TRAINING NEEDS

This commenced by establishing what the existing arrangements were for meeting the company's training needs.

General

- (i) New starters receive on the job training from supervisors, together with a brief induction session by the Health and Safety Officer covering fire and safety regulations.
- (ii) Computer operators in the factory receive external training organised by the computer supplier at irregular intervals when the systems are updated or when new equipment is delivered.
- (iii) Health and safety personnel have received external training by the British Safety Council on Care of Substances Hazardous to Health (COSHH) regulations and first aid courses by the Red Cross at various times.
- (iv) Training on new equipment acquired (e.g. quilting machines, computers in offices etc.) is given by suppliers at the time of installation.

5.3.4 Budget and Resources

No set budget is fixed at the beginning of each financial year. Training is not currently carried out in a structured way; it is implemented when it is essential.

Resources in terms of trainers and space are strained at present. Personnel have difficulty in keeping up with normal day-to-day responsibilities and training invariably gets put off if possible. Accommodation has been very limited to date and it is intended to create additional office space for training meetings in the very near future.

The next stage of implementation was a series of personal interviews held by the consultants.

5.3.5 Personal Interviews

The eight members of the senior management team were interviewed by LASCELLES and DUSTING over three days during October. The Consultants recorded the views of each manager on five issues:

- (i) The Company's relationship with suppliers.
- (ii) The Company's relationship with customers.
- (iii) The Company's position in five years time.

(iv) The view as a departmental head.

(v) The view as an individual.

The Consultants presented a general summary of the views to a meeting of management team members on the 18th November 1992. The main points of the presentation are contained in Appendix XI 'Feedback of Management Team Perspective', a copy of which was given to each manager.

5.3.6 Feedback of Findings

The purpose of the meeting held on the 18th November 1992 was to enable the participants to share, for the first time, a common understanding of the company's current operation, its strengths, weaknesses, opportunities and future direction. It was stressed that the issues highlighted were the views of the managers, not the consultants.

None of the issues highlighted came as a surprise to individual managers but this was the first time that all the issues which impact on each of them had been placed on the table for mutual discussion. All team members agreed that the issues fed back to them were, in their opinion, a fair and accurate representation of the picture as they saw it.

This meeting represented an important first step of

providing the management team with a common viewpoint of the company, to enable them to look beyond functional responsibilities to the needs of the company as a whole. In other words, to take a strategic view and to act as a team with a common interest.

Another important outcome was a shared recognition that the company had reached a stage in its development where it must move from being opinion-based to being facts-based. Management team members were encouraged to examine their own information needs, those of other managers and how they might be satisfied in a structured way.

INDIVIDUAL MANAGEMENT EXERCISE

In order to obtain additional detailed information to supplement the views and suggestions made by the management team, the consultants invited each manager to undertake a specific exercise linked to their area of responsibility. Each exercise (a summary list is attached, see Appendix XII) is designed to form the basis of a specific improvement project arising out of the issues highlighted by the managers. In addition the managers were asked to obtain the assistance of their own reportees and other managers in obtaining the necessary information, so that the subsequent benefits of the project extend to the whole Company.

All the managers present enthusiastically agreed to

undertake the set exercises and accepted a completion deadline of 4th December 1992. The consultants were at Manor House on 30th November 1992 to provide the managers with any assistance they require in completing their assignments.

The purpose of the management exercises was to give managers an opportunity to both prepare the ground for meaningful improvement projects and to help them gain a greater insight into some of the issues they themselves have identified as key to future profitable business performance.

The consultants analysed the results of the management exercises and presented the findings to the management team, during week commencing 14th December 1992.

Strategy Workshop

The results of the individual management interviews and of the management exercises would help managers to make a positive contribution to the strategy workshop.

The final item on the agenda of the Strategic Workshop at the New Bath Hotel on Saturday, 6th February 1993 was 'Create Outline Business Plan'. The objective of this was to take the 28 items which had been selected from the summary of individual comments of Managers, and to have a discussion between the Company Chairman and his Management

Group. The aim of this was to hopefully obtain agreement in order that they could be subsequently incorporated into the Business Plan when timing and resources had been established. The author of this dissertation attended the weekend workshop in Derby.

5.3.7 Conclusions

The research at Manor House has shown that clearly the stage of management development is such that further training will be necessary to equip the managers with the basic tools prior to developing a strategic plan. The inputs from the managers showed they are capable of thinking strategically but lack the understanding of the more basic management concepts.

Another important gap to be filled is the role of Managing Director. The entrepreneurial leadership is provided by the Chairman very adequately but the absence of professional management leadership is quite noticeable and there is little evidence of empowerment. The flat structure does help communication however. The mode of motivation tended to be more the stick rather than the carrot and OUCHI'S Theory Z culture would be difficult to develop until the chairman changes his style. In conclusion, it is felt that the Co-Development Strategy Model, based on the Nissan model, is basically sound for SME's like Manor House but it is crucial to establish that the basic management skills are

present before introducing the strategic concepts.

The main lesson learned from this area of research is that it is essential to assess the status of management development prior to implementing strategic initiatives.

We will now consider a third case study, that of ABBEY CARAVANS.

5.4 ABBIEY CARAVANS - A CASE STUDY

5.4.1 Introduction

As mentioned earlier the author was invited to join the board of Abbey Caravans in August 1991. Following the involvement at Abbey Caravans, the following observations were made, summarised some 6 months after joining the board.

The leadership, although somewhat autocratic, shown by the previous Managing Director, had clearly been missed during recent years since his promotion to another part of Cosalt. All the business performance indicators were going the wrong way: profitability, market share, reputation for quality, productivity and morale. Communication between departments was poor and clearly the company was not listening to its customers, its own people i.e. ideas and suggestions, and certainly were treating the suppliers as adversaries. Also, housekeeping was appalling and although

there were many good people employed at Abbey their attitude to change was very negative, especially at board level. Little or no training had taken place in the company for many years.

5.4.2 Abbey's Supplier Base

From a supplier development point of view the research study showed the following first impressions:

- (i) Suppliers had been treated in the old adversarial way but perhaps more emphatically than with some companies.
- (ii) Quality from suppliers in general left a lot to be desired but in some cases was very poor indeed.
- (iii) Quality from the suppliers in terms of delivery performance was very poor.
- (iv) Suppliers were kept very much at arms length and were given very little insight into production programmes to facilitate planning and scheduling.
- (v) Prompt payment on agreed schedules was not all it should be.

Whilst the above will give a very poor impression of

the Abbey supplier base it is the author's view that most of the problems inflicted on Abbey by the suppliers were caused in whole, or in part, by Abbey themselves.

During the first six months at Abbey the author initiated a series of meetings to spread the philosophy and concepts of supplier development to the Abbey suppliers, including the setting up of the quality improvement programme.

The supplier base received this new approach very enthusiastically and the promise for the future look encouraging but, for this to be fulfilled, much work had to be done for any real improvements to materialise.

The steps taken to affect these improvements were:

- (i) Introduce and explain the aims and objectives of supplier development to the Abbey management.
- (ii) Insist that lead times be established and adhered to.
- (iii) Payment on time is a prerequisite of supplier development success.
- (iv) Invite suppliers to challenge the quality of information from Abbey.

- (v) In general treat suppliers as long term business partners.

Unfortunately, in August 1992 the main board of Cosalt P.L.C. decided that with the continued trading losses at Abbey, coupled with a gloomy outlook for 1992/93 that Abbey Caravans would be closed down, in spite of many improvements in quality, product acceptability and the supply of purchased components.

5.4.3 Conclusion

On reflection over the twelve months at Abbey the following conclusions are noted:

- (i) The poor management of the supplier base played an important role in the ultimate closure of the company.
- (ii) Before a company can embark on a supplier development programme the basis of the relationship must be reasonably sound viz lead times, delivery schedules, payment terms and conditions must be agreed and worked to by both suppliers and customer.
- (iii) Suppliers must be treated with the respect they deserve as fellow business partners.

- (iv) The management style was autocratic with a complete lack of empowerment - most management stratas were operating at too low a level. The structure was tall and correspondingly communications throughout the company was poor. Motivation was very limited and there was a complete lacking of the OUCHI Theory Z culture.

Following the announcement of the closure of Abbey several suppliers have expressed an interest in continuing to work with Cosalt Holiday Homes on the supplier development programme, even though they will not actually supply Holiday Homes with components. This will be a useful exercise to follow up from a research point of view.

We will now conclude our thoughts on the pragmatic experience of Cosalt, Manor House and Abbey Caravans.

5.5 CONCLUSION

The pragmatic experience of Cosalt has seen the implementation of the first two stages of supplier development mentioned in our supplier development review in Chapter 2 i.e. reduction of the supplier base and the setting up of advance quality planning meetings. We have also seen partial implementation of Stage III, the co-development strategy at Manor House. Our experience at Abbey Caravans showed us how crucial the supplier base is to

a manufacturing SME.

The reduction of the supplier base was shown to be a worthwhile but very time consuming exercise, to identify long term partners. Our research has also shown the task force needs to have well developed negotiative skills and to be committed to the success of supplier development. Thorough communications to the initiating SME's people plus the supplier base is essential for the concepts of supplier development to be understood and accepted. The advance quality meetings have been established as the vehicle for quality improvements and the success of these meetings depends on the SME adopting a negotiative style to create an environment where suppliers believe a win-win situation is sought and indeed they are being treated as long term business partners. It is important to establish a blame free environment if relationships are to flourish.

The advance quality meetings have become the life blood of supplier development. They have become the vehicle which has enabled Cosalt and its suppliers to share in the increased business. Cosalt's market share has increased from 13% to 19% as a result of improved quality, the flexibility afforded by J.I.T., shorter lead times (8 weeks to 3 weeks), small batches (50 to 10) and a faster reaction to the customers' needs. The supporting evidence for the improvement in quality is shown in Figure 10. The warranty costs per caravan dropped substantially in 1992/93 and

continued to improve in 1993/1994. The years from 1991 to 1994 have also seen considerable improvements in wastage from 2 1/2% to 1%. All these improvements were planned and monitored in the advance quality planning meetings.

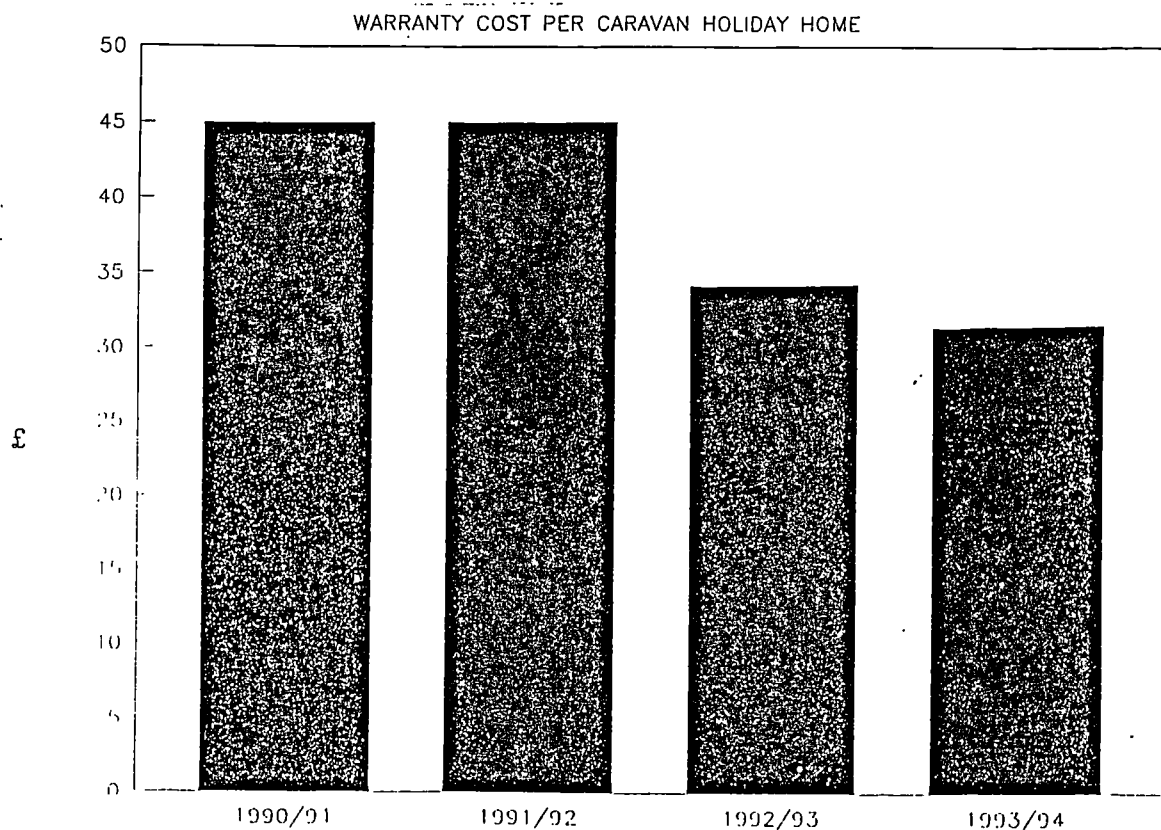


Figure 10. WARRANTY COSTS PER CARAVAN HOLIDAY HOME

Appendix XVI records the minutes of two advance quality meetings, one from 1991 and a later one from 1994. These two examples will give the reader a flavour of the topics discussed in these meetings.

Empowerment must be a feature of the leadership style if operational managers are to be effective in supplier

development. Directors should have the confidence to encourage empowerment but still retain an active interest to ensure progress does not stagnate. Our practice has reinforced the theory that communications are absolutely crucial to successful supplier development. Some problems disappeared overnight as communications improved and as they continued to improve quality improved accordingly as described above.

The benefits for both supplier and customer are considerable from involvement in supplier development. Failures did occur as discussed earlier and the independent research carried out by RAVENSCROFT reminds us that feedback and follow-up are important and perhaps have been underestimated by Cosalt. RAVENSCROFT'S work also indicated that even though Cosalt believed they were communicating well, certain suppliers appear not to support this view.

The work of RAVENSCROFT and the opinions of the Managing Directors of the principal suppliers would indicate that our broad hypothesis where supplier development is seen as a management philosophy offering benefits to both customer and supplier holds true.

This chapter has examined our pragmatic approach to supplier development through 107 companies, as well as a review of Cosalt's supplier rating assessment and a postal questionnaire survey to establish to what extent Cosalt's

supplier base was involved in supplier development programmes with either its customers or suppliers. Here we find that 51.3% of suppliers were involved in supplier development programmes with their other customers whilst 48.7% was only involved with Cosalt's supplier development programme. The overall view of the questionnaire is that supplier development is widely practised amongst the supplier base.

We will now proceed to Chapter 6 to combine the ideal methodology from Chapter 4 with the pragmatic approach given in this chapter to arrive at a recommended supplier development programme for SME's.

Chapter 6.

**A RECOMMENDED METHODOLOGY FOR SUPPLIER
DEVELOPMENT FOR SME' s**

6.1 INTRODUCTION

The previous two chapters have been concerned with constructing firstly, an ideal methodology for supplier development and then, through our research of 107 companies, to examine a pragmatic approach to supplier development. We will now integrate the ideal and pragmatic approaches to establish a recommended methodology for a supplier development programme for SME's. We will also compare the recommended strategic approach of supplier development with the short term and then to offer a checklist for continuous improvement.

**6.2 A RECOMMENDED SUPPLIER DEVELOPMENT METHODOLOGY
FOR SME' s.****6.2.1 Introduction**

Figure 11 shows the flow diagram recommended for SME's embarking on a supplier development programme. Basically 6 stages are recommended.

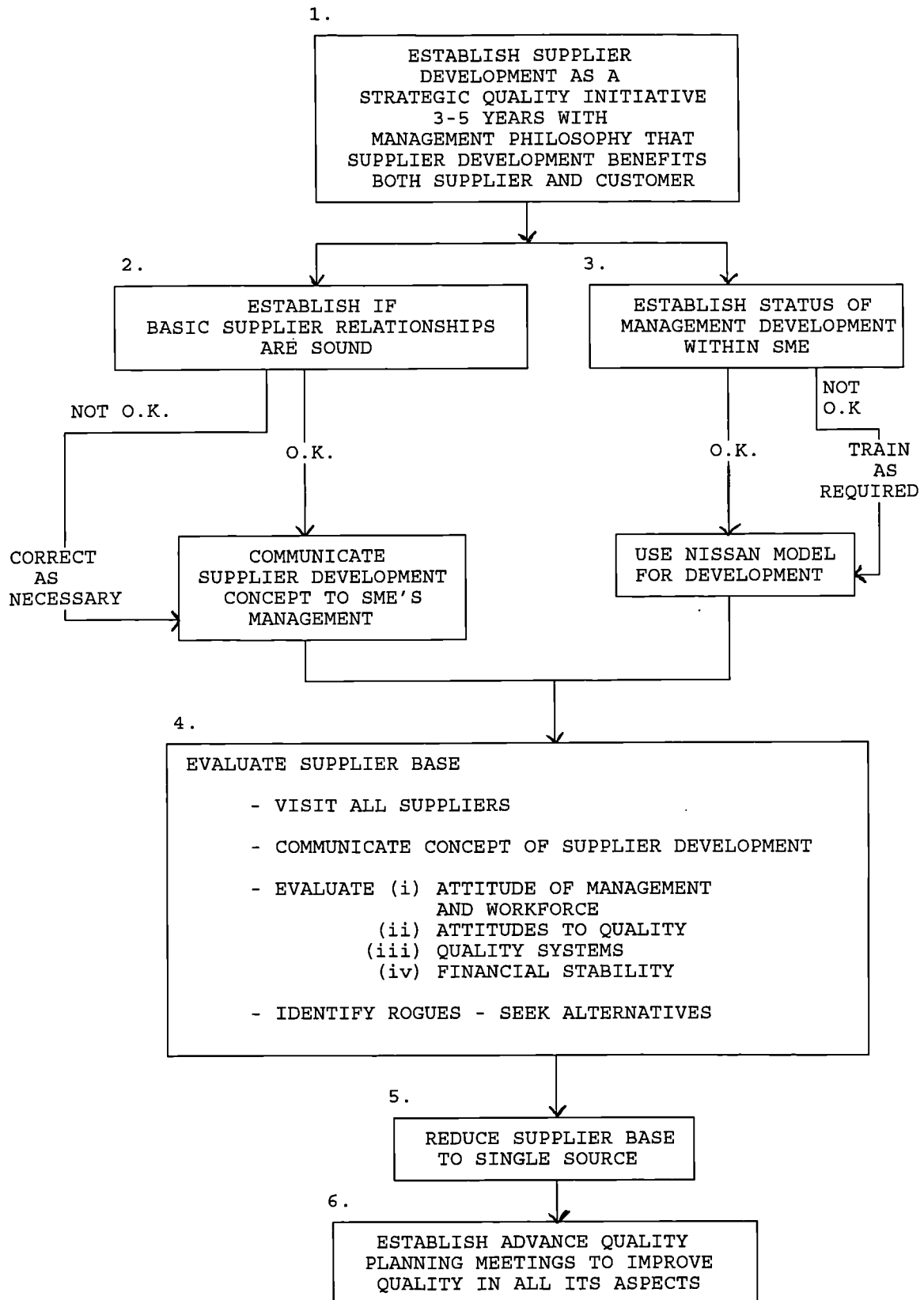


Figure 11. FLOW DIAGRAM FOR SME'S EMBARKING UPON SUPPLIER DEVELOPMENT

These 6 stages will now be discussed in detail.

6.2.2 The Recommended Stages for Supplier Development for SME's.

Stage 1 Establish Supplier Development as a Strategic Quality Initiative

The SME should view supplier development as a 3-5 year strategic quality initiative including in its mission statement that supplier development is a philosophy offering benefits to both customer and supplier - the approach to quality should be holistic. The SME should then communicate the concept of supplier development to its own company.

Stage 2 Establish Status of Basic Supplier Relationship

Prior to embarking upon a supplier development programme, SME's should consider the diagnostic criteria to establish if the company is ready for supplier development. That is the SME should examine the relationship with their suppliers to ensure they are reasonably sound. The diagnostic criteria would include:

- (i) Lead times, delivery schedules, payment terms and conditions must be agreed and adhered to by both supplier and customer.
- (ii) Suppliers should be treated with the respect they deserve as fellow business partners.

Stage 3 Establish Status of Management Development

The SME should examine its management to assess the status of its development. The lesson learned from our research at Manor House is that managers must understand the basics of management before undertaking strategic development.

Stage 4 Evaluation of the Supplier Base

The steps involved are:

- (i) Visit all suppliers.
- (ii) Communicate concept of supplier development to all suppliers.
- (iii) Evaluate:
 - (a) Attitude of the management and workforce.
 - (b) Attitude to quality.
 - (c) Quality systems.
 - (d) Financial stability.
- (iv) Identify rogues - seek alternatives.

Stage 5 Reduction of the Supplier Base to Single Source

It is recommended that a task force is established which should be multi-disciplined, have known negotiative skills and have a director as team leader. The task force should evaluate the supplier base using a S.W.O.T. analysis. Rogue suppliers should be identified and alternatives sought.

A note of caution at this stage is that the time involved is considerable (70% of three senior personnel's time for 1 year is Cosalt's experience). Communication is vital at this stage.

Stage 6 Establish Advance Quality Planning Meetings

Our research showed that this is the lifeblood of the supplier development programme. It is highly recommended that these regularly held meetings use an agenda similar to the one used at Cosalt to form the framework for this vital stage. Our research has also shown that for this stage to be successful then flat structures facilitate communications (communications are vastly improved simply by holding these meetings on a regular basis). Empowerment is also necessary to allow the operational managers of both customer and supplier to communicate effectively with each other. The SME would also be advised that Stages 4, 5 and 6 are interative. Other salient features include broader

participation, more consensus decision making and showing more respect and concern for both people employed in the customer's organization as well as the supplier's organization. This also recommended that rating assessments would be used in the supplier development meetings to monitor delivery performance.

Following our supplier development model for SME's where we strongly recommend that supplier development is considered as a strategic quality initiative, it is recognised that situations might prevail where 3-5 years may not be available. Hence, we will consider strategic supplier development versus the short term and also consider how closely the principles of supplier development can be met if only (i) one year is available, and (ii) two years available.

6.3 STRATEGIC SUPPLIER DEVELOPMENT VERSUS SHORT TERM

In our literature research SYSON (1994) has reminded us that LOPEZ postulates that short term situations cannot afford to be ignored. LOPEZ effectively has reintroduced short term price opportunities back on the agenda in a somewhat adversarial way in terms of recession. The author of this dissertation can see the business need to adopt LOPEZ'S approach in recession times and so the recommended

methodology will remind SME's who are considering supplier development that this is an issue they may have to consider but adopting a more negotiative approach.

6.4 HOW CLOSELY CAN THE PRINCIPLES OF SUPPLIER DEVELOPMENT BE MET IF ONLY (i) ONE YEAR IS AVAILABLE, (ii) TWO YEARS AVAILABLE?

Above we have discussed supplier development strategically and then considered that there might be short term situations that come into the equation, similar to those described by SYSON (1994). Whilst the strong recommendation would be that supplier development is considered to be a part of a SME's strategic approach to quality, there may well be situations where the recommended 3-5 years is not available. Hence, from the experience of our research, we will recommend those principles of supplier development that would be met over two periods of time:

(i) one year and

(ii) two years

Consider (i) One Year available.

Steps involved:

- (a) Hold internal communication meetings to introduce the concept of supplier development to the SME's management and staff.
- (b) Decide which are the 3 most important suppliers to the company.
- (c) Invite the top 3 suppliers' board members to the SME's premises to introduce and explain the supplier development concepts.
- (d) Arrange site visits to the top 3 suppliers' premises to introduce and explain supplier development to the suppliers' management and staff.
- (e) Set up the advance quality planning meetings. Our research has shown that these meetings are the life blood of supplier development and will be the vehicle for having an impact on quality, communication, lead time reduction etc. It is suggested that these meetings are held monthly.

Consider (ii) Two Years available.

It is recommended that the stages involved for 1 year duration are followed but select the 6 most important suppliers to the business. Again the setting up of the

advance quality planning meetings is of paramount importance but for the second year the meetings may well not need to be held at more than 2-3 month intervals.

A further recommendation is that when supplier development is underway that a monitoring system is considered to improve the supplier development strategy by highlighting the areas that require further work. Our research recommends a checklist that is in effect an operational validation of the principles of supplier development.

6.5 OPERATIONAL VALIDATION OF THE PRINCIPLES OF SUPPLIER DEVELOPMENT

6.5.1 Introduction

We have tested 9 principles of supplier development which we hold to be valid but our practical research has helped us to identify the operational characteristics of the 9 principles. These operational characteristics help us to manage and further develop our supplier development strategy. We recommend that the following chart is used as a checklist to improve the supplier development strategy by highlighting these areas that require further work.

	SUPPLIER DEVELOPMENT PRINCIPLE	CHARACTERISTIC
(i)	Holistic	Scopes deployed 0-25% 25-50% 50-75% 75-100%
(ii)	Empowerment	- clearly defined responsibilities - clearly mapped and measured processes - discretionary action - joint initiatives/processes
(iii)	Communication	- clear points of communication - scope of communication - methods ('E' Mail, EDI)
(iv)	Continuous Improvement	- basic tools - quality systems - policy deployment - process improvement - benchmarking - self assessment
(v)	Mutual Benefit	- clear quantified benefits - 'open-book' approach - target costing - mutual help group (networking and benchmarking)
(vi)	Attitude	- adversarial - co-operative - partnering - comakership
(vii)	Negotiation	- joint - scope of Agreement (warranties, terms of payment) - confidentiality - procedures for settling disputes
(viii)	Good Management	- organization design - management development (training, Investors in People, benchmarking, job rotation) - empowerment - attitude Surveys
(ix)	Long Term Business Partnerships	- strategic suppliers (added value business relationships) - mutual economic benefit - establish joint technological advantage - strong joint customer/market perception

Table 2. OPERATIONAL CHARACTERISTICS OF THE PRINCIPLES OF SUPPLIER DEVELOPMENT

The table shows the 9 principles of supplier

development and the corresponding operational characteristics. An SME evaluating the progress of its supplier development programme can consider which characteristics have already been met and hence what others may be considered to improve their strategy.

Later in the dissertation Cosalt's progress will be reviewed in light of the above table to highlight areas for further work to improve the supplier development strategy.

We will now conclude our thoughts concerning a recommended methodology for supplier development.

6.6 CONCLUSION

The recommended model for SME's embarking on a supplier development programme has 6 stages, viz:

- (i) Establish supplier development as a strategic quality initiative.
- (ii) Establish if basic supplier relationships are sound.
- (iii) Establish status of management development within the SME.
- (iv) Evaluate supplier base.

(v) Reduce supplier base.

(vi) Establish advance quality planning meetings.

The SME is reminded that Stages 4, 5 and 6 are interative.

Whilst the strong recommendation is that supplier development is viewed as a strategic quality initiative we considered the strategic versus the short term and concluded that the approach taken by LOPEZ may be a necessary option but we recommend using a negotiative approach similar to the one taken by Cosalt in 1993.

As part of the quest for continuous improvement a further recommendation was made involving the operational characteristics of the 9 supplier development principles established in Chapter 2. The SME concerned could evaluate its position relative to the characteristics satisfied and hence highlight where further improvements could be gained by adopting those characteristics not already considered.

Following this recommended model for SME's, we will now carry out a critical review of the thesis in Chapter 7 together with recommendations for further work. Each stage of the thesis will be discussed and general observations are summarised.

Chapter 7.

CRITICAL REVIEW OF THE THESIS
AND RECOMMENDATIONS FOR FURTHER WORK

7.1 **INTRODUCTION**

Following the review of the literature available on supplier development and the management theory review we described the ideal methodology. We then proceeded to describe the pragmatic approach of Cosalt's supplier development programme. We also considered the case of Abbey Caravans since this was an excellent research opportunity, running parallel with the mainstream research in Cosalt Holiday Homes to investigate a company that clearly had major problems with its suppliers. Our research at Abbey would enable us to discover what a company has to do to prepare itself for a supplier development programme. Manor House Furnishings provided an opportunity to research the Co-Development Strategy stage postulated by BURNES. Here we found that it is important to establish the status of management development before considering strategic issues. By combining the ideal and pragmatic approaches we then derived a recommended supplier development model for SME's.

This chapter will now critically reflect upon the thesis in terms of the hypothesis, principles, the utility of the methodology and how we carried out the methodology.

We will then make recommendations for further study.

7.2 HYPOTHESIS EVALUATION

Let us first consider the original hypothesis and examine how this has helped Cosalt Holiday Homes to establish what supplier development can and cannot do for SME's.

The original hypothesis that is being tested is that supplier development is a management philosophy that offers benefits to both customers and suppliers. It is argued that the views of the Managing Directors of the suppliers (Appendix XIV) support the view that benefits have been achieved by the suppliers. Also, the independent research carried out by RAVENSCROFT supports the view that supplier development has offered considerable benefits to the suppliers interviewed but it is difficult to establish if the benefits are equal for both supplier and customer.

Research carried out by DALE and LASCELLES advocated that supplier development's main aim was to obtain a competitive edge in terms of quality, cost and design criteria. This concept is not consistent with the hypothesis that supplier development benefits all. The author argues that the benefits can be available to all (including Cosalt's competitors) but each host company will need to have the attitude conducive to initiate and

implement a supplier development programme. The competitive edge, in the author's view, can be captured by the host company that has the attitude (especially at board level) most suitable to supplier development. This attitude recognises the value of suppliers as business partners. The increase in market share for Cosalt (13-19%) is considered to be due to the competitive edge in terms of quality (in all its aspects), cost and design criteria enjoyed by Cosalt. Equally the suppliers have gained this extra market share. Whilst some of this market share has been taken from the competition and hence the suppliers may have received the work anyway; there is a strong belief at Cosalt that we have created a new market, especially in the lower and middle ranges by offering the customer tailor made products. The capturing of this increased market share is due to the flexible accommodation of customers' requirements as a feature of the lean manufacture which would have not been possible without the support of the suppliers. This flexible accommodation of the customers' requirements has not compromised the control of disciplines to safeguard statutory/legal/safety requirements. The practice of BS EN ISO 9000/1 has ensured these safeguards.

Given that the ultimate aim of a supplier development programme is that by working more closely with its supplier base a company can improve its own inherent quality as well as improve the quality of its supplier base - mutual improvement is paramount. Let us now review how the various

aspects of quality have been met by the research.

In Chapter 1 we described one of the aims of supplier development was to improve quality. Quality is defined in the supplier development context as:

- (i) Optimum business performance.
- (ii) Optimize reputation of both the customer and supplier base.
- (iii) Optimize reputation with the employees for being the best company with which to be associated.

Let us now consider each of these 3 in turn.

- (i) There is considerable evidence from both supplier feedback and Cosalt's own opinions to support the view that supplier development has enhanced the business performance of both companies. The supporting evidence for this includes the comments made by the Managing Directors of the supplier base (Appendix XIV), and the independent research carried out by RAVENSCROFT. The increase in market share from 13% to 19% for Cosalt and its suppliers is further evidence of mutually improved business performance.

- (ii) There is a feeling amongst the suppliers that Cosalt's reputation as a customer has improved since supplier development. A similar general view is developing of its supplier base and thus continuous improvement as mentioned earlier is probably due to the developing atmosphere between Cosalt and its supplier base where both parties are endeavouring to create a blame free situation. The supportive evidence for this is the enthusiastic support the suppliers offer by participating in joint ventures. Examples of this are:
- (a) Visits made to Nissan in Sunderland.
 - (b) Visits made to Marley Kansei - a Nissan supplier.
 - (c) Article in the Yorkshire Post (Appendix XVIII).
 - (d) Eagerness to participate in new initiatives, for example, target costing.
- (iii) The staff turnover at Cosalt has always been very low and given the company's involvement in training, Investors in People and general people development, Cosalt's reputation with its

employees is not envisaged to deteriorate. Cosalt's reputation has been further strengthened by supplier development - comments have been made to Cosalt to this effect.

Following our reflections on the hypothesis evaluation we will now reflect on the characteristics of the 9 principles of supplier development and to evaluate Cosalt's progress with respect to these principles.

7.3 COSALT'S PROGRESS WITH RESPECT TO THE CHARACTERISTICS OF THE SUPPLIER DEVELOPMENT PRINCIPLES

7.3.1 Introduction

As promised in Chapter 6 we will now evaluate Cosalt's progress with the operational characteristics of the 9 principles of supplier development. Table 3 shows the progress.

SUPPLIER DEVELOPMENT PRINCIPLE	CHARACTERISTIC	COSALT'S PROGRESS
(i) Holistic	Scope deployed 0- 25% 25- 50% 50- 75% 75-100%	Cosalt's quality strategy relies heavily on the involvement of the supplier base - scope deployed 75-100%.

	SUPPLIER DEVELOPMENT PRINCIPLE	CHARACTERISTICS	COSALT'S PROGRESS
(ii)	Empowerment	<ul style="list-style-type: none"> - clearly defined responsibilities - clearly mapped and measured processes - discretionary action - joint initiatives/processes 	Empowerment is used extensively at Cosalt - operational managers are given considerable freedom to optimize supplier development.
(iii)	Communication	<ul style="list-style-type: none"> - clear points of communication - scope of communication - methods ('E' Mail, EDI) 	Communications have considerably improved and research is under way to investigate EDI and bar coding.
(iv)	Continuous Improvement	<ul style="list-style-type: none"> - basic tools - quality systems - policy deployment - process improvement - benchmarking - self assessment 	Continuous improvement is well under way but more work can be done re. benchmarking, self assessment.
(v)	Mutual Benefit	<ul style="list-style-type: none"> - clear quantified benefits - 'open book' approach - target costing - mutual help group (networking and benchmarking) 	Mutual benefits have been realised but more work needs to be done re 'open book' approach and 'target costing'. Supplier development associations could also be investigated to form mutual help groups.
(vi)	Attitude	<ul style="list-style-type: none"> - adversarial - co-operative - partnering - comakership 	Considerable success has been made in moving from an adversarial approach to one of co-operation and comakership.
(vii)	Negotiation	<ul style="list-style-type: none"> - joint - scope of agreement (warranties, terms of payment) - confidentiality - procedures for settling disputes 	Terms of payment are usually negotiated for mutual agreement, confidentiality has not presented a problem but 'target costing' may well be the way forward for reducing costs but maintaining or improving profitability (mutually).

	SUPPLIER DEVELOPMENT PRINCIPLE	CHARACTERISTIC	COSALT'S PROGRESS
(viii)	Good management	<ul style="list-style-type: none"> - organizational design - management development (training, Investors in People, benchmarking, job rotation) - empowerment - attitude surveys 	Progress is considerable in this area but more work could be done in benchmarking/ attitude surveys.
(ix)	Long term business partnership	<ul style="list-style-type: none"> - strategic suppliers (added value business relationships) - mutual economic benefit - establish joint technological advantage - strong joint customer/market perception 	Again considerable progress has been made in this area but further work could be done to establish joint technological advantage and joint customer/market perceptions.

Table 3. COSALT'S PROGRESS WITH RESPECT TO OPERATIONAL CHARACTERISTICS OF SUPPLIER DEVELOPMENT

Following our reflections on Cosalt's progress with respect to the operational characteristics of the principles of supplier development we will now move to reflect on the utility of our methodology. In our discussions we will reflect on the way in which we approached our research and consider what we would have done differently if the project was to be done again. We will also discuss any lessons learned.

7.4 UTILITY OF THE METHODOLOGY

7.4.1 Introduction

We will first discuss our methodology including what we would have done differently and then move to discuss how we approached the research, reflecting on the difficulties encountered and any lessons learned.

7.4.2 Utility of the Methodology

The implementation of Stage I, the reduction of the supplier base and Stage II, the advance quality planning meetings, have proved to be very successful. Throughout Stage I it was difficult not to be seduced by price advantages alone. As we progressed through Stage I the cost of quality became more important to the task force such that all the principal component suppliers were selected on this basis. Stage II, the advance quality planning stage, has been very successful in bringing about the improvements in business performance of both Cosalt and its suppliers. But, on reflection, more emphasis should have been given to reducing costs to Cosalt by improving the suppliers' efficiency. With only a few exceptions, Cosalt failed to achieve the 'open book' approach but 'target costing' sounds very promising and more research needs to be done in this area. The Co-Development Strategy stage researched at Manor House reminds us that we must evaluate the status of

management development prior to introducing strategic developments.

7.4.3 Lessons Learned

The author argues that the most important lesson to have been learned is that businesses, or the individuals running them, cannot afford to stand still. Our research into supplier development has had a significant effect on Cosalt's business performance through the quality improvements not only in the increased market share (13% - 19%) but also in the reduction of the cost of components with the corresponding increase in profitability. Companies should strive to research world class companies to see what lessons can be learned to implement them into their own companies. From a personal point of view the effect of the research has been profound. The personal development has been brought about by realisation of the need to identify 'best practice' and to then thoroughly research what has been done to date. The learning process then continues by systematically implementing the particular best practice under consideration and to continually monitor the progress. The research has enhanced the author's appetite for personal development.

The author postulates that other Managing Directors should be encouraged to take part in research as they are in a unique position to make things happen. In fact this point

would be made more strongly - it is their responsibility to investigate 'best practices' and then to make them happen. But, a word of caution, doctoral research carried out on a part time basis is not for the faint hearted and will test the character and resilience of experienced professionals. But equally so the benefits both personally and from a business point of view are very considerable. The partnership formed between Cosalt and the University of Hull has become a significant partnership where the combined effect of knowledge and experience have benefited both parties. A further reflection on part time research is that both the university and part time student must respect each other's time and deadlines should be planned and communications should be such that each party fully understands what is expected of the other and when it is expected.

7.4.4 Final Reflections

In our final reflections we claim that there is evidence to support the original hypothesis in that supplier development offers considerable benefits to both customers and suppliers. It is also claimed that as the thesis builds that there is much to support the main aim of the thesis in that successful supplier development leads to quality improvements. An evaluation of Cosalt's progress with respect to the operational characteristics of supplier development showed that the progress has been significant

but there is still much to be done. Our reflections on the utility of our methodology form the conclusion that the failure to achieve the 'open book' approach and corresponding concepts of suppliers reducing component costs through increasing efficiency has been a failure. This needs to be addressed. A final reflection is to state that research of the type undertaken by Cosalt is very worthwhile for the individuals and companies involved but will severely test the mettle of the participants.

Following the above review of the thesis we will proceed to consider our recommendations for further work.

7.5 RECOMMENDATIONS FOR FURTHER WORK

The research has shown that the supplier development meetings are the lifeblood of supplier development and have given mutual benefits to both customer and supplier with whom these meetings have taken place. Hence the concepts must be spread to other suppliers associated with Cosalt for optimum benefit.

Although the development strategy research is at an early stage with Manor House, its success at Nissan, together with the early indications of success at Manor, would seem to be an area worth investigating with other suppliers - probably with the smaller SME's rather than the larger ones who tend to be more developed strategically.

The results of the postal questionnaire were discussed in Chapter 5 but it is felt that a much more comprehensive questionnaire should be carried out to say 1000 companies to more accurately benchmark supplier development in the SME business sector.

Supplier development is also spreading amongst the other divisions of Cosalt P.L.C. The author of this dissertation has been approached to facilitate supplier development with the Safety and Protection Division of Cosalt P.L.C. and its customer base. This customer base comprises several major oil producing companies e.g. Shell, Elf and British Petroleum. An interesting feature of this research is that again the initiative was offered by the customers and not by the suppliers i.e. Cosalt in this case.

Another phase of supplier development that ought to offer benefits, not explored in the present thesis, is described in 3 parts:

- (i) Intensify the present analysis of acceptability and durability of existing designs, materials and manufacturing methods.
 - (a) Analysing field failure categories into time intervals after build, from infant failures to 1st, 2nd and 3rd years etc. to determine present life expectations and costs involved.

- (b) Carrying out discrete analysis of visual deterioration of units on site to obtain data on visible problems versus severity of exposure on various sites.
 - (c) Field failures of prototypes incorporating proposed designs, materials and construction changes.
- (ii) Pursue design investigations involving alternative construction methods, use of materials, cost comparisons focusing on problem priorities highlighted in (i). Intensify benchmarking investigations on use of materials and methods of construction used in industries other than the caravan industry e.g. vehicle body construction, maritime, portable construction etc.
- (iii) Having identified the priority areas for design enhancement, involve and encourage the participation of the suppliers in the design improvement phase of comakership activities.

A recent conference of the Chartered Institute of Purchasing and Supply (10th June 1994), revealed a further interesting area of research for Cosalt Holiday Homes. The conference entitled "Strategic Supplier Development" considered discussions on the formation of supplier

associations in Europe. Such associations have been under way in Japan since 1939 where they are known as KYORYOKU KAI. A point argued at the conference was that there are considerable mutual benefits to be obtained and Cosalt will certainly research this area of supplier development.

As mentioned previously one of the failures of the research has been to achieve an open book approach to the suppliers' costings. It is suggested that further research is carried out to establish how other companies are maintaining their operating margins whilst under constant pressure (i) to reduce their selling prices and (ii) rising costs from suppliers. Whilst Cosalt has been endeavouring to obtain the open book approach with its suppliers, there has been very little success in this area. The approach taken in TARGET COSTING seems very promising. In target costing the customer takes the initiative by showing the suppliers cost targets and inviting co-operation and participation. Briefly the stages involved are:

- (i) Determine the price at which the market will buy.
- (ii) State required profit.
- (iii) Calculate target cost by subtracting profit from selling price.
- (iv) Ensure that the products and process design will

operate at no more than target cost.

Following this critical review of the thesis and recommendations for further work it is now time to conclude the thesis as a whole.

Chapter 8.

CONCLUSIONS AND MAIN CONTRIBUTIONS TO KNOWLEDGE**8.1 INTRODUCTION**

Following the critical review and recommendations for further work we will now discuss what conclusions can be drawn from the research. This will then summarise the main contribution to knowledge established from the research.

8.2 CONCLUSIONS

The research has shown that supplier development can be successfully implemented by SME's like Cosalt supporting our original hypothesis. This hypothesis stated that supplier development offers mutual benefits to both customer and supplier. It also concluded that supplier development is an exciting and potent method for obtaining a competitive edge in terms of cost reduction, quality improvement and design advantages. The advance quality planning meetings became the life blood of supplier development and acted as the vehicle for the considerable quality improvements which resulted in an increase in market share from 13% - 19% for Cosalt and its suppliers. Communications and empowerment were necessary to create a blame free environment before improvements began.

We will now conclude our thoughts of the following 4 areas: Literature review, management theory review, pragmatic experience and our suggested methodology.

(i) Literature Review

Our literature review showed there has been no work done for SME's - hence there was a gap in knowledge. In the period since 1988, when fundamental research was carried out by DALE, LASCELLES and BEVAN, very little progress has been made. However, considerable literature has been written about supplier development but it has not substantially added to the work of the above authors. Further there has been no work done to put forward any principles for supplier development and no operational characteristics by means of which supplier development programmes can be monitored.

(ii) Management Theory Review

A concern to note: no one has suggested a management theory for supplier development - hence there is a gap in knowledge. Without such a theory it would be difficult to justify and validate management action/implementation.

(iii) Pragmatic Experience of Supplier Development

The main points which are critical for successful supplier development are listed below:

- (a) Supplier development is a strategic quality initiative.
- (b) Stage I, the reduction of the supplier base, is crucial.
- (c) Stage II, the advance quality planning meetings are the life blood of supplier development. Communications and empowerment are vital for this stage, but Managing Directors must still retain overall ownership.
- (d) Supplier/customer relationships must be sound prior to commencing supplier development.
- (e) Evaluate the status of management development prior to considering strategic issues.

(iv) Suggested Methodology

The suggested methodology was not in place when the research began.

The suggested principles and associated characteristics, the management theory of supplier development and the suggested methodology have ultimately come some way towards supporting our original hypothesis. We will now summarise what are the main contributions to knowledge.

8.3 MAIN CONTRIBUTIONS TO KNOWLEDGE

Supplier development can be successfully implemented by SME's using the recommended methodology of this thesis. This substantially reworked version of the basic model of DALE, LASCELLES and BEVAN considers supplier development as a strategic quality initiative (3-5 years), having as a mission statement that the management philosophy of mutual benefit to both parties is sought. This suggested model for SME's is more prescriptive i.e. a more detailed framework since SME's are less sophisticated than the larger companies.

- 9 principles of supplier development have been drawn out of the research.
- A management theory for supplier development has been put forward.
- An evaluation tool has been suggested for SME's to evaluate the progress of their supplier development programme.

- Supplier development for SME's can lead to a competitive edge in terms of cost reduction, quality improvements and design advantages.
- Supplier development is a useful feature of management development.
- The lack of appreciation of suppliers' contribution can lead to the downfall of a business.

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Appendix I

ORGANIZATIONAL DESIGN**Bureaucracy Theory**

Here we will consider the theories of bureaucracy together with structures and modern views of organizational design.

WEBER (1947), one of the pioneers of modern sociology, called his ideal organization structure a bureaucracy. He suggested four major characteristics: specification and division of labour, positions arranged in a hierarchy, the system of abstract rules and impersonal relationships.

SPECIFICATION AND DIVISION OF LABOUR

Weber argued that bureaucracy contained the following:

- (i) A sphere of obligations to perform functions which have been marked off as part of a systematic division of labour.
- (ii) The provision of the individual with the necessary authority
- (iii) That the necessary means of compulsion are clearly

defined and their use is subject to definite conditions. This statement implies that WEBER recognised the importance of having the authority and power to carry out assigned tasks.

POSITIONS ARRANGED IN A HIERARCHY

WEBER stated that "the organisation of offices follows the principle of hierarchy i.e. each lower office is supervised by a higher one". This bureaucratic characteristic forces control over each member of the structure. Other organizational theorists such as SIMON (1960) would argue that hierarchy is the natural order of things. An example lies in biological sub systems such as the digestive and circulation systems. These are composed of organs, the organs are composed of tissues and the tissues in turn are composed of cells. Each cell is, in turn, hierarchically organized into a nucleus, cell wall and cytoplasm.

THE SYSTEM OF ABSTRACT RULES

WEBER felt the need for a continuous organization of official functions bound by rules. A rational approach to the organization requires a set of formal rules to ensure uniformity and co-ordination of effort. A well understood system of regulations also provides the continuity and stability that WEBER considers so important. Rules persist

where people may frequently change. They may change from no smoking in certain areas to the need for board approval for capital expenditure.

IMPERSONAL RELATIONSHIPS

It was WEBER'S belief that the ideal official should be dominated by "a spirit of formalistic impersonality, without hatred or passion and hence without affection or enthusiasm". Once again WEBER was speaking from the view point of ideal rationality. He felt that for bureaucrats to make completely rational decisions, they must avoid emotional attachment to subordinates, and customers.

BLAU (1956) summarises WEBER'S thinking as follows:

"WEBER dealt with bureaucracy as what he called an ideal type. This methodical concept does not represent an average of the attributes of all existing bureaucracies, but a pure type derived by abstracting the most characteristic aspect of all known organizations".

DOW (1988) points out that the classical, rational approach to structure is of value to managers of formal work organizations that have no conflict or whose subordinates have no power but, of course, this is ideality not reality. The ideal can only be the starting point not the end of an organizational analysis.

Modern View of Bureaucracies

PARKINSON and PETER indicated their frustration with bureaucracy in the following statements but it is difficult to see what they have added to the study of organizational design. PARKINSON'S popular laws (1957) e.g. bureaucratic staffs increase in proportion to the amount of work done and the popular PETER'S principle (1969) "Managers rise to their level of incompetence in bureaucracies".

BENNIS (1965) summarised a number of deficiencies of bureaucracy:

- (i) Bureaucracy does not adequately allow for personal growth and the development of mature personalities.
- (ii) It develops conformity and "groupthink".
- (iii) It does not take into account the "informal organization" and the emergent and unanticipated problems.
- (iv) Its systems of control and authority are hopelessly outdated.
- (v) It has no juridical process.

- (vi) It does not possess adequate means for resolving differences and conflicts between ranks and, most particularly, between functional groups.
- (vii) Communication and innovative ideas are thwarted or distorted as a result of hierarchical divisions.
- (viii) The full human resources of bureaucracy are not being utilized because of mistrust, fear of reprisals etc.
- (ix) It cannot assimilate the influx of new technology or scientists entering the organization.
- (x) It modifies personality structure in such a way that the person in a bureaucracy becomes the dull, grey, conditioned "organization man".

PARKINSON, PETER and BENNIS represent the extreme critics of bureaucratic organization. But nevertheless there has been a growing dissatisfaction and frustration exhibited in the management literature with classical bureaucratic structures as is made clear later in this Appendix. To start with we can consider the two types of structure - the tall bureaucracies and the flat alternatives.

Flat and Tall Structures

In organizational analysis, the terms flat and tall are used to describe the total pattern of spans of control and levels of management. Whereas the classical principle span of control is concerned with the number of subordinates one superior can effectively manage, the concept of flat and tall is more concerned with the vertical structural arrangements for the entire organization. The nature and scope are analogous to the relationship between delegation and decentralization. In other words, span of control is to flat and tall structures as delegation is to decentralization.

The tall structure has very small or narrow spans of control, whereas the flat structure has large or wide spans. In tall structures, the small number of subordinates assigned to each superior allows for tight controls and strict discipline. Classical bureaucratic structures are typically very tall.

Let us now consider the advantages and disadvantages of these structures.

Tall structures assume a role in assessing the value of flat structures similar to that of centralization in assessing the relative merits of decentralization. Tall structures are often negatively viewed in modern

organizational analysis. More accurately, there are advantages and disadvantages to both flat and tall structures. Furthermore, flat and tall are only relative concepts; there are no real absolutes.

Both flat and tall structures could involve the same number of personnel. However, where the tall structure may have four levels of management, the flat one might have only two levels. The tall structure has the definite advantage of facilitating closer control over subordinates. Notice that the term closer and not better control was used. The classicists, of course, equated closer with better; the more behaviourally oriented theorists do not. The very nature of flat structures implies that superiors cannot possibly keep close control over many subordinates. Therefore, they have to delegate a certain amount of the work. Thus, wide spans structurally encourage decentralization. The behavioural theorists would say that this opens up the opportunities for individual initiative and self control.

From a behavioural viewpoint, self control is much more effective than control imposed from above. This behavioural advantage of flat organization hinges on the assumption that there are capable people who can work effectively under conditions of relative independence. In other words, the analysis of flat and tall structures depends a great deal on what approach is taken to the human side of organizations. For discussion purposes, MCGREGOR'S famous Theories X and Y

assumptions may be used to assess the merits of flat versus tall structures.

RELATIONSHIP TO THEORIES X AND Y. MCGREGOR'S widely recognised traditional Theory X (1960) sees humans as innately lazy and in need of close control. In this view, the individual prefers to be told what to do and shuns responsibility. Theory Y takes an essentially opposite view of people, holding that they are not inherently productive. People's behaviour depends on how they have been treated. If they have been under close control and given no responsibility, they will react by being stubborn and uncooperative. On the other side of the coin, if they are not subject to close control but are assigned responsibility, according to Theory Y they will react by being highly motivated, self controlled, and they will seek more responsibility. If in fact Theory Y depicts the nature of humans, a flat structure - which has built-in loose controls, (i.e., ends-oriented controls in which a great deal of responsibility is given to subordinates) will be more effective than a tall structure.

Let us now discuss a systems thinking approach to organization design to establish if this approach may help us to understand how the key issues of attitudes, communication and control may further our knowledge of organizational design in supplier development.

Organization Theory - A Systems Approach

JACKSON (1991) states that since biologists had been struggling with the problems of organised complexity it was perhaps not surprising that a fresh impetus should come from biology. The biologist BERTALANFFY was convinced that organisms could be studied as complex roles as described in his article "THE THEORY OF OPEN SYSTEMS IN PHYSICS AND BIOLOGY" (1950).

BERTALANFFY distinguished between the types of system - open and closed. A system is closed if no material enters or leaves it. A system is open if it imports and exports material and in the process changes components. An open system depends on the environment. EMERY (1969) and LILLENFIELD (1978) believe BERTALANFFY'S work establishes systems theory as a scientific movement.

KATZ & KAHN (1966) also considered organizations as open systems. They argue that organizations are best considered as entities in close relationship with their environment, taking in inputs and transforming them into outputs. These outputs in the form of products, can provide the means for new inputs so the cycle can continue again. The main purpose is to maintain a steady system and to survive.

LUTHANS (1989) in his book "ORGANISATIONAL BEHAVIOUR"

claims that the real breakthrough with classical thinking is associated with BARNARD whose book "THE FUNCTIONS OF THE EXECUTIVE" (1938) defines a formal organization as a system of consciously co-ordinated activities of two or more persons. BARNARD says that people not boxes on an organization chart make up a formal organization and he also criticised the bureaucracy theory for assuming that authority should come from the top down - he clearly holds the opposite view. BARNARD also takes the view that people play the most important role in the creation of formal organizations where co-operation plays a central role.

A development of the systems model is organizational cybernetics. WIENER'S book "CYBERNETICS" (1948) defines cybernetics as the "science of control and communication in the animal and machine". Passing through the 1960's and 1970's the names of BEER and FORRESTER figure prominently. BEER (1959) was the first to apply cybernetics to management defining management as the science and profession of control. He also offered a new definition of cybernetics as the "science of effective organization". In the early 1970's BEER developed his model of any viable system the Viable Systems Model (VSM). This could be used to diagnose the faults in any existing organizational system or to design new systems around sound cybernetic lines.

Modern organizational theory has evolved in three major directions. The first two are summarised from above:

- (i) The view that the organization is as a system made up of interacting parts (the system model).
- (ii) An analysis in terms of our organizational ability to process information in order to reduce the uncertainty in managerial decision making (organizational cybernetics).

This section introduces a new dimension.

- (iii) The contingency approach - the contingency theory pays specific attention to the environment by relating it to organization structure and design. The premise with the contingency approach is that there is no single best way to manage or to organise.

In essence the contingency theory argues that all approaches hold some value but this depends on content. Contingency also acts as a foundation to the design of organizations discussed below.

MODERN ORGANIZATION DESIGNS

Along with organization theorists, many practicing managers are becoming disenchanted with traditional ways of designing their organizations. Up until a few years ago, most managers attempted only timid modifications of

classical structures and balked at daring experimentation and innovation. However, many of today's managers have finally overcome this resistance to making drastic organizational changes. The needs for flexibility, adaptability to change, and overcoming environmental uncertainty are among the biggest challenges facing a growing number of modern organizations.

Project designs are an example of a debate in this area. CLELAND and KING (1968) argue that projects of various degrees of importance are always underway in an organization. The project structure is created when management decide to focus a great amount of experience and resources for a given period on a specific project goal.

There are various ways in which the project approach can be designed. Figure 12 below shows that the project managers have no activities or personnel reporting to them. The project manager along with the heads of quality control, research and development, contract administration and scheduling acts in a staff capacity to the general manager.

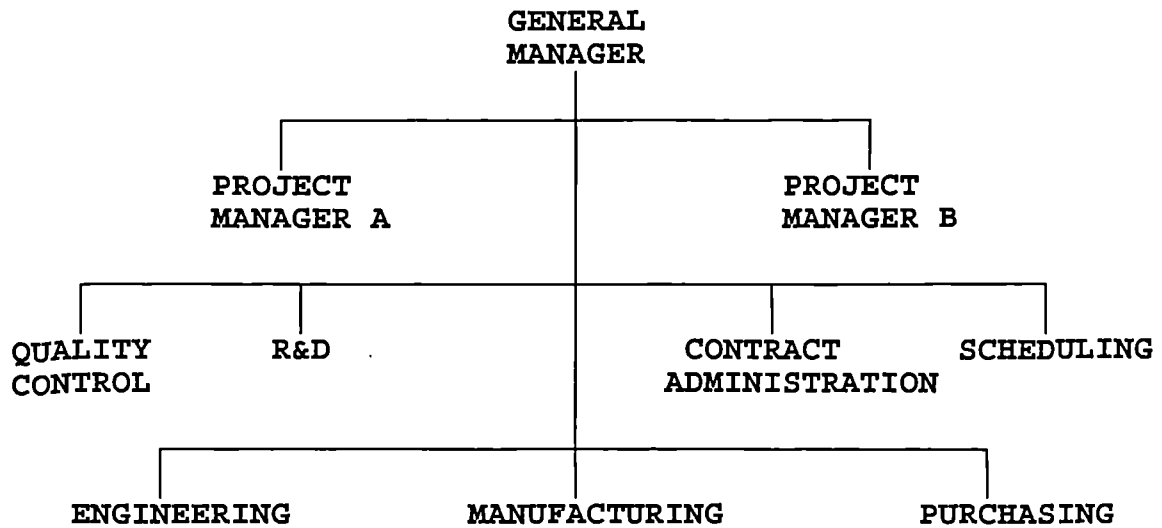


Figure 12. PROJECT DESIGNS - NO DIRECT AUTHORITY

The project manager must rely on influence and persuasion in performing a monitoring role, with direct line authority exercised only by the general manager.

Another type is shown below in Figure 13. Here project managers have staff and functional line personnel reporting directly to them and shows that the project managers have full authority over the entire project.

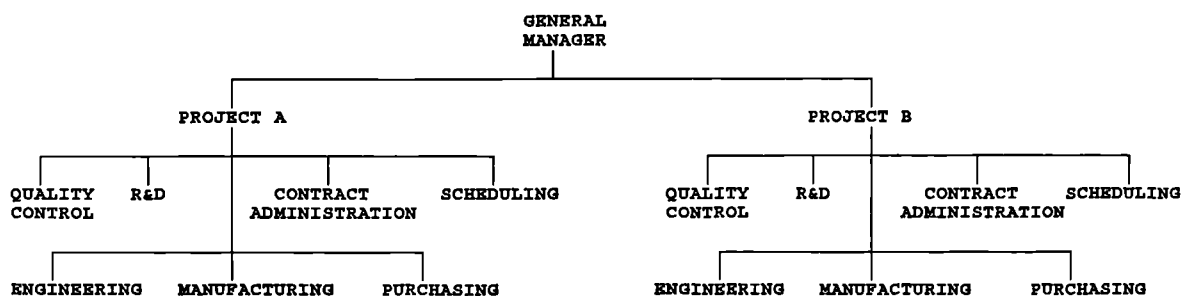


Figure 13. PROJECT DESIGNS - DIRECT AUTHORITY

When a project design is superimposed on a functional structure the result will be a matrix. Sometimes the matrix organization is considered to be a form of project organization and the terms are used interchangeably (see Figure 14).

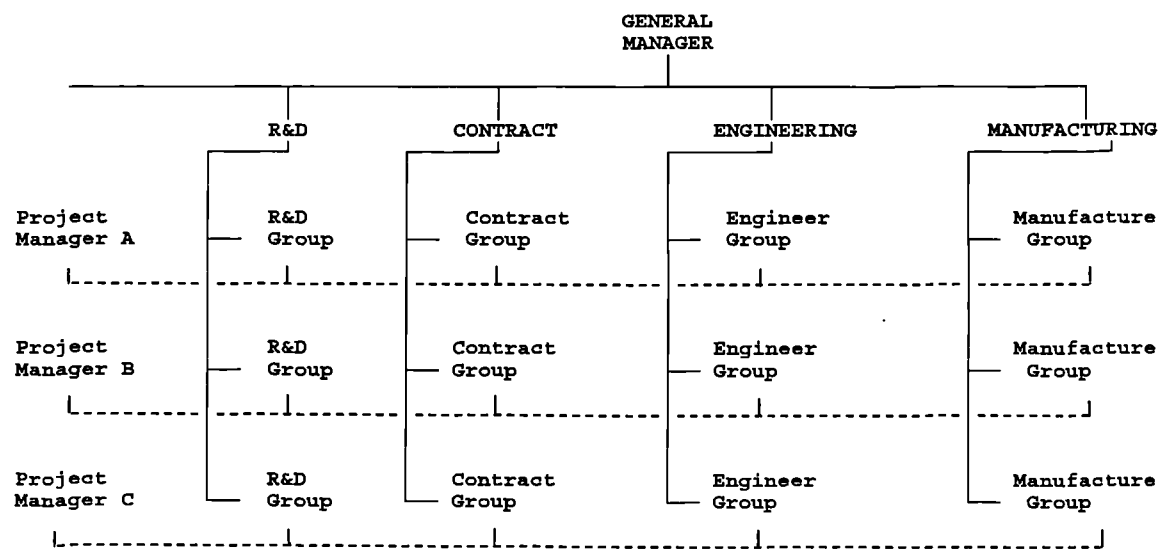


Figure 14. MATRIX DESIGN

This example shows a very simple matrix organization. Here the functional heads (departmental) have line authority over the specialists in their departments (vertical structure). The functional specialists are then assigned to given projects (horizontal structure).

KOLODNY (1981) suggests that similar to a project manager the matrix manager needs negotiation skills and a high tolerance for ambiguous power relationships.

Appendix II

BACKGROUND BEHIND MODERN LEADERSHIP IDEAS

Research carried out in the 1930's by LIPPITT and WHITE under the direction of LEWIN in the Universities of Ohio, Iowa and Michigan lead to the concept that leaders were borne and not made. This so called "great man" theory of leadership implied that some individuals were borne with certain "traits". This evolved into the trait theory of leadership.

After the trait theory proved to fall short of being an overall theory of leadership, attention was turned to the situational aspects of leadership. FIEDLER (1967) followed on to develop an operational technique to measure leadership style. Whilst these results were encouraging FIEDLER concluded that leadership style in combination with the situation determines group performance. This work lead to his contingency model of leadership effectiveness.

Each of these seem to contain some valid points, but has always in the final analysis failed to explain sufficiently the difference between effective and ineffective leadership. The theories will be discussed and reviewed, then finally a more complex, but potentially more realistic, model for understanding leadership situations will then be suggested and its implications discussed.

(i) **Trait Theories**

These theories assume that the individual is more important than the situation and if we identify the distinguishing characteristics of successful leaders then the leadership problem will be solved. Leaders cannot be made but they can be selected by identifying certain characteristics. Most studies would seem to single out the following traits:

Intelligence should be above average*^{p1882} but at genius level. Particularly good at solving complex problems.

Initiative the capacity to perceive a need for action and the urge to do it.

Self Assurance self confidence.

Helicopter View the ability to rise above the details of a situation and view the situation in relation to the overall environment.

Other traits,

- have good health,

- above average height or well below it,
- originally from the upper socio-economic levels in society.

Further studies would mention:

- enthusiasm, courage, integrity, energy, determination and virility.

The Criticisms

The trait theories have been criticised because possession of all the traits would seem an impossible ideal and there are too many exceptions where very successful leaders do not have the majority of the traits mentioned.

(ii) **Style Theories**

The basic assumption here is that employees will work harder for some managers more than others, depending on the manager's style. The styles usually compared are the authoritarian and democratic styles. The main difference between these two styles is power. In the extreme authoritarian style the power remains with the leader. But with the democratic style the power

is shared with the group.

Evidence of Style Theories

Supportive evidence would include:

- subordinate satisfaction
- lower staff turnover and grievance rates
- less inter-group conflict
- often the preferred styles of subordinates.

The Criticisms

Style alone is probably not the answer and research by HOUSE and MITCHELL (1974) show that a supportive style of management leads to a higher degree of contentment. Their studies involving ten different samples of employees found that supportive leadership had a very positive effect on satisfaction for subordinates who worked on stressful and frustrating jobs.

The author's experience would argue that a supportive, democratic style of management encourages employee satisfaction.

But overall effectiveness is dependent on more than one style. Hence we now consider the contingency theories.

(iii) Contingency Theories

Contingency theories take into account other variables involved in any leadership situation - in particular the task and/or the work group and the position of the leader within that work group.

FIEDLER'S Theory (1967)

FIEDLER in particular concentrated on (a) the relationship between the leader and the group and (b) the structure of the task, as determinants in the choice of the most effective style of leadership. FIEDLER found that a structuring style was most effective when the situation was either very favourable to the leader or very unfavourable. When the situation was only moderately favourable then the supportive style worked best.

When FIEDLER referred to the situations favourable to the leader he meant:

- (i) The leader was liked and trusted by the group.

- (ii) The task was clearly defined and laid down.
- (iii) The power of the leader was high i.e. he could reward and punish and had the company's backing.

FIEDLER'S approach to leadership argues that at times it pays to be distant and task centered rather than democratic - again the author would support this view. The reason for this view is that whilst a democratic style is favoured by the author there are some decisions which are easier to make when a manager distances himself from his people in a situation such as a redundancy which may involve some of the subordinates. FIEDLER'S research has been criticised in that he only examined a limited range of unusual groups - bomber crews and steel workers for example. More importantly, perhaps FIEDLER makes things too simple by restricting the problem to the nature of the task and the relationship between the leader and his subordinates.

VROOM'S DECISION TREE MODEL

VROOM (1973), suggests that a leader has five types of style to choose from, but then goes on to say that the right choice depends on answering, in

order, seven different questions. The five styles are:

A1 You solve the problem or make the decision yourself, using information available to you at that time.

A11 You obtain the necessary information from your subordinate(s), then decide on the solution to the problem yourself.

C1 You share the problem with relevant subordinates individually, getting their ideas and suggestions. Then you make the decision.

C11 You share the problem with your subordinates in a group. Then you make the decision.

G11 You share the problem with your subordinates as a group. Then together you make the decision.

The seven questions, which could be set out like a decision tree, are:

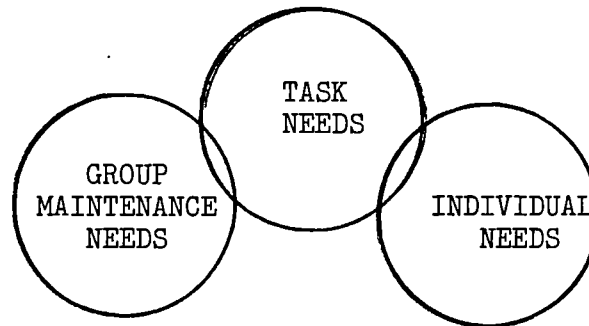
- (i) Is one decision likely to be better than another?
(If not, go to A1).

- (ii) Does the leader know enough to take it on his or her own? (If not, avoid A1).
- (iii) Is the problem clear and structured? (If not, go C11 or G11).
- (iv) Must the subordinates accept the decision? (If not, then A1 and A11 are possible).
- (v) Would they accept your decision? (If not, then G11 is preferable).
- (vi) Do subordinates share your goals for the organization? (If not, then G11 is risky).
- (vii) Are subordinates likely to conflict with each other? (If yes, then C11 is better).

VROOM suggested that the above model works well in helping managers to describe and plan their own decision-making processes. There is, however, some doubt that what they actually do conforms to what they say they do and, in practice, leadership is more than taking decisions with a group or for a group. Even VROOM'S more sophisticated model is not wide ranging enough, it seems.

The Three Circles

ADAIR (1983) suggested a model of leadership training based on three overlapping circles that are involved in any leadership situation.



Note the importance of the individual needs from the group needs. The leader's role is to manage the tension that may arise due to the possible conflicting needs between the individual, group and the task.

To facilitate this a leader, ADAIR suggests, needs a functional approach containing eight elements:

Defining the task	Evaluating
Planning	Motivating
Briefing	Organising
Controlling	Setting an example.

A Further Complication

HANDY (1985) argues that the role of the leader is complex and in addition to being an ambassador of the group the leader also has to be a model to the group.

Let us consider both in turn.

Ambassador

As an ambassador the leader represents the group to people:

- (i) Above him in the organization.
- (ii) Horizontally connected with his group.

The effectiveness of the group will be largely determined by the way the leader performs his role as ambassador. If a leader conveys to those above him an impression of the group that it is responsible, keen and effective then as a result:

- (i) He will be left alone.
- (ii) He will find it easier to get the required resources in terms of finance, people or facilities.

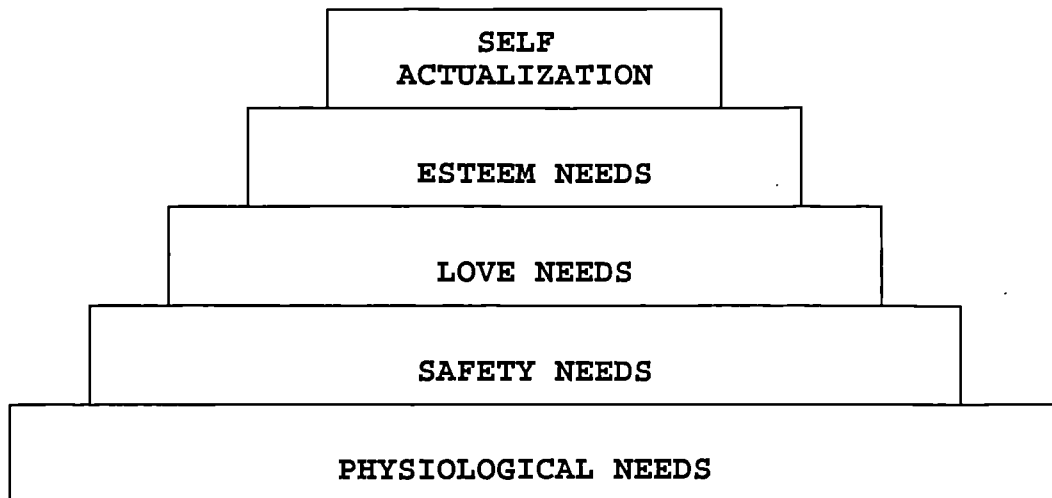
In general, a leader's ambassador role consists in representing his group and in filtering out the organizational strains so that the internal workings of the group are facilitated.

Appendix III

THEORY OF MOTIVATIONMASLOW (1943)

Outlined the elements of an overall theory of motivation, stating that a persons's motivational needs can be arranged in a hierarchical manner.

Maslow identified five levels of his needs hierarchy as follows.

PHYSIOLOGICAL NEEDS

The most basic level in the hierarchy, the physiological needs, generally corresponds to the unlearned primary needs e.g. hunger, thirst, sleep and sex. According to MASLOW, once these basic needs are satisfied they no

longer motivate.

SAFETY NEEDS

The second level of need is the security need. MASLOW stressed emotional as well as physical safety. The whole organism may become a self seeking mechanism. Again once these needs are satisfied they also no longer motivate.

LOVE NEEDS

This intermediate level of needs corresponds to affection and affiliation needs. MASLOW is guilty of poor choice of wording to identify his levels. His use of the word 'love' has many misleading connotations, such as sex, which is actually a physiological need. Perhaps a more appropriate word describing this level would be 'social'.

ESTEEM NEEDS

This level represents the higher needs of humans. The needs for power, achievement, and status form this level. MASLOW carefully points out that the esteem level contains both self esteem and esteem from others.

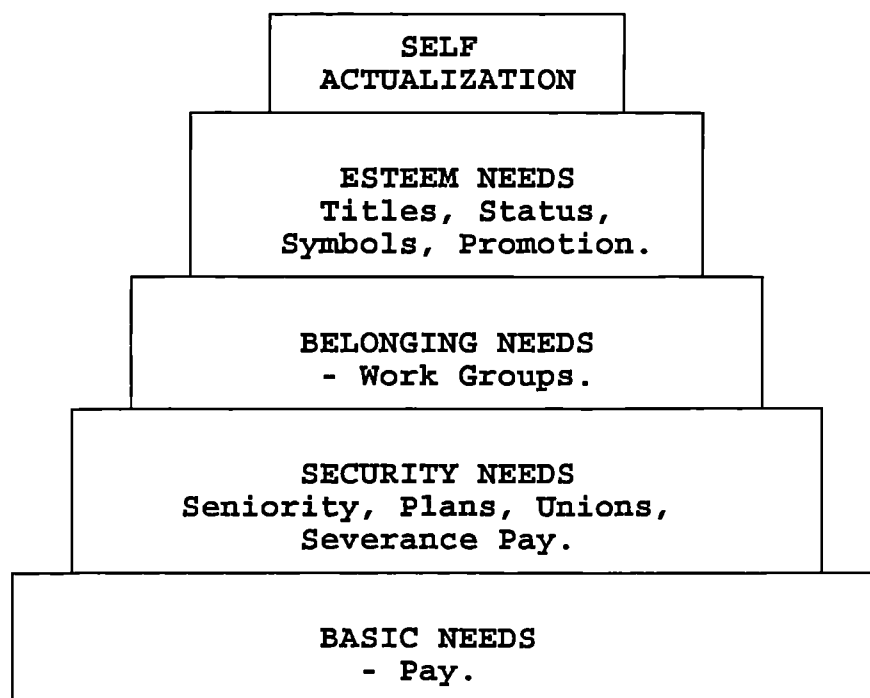
NEEDS FOR SELF ACTUALIZATION

This level represents the culmination of all the lower,

intermediate and higher needs of humans. People who have become self actualized are self fulfilled and have realised all their potential. In effect self actualization is the person's motivation to transform perception of self into reality.

Whilst MASLOW did not intend that his need hierarchy be directly applied to work motivation MCGREGOR (1960) in his book "THE HUMAN SIDE OF ENTERPRISE", popularised MASLOW'S theory of needs which has had a tremendous impact on the modern management approach to motivation.

MASLOW'S need hierarchy theory can be converted into work motivation as follows:



Most research findings indicate that MASLOW'S theory is not the final answer in work motivation. But the model does make a significant contribution in making management aware of the diverse needs of humans at work.

HERZBERG (1968)

HERZBERG extended the work of MASLOW and developed a specific content theory about work motivation. In his research HERZBERG asked two essential questions (i) when did people feel particularly good about their job? - what turned them on? and (ii) when did people feel bad about their job? - what turned them off?

Reported good feelings were generally associated with job experience and job content. Reported bad feelings were generally associated with the surroundings - the job context.

HERZBERG concluded that job satisfaction was related to job content and that job dissatisfaction is allied to job context. HERZBERG labelled satisfiers as 'motivators' and dissatisfiers as the hygiene factors. Taken together they became known as HERZBERG'S two factor Theory of Motivation.

Contribution to Work Theory

HERZBERG'S two factor theory cast a new light on the

content of work motivation. Up to this point management had generally concentrated on the hygiene factors. When faced with a morale problem the typical solution was to improve pay or conditions. When this was found not to work in all cases, managers were understandably perplexed.

HERZBERG'S theory offers an explanation to this problem.

According to HERZBERG'S theory only a challenging job which has the opportunities for achievement, recognition, responsibility, advancement and growth will motivate personnel.

Critical Analysis of Herzberg's Theory

Whilst HERZBERG'S two factor theory finds favour with practitioners including the author's view, the academics may well take the view that the Theory oversimplifies the complexities of work motivation. When researchers deviate from the critical incident methodology used by HERZBERG they do not get the two factors. Their findings indicate that there are job factors that lead to both satisfaction and dissatisfaction. However, in spite of these limitations HERZBERG'S contribution to the study of work motivation is substantial.

ALDERFER ERG Theory

ALDERFER (1977), identified three groups of care needs: existence, relatedness and growth (ERG). The existence needs are concerned with survival (well being), relatedness needs stress the importance of social relationships, whilst the growth needs are concerned with the individuals desire for personal development.

ALDERFER suggests more of a continuity of needs than hierarchical needs. Unlike MASLOW and HERZBERG he does not contend that a lower level of need has to be satisfied before a higher level need is motivating.

There has not been a great deal of research on the ERG theory. Although theories show some evidence to counter the theory's predictive values, most analysis of work motivation supports MASLOW and HERZBERG.

The following chart shows the relationship between ALDERFER, MASLOW and HERZBERG'S work, see Figure 15.

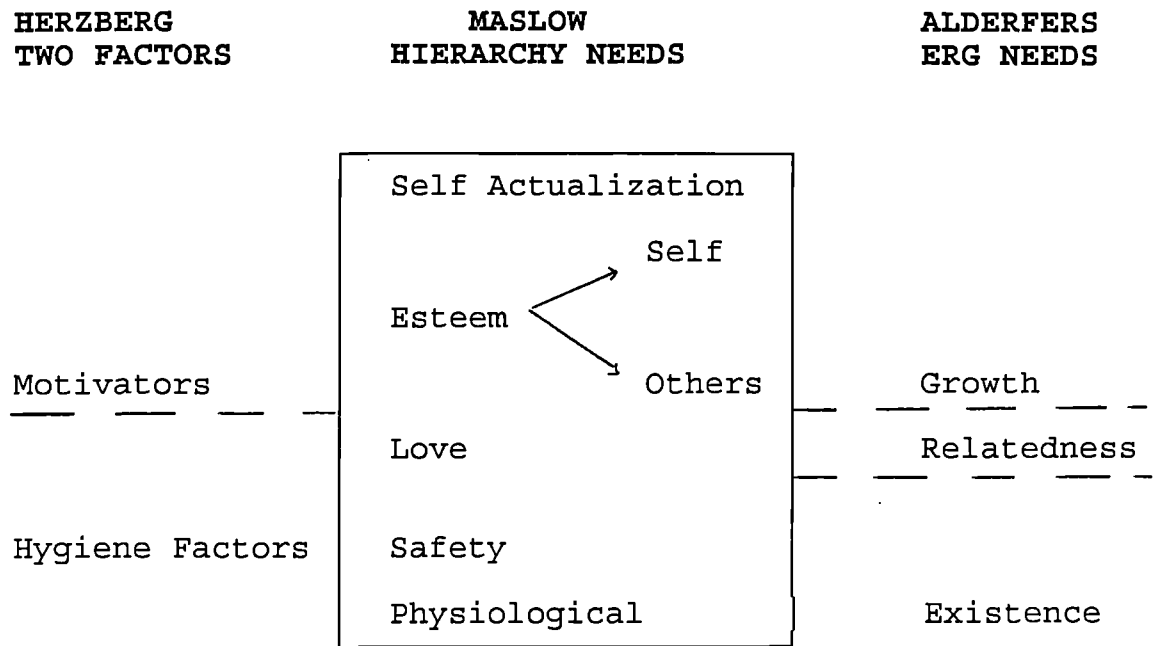


Figure 15. RELATIONSHIP BETWEEN ALDERFERS NEEDS (ERG), MASLOW 3 LEVEL HIERARCHY AND HERZBERG TWO FACTOR THEORY

Appendix IV

THEORY OF ORGANIZATIONAL CULTUREThe Power Culture

A power culture is frequently found in small entrepreneurial organizations, traditionally in the robber-baron companies of nineteenth-century America, occasionally in today's trade unions, and in some property, trading and finance companies. Its structure is best pictured as a web.

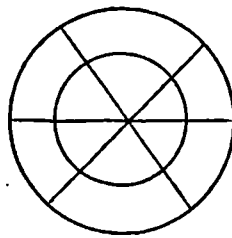


Figure 16. THE POWER CULTURE

The culture in Figure 16 depends on a central power source, with rays of power and influence spreading out from that central figure. They are connected by functional or specialist strings but the power rings are the centres of activity and influence.

The organization depends on trust and empathy for its effectiveness and on telepathy and personal conversation for communication. If the centre chooses the right people, who

can think in the same way as it thinks, they can be left to get on with the job. There are few rules and procedures, little bureaucracy. Control is exercised by the centre largely through the selection of key individuals, by occasional forays from the centre of summonses to the centre. It is a political organization in that decisions are taken very largely on the outcome of a balance of influence rather than on procedural or purely logical grounds.

These cultures, and organizations based on them, are proud and strong. They have the ability to move quickly and can react well to threat or danger. Whether they do move or whether they move in the right direction will, however, depend on the person or persons in the centre: for the quality of these individuals is of paramount importance in those organizations and the succession issue is the key to their continued success. Individuals employed in them will prosper and be satisfied to the extent that they are power-orientated, politically minded, risk-taking, and rate security as a minor element in their psychological contract. Resource power is the major power base in this culture with some element of personal power in the centre.

Size is a problem for power cultures. The web can break if it seeks to link too many activities: indeed the only way the web organizations can grow and remain a web is by spawning other organizations, other spiders.

Organizations which have done this (most noticeably GEC in the UK) continue to grow but are careful to give maximum independence to the individual heads of the linked organizations (which incidentally do not have to have a power culture) usually keeping finance as the one string that binds them to the central web.

These cultures put a lot of faith in the individual, little in committees. They judge by results and are tolerant of means. Often seen as tough or abrasive, though successful they may well suffer from low morale and high turnover in the middle layers as individuals fail or opt out of the competitive atmosphere. It must be remembered that these cultures can be as bad as they can be effective. Many of the family businesses that stagnated and were eventually annexed in Britain after the Second World War were power cultures that had died in the centre. A web without a spider has no strength.

The Role Culture

The role culture is often stereotyped as bureaucracy. The accompanying structure to a role culture can be pictured as a Greek Temple

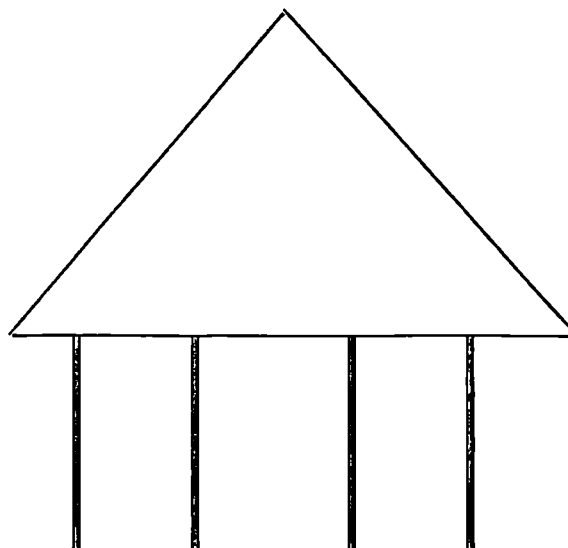


Figure 17. THE ROLE CULTURE TEMPLE

The role organization rests its strength in its pillars, its functions or specialities. These pillars are strong in their own right; the finance department, the purchasing department, the production facility may be internationally renowned for their efficiency. The work of the pillars, and the interaction between the pillars, is controlled by:

Procedures for roles, e.g. job descriptions, authority definitions;

Procedures for communications e.g. required sets of copies of memoranda;

Rules for settlement of disputes e.g. appeal to the lowest crossover points.

They are co-ordinated at the top by a narrow band of senior management, the pediment. It is assumed that this should be the only personal co-ordination needed, for if the separate pillars do their job, as laid down by the rules and procedures, the ultimate result will be as planned.

In this culture the role, or job description, is often more important than the individual who fills it. Individuals are selected for satisfactory performance of a role, and the role is usually so described that a range of individuals could fill it. Performance over and above the role prescription is not required, and indeed can be disruptive at times. Position power is the major power source in this culture, personal power is frowned upon and expert power tolerated only in its proper place. Rules and procedures are the major methods of influence. The efficiency of this culture depends on the rationality of the allocation of work and responsibility rather than on the individual personalities.

The Task Culture

The task culture is job or project orientated. Its accompanying structure can be best represented as a net with some of the strands of the net thicker and stronger than the others. Much of the power and influence lies at the interstices of the net, at the knots. The so-called 'matrix organization' is one structural form of the task culture.

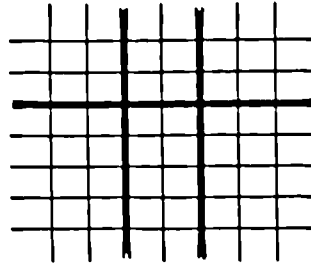


Figure 18. THE TASK CULTURE NET

Influence is based more on expert power than on position or personal power, although these sources have their effect. Influence is also more widely dispersed than in other cultures, and each individual tends to think he has more of it. It is a team culture, where the outcome, the result, the product, of the team's work tends to be the common enemy obliterating individual objectives and most status and style differences. The task culture utilises the unifying power of the group to improve efficiency and to identify the individual with the objective of the organization.

This culture is extremely adaptable. Groups, project teams, or task forces are formed for a specific purpose and can be reformed, abandoned or continued. The net organization works quickly since each group ideally contains within it all the decision making powers required.

Individuals find in this culture a high degree of control over their work, judgement by results, easy working relationships within the group with mutual respect based upon capacity rather than age or status.

The task culture therefore is appropriate where flexibility and sensitivity to the market or environment are important. You will find the task culture where the market is competitive, where the product life is short, where speed of reaction is important. But the task culture finds it hard to produce economies of scale or great depth of expertise. You cannot organise a large factory as a flexible group. Although the technical man in the group may be clever and talented he will, by virtue of having to work on various problems in various groups, be less specialized than his counterpart in a role culture. The task culture therefore thrives where speed of reaction, integration, sensitivity and creativity are more important than depth or specialization. The product groups of marketing departments, the general management consultancies, the merger, takeover and new venture sections of merchant banks, the account groups of advertising agencies - these are all places where the task culture might be expected to flourish.

Control in these organizations is difficult. Essentially control is retained by top management by means of allocation of projects, people and resources. Vital projects are given to good people with no restrictions on

time, space or materials. But little day-to-day control can be exerted over the methods of working or the procedures without violating the norms of the culture. These cultures therefore tend to flourish when the climate is agreeable, when the product is all-important and the customer always right, and when resources are available for all who can justify using them. Top management then feels able to relay day-to-day control and concentrate on resource allocation decisions and the hiring and placing of key people.

HARRISON (1972) concludes that the task culture is the one preferred, as a personal choice to work in, by most managers, certainly at the middle and junior levels. It is the culture which most of the behavioural theories of organizations point towards with its emphasis on groups, expert power, rewards for results, merging individual and group objectives. It is the culture most in tune with current ideologies of change and adaptation, individual freedom and low status differentials. But, as will be seen, it is not always the appropriate culture for the climate and the technology. If organizations do not all embrace this culture it may be that they are not just out-of-date and old-fashioned - but right.

The Person Culture

The fourth culture is an unusual one. It will not be found pervading many organizations, yet many individuals

will cling to some of its values. In this culture the individual is the central point. If there is a structure or an organization it exists only to serve and assist the individuals within it. If a group of individuals decide that it is in their own interests to band together in order to better their own bents, to do their own things, and that an office, a space, some equipment or even clerical and secretarial assistance would help, then the resulting organization would have a person culture. It would exist only for the people in it without any super-ordinate objective. Barristers' chambers, architects' partnerships, hippy communes, social groups, families, some small consultancy firms, often have this 'person' orientation. Its structure is as minimal as possible. A cluster is the best word for it, or perhaps a galaxy of individual stars.

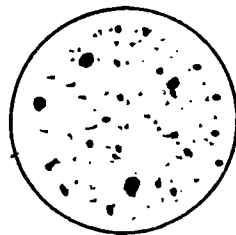


Figure 19. THE PERSON CULTURE

Appendix V

TO: M.J. ISAAC

FROM:

338.

	YES <input checked="" type="checkbox"/>	SOMETIMES <input checked="" type="checkbox"/>	NO <input checked="" type="checkbox"/>
DO YOU CARRY OUT AN APPRAISAL OF NEW SUPPLIERS?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DOES YOUR APPRAISAL INVOLVE:			
- Postal Questionnaires?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Visits to Suppliers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HAVE YOU A RATING SYSTEM FOR NEW/EXISTING SUPPLIERS?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IS YOUR RATING SYSTEM UPDATED AT INTERVALS?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
WHAT IS THE TIME INTERVAL BETWEEN UPDATING?			
POSITION(S) OF PERSON(S) RESPONSIBLE FOR THE APPRAISAL?			
DOES THE APPRAISAL TAKE INTO ACCOUNT INCOMING MATERIAL SCREENING RECORDS?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DO YOU ARRANGE MEETINGS WITH SUPPLIERS TO DISCUSS:			
- Service failures?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Supplier criticisms?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Supply quality problems?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AT WHAT LEVEL ARE THE MEETINGS HELD?			
- Senior management involvement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Operating management involvement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DO YOU DISCUSS NEW PRODUCTS WITH SUPPLIERS BEFORE THE SPECIFICATION IS FINALISED?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DO YOUR SUPPLIERS ASSIST IN DEVELOPING THE SPECIFICATIONS?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DO YOUR SUPPLIERS VIEW PROTOTYPE PRODUCTS?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DO YOU INVITE SUPPLIERS TO SUGGEST MODIFICATIONS TO NEW PRODUCTS TO OBTAIN MUTUAL COST REDUCTIONS?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	YES <input checked="" type="checkbox"/>	SOMETIMES <input checked="" type="checkbox"/>	NO <input checked="" type="checkbox"/>
DO YOU TAKE PART IN TRAINING SEMINARS WITH YOUR SUPPLIERS?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DO YOU PERMIT INTERCHANGE VISITS BY PERSONNEL TO EXPERIENCE AND SOLVE PROBLEMS?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DO YOU ENCOURAGE SUPPLIERS TO OBTAIN REGISTRATION TO THE INTERNATIONAL QUALITY STANDARD BS EN ISO 90002?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DO YOU HAVE DOCUMENTED SUPPLIER DEVELOPMENT PROCEDURES?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DO YOU HAVE DOCUMENTED OPERATING PROCEDURES AGREED WITH A PARTICULAR SUPPLIER?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ARE ANY OF YOUR SUPPLIERS AUTHORISED/RESPONSIBLE FOR REPLENISHMENT OF ON-LINE STORAGE RACKS ON A DIRECT ACCESS BASIS?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DO YOU OPERATE A DIRECT MANUFACTURING COMMUNICATION LINK WITH ANY SUPPLIERS FOR SCHEDULING OF COMPONENTS FEEDING A PRODUCTION LINE?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DO YOU OPERATE A COMPUTER INTERFACE WITH THE SUPPLIER TO ILLUSTRATE SPECIFICATION REQUIREMENTS/DESIGN OPTIONS?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HAVE ANY OTHER OF YOUR CUSTOMERS INVOLVED YOU IN THEIR SUPPLIER DEVELOPMENT? IF 'YES', HOW MANY?	<input type="checkbox"/>		<input type="checkbox"/>
DO YOU CONSIDER YOU HAVE BENEFITED FROM THE INVOLVEMENT? IF 'YES', IN WHAT WAY?	<input type="checkbox"/>		<input type="checkbox"/>

YOUR QUESTIONS TO COSALT!

- 1.
- 2.
- 3.

Appendix VI

REDUCTION OF SUPPLIER BASE CASE STUDY

COMPANY : Stoves, Liverpool
PRODUCT : Ovens & Hobs
TURNOVER WITH COSALT : £3/4 million

COMMENTS :

Stoves is a major supplier of ovens and hobs to both the domestic and caravan industry, and is some 3 times the size of Cosalt. From the first supplier development meeting to present day we have considered Stoves to be the most professional company amongst Cosalt's supplier base. The whole team at Stoves is very professional and their Managing Director and Chief Executive is a very dynamic professional man and has worked very closely with the author on supplier development, including visits to University of Manchester Institute of Science and Technology (U.M.I.S.T.) and Nissan (reported later).

Stoves products are more expensive than their competitors but are superior in quality, and the progressive nature of the company is a feature that Cosalt cannot afford to do without. Whilst Stoves have always shown considerable interest in supplier development, I would suggest the main gain for them (in addition to the extra turnover) has been to constantly be seeking not only what Cosalt need from their products but what the end user needs.

REDUCTION OF SUPPLIER BASE CASE STUDY

COMPANY : Manor House, Derbyshire
PRODUCT : Soft Furnishings
TURNOVER WITH COSALT : £2.6 million

COMMENTS :

This is Cosalt's most important supplier with respect to our expenditure profile and a supplier whose products have a major impact on the perceived value of a caravan. Manor House is a typical entrepreneurial company but have lacked professional management expertise. Their most endearing attribute is a constant appetite for wanting to do things better and having the common sense to realise they need help to improve. It was these attributes that lead to their selection as the single source supplier to Cosalt - the selection having been made ahead of four other competitors.

The years of working closely with Manor House have resulted in a number of things:

- (i) Manor House has developed as the major soft furnishing manufacturer in the caravan industry.
- (ii) Cosalt has benefited from the vastly improved quality (in all its aspects) and also from having a high quality service at a competitive price - Cosalt has access to Manor's cost structure.

In addition to regular Advance Quality Meetings between the two companies, the Total Improvement Strategy was initiated with Manor House. As reported in more detail elsewhere this exercise was only partially successful due to the lack of training and management development. These aspects are now being addressed.

REDUCTION OF SUPPLIER BASE CASE STUDY

COMPANY : Ellbee, Bradford
PRODUCT : Aluminium Windows and Doors
TURNOVER WITH COSALT : Nil (from £1.2 million)

COMMENTS :

Ellbee were identified by the task force as one of the rogues. They have dominated the caravan industry being the only supplier large enough to handle the business of the major manufacturers.

Unfortunately their service, quality and especially their attitude to product design and innovation has left a lot to be desired. However, they did show a strong desire to want to be involved in supplier development. But in spite of this desire to want supplier development the attitude of some of the board members was "well this is a fad and will wear off". When the decision was taken to place all of Cosalt's business with Carawin, the Managing Director was informed that they had in fact lost the business and that Cosalt did not just take it from them. Carawin proved the superior to Ellbee in all aspects of business.

REDUCTION OF SUPPLIER BASE CASE STUDY

COMPANY : C.V. Carpets
PRODUCT : Carpets
TURNOVER WITH COSALT : £500,000

COMMENTS :

C.V. Carpets is a large company being a subsidiary of the Coates Vyella Group. C.V. advised us that they were embarking on a supplier development programme with their suppliers and seemed to be very pleased that one of their customers had approached them with a view to starting comakership.

As perhaps might be expected from a large successful public limited company the involvement with respect to supplier development has been one of full commitment. The Managing Director who holds a doctorate says that apart from a dramatic increase in business (£250,000 - £500,000), C.V. have modelled their Advance Quality meetings on Cosalt. But it is doubtful if supplier development has had a major impact on C.V. as they were a very successful and efficient company before supplier development. It is to their credit nevertheless that they took an active part in supplier development to seek continuous improvement.

REDUCTION OF SUPPLIER BASE CASE STUDY

COMPANY : Carawin, Birmingham
PRODUCT : Aluminium Windows and Doors
TURNOVER WITH COSALT : £1,200,000

COMMENTS :

Following the earlier work in reducing the supplier base when certain rogue suppliers were identified, alternative suppliers to the rogues were sought. Carawin was one of the alternative suppliers and through the vehicle of supplier development have moved from doing no business with Cosalt to having all of the business for both windows and doors. This progress has been gradual over the last three years and their turnover with Cosalt is currently £1,200,000 p.a.

Carawin's quality, product innovation and general reaction to Cosalt's customer needs has been excellent and the company fortunes have dramatically improved. Carawin is a much smaller company than their competitors but have really shown how by working closely with a customer the mutual benefits can be considerable.

It is interesting to note that of late Carawin has struggled to keep up with Cosalt's increase in market share. This increase in market share for Cosalt is undoubtedly due to reduced lead times, reduced batch sizes and general improvement in company efficiency brought about by the benefits of supplier development. The author is quite convinced that by working closely with Carawin they will react to the new demands placed on them.

REDUCTION OF SUPPLIER BASE CASE STUDY

COMPANY : Bonus Electrical, Hull
PRODUCT : Electrical Fittings
TURNOVER WITH COSALT : £900,000

COMMENTS :

Bonus Electrical have moved since the introduction of supplier development from £175,000 in 1990 to £900,000 in 1994 and are now the sole supplier to Cosalt.

In the main the relationship between the two companies has been very good and Bonus have always readily taken part in the Advance Quality Meetings. There is however a tendency for the quality of their service to deteriorate from time to time but to be fair to them they do claim that Cosalt's communication re. scheduling etc. does leave a lot to be desired.

The one fear the author would have of having Bonus as a sole supplier is that most of the products supplied are bespoke to Bonus and as a company they are quickly reaching the stage where they are almost the only supplier capable of handling the larger manufacturers order book. The question in the mind of the author is that they may well fall into the "rogue" category.

Bonus claim that as a result of supplier development the just-in-time demands of Cosalt have helped to improve their overall business performance.

REDUCTION OF SUPPLIER BASE CASE STUDY

COMPANY : Atlas Trailers, Hull
PRODUCT : Chassis Manufacturers
TURNOVER WITH COSALT : £1,200,000

COMMENTS :

The owner and chairman of the business is a man of 70+ years but nevertheless is still very active in the day to day running.

Atlas were a supplier to Cosalt some four years ago but lost the business due to poor quality. So there was particular interest associated with the visit of the task force to introduce comakership to see if any changes had taken place. It was very pleasant to see such a dramatic change in the company especially with its attitude to quality and customer service.

Following the earlier supplier development visits Cosalt decided to place some of its chassis business with Atlas as we were less than happy with our current suppliers quality. Over the past three years the relationship between Cosalt and Atlas has grown from strength to strength, with Atlas readily taking part in the Advance Quality Meetings. Today the situation is one where 2-3 deliveries of chassis are made each day to Cosalt and the quality is very good. Both the author and also the chairman of Atlas agree that supplier development has resulted in them coming back from losing all Cosalt's business to winning all the business back. The chairman also claims that as a result of our need to have a just-in-time service their business has also had to correspondingly improve.

Appendix VII

SUPPLIER DEVELOPMENT PRESENTATION
BY M.J. ISAAC ON 15 MARCH 1991

THOSE PRESENT :

B. Pilmoor, M. Gale, G. Thomas, M. Markham, D. Cooper, D. Smales, M. Smith, J. English, D. Upfield, A. Pickersgill, G. Deighton, P. Curtis, J.W. Hepworth, C. Pallister, G. Woodifield, D. Ward, M. Winstanley, L. Turner, N. Collier, G. Crosier, M. Hadfield, J. Smith, D. Hepworth, S. Ladd, N. Leek, A. Kirk, P.T. Nevitt, A. Smith, K. McMahon, M. Naylor, B. Beadle, K. Rogers, S. Hudson.

M.J. Isaac: If you look over the last four years at the route we have taken to try to improve the quality, you will begin to realise that the route has taken the following format:

QUALITY CIRCLES

KAIZEN

BS5750

We have got to be aiming for these world class areas because for those who do not, will not survive. Think about what our company is going to be like in a few years time if we do not improve in these world class standards. Let us look at the route we have been taking.

Quality circles, this was our first major step in introducing world class areas of improvement. Then came Kaizen, another internal improvement, and we are even managing to integrate it with quality circles - if Kaizen comes up with an idea which is too big for them to handle, it is passed on to quality circles. These improvements were all internal, all our own work, and all successful.

Following Kaizen was BS5750. Our initial worries were that we were experiencing quality problems with some of our suppliers that held BS5750. At first we imagined that companies with BS5750 were better than the rest, but at the moment this is not the case.

In view of the fact that 70% of our turnover is spent with our suppliers this, in monetary terms, is approximately £20M to our suppliers. So, bearing in mind that our continual labour savings are still important, it is really chicken feed. In order to get results we need to attack the supplier front, you only need to take a look at the bigger companies that are already well down the road to supplier development - Lucas, Nissan, Ford, IBM and Rank Xerox. We need to deal with suppliers as long term partners, incorporating trust and co-operation. To do this we need to

improve the supplier base.

At the moment lets look at, as a ball park indication, a figure of 150 suppliers to our business. We need to reduce this figure so, ideally, we can may be end up with one supplier per product.

What we need to start considering when looking at suppliers is that quality is more important than price, and if we had a good quality product every time the effect would be tremendous. At the moment suppliers are not only price dominant with us, but they are expecting us to do their checking of quality - we are acting as their inspectors. Instead they should be checking it and building quality into their product, the responsibility lies with the supplier. So quality is what this is about, as well as money.

Traditionally long lead times have been our way of working. Our aim to reduce these lead times has been successful, down to 6 weeks from 3 months, but we need to be looking at it in terms of days. This is the way the better companies are going - lets look at Toyota. They've got their lead time down to 2 days - surely if they can achieve it, we can. We need to keep lead time reductions going internally, but we haven't even taken the lid off it yet.

It has to be quality when the client wants it - not when we think we can give it!

Lets look at large batch production batches. Why do all production people like these large batches - it is because it gives them a nice, easy life. You do not get the amount of problems with large batches, but does it always give the customer what they want, when they want it - they are not going to wait until we are ready to produce it! Historically this is how we have been working but we need to change.

Poor performance from suppliers. Let us take as an example, soft furnishings. We have tried every supplier and they are all hopeless. Because we realised we relied on a soft furnishing supplier for one of our main products we offered our major supplier help, just discrete help which led them to help themselves. They are starting to respond, they have a long way to go but they are on the right road.

Negotiating with suppliers. We appreciate suppliers have a profit margin to make but the most efficient companies are going to give us the best price. At the moment we keep our suppliers at arms length, but the co-makership approach says that relationships are important, the more you put into it, the more you get out of it. Think about this because this situation is evident throughout all our lives. Mutual respect is important - the name of the game has got to be where everybody wins.

We are an assembly plant - if suppliers are not performing, where are we going to go?

BENEFITS OF COMAKERSHIP

Quality has got to be the key issue. Stability has got to be important, but let us not forget better price is important as well. If we achieved a typical saving of 7%, which can be achieved, we are looking at a saving in the region of £1.4M, this is only if we get it right, but £1M+ is a potential saving for this company.

We are on the right road to shorter lead times, but a lot of work still needs to be done.

Lower stock levels - a more efficient company should keep the stock for us, there are companies who even now carry the stock for us but you can be sure we are paying for it in the price we are paying for the product.

Higher priority given to orders - faster implementation of design changes, getting the goods to the market on time. The faster we can get it to the market, the faster we are going to get the orders. It is important all the time, not just at prototype time.

More reliable delivery performance. Some 15/16 months ago we looked at the soft furnishing situation. We could do nothing with it, but one of the suppliers indicated their willingness to work with us. In the summer of last year I looked at supplier development and took my ideas to Professor Robert Flood of Hull University to put them into a 'real' situation. Then I spoke to Dr. David Lascelles of Q/MAS who confirmed my belief that supplier development was an area that had not been touched upon by the smaller company. This was when I pulled all thoughts and ideas together and realised that this was the road to take.

Initially a task force was set up to attack the supplier base. We approached suppliers, explained what the mutual benefits would be i.e. price share etc., then we went to look at their plant, talked to the people at the plant to get a more complete picture - we did not want to see anything covered up. To date, following an evaluation of the project, we have reached a conclusion with three suppliers. We received an awareness and enthusiasm from suppliers who want to come with us.

Apart from one or two rogue suppliers who are suffering from supplier complacency, all the suppliers wanted to come with us, yet they also know that some of them are going to be disappointed because remember we are reducing the amount of suppliers we deal with. Of the rogue suppliers, at the end of the day it is up to them, we will help them but only they can do the work.

We do not want a supplier coming to us and saying "here is your price increase". This would not be so bad if their quality was good, but with this type of supplier we are trying to look for an alternative. This should help them realise that they have to remain competitive and not take the business we give them for granted.

B. Pilmoor: Some of the ideas that came from our supplier meetings were very useful. To give you an example of what we achieved - with one of our suppliers who supply us with curtain tracks, we bring in the track and cut it ourselves. During the supplier development meeting it came about that the supplier would cut the track for us. It is all about communicating and getting to know the supplier. We are also hoping to get our carpets delivered cut to size, at the moment we end up with waste when we could have had it cut to size all along.

Some of the suppliers are well on board with the development now, others are just seeing the advantages and not the downfalls - they are only seeing the amount of business we are increasing with them.

M.J. Isaac: We have to start looking at the importance of suppliers working with us at the prototype stage.

Payment on time - this will be even more important than before. All the problems we experience now, the suppliers will have to experience them with us, working alongside us. We are fed up with giving the companies who do not pay us our business.

At the present time we are arguing with a supplier over a bill, his particular product is difficult to work with. Through finding an alternative supplier we have not only found a product which is easier to work with, it is cheaper as well.

Of course we always have a third option open to us - to do it ourselves.

David Upfield was then invited to comment on the presentation:

D. Upfield: Everything has been covered very well. We as a company already have a good image on the supplier front, there are some suppliers who deal with us as the sole caravan manufacturer in the area. Comakership can only work with everybody involved, from shop floor up to the highest company level. Nobody is more important than anybody else. It is important whilst we have been visiting our supplier factories to talk to the shop floor workers - they are the ones making the product. We have made a point of asking them if they enjoy their environment, their job, how they see their jobs.

B. Beadle: Surely by aiming for one supplier for one product, we are putting all our eggs in one basket?

M.J. Isaac responded by outlining the general facts surrounding the company - we cannot wait for something to happen to one supplier. If a supplier's factory burnt down it would be no different to our factory burning down, there is no power to stop it happening. That is not to say we would not find another supplier - business is business and you can be sure there will be suppliers waiting for the business from us. If we allowed it to be a problem we would never move forward.

A trial period of 6-12 months will be set up with the suppliers, this is for their benefit as well as ours.

With suppliers of certain products it may not be prudent to give business to one supplier, this is all about knowledge of the supplier base - we are running no more risk than any other caravan company. There are suppliers knocking on our door every day, there will always be another supplier.

B. Beadle then suggested that perhaps it would be a good idea to investigate a company's financial background before mutual trading. Mike Isaac replied that he felt this would not tell us anything - the most profitable suppliers we have are the rogue suppliers. There is not one company we are dealing with that we cannot get financial information we need from, the most financially sound companies are the rogues - they are not interested in after sales or quality. They are successful because they keep putting their prices up and profit margins are thrown out of context. On the other hand if we were dealing with a company that had just set up then, yes, we would probably investigate their financial background.

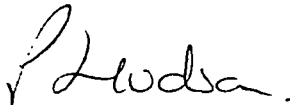
K. McMahon then asked Mike Isaac what products we could develop to make ourselves more efficient. Mike Isaac commented that we were always looking to do more things in-house i.e. mirror cutting. In fact our mirror supplier was on site only recently offering a 10% price cut - he had obviously heard we were looking into doing our own mirror cutting. Obviously anything we look into has got to be financially feasible and it is important not to be distracted from what we do best. It may even be that if we find a supplier has not got the capacity to come with us on comakership we may consider a partnership, but we have to look at what is best for us.

P.T. Nevitt then gave the comparison of Beaconfell as an example. We did not have the management time to give towards making it successful and we were taking our eye off the main core of the business. We did not have the time to give as park managers, we have to be the best caravan

manufacturer in the business first and only then can we concentrate on being best at something else. Our aim has got to be reacting first in the market place, we have to react to it - if we don't, somebody else will.

B. Pilmoor went on to explain how our pricing structure would work in line with comakership. At present some suppliers come in annually to negotiate an increase, others who think they dictate the market just present us with the increase. With comakership we would be hoping to look at their books, to justify to ourselves the increase they are asking for. This also applies to us, the suppliers would be welcome to look at our books and see our business for themselves.

M.J. Isaac: I hope the suppliers do not believe we are naive in any way, because they will be surprised. A contract will be drawn up to protect both parties, but it is also important to keep options open, this will be a test of strength of our management as a team.



Sheila Hudson
21 March 1991

Appendix VIII

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: ACE PLASTICS LTD.,
HULL

PRODUCT: VACUUM FORMED
KITCHEN AND BATHROOM
PRODUCTS

RANKING: POTENTIAL NEW
SUPPLIER

DATE/TIME: 10 May 1991, 11.30am
VENUE: COSALT, HULL

CONTACT: ARTHUR MEANS,
SALES EXECUTIVE

COSALT PERSONNEL: M.J. ISAAC, D.R. UPFIELD AND B. PILMOOR

SUPPLIER PERSONNEL: JOHN COATES, MANAGING DIRECTOR, ARTHUR
MEANS

NATURE OF VISIT: To discuss the possibility of Ace Plastics
becoming a supplier to Cosalt.

OBJECTIVES: To discuss the above plus to introduce
comakership to Ace Plastics.

OBSERVATIONS AND COMMENTS : Again the comakership concept
was well received and Ace Plastics said they were keen to
become a supplier to Cosalt.

Several worrying signs did appear however, they indicated
that they had only supplied the touring market to date and
when Cosalt were invited to visit the Ace Plastics factory
that a dirty factory was quite acceptable to Ace Plastics!

The outcome will be awaited with interest.

NATURE OF FOLLOW UP MEETING : A factory visit was arranged
for 2 p.m. 16th May 1991.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: ACE PLASTICS LTD.,
HULL

PRODUCT: FIBREGLASS
PRODUCTS

DATE/TIME: 16 May 1991, 2pm
VENUE: ACE PLASTICS, HULL

RANKING:
CONTACT: JOHN COATES
MANAGING DIRECTOR

COSALT PERSONNEL: M.J. ISAAC, J.W. HEPWORTH AND B. PILMOOR

SUPPLIER PERSONNEL: JOHN COATES, ARTHUR MEANS (SALES
EXECUTIVE)

NATURE OF VISIT: To view Ace Plastics manufacturing plant.

OBJECTIVES: To further discuss comakership and to discuss
the possibility of Ace becoming a supplier to Cosalt.

OBSERVATIONS AND COMMENTS : One of the aims of this visit
was to evaluate Ace Plastics as an alternative supplier to
Thompson Plastics. From this point of view the trip was not
successful in that Ace made the point that they were
interested in developing new products for and with Cosalt,
but were not really interested in supplying current products
to the caravan industry.

This company is seen as a possible supplier for the future
but not as a possible alternative to our current supplier.

NATURE OF FOLLOW UP MEETING :

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: ATLAS TRAILERS, HULL

PRODUCT : CHASSIS
MANUFACTURERS

ANNUAL TURNOVER: POTENTIAL
ALTERNATIVE SUPPLIER

DATE/TIME: 1 July 1991, 11am

RANKING:

VENUE: ATLAS FACTORY, HULL

CONTACT: F. OAKLEY, OWNER

COSALT PERSONNEL: M.J. ISAAC, J.W. HEPWORTH AND B. PILMOOR

SUPPLIER PERSONNEL: FRED OAKLEY (OWNER & CHAIRMAN) PLUS
FULL MANAGEMENT TEAM.

NATURE OF VISIT: To discuss comakership and to consider
Atlas as a potential supplier.

OBJECTIVES: To view the premises and assess Atlas' attitude
to quality.

OBSERVATIONS AND COMMENTS : Atlas were a supplier to Cosalt
some four years ago but ceased to become a supplier
following quality problems.

The visit today was most encouraging and the operation
looked to be far more professional than our current
supplier. The whole approach to quality and wanting to
satisfy the customer was very obvious. We know that Atlas
are, and have been, a sole supplier to a major competitor
of Cosalt for some 20 years and Cosalt will certainly be
considering Atlas very carefully.

NATURE OF FOLLOW UP MEETING : Atlas will forward their
complete package to Cosalt - then a further meeting will be
arranged.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: BONUS ELECTRICAL,
HULL

PRODUCT: ELECTRICAL
FITTINGS

ANNUAL TURNOVER: £500,000
pa

DATE/TIME: 10.30 am 21 June 1991
VENUE: COSALT, HULL

RANKING: 9th
CONTACT: GARY CLIFFE
SALES DIRECTOR

COSALT PERSONNEL: M.J. ISAAC AND D.R. UPFIELD

SUPPLIER PERSONNEL: TREVOR BOANAS, MANAGING DIRECTOR AND
GARY CLIFFE

NATURE OF VISIT: To discuss the renewal of the original
single source supplier contract.

OBJECTIVES: For both parties to discuss how the new supplier
development contract had progressed.

OBSERVATIONS AND COMMENTS : Both parties stated that every
aspect of the contract was now working well albeit after
earlier problems had been experienced.

The author explained that Cosalt would wish to consider
another supplier but only because the latter had not been
given sufficient consideration six months ago.

Trevor Boanas did not object to this at all and, in fact,
welcomed any other supplier to better his company's offer.

Bonus submitted their prices for the next years trading.

NATURE OF FOLLOW UP MEETING : A further meeting would be
held to discuss Bonus' package.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: BONUS ELECTRICAL,
HULL

PRODUCT: ELECTRICAL
FITTINGS

ANNUAL TURNOVER: £175,000
pa

DATE/TIME: 13 Sept. 1990 2pm
VENUE: COSALT, HULL

RANKING: 21st
CONTACT: GARY CLIFFE,
SALES DIRECTOR

COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD

SUPPLIER PERSONNEL: TREVOR BOANAS, MANAGING DIRECTOR AND
GARY CLIFFE, SALES DIRECTOR

NATURE OF VISIT: To introduce comakership.

OBJECTIVES: To introduce comakership and to explain Cosalt's
proposal for a single source supplier approach.

OBSERVATIONS AND COMMENTS : Both the Managing Director and
Sales Director listened with much interest and were very
eager to obtain all of Cosalt's business.

Whilst they were not aware of supplier development they
expressed a desire to become a long term business partner
of Cosalt.

As with the other electrical fittings' suppliers Bonus were
asked to consider a more favourable pricing structure for
the single source deal, but a price that could be maintained
i.e. not a price aimed at buying the work.

NATURE OF FOLLOW UP MEETING : A further meeting would be
arranged when Cosalt had reviewed Bonus' proposals.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: BONUS ELECTRICAL,
HULL

PRODUCT: ELECTRICAL
FITTINGS

ANNUAL TURNOVER: £175,000
pa

DATE/TIME: 14 Nov. 1990 11 am
VENUE: COSALT, HULL

RANKING: 21st
CONTACT: GARY CLIFFE,
SALES DIRECTOR

COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD

SUPPLIER PERSONNEL: TREVOR BOANAS, MANAGING DIRECTOR AND
GARY CLIFFE, SALES DIRECTOR

NATURE OF VISIT: To discuss the proposition made to Cosalt
by Bonus Electrical.

OBJECTIVES: To discuss the details of the Bonus proposal
with a view to awarding Bonus with a single source contract
to run until the end of the season in July 1991.

OBSERVATIONS AND COMMENTS : The meeting went well. The
essential components of the contract were that Bonus
Electrical only would supply Cosalt with its electrical
components in kit form and current prices would be held
until the end of the season.

The benefits to Cosalt were perceived as the elimination of
a second half price increase of some 5% (estimated) and
considerable time saving in not having to assemble the kits
at Cosalt.

Bonus would benefit by their extra purchasing power and
could pass on the benefits of knowing they would have all
of Cosalt's business.

It was agreed that the contract, (letters of agreement would
be sent), would be reviewed at the end of the model year in
July 1991.

If satisfactory, Cosalt would consider offering Bonus a one
year contract, subject to satisfactory performance and Bonus
reassuring Cosalt that any price increases were satisfactory
and Bonus were seen to be passing on to Cosalt a share of
any savings made by comakership.

NATURE OF FOLLOW UP MEETING : Review meetings were to be
held at agreed intervals.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: BARRASS, HULL

PRODUCT: FIBREGLASS
INSULATION

ANNUAL TURNOVER: £70,000
pa

DATE/TIME: 25th June 1991 2pm

RANKING: 34th

VENUE: COSALT, HULL

CONTACT: COLIN VIPONT,
SALES MANAGER

COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD

SUPPLIER PERSONNEL: COLIN VIPONT

NATURE OF VISIT: To introduce comakership.

OBJECTIVES: To explain comakership and to offer Barrass the possibility of a one year contract with Cosalt to supply their roof insulation materials.

OBSERVATIONS AND COMMENTS : Barrass is typical of suppliers who have been constantly changed for better prices and consequently the idea of a one year fixed contract held much appeal to them.

Mr. Vipont was very interested in comakership but the scope for development with such a small distributor must be limited.

However, the author is optimistic about the possibility of a mutually attractive contract between the two companies.

NATURE OF FOLLOW UP MEETING : Barrass would advise Cosalt by the end of next week.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: B.N. INTERNATIONAL,
LONDON

PRODUCT: VINYL WALLPAPERS

DATE/TIME: 15 May 1991 9.30am
VENUE: COSALT, HULL

RANKING:
CONTACT: ERIC WILLS,
DIRECTOR WALL COVERINGS

COSALT PERSONNEL: M.J. ISAAC AND D.R. UPFIELD

SUPPLIER PERSONNEL: ERIC WILLS

NATURE OF VISIT: B.N. are suppliers of vinyl wall coverings to the laminating industry - the meeting was called to discuss the supply of their wallpapers to our preferred laminator.

OBJECTIVES: To investigate the concern of Lamin 8 regarding the so called cartel where B.N. were apparently reluctant to supply them.

OBSERVATIONS AND COMMENTS : During the recent week or two, following Cosalts decision to place all of its business for 1991/92 with Lamin 8 a number of the other suppliers have expressed their concern on losing Cosalt's business.

Lamin 8, on approaching B.N. for a supply of vinyls, were told that the investigation to obtain ECGD cover would take some 3-5 weeks and thus the vinyl supply would not be available for Cosalt's production of 1991/92 models.

The author, following the meeting with Eric Wills, is quite convinced that the period of investigation for the ECGD cover is quite normal for B.N. International whose manufacturing facilities are in Holland.

It is clear that Lamin 8 should have approached B.N. International at an earlier date.

As a result of this action Cosalt will now have to choose an alternative single source laminator or dual source.

NATURE OF FOLLOW UP MEETING :

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: CABER BOARD LTD.
COWIE, STIRLINGSHIRE

PRODUCT: FLOOR BOARD

DATE/TIME: 5 June 1991 3 pm
VENUE: COSALT, HULL

ANNUAL TURNOVER: NEW
PROSPECTIVE SUPPLIER RANKING:
CONTACT: JIM CALDWELL,
TECHNICAL MANAGER

COSALT PERSONNEL: M.J. ISAAC, D.R. UPFIELD AND B. PILMOOR

SUPPLIER PERSONNEL: JIM CALDWELL, DAVID MCKENZIE, JEFF THOMAS (PANEL PRODUCTS DIRECTOR OF MONTAGUE MEYER).

NATURE OF VISIT: To introduce comakership.

OBJECTIVES: To explain comakership and to evaluate caberboard as an alternative supplier of flooring boards.

OBSERVATIONS AND COMMENTS : By way of explanation Montague Meyers act as distributors for V313 which is a water resistant chipboard manufactured by Caberboard.

The nature and type of questions posed by the visitors indicated a clear understanding and appreciation of the supplier development presentation. Even so we should be mindful of the fact that Caberboard are endeavouring to break into a sizeable market as a supplier of flooring materials to Cosalt.

In addition to the comakership concept the author indicated a real desire for Cosalt to source an alternative supplier albeit the current product i.e. sterling board, was known to perform well.

NATURE OF FOLLOW UP MEETING : A visit was arranged for the 18th June 1991 for Cosalt to visit the Caberboard factory in Stirlingshire.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: CABERBOARD LTD.
COWIE, STIRLINGSHIRE

PRODUCT: SUPPLIER OF
WATERPROOF CHIPBOARD V313
ANNUAL TURNOVER: NEW
PROSPECTIVE SUPPLIER
RANKING:
CONTACT: JIM CALDWELL,
TECHNICAL MANAGER

DATE/TIME: 18 June 1991
VENUE: COWIE, STIRLINGSHIRE

COSALT PERSONNEL: M.J. ISAAC, PROFESSOR ROBERT FLOOD - HULL
UNIVERSITY AND BARRY PILMOOR

SUPPLIER PERSONNEL: JIM CALDWELL, DAVID MCKENZIE, JEFF
THOMAS (PANEL PRODUCTS DIRECTOR OF MONTAGUE MEYER) AND MARK
MCGRAW OF MONTAGUE MEYER.

NATURE OF VISIT: To further evaluate Caberboard as a
potential supplier.

OBJECTIVES: As above but to further discuss Comakership.

OBSERVATIONS AND COMMENTS : The whole visit was very
fruitful with Caberboard showing themselves to be a very
competent and professional manufacturer.

The management team were very enthusiastic towards
comakership and left an impression that they were a company
with whom Cosalt would want a long term relationship.

Professor Flood commented that he thought the company to be
a top class quality company.

NATURE OF FOLLOW UP MEETING : A further meeting would be
held with Montague Meyer after they had submitted their
package for Cosalt's approval.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: CARAWYN
REDDITCH, BIRMINGHAM

PRODUCT: ALUMINIUM
WINDOWS

ANNUAL TURNOVER: £45,000
YEAR TO DATE

DATE/TIME: 20 May 1991

RANKING:

VENUE: REDDITCH, BIRMINGHAM

CONTACT: REG ROBINSON,
MANAGING DIRECTOR

COSALT PERSONNEL: M.J. ISAAC, J.W. HEPWORTH AND BARRY
PILMOOR

SUPPLIER PERSONNEL: REG ROBINSON, MANAGING DIRECTOR AND
JUSTIN ROBINSON, GENERAL MANAGER

NATURE OF VISIT: To discuss further business options.

OBJECTIVES: To discuss extra business (equivalent to 60% of
Cosalt's windows) and to discuss comments made about the
possibility of Carawyn being "on the market".

OBSERVATIONS AND COMMENTS : Mr. Reg Robinson said that the
parent company were trying to sell the company. As Cosalt
have thought about the possibility of manufacturing its own
windows and doors then to purchase an established small
manufacturing unit may well be of interest.

Generally the feeling was that given sensible lead times
then Carawyn could produce the output for Cosalt, although
Ellbee are more able to do so but are much more expensive
and do not offer design flexibility.

A lot would depend on the authors pending discussions about
their views on future trading, indicated in our recent
supplier development visit.

NATURE OF FOLLOW UP MEETING : Further meetings would be held
to discuss:

- (i) future trading
- (ii) possibility of Cosalt purchasing Carawyn.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: CARAWYN
REDDITCH, BIRMINGHAM

PRODUCT: ALUMINIUM
WINDOWS AND DOORS
ANNUAL TURNOVER: £45,000
YEAR TO DATE
RANKING: 45th
CONTACT: REG ROBINSON,
MANAGING DIRECTOR

DATE/TIME: 4 June 1991 11am
VENUE: COSALT, HULL

COSALT PERSONNEL: M.J. ISAAC, J.W. HEPWORTH, D. UPFIELD
AND B. PILMOOR

SUPPLIER PERSONNEL: REG AND JUSTIN ROBINSON

NATURE OF VISIT: To discuss the award of extra business to
Carawyn.

OBJECTIVES: To discuss future trading with Carawyn.

OBSERVATIONS AND COMMENTS : The author outlined how Carawyn
had secured extra work from Cosalt through quality, quick
reaction to problems and a keen desire to innovate and
generally improve product design.

It was stated that Carawyn were expected to aim for BS5750
and that further work would depend on how well they
performed on the larger volume work now received.

NATURE OF FOLLOW UP MEETING : Future supplier development
meetings would be arranged.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: CARAFAX, HULL

PRODUCT: ADHESIVES &
FITTINGS (SCREWS ETC.)ANNUAL TURNOVER: £300,000
pa

DATE/TIME: 13 May 1991 10 am

RANKING: 13th

VENUE: COSALT, HULL

CONTACT: DEREK WALDREN
DAVID ROBINSON
JOINT MANAGING DIRECTORS

COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD

SUPPLIER PERSONNEL: DEREK WALDREN AND DAVID ROBINSON

NATURE OF VISIT: To discuss comakership.

OBJECTIVES: To discuss comakership and to invite Carafax to consider any other products that they feel they could supply competitively to Cosalt.

OBSERVATIONS AND COMMENTS : Not unexpectedly, both Managing Director's were interested in the possibility of extra work from Cosalt and felt there were several products that they could competitively supply.

Whilst they were not aware of supplier development as such they welcomed the opportunity to become involved. The possibility of a contract rather than reacting to purchase orders as they came through was clearly preferable to them.

NATURE OF FOLLOW UP MEETING : Carafax were to report back to Cosalt.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: CASELCO, HULL

PRODUCT: ELECTRICAL
FITTINGS----- ANNUAL TURNOVER: £100,000
pa

DATE/TIME: 17 Sept 1990 3 pm

RANKING: 31st

VENUE: COSALT, HULL

CONTACT: DICK THOMPSON,
SALES MANAGER-----
COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD

SUPPLIER PERSONNEL: DICK THOMPSON

NATURE OF VISIT: To introduce the comakership concept.-----
OBJECTIVES: To introduce and explain comakership and to
explain Cosalt's offer of a single source supplier.-----
OBSERVATIONS AND COMMENTS : Caselco's Sales Manager was
interested in expanding his turnover with Cosalt, but felt
unsure about his company's capacity to offer the 'kit'
system of supply.Hitherto, Caselco would issue electrical goods to Cosalt in
bulk and Cosalt's personnel would make up the kits ready for
production.The new concept of having to assemble the kits at Caselco
would seem to be an area in which they really did not want
to enter.-----
NATURE OF FOLLOW UP MEETING : Caselco would consider
Cosalt's proposals and then communicate further.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: C.E.F. HULL

PRODUCT: ELECTRICAL
FITTINGS----- ANNUAL TURNOVER: £110,000
pa

DATE/TIME: 22 Sept 1990 10 am

RANKING: 29th

VENUE: COSALT, HULL

CONTACT: RALPH NORTHERN,
SALES DIRECTOR-----
COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD

SUPPLIER PERSONNEL: RALPH NORTHERN

NATURE OF VISIT: To introduce comakership.-----
OBJECTIVES: To introduce and explain comakership and the
single source supplier principle.-----
OBSERVATIONS AND COMMENTS : C.E.F.'s Sales Director, a man
whose professionalism is well respected at Cosalt, was keen
to have the extra business and would eagerly seek to become
a single source supplier to Cosalt.In fact the point was made that CEF would be proud to become
a long term business partner of Cosalt.-----
NATURE OF FOLLOW UP MEETING : CEF would advise Cosalt of
their proposal.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: COSALT (MANUFACTURING)

PRODUCT: FISHING, SAFETY
INDUSTRIAL AND SPORTING
NETS, FIBRES AND YARNS,
TWINES, COMMERCIAL
LIGHTING AND COLOURED
GLASS-----
ANNUAL TURNOVER: £14 x
10⁶

DATE/TIME: 15 May 1991 4.30 pm

RANKING:

VENUE: COSALT, HULL

CONTACT:

COSALT PERSONNEL: M.J. ISAAC

SUPPLIER PERSONNEL: MR. B. McMILLAN, CHAIRMAN

NATURE OF VISIT: To discuss comakership with Mr. McMillan.-----
OBJECTIVES: To communicate to Mr. McMillan the concept of
comakership.-----
OBSERVATIONS AND COMMENTS : Cosalt Manufacturing is a major
part of Cosalt PLC's activities and our activities in
supplier development were mentioned to Mr. McMillan by the
PLC Chairman Mr. Ted Brian.Mr. McMillan showed much enthusiasm in our work and
requested that the author help the manufacturing division
(of which he is Chairman) to implement supplier development.
The author will undertake a presentation with this division
within the next few months.-----
NATURE OF FOLLOW UP MEETING :

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: C.V. CARPETS
MANCHESTER & N.IRELAND

PRODUCT: CARPETS

----- **ANNUAL TURNOVER:** £130,000
pa

DATE/TIME: 24 January 1991,
10.30 am

RANKING: 27th

VENUE: COSALT, HULL

CONTACT: RAY TREWITT,
SALES MANAGER

COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD

SUPPLIER PERSONNEL: RAY TREWITT, SALES MANAGER AND IAN
McFADDYEN, SALES DIRECTOR

NATURE OF VISIT: To discuss the concept of comakership.

OBJECTIVES: To introduce and explain comakership with a view
to selecting one of the four carpet suppliers to Cosalt as
a single source supplier.

OBSERVATIONS AND COMMENTS : The concept of comakership was
received very well and indeed this particular company were
already starting comakership - or supplier development with
their suppliers and were delighted to see that a customer
had similar views. C.V. Carpets expressed a view that they
would want to be a single source supplier to Cosalt as the
two respective companies had similar views on business.

It was explained to C.V. Carpets that exactly the same type
of meeting would be held with the other three suppliers so
everyone would know where they stood - an agreed criteria
for business success.

NATURE OF FOLLOW UP MEETING :

A further meeting was arranged for Cosalt's personnel to
visit the manufacturing facilities at Donaghadee, Northern
Ireland as part of the supplier evaluation.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: C.V. CARPETS
MANCHESTER & N. IRELAND

PRODUCT: CARPETS

----- **ANNUAL TURNOVER:** £130,000
pa

DATE/TIME: 27 February 1991
VENUE: DONAGHADEE, N. IRELAND

RANKING: 27th
CONTACT: RAY TREWITT,
SALES MANAGER

COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD

SUPPLIER PERSONNEL: RAY TREWITT, SALES MANAGER AND IAN
McFADDYEN, SALES DIRECTOR

NATURE OF VISIT: To evaluate C.V. Carpets as a potential
single source supplier to Cosalt Holiday Homes.

OBJECTIVES: To establish C.V.'s ability to assume the
responsibility to act as a single source supplier of carpets
to Cosalt, offering Cosalt better prices in return for
considerably more work without the presence of competition.

OBSERVATIONS AND COMMENTS : The general observation was that
C.V. were a very progressive company who were good to trade
with, where people development at both management and shop
floor level was clearly considered to be a priority.

Their Managing Director, who holds a Ph.D., was introduced
and his progressive ideas on business and comakership were
most encouraging.

The factory was very clean and tidy and quality posters and
attitude were much in evidence. BS5750 was currently being
sought. The Cosalt trio came from the factory very
impressed.

NATURE OF FOLLOW UP MEETING :

A further meeting was arranged for Cosalt to visit the
administration and design, and sample availability
facilities at Manchester on 6th March 1991.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: C.V. CARPETS
MANCHESTER & N.IRELAND

PRODUCT: CARPETS

----- **ANNUAL TURNOVER:** £130,000
pa

DATE/TIME: 6 March 1991 11 am
VENUE: MANCHESTER

RANKING: 27th
CONTACT: RAY TREWITT,
SALES MANAGER

COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD

SUPPLIER PERSONNEL: RAY TREWITT, SALES MANAGER AND IAN
McFADDYEN, SALES DIRECTOR

NATURE OF VISIT: To continue to evaluate C.V. Carpets as
a single source supplier to Cosalt Holiday Homes Ltd.

OBJECTIVES: To further assess C.V. Carpets as a potential
single source supplier to Cosalt Holiday Homes.

OBSERVATIONS AND COMMENTS : Again, as per the visit to
Donaghadee, the sales administration, design capabilities
and product presentation were all very impressive and,
again, the Cosalt trio were favourably impressed.

C.V. indicated that they were prepared to reduce their
prices (and hold for one year) by 6% in return for the
single source offer.

The plant based management indicated that they would like
to visit Cosalt as part of the mutual assessment of both
companies.

NATURE OF FOLLOW UP MEETING :

A follow up meeting was arranged for C.V. to visit Hull on
the 8th April 1991 for C.V. to have a closer look at Cosalt.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: C.V. CARPETS
MANCHESTER & N.IRELAND

PRODUCT: CARPETS

----- **ANNUAL TURNOVER:** £130,000
pa

DATE/TIME: 8 April 1991 2 pm
VENUE: COSALT, HULL

RANKING: 27th
CONTACT: RAY TREWITT,
SALES MANAGER

COSALT PERSONNEL: M.J. ISAAC, PLUS WHOLE MANAGEMENT TEAM
THROUGHOUT THE AFTERNOON.

SUPPLIER PERSONNEL: DAVID FARRAH - WORKS DIRECTOR, CLEM
PARKES - PRODUCTION MANAGER, RAY TREWITT - SALES MANAGER

NATURE OF VISIT: For C.V. to evaluate Cosalt as a long term
business partner.

OBJECTIVES: For C.V. to evaluate Cosalt by meeting the
whole of the management team and to have a look at our
operations.

OBSERVATIONS AND COMMENTS : The C.V. team spent some five
hours at Cosalt where, after a welcome from the author, were
taken around the factory by B.Pilmoor and G.Crosier and
introduced to the whole of the management team.

The C.V. team seemed to be impressed and a letter received
from their manufacturing director would seem to sum up their
views very clearly.

NATURE OF FOLLOW UP MEETING :

It was agreed that the next meeting would be to inform C.V.
of Cosalt's decision at a date yet to be agreed, but as soon
as the other evaluations were complete.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: DANFAST, HULL

PRODUCT: PLUMBING
FITTINGS----- ANNUAL TURNOVER: £55,000
pa

DATE/TIME: 14 October 1990 3 pm

RANKING: 39th

VENUE: COSALT, HULL

CONTACT: PAUL WADDINGHAM,
SALES DIRECTOR-----
COSALT PERSONNEL: M.J. ISAAC, B, PILMOOR AND D.R. UPFIELD

SUPPLIER PERSONNEL: PAUL WADDINGHAM

NATURE OF VISIT: To introduce comakership.-----
OBJECTIVES: To explain comakership and the single source
supplier deal.-----
OBSERVATIONS AND COMMENTS : Paul Waddingham was very
interested in the idea of comakership and would, no doubt,
appreciate the additional business on offer.There was some concern shown for the new idea of providing
kits but it was felt that after the necessary attention
Danfast would be able to offer a quality service and
favourable pricing structure to Cosalt.-----
NATURE OF FOLLOW UP MEETING :

A further meeting would be arranged.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: DERMIDE, HALIFAX

PRODUCT: CUSHION
VINYL SUPPLIERS----- ANNUAL TURNOVER: £40,000
paDATE/TIME: 31 January 1991 11 am
VENUE: COSALT, HULLRANKING: 48th
CONTACT: MAURICE BAXTER,
MANAGINGDIRECTOR-----
COSALT PERSONNEL: M.J. ISAAC AND D.R. UPFIELD

SUPPLIER PERSONNEL: M. BAXTER, MANAGING DIRECTOR

NATURE OF VISIT: To introduce and explain comakership.-----
OBJECTIVES: To introduce and explain comakership and to
explain the single source proposal on offer with Cosalt.-----
OBSERVATIONS AND COMMENTS : The Managing Director seemed not
particularly interested in comakership but said he would be
interested in additional business. He went on to explain
that Dermide was a small company and the prices offered
currently were competitive.The authors view of Mr. Baxter's interest in comakership was
little or no interest.-----
NATURE OF FOLLOW UP MEETING :

A factory visit was offered by Mr. Baxter.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: ELLBEE,
PUDSEY, BRADFORD

PRODUCT: ALUMINIUM
WINDOW/DOOR
MANUFACTURERS

ANNUAL TURNOVER: £1.3
x 10⁶

DATE/TIME: 23 April 1991 10.30 am

RANKING: 3rd

VENUE: PUDSEY, BRADFORD

CONTACT: FRED FARRAR,
MANAGING DIRECTOR

COSALT PERSONNEL: M.J. ISAAC, D.R. UPFIELD, J.W. HEPWORTH,
B. PILMOOR

SUPPLIER PERSONNEL: FRED FARRAR MANAGING DIRECTOR, LES
BUNKER SALES DIRECTOR, AND TREVOR WHITE PRODUCTION MANAGER

NATURE OF VISIT: To explain comakership.

OBJECTIVES: To explain comakership and to discuss a more
favourable pricing structure for Cosalt.

OBSERVATIONS AND COMMENTS : Background : Ellbee have until
recently been a sole supplier to Cosalt for aluminium
windows and doors. The reason for this was there is no one
large enough to be a sensible alternative supplier.
However, a company called Carawyn were used recently, albeit
in a limited way, to break the monopoly situation that
existed.

The meeting at Pudsey was indeed very interesting and Ellbee
were very interested in comakership. However, they were
less than impressed when it was suggested that Ellbee should
consider more favourable terms for Cosalt in return for a
return to a single source situation. The author suggested
that if more competition was available then their prices
would be reduced - a comment they denied. The housekeeping
and general state of decoration of the offices had
definitely deteriorated since a previous visit some three
years ago.

Ellbee were obviously aware of the need to continuously
reduce lead times and through the cell manufacture approach
have managed to reduce lead times from six weeks to two
weeks effective from the 1991/92 season. This is excellent
news and is seen as a very important indicator for future
comakership action.

As a final comment, the Managing Director again mentioned
a strong desire to work with Cosalt on the comakership
approach.

NATURE OF FOLLOW UP MEETING : The Managing Director was to
consider and reflect upon the meeting with a view to holding
further discussions with Cosalt.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: EURAMAX
CORBY, NORTHANTS

PRODUCT: ALUMINIUM
CLADDING

ANNUAL TURNOVER: £1.7
x 10⁶

DATE/TIME: 25 March 1991 10.30 am
VENUE: COSALT, HULL

RANKING: 2nd
CONTACT: BOB HORTON,
MARKETING DIRECTOR

COSALT PERSONNEL: M.J. ISAAC, D.R. UPFIELD, J.W. HEPWORTH,
B. PILMOOR

SUPPLIER PERSONNEL: ROGER WALTERS MANAGING DIRECTOR, BOB
HORTON AND DEREK ROLFE (WORKS DIRECTOR).

NATURE OF VISIT: To introduce the concept of comakership
and to discuss future trading.

OBJECTIVES: To introduce comakership.

To express concern re. quality, supplier
complacency and the apparent right to price
increases.

To advise a proportion of future business would
be taken from them.

OBSERVATIONS AND COMMENTS : The principles of comakership
were very well received and concern was very apparent with
the Managing Director to learn of our poor perception of
their company in terms of quality and complacency and also
a poor opinion of their senior management, including the
lack of support given to the sales effort by the works
department.

It was also suggested that the pending price increase
normally associated with the half year period (i.e. end
February) should be reconsidered.

As the meeting proceeded the litherto complacent attitude
was seen to decrease and a growing concern for the future
was more in evidence, especially when it was mentioned that
a part of the business would not be placed with them for the
coming season.

A copy of an interim report on comakership written by the
author was offered and readily accepted.

NATURE OF FOLLOW UP MEETING :

A further meeting was arranged at Hull to discuss prices for
the half year period to August 1991 and also a visit to
Corby to further discuss comakership with a wider range of
Euramax personnel.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: EURAMAX
CORBY, NORTHANTS,

PRODUCT: ALUMINIUM
CLADDING

DATE/TIME: 5 April 1991 10.30 am
VENUE: COSALT, HULL

ANNUAL TURNOVER: £1.7
x 10⁶
RANKING: 2nd
CONTACT: BOB HORTON,
MARKETING DIRECTOR

COSALT PERSONNEL: M.J. ISAAC

SUPPLIER PERSONNEL: BOB HORTON

NATURE OF VISIT: To discuss the price (increase?) and
structure for the six month period to August 1991.

OBJECTIVES: To establish the new prices.

To eliminate the litherto price rebate scheme
which had been in place for some 5-6 years.

OBSERVATIONS AND COMMENTS : Bob Horton was eager to state
that he was not complacent and was concerned that comments
were made to this effect. He also stated that he saw Cosalt
as a very important client -a perception not shared by the
author.

Euramax offered to remove the rebate scheme and adjust
prices down accordingly. A further 5% would be taken off
prices for a six month period.

This saving represents a cash saving of £43,000 for the six
months (£85,000 p.a.)

This was very pleasing to the author especially since this
major supplier to Cosalt had increased their prices twice
a year apparently as a right.

NATURE OF FOLLOW UP MEETING :

A further meeting was arranged to discuss comakership - a
full agenda was agreed between Bob Horton and the author.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: EURAMAX
CORBY, NORTHANTS

PRODUCT: ALUMINIUM
CLADDING

ANNUAL TURNOVER: £1.7
x 10⁶

DATE/TIME: 11 April 1991 11 am
VENUE: CORBY

RANKING: 2nd
CONTACT: BOB HORTON,
MARKETING DIRECTOR

COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR, B. PATERSON,
D.R. UPFIELD AND J.W. HEPWORTH

SUPPLIER PERSONNEL: ROGER WALTERS MANAGING DIRECTOR, BOB HORTON MARKETING DIRECTOR, D. ROLFE WORKS DIRECTOR, J. GROVES SALES MANAGER.

NATURE OF VISIT: To discuss comakership in more detail and to follow the agreed agenda.

OBJECTIVES: To discuss the following agenda:

- (i) Composition of future meetings.
- (ii) Action taken by Euramax to improve engineering - to see new equipment.
- (iii) Aftersales service.
- (iv) Development for the future.
- (v) B.R.E. report on roof failures in service.
- (vi) Sales/works liaison at Euramax.
- (vii) Quality/service.

OBSERVATIONS AND COMMENTS : A very positive and enthusiastic meeting took place where it was very clear that Euramax were starting to take Cosalt very seriously as a major client. The agenda was discussed and it was agreed that future meetings should be held to discuss Quality, Development and any problems existing between the two companies. The meetings should be held every 6-8 weeks, alternating between Corby and Hull. The meetings should consist of sales and works staff/managers with directors only being present when requested by the chairman of the meeting - as when the need was considered to arise, minutes would be taken and distributed.

During the work tour Cosalt personnel were shown new equipment and introduced to key personnel who would be handling Cosalt's orders.

It was agreed that items (iii)-(vii) would be better handled by the newly formed comakership meetings.

NATURE OF FOLLOW UP MEETING : The first of the new form of comakership meeting was arranged for 26th April at Cosalt where M.J. Isaac would address the meeting for members of Euramax who were not aware of comakership and B. Paterson would introduce features of design that Euramax would be asked to investigate.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: ELTHERINGTON,
HULL

PRODUCT: ALUMINIUM
CLADDING

DATE/TIME: 19 March 1991 3pm
VENUE: COSALT, HULL

ANNUAL TURNOVER: NEW
SUPPLIER
RANKING:
CONTACT: GRAHAM
ELTHERINGTON, OWNER AND
MANAGING DIRECTOR

COSALT PERSONNEL: M.J. ISAAC

SUPPLIER PERSONNEL: GRAHAM ELTHERINGTON

NATURE OF VISIT: To consider Eltherington as an alternative
supplier for aluminium cladding.

OBJECTIVES : To convince Eltherington that Cosalt were
genuine and sincere in considering Eltheringtons as an
alternative aluminium cladding supplier.

OBSERVATIONS AND COMMENTS : BACKGROUND INFORMATION :
Previous mistrust existed between the two companies in as
much as Eltheringtons felt that they had been used to obtain
lower prices from the main supplier - promised work which
never materialised.

Hence the nature of the meeting was to introduce comakership
to Eltherington's and to convince the Managing Director that
any previous mistrust existed before the authors time and
this attempt was genuine.

The Managing Director of Eltheringtons was obviously
somewhat cautious but said he would submit a price list and
also invited Cosalt to view his manufacturing facilities.

There was considerable interest shown in the comakership
principle.

NATURE OF FOLLOW UP MEETING :

A further meeting was arranged to discuss the proposed
prices and to view the factory.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: ELTHERINGTON,
HULL

PRODUCT: ALUMINIUM
CLADDING

DATE/TIME: 2 April 1991 10am
VENUE: ELTHERINGTONS, HULL

ANNUAL TURNOVER: NEW
SUPPLIER
RANKING:
CONTACT: GRAHAM
ELTHERINGTON, OWNER
AND MANAGING DIRECTOR

COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD

SUPPLIER PERSONNEL: GRAHAM ELTHERINGTON AND RON CATANACH
(SALES DIRECTOR)

NATURE OF VISIT: To view the manufacturing facilities.

OBJECTIVES : To view the production facilities.
To meet other members of their team.
Have feedback from previous meeting.

OBSERVATIONS AND COMMENTS : The manufacturing facilities
were impressive and, if anything, looked more organised and
business like than our main supplier.

The sales/works management team were enthusiastic and
positive and appeared to know their business well.

The quoted prices showed a considerable saving of 5% on
present prices.

Eltheringtons stated they would like to ultimately become
a single source supplier to Cosalt. The response to this
was that we would want to see how the first contracts went.

NATURE OF FOLLOW UP MEETING :

Shortly after this meeting, Eltheringtons were offered a
range of caravans equivalent to about 25% of Cosalt's
business.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: GATEWAY FABRICATION,

PRODUCT: CHASSIS
MANUFACTURER

----- ANNUAL TURNOVER: £1,300,000
pa

DATE/TIME: 24 May 1991 9am

RANKING: 3rd

VENUE: COSALT, HULL

CONTACT: MALCOLM TAYLOR,
MANAGING DIRECTOR

COSALT PERSONNEL: M.J. ISAAC, J.W. HEPWORTH AND D.R. UPFIELD

SUPPLIER PERSONNEL : M. TAYLOR, MANAGING DIRECTOR

NATURE OF VISIT: To discuss future trading as a single
source supplier.

OBJECTIVES : To discuss the single source situation and to
continue supplier development discussions.

OBSERVATIONS AND COMMENTS : This company has been a single
source supplier for some 4 years and recently quotes have
been obtained and like several other suppliers, complacency
has tended to creep in.

Mr. Taylor expressed a view that the very competitive quotes
obtained may well be as a result of panic amongst his
competitors but, nevertheless, he would rethink his pricing
structure for 1992.

He also expressed much interest in the future of supplier
development and wanted to be involved with Cosalt.

NATURE OF FOLLOW UP MEETING :

A further meeting will be held w/e 3rd June 1991.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: GATEWAY FABRICATION,

PRODUCT: CHASSIS
MANUFACTURER----- ANNUAL TURNOVER: £1,300,000
pa

DATE/TIME: 22 March 1991 11am

RANKING: 3rd

VENUE: GATEWAY

CONTACT: MALCOLM TAYLOR,
MANAGING DIRECTOR-----
COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND J.W. HEPWORTHSUPPLIER PERSONNEL : MALCOLM TAYLOR MANAGING DIRECTOR, JOHN
WALKER (WORKS DIRECTOR)-----
NATURE OF VISIT: To view Gateway's manufacturing
capabilities.-----
OBJECTIVES : To further discuss comakership (following
several meetings at Cosalt) and to view the manufacturing
facilities.-----
OBSERVATIONS AND COMMENTS : Presently Gateway are already
the sole supplier to Cosalt. However, criticism has been
levelled at Gateway for a lack of development, quality
problems and perhaps a tendency to become complacent,
although not nearly as bad as with some suppliers.During the visit much more development was taking place than
perhaps had been communicated. The facilities for
manufacturing looked impressive, but a mental note was made
to consider alternative suppliers before awarding all of
Cosalt's business to Gateway, almost as a formality.-----
NATURE OF FOLLOW UP MEETING :It is Cosalt's intention to further communicate with Gateway
when other suppliers have been considered.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: GATEWAY FABRICATION,

PRODUCT: CHASSIS
MANUFACTURER

ANNUAL TURNOVER: £1,300,000
pa

DATE/TIME: 14 June 1991 9.30am

RANKING: 3rd

VENUE: COSALT, HULL

CONTACT: MALCOLM TAYLOR,
MANAGING DIRECTOR-----
COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELDSUPPLIER PERSONNEL : MALCOLM TAYLOR MANAGING DIRECTOR AND
STEVE MARGISON GROUP MANAGING DIRECTOR-----
NATURE OF VISIT: To discuss Gateway's response to Cosalt's
alternative quote.-----
OBJECTIVES : As above but also to further discuss Gateway's
future involvement in supplier development.-----
OBSERVATIONS AND COMMENTS : As far as supplier development
is concerned there never has been any doubt in Cosalt's mind
that Gateway would take a very active part in supplier
development, and today's meeting did nothing to change this
view.But there was disappointment when Malcolm Taylor stated that
they had approached their suppliers with a single source
type contract and the benefit passed on to Cosalt was, on
average, some 2% reduction in prices.Gateway stated that they could offer a product of less
quality by reduced specification, but they did not recommend
this route.Gateways tendency to arrogance again surfaced when their
Group Managing Director said that they were not going to
panic into a price war when they could very easily use their
factory space for other manufacturing. The author's reply
to this was that they were very fortunate to perhaps lose
some £1.3 x 10⁶ worth of business without affecting them.
The subsequent attitude of their Group Managing Director was
then somewhat different.-----
NATURE OF FOLLOW UP MEETING :It was agreed that a further meeting was to be held when
Cosalt had studied Gateway's proposal in more detail.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: HALMSHAW, HULL

PRODUCT: PLUMBING
FITTINGS-----
ANNUAL TURNOVER: £400,000
paDATE/TIME: 26 September 1990 11am
VENUE: COSALT, HULLRANKING: 12th
CONTACT: KARL BEAUTIMAN
SALES DIRECTOR-----
COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD

SUPPLIER PERSONNEL : KARL BEAUTIMAN

NATURE OF VISIT: To introduce comakership.-----
OBJECTIVES : To introduce and explain comakership and the
single source supplier principle.-----
OBSERVATIONS AND COMMENTS : As expected, Halmsaws displayed
their usual professional approach with the right blend of
interest and enthusiasm.Whilst the supplier development idea was new to the company,
the common sense approach of comakership seemed to rest very
well with Halmsaws.Even at this stage one felt that we were talking to the
eventual winner of this particular race.-----
NATURE OF FOLLOW UP MEETING :

Halmsaws would communicate further within a few weeks.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS**COMPANY:** HALMSHAW'S, HULL**PRODUCT:** PLUMBING
FITTINGS**ANNUAL TURNOVER:** £400,000
pa**DATE/TIME:** 15 November 1990 10am**RANKING:** 12th**VENUE:** COSALT, HULL**CONTACT:** KARL BEAUTIMAN
SALES DIRECTOR-----
COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD**SUPPLIER PERSONNEL :** KARL BEAUTIMAN
-----**NATURE OF VISIT:** To discuss Halmshaw's proposal.
-----**OBJECTIVES :** To discuss details of Halmshaw's offer with a view to awarding the single supplier offer.
-----**OBSERVATIONS AND COMMENTS :** Details of the offer were found to be satisfactory to Cosalt and the single supplier offer was made to Halmshaws, really much as one had expected this particular deal to progress. Halmshaw's performance in terms of price and quality of service had, hitherto, been the best.

Essential details of the single source supplier contract where Halmshaws would exclusively supply Cosalt with plumbing components in kit form (similar to the electrical fittings situation) without a price increase until the end of the current model year. At this time both parties would review the partnership with a view to awarding a year contract. It was agreed that Cosalt would not approach any other supplier until talks with Halmshaws proved to be leading nowhere.

A LESSON TO BE LEARNED for future single supplier deals was clear from our earlier talks with the plumbing contractor.

During initial talks to all suppliers re. comakership, the point was made that Cosalt would expect a price reduction for awarding considerably more work to one single supplier but Cosalt appreciated that all suppliers had to make sensible margins to remain in business.

In the case of the plumbing fittings, sub-contractors (all based in Hull) kept on reducing their prices to win the contract. Cosalt were seduced by this to some extent without perhaps not wanting to know how the new reduced prices would affect the suppliers business in the future.

THE LESSON TO BE LEARNED IS THAT IF A SUPPLIER HAS OFFERED HIS MOST COMPETITIVE PRICE FOR BOTH COMPANIES - HOW CAN THIS BE DRASTICALLY REDUCED WITHOUT SOMEONE HAVING TO SUFFER!

NATURE OF FOLLOW UP MEETING :

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: KAY METZLER LTD.
ESSEX

PRODUCT: INSULATION
(POLYSTYRENE)

ANNUAL TURNOVER: £50,000
pa

DATE/TIME: 17 July 1991 11.30am
VENUE: COSALT, HULL

RANKING: 40th
CONTACT: ERIC LOWDON

COSALT PERSONNEL: M.J. ISAAC

SUPPLIER PERSONNEL : ERIC LOWDON, AREA SALES MANAGER

NATURE OF VISIT: To introduce comakership.

OBJECTIVES : To explain comakership and to review Kay Metzlers position re. continuity of supply to Cosalt for the coming season.

OBSERVATIONS AND COMMENTS : Mr. Lowdon seemed to be comfortable with the concept of comakership and was very keen to continue as a single source supplier to Cosalt.

He went on to explain that he fully understood Cosalt's need to audit and examine it's supplier base and was confident that he could continue to offer a competitive package.

NATURE OF FOLLOW UP MEETING :

A site visit would be arranged for September.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: KINGSTON WALKER, HULL

PRODUCT: PLUMBING
FITTINGS

ANNUAL TURNOVER:

DATE/TIME: 17 September 1990 10am

RANKING: POTENTIAL NEW
SUPPLIER

VENUE: COSALT, HULL

CONTACT: MALCOLM WALKER
MANAGING DIRECTOR

COSALT PERSONNEL: M.J. ISAAC, D.R. UPFIELD AND B. PILMOOR

SUPPLIER PERSONNEL : MALCOLM WALKER, MANAGING DIRECTOR

NATURE OF VISIT: To explain comakership.

OBJECTIVES : To introduce comakership and to explain the
single source supplier situation.

OBSERVATIONS AND COMMENTS : This meeting was arranged
following a phone call to the author by Mr. Walker.

By this time the news that Cosalt were intending to place
all of their business with one supplier was spreading very
quickly through the plumbing supplier world in Hull.

Mr. Walker came across as a very aggressive salesman who
would not readily take 'no' for an answer. The interest in
acquiring all of Cosalt's business was of interest and was
probably easier to associate with than the longer term
aspect of supplier development.

NATURE OF FOLLOW UP MEETING :

Kingston Walker would contact Cosalt in the near future to
explain "a very attractive financial package to Cosalt
backed by a first class service".

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS**COMPANY:** J.A. KINNERSLEY, HULL**PRODUCT:** FABRICATED
PRODUCTS

ANNUAL TURNOVER: £300,000
pa**DATE/TIME:** 10 July 1991 10am**RANKING:** 14th**VENUE:** JAK'S FACTORY, HULL**CONTACT:** BARRIE TOSLER
SALES DIRECTOR-----
COSALT PERSONNEL: M.J. ISAAC AND D.R. UPFIELD**SUPPLIER PERSONNEL :** BARRIE TOSLER AND JOHN KINNERSLEY-----
NATURE OF VISIT: To introduce comakership.-----
OBJECTIVES : To explain comakership and to suggest to the JAK management that in return for a doubling of sales with Cosalt, plus a years' contract that some of these benefits should be shared with Cosalt.-----
OBSERVATIONS AND COMMENTS : JAK agreed with the ideas of comakership which were well presented by D. Upfield. He said he would consider Cosalt's proposals and come back on the matter.

Our impressions of JAK's premises were very good machinery, caring management (JAK planted a tree for each of his employees some 20 years ago) and in general a very professional organization.

The sort of company Cosalt should be associated with.

NATURE OF FOLLOW UP MEETING :

A further meeting would be held when JAK had considered Cosalt's proposals.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: LAMIN 8, LIVERPOOL

PRODUCT: WALLBOARD
MANUFACTURER

ANNUAL TURNOVER: £200,000
pa

DATE/TIME: 20 February 1991 11am

RANKING: 18th

VENUE: COSALT, HULL

CONTACT: STEVEN DALE,
MANAGINGDIRECTOR

COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD

SUPPLIER PERSONNEL : STEVEN DALE, MANAGING DIRECTOR

NATURE OF VISIT: To discuss comakership and future trading.

OBJECTIVES : To discuss and explain comakership and to explain Cosalt's views on single source supplying.

OBSERVATIONS AND COMMENTS : The Managing Director, Mr. Dale, was very responsive to the concept of comakership and was also interested in achieving BS5750.

Mr. Dale added that he liked Cosalt's approach to business and would very much like to be involved with Cosalt's plan.

Summarising Cosalt's view of this man - very impressive and surely the progressive type of Managing Director Cosalt would want as part of its reduced supplier base for the future.

NATURE OF FOLLOW UP MEETING :

A further meeting would be arranged - Cosalt to advise suitable alternative dates.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS**COMPANY:** LAMIN 8, LIVERPOOL**PRODUCT:** WALLBOARD
MANUFACTURER-----
DATE/TIME: 22 April 1991 11am**ANNUAL TURNOVER:** £200,000
pa**VENUE:** LIVERPOOL**CONTACT:** STEVEN DALE,
MANAGING DIRECTOR-----
COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD**SUPPLIER PERSONNEL :** STEVEN DALE, MANAGING DIRECTOR, MIKE
HARDING (WORKS DIRECTOR)-----
NATURE OF VISIT: To view the manufacturing facilities and
to meet the remaining team.-----
OBJECTIVES : To further discuss comakership and the single
source deal.

To meet the remaining team.

Assess Lamin 8's ability to handle extra
business from Cosalt.-----
OBSERVATIONS AND COMMENTS : Several facts came to light
which were not appreciated by the author.The Managing Director, Works Director and Secretary owned
the business and have done so for some four years. They are
the only management team with six operators working on the
plant.Housekeeping and the general plant impression was not
particularly good but, once again, the enthusiasm and style
of the Managing Director were very obvious.There was definitely some concern about how safe it would
be to place double the present amount of business with such
a small company.

However, the whole situation would require more thought.

NATURE OF FOLLOW UP MEETING :A further meeting would be arranged - Cosalt to advise
suitable alternative dates.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: LINE CROSS PLASTICS
LEICESTERSHIRE

PRODUCT: BATHROOM AND
TOILETWARE

ANNUAL TURNOVER:

DATE/TIME: 2 July 1991 10am

RANKING: POTENTIAL NEW
SUPPLIER

VENUE: COSALT, HULL

CONTACT: GRAHAM BARRETT,
SALES DIRECTOR

COSALT PERSONNEL: M.J. ISAAC

SUPPLIER PERSONNEL : GRAHAM BARRETT AND DON PERRY (MANAGING
DIRECTOR) - ACTING AS THEIR CARAVAN AGENT.

NATURE OF VISIT: To introduce comakership.

OBJECTIVES : To explain comakership and to offer Line Cross
the opportunity to act as a supplier to Cosalt.

OBSERVATIONS AND COMMENTS :

Line Cross were very interested in becoming a supplier to
Cosalt and were keen to absorb the concept of comakership.
They currently do not supply the static market (but do
supply Cosalt Abbey) and expressed an interest in developing
with Cosalt.

NATURE OF FOLLOW UP MEETING :

A further meeting is to be held including a site visit to
their premises near Peterborough.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: LINE CROSS PLASTICS
LEICESTERSHIRE

PRODUCT: BATHROOM AND
TOILETWARE

DATE/TIME: 16 July 1991 11am

ANNUAL TURNOVER:
RANKING: POTENTIAL NEW
SUPPLIER

VENUE: LINE CROSS, PETERBOROUGH

CONTACT: GRAHAM BARRETT,
SALES DIRECTOR

COSALT PERSONNEL: M.J. ISAAC

SUPPLIER PERSONNEL : GRAHAM BARRETT AND DON PERRY.

NATURE OF VISIT: To further discuss comakership.

OBJECTIVES : To introduce comakership to the rest of the board and to evaluate the operation at Oakham.

OBSERVATIONS AND COMMENTS : The author's impressions of the company were that they were very keen to do business with Cosalt and seemed very interested in comakership. Some of the principles of comakership were already practised with some of their larger customers in the car industry.

Line Cross were given a set of drawings and asked to quote against them.

NATURE OF FOLLOW UP MEETING :

A further meeting would be arranged when a proposal had been made by Line Cross.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: MANOR HOUSE FURNISHINGS
DERBYSHIRE

PRODUCT: SOFT FURNISHINGS

ANNUAL TURNOVER : £2.2
x 10⁶

DATE/TIME: 10 April 1991 4pm

RANKING: 1st

VENUE: LONDON

CONTACT: PAUL MILLERSHIP
CHAIRMAN

COSALT PERSONNEL: M.J. ISAAC

SUPPLIER PERSONNEL : PAUL MILLERSHIP

NATURE OF VISIT: To discuss a deal concerning Manor House as a single source supplier and further comakership.

OBJECTIVES : To discuss a proposal for Manor House Furnishing to become a single source supplier of soft furnishings to Cosalt, in return for a 5% reduction in prices.

It was suggested that a formal contract to this effect would be offered, signed by the author as a director of Cosalt Holiday Homes Ltd.

OBSERVATIONS AND COMMENTS : Supplier development with Manor House Furnishings has been under way for some 12-15 months in as much as Cosalt technical managers have worked with Manor House to improve their information systems as well as the author helping with general management advice to their management team. Notwithstanding this, comakership was discussed in more detail, as well as the single source aspect and the 5% reduction in prices.

Mr. Millership accepted with enthusiasm the proposal in principle stating that knowing his company would receive all Cosalt Holiday Homes business would do much for his business and he felt proud to be selected. The 5% was agreed in principle but Mr. Millership suggested a rebate scheme to be paid annually or quarterly. M.J. Isaac suggested a straight 5% off prices but both parties agreed to think about this and discuss at a further meeting.

NATURE OF FOLLOW UP MEETING :

The meeting to discuss the proposal by Cosalt in more detail was arranged for 17th April 10 a.m. at Cosalt.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: MANOR HOUSE FURNISHINGS **PRODUCT:** SOFT FURNISHINGS
 DERBYSHIRE

ANNUAL TURNOVER : £2.2
 x 10⁶

DATE/TIME: 4 April 1991 10am

RANKING: 1st

VENUE: COSALT, HULL

CONTACT: PAUL MILLERSHIP

COSALT PERSONNEL: M.J. ISAAC, J.W. HEPWORTH, B. PILMOOR,
 D.R. UPFIELD AND B. PATERSON.

SUPPLIER PERSONNEL : NONE PRESENT.

NATURE OF VISIT: This was an internal meeting to discuss
 the concept of selecting Manor House Furnishings as a single
 supplier to Holiday Homes.

OBJECTIVES : These were to establish the range of managerial
 views on selecting Manor House as a single source supplier
 (currently two suppliers are used) in return for a 5%
 discount on prices.

OBSERVATIONS AND COMMENTS : The opinions were unanimous in
 that all would prefer to deal with one company, not only
 during the prototype periods but also on an on-going basis.
 It was felt that Manor House was definitely preferred to the
 other supplier because

- (i) a greater desire to satisfy Cosalt existed
- (ii) they readily accepted their shortcomings and
 a willingness to receive help
- (iii) generally it was felt that a 5% saving would
 be available from the supplier concerned
- (iv) caution was expressed in as much that we must
 ensure an on-going basis that we were
 actually receiving the 5% saving i.e.
 invoices and costings should be available to
 Cosalt management.

NATURE OF FOLLOW UP MEETING :

A meeting was arranged between the Chairman of Manor House,
 Paul Millership and M.J. Isaac. This type of meeting was
 suggested as being preferred due to the good relationship
 between the individuals.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: MINTONS,
MANCHESTER

PRODUCT: CARPET SUPPLIER

ANNUAL TURNOVER: £150,000
pa

DATE/TIME: 21 February 1991 2.30pm RANKING: 23rd

VENUE: COSALT, HULL

CONTACT: M. WRAGG,
MANAGING DIRECTOR

COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD

SUPPLIER PERSONNEL : M. WRAGG (MANAGING DIRECTOR, C.
LITTLEWOOD (SALES DIRECTOR).

NATURE OF VISIT : To introduce the concept of comakership
and the single source supplier deal.

OBJECTIVES : To introduce and explain comakership.

To explore reaction to a single source deal.

OBSERVATIONS AND COMMENTS : The two representatives from
Mintons are, basically, a two man agency who do not
manufacture but are very good at obtaining look alike sample
material at very competitive prices.

Hence it was not surprising that the two men were very
interested in having extra business but not too interested
in the comakership in general.

The 'Del Boy' syndrome was quite evident in their somewhat
pushy attitude - but not too pushy.

It was Mintons who suggested that it would be cheaper
overall for Cosalt if Mintons supplied carpets cut to length
- this seemed like a good idea and is also a good example
of comakership in action.

NATURE OF FOLLOW UP MEETING :

It was agreed that a further meeting would be held to
discuss the proposal in more depth.

It was felt that a site visit would serve no useful purpose
since Mintons is only a large warehouse.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: MINTONS,
MANCHESTER

PRODUCT: CARPET SUPPLIER

ANNUAL TURNOVER: £150,000
pa

DATE/TIME: 21 March 1991 10.30am

RANKING: 23rd

VENUE: COSALT, HULL

CONTACT: M. WRAGG,
MANAGING DIRECTOR

COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD

SUPPLIER PERSONNEL : M. WRAGG (MANAGING DIRECTOR), C.
LITTLEWOOD (SALES DIRECTOR).

NATURE OF VISIT : To further discuss the comakership
proposal.

OBJECTIVES : To consider the proposal made by Mintons in
response to Cosalt's offer.

OBSERVATIONS AND COMMENTS : It came as no surprise to see
that Mintons could offer Belgium manufactured carpets of
similar quality at better prices.

However, during the conversation we were able to get a
better understanding of what Mintons were about e.g. when
we were discussing communications one of the Minton men said
"Ah yes I was probably not available at the time because I
was driving a forklift in the warehouse"!. Whilst these are
two successful businessmen do they have the long term
stability to offer which is an essential part of
comakership?.

NATURE OF FOLLOW UP MEETING :

Cosalt would advise Minton when a decision was made.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: MOORLAND DECORATIVE
PANELS, WELSHPOOL
MID WALES

PRODUCT: WALLBOARD
MANUFACTURERS AND
SUPPLIERS

ANNUAL TURNOVER: £250,000
pa

DATE/TIME: 13 March 1991 11am

RANKING: 16th

VENUE: WELSHPOOL, MID WALES

CONTACT: HUGH PRITCHARD
SALES DIRECTOR

COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD

SUPPLIER PERSONNEL : DAVID MORRIS (MANAGING DIRECTOR), AND
HUGH PRITCHARD (SALES DIRECTOR)

NATURE OF VISIT : To introduce and explain comakership and
to view the manufacturing capabilities.

OBJECTIVES : To introduce and explain comakership and to
explain Cosalt's proposal of a single source supplier.

OBSERVATIONS AND COMMENTS : The Managing Director who is
also a principal shareholder in the company was keen to
develop his company and there was evidence of considerable
investment in plant and equipment.

The prospect of additional business from Cosalt was of
interest to Moorland and the impression in general was
favourable.

NATURE OF FOLLOW UP MEETING :

Moorland were to submit a revised pricing structure for
Cosalt's consideration.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: NORMANDA, INVERNESS	PRODUCT: FLOORING MATERIAL
-----	ANNUAL TURNOVER: £300,000 pa
DATE/TIME: 9 April 1991 10am	RANKING: 13th
VENUE: COSALT, HULL	CONTACT: DAVID TURNER AREA SALES MANAGER

COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD

SUPPLIER PERSONNEL : DAVID TURNER AND GEORGE WILSON (PRODUCT SALES MANAGER).

NATURE OF VISIT : To discuss the use of sterling board as a future flooring product for Cosalt.

OBJECTIVES : To discuss and explain comakership.

To discuss the future use of Sterling Board vs. Chipboard in the future.

OBSERVATIONS AND COMMENTS : The meeting was quite lively where Cosalt explained that whilst the majority of people in Cosalt preferred to have sterling board, our competitors used chipboard extensively which is considerably cheaper and is commercially and structurally acceptable.

As the meeting continued the Normanda managers mentioned that it was difficult for them to become more competitive with their prices because of the non standard sizes desired by Cosalt.

In fact for every sheet of material cut for Cosalt 30% of waste is generated - little wonder their prices were not competitive.

A commitment was made to Normanda that Cosalt would investigate the use of standard sizes and to attempt to eliminate the mountain of off cuts at the Inverness factory.

NATURE OF FOLLOW UP MEETING :

Meetings were to be held at Cosalt to investigate the above problems.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: NORMANDA, INVERNESS

PRODUCT: FLOORING
MATERIAL

ANNUAL TURNOVER: £300,000
pa

DATE/TIME: 16 April 1991 10am

RANKING: 13th

VENUE: COSALT, HULL

CONTACT: DAVID TURNER
AREA SALES MANAGER

COSALT PERSONNEL: M.J. ISAAC, B. PATERSON, B. PILMOOR AND
J.W. HEPWORTH

SUPPLIER PERSONNEL : NONE PRESENT

NATURE OF VISIT : To discuss the use of standard sheet of
sterling board and to eliminate the pile of off cuts.

OBJECTIVES : To, in the future, use standard size materials
and to use the off cuts with a view to having much better
prices as a result of eliminating the 30% waste factor.

OBSERVATIONS AND COMMENTS : Several meetings took place on
the 16th April and very quickly realised that we could use
the standard size sheets of sterling board, albeit extra
costs would be incurred in terms of labour and joisting
supports.

Normanda were informed and clearly welcomed the news and
they, for their part, would be able to reflect better prices
as a result of our investigations and findings.

- WHAT AN EXCELLENT EXAMPLE OF COMAKERSHIP IN ACTION - where
a WIN/WIN situation resulted from suppliers/customers
working closely together for mutual benefit.

NATURE OF FOLLOW UP MEETING :

Further meetings would be held to discuss more detailed
proposals.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: NORMANDA FOREST
SALES LTD.

PRODUCT: STERLING BOARD
FACTORY

ANNUAL TURNOVER: £300,000
pa

DATE/TIME: 14 May 1991 9.45am

RANKING: 13th

VENUE: INVERNESS

CONTACT: GEORGE WILSON

COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND J.W. HEPWORTH

SUPPLIER PERSONNEL : GEORGE WILSON, DAVID TURNER, TONY
HOPPER (SALES MANAGER - HUNTER TIMBER), STEPHEN MORLEY
(SALES MANAGER - HUNTER TIMBER).

NATURE OF VISIT : To continue with the supplier development
concept.

OBJECTIVES : To discuss several technical points re. the use
of sterling board and the possible usage by Cosalt of the
standard size sheets from sterling board. It was also an
opportunity for Cosalt to view the manufacturing facilities
and the large stock of off cuts.

OBSERVATIONS AND COMMENTS : The manufacturing facilities at
Inverness were very impressive as was the enthusiasm of the
whole of the management team.

Normanda Forest Sales Ltd. demonstrated that they saw Cosalt
as a very important customer and were keen to continue as
a supplier.

The technical points mentioned above were resolved but the
problem of the standard sheets for Cosalt still remains to
be solved. Whilst Cosalt can use the standard sheets and
also the good quality offcuts the extra cost of joints and
labour as well as the extra administration means that the
outcome to Cosalt would mean no cost savings but a slightly
inferior floor.

Normanda were convinced of Cosalt's situation and would
reconsider their pricing policy to Cosalt.

NATURE OF FOLLOW UP MEETING :

Further communication would result when Normanda had
considered the above.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: NAIRN, KIRKALDY,
SCOTLAND

PRODUCT: CUSHION VINYLs

ANNUAL TURNOVER: £60,000
pa

DATE/TIME: 20 February 1991 1.30pm RANKING: 37th

VENUE: COSALT, HULL

CONTACT: GRAHAM ELLIS,
SALES DIRECTOR

COSALT PERSONNEL: M.J. ISAAC AND D.R. UPFIELD

SUPPLIER PERSONNEL : GRAHAM ELLIS

NATURE OF VISIT : To discuss comakership.

OBJECTIVES : To explain the comakership concept and to invite the company, Nairn, to consider if they would want to become a sole supplier of cushion vinyls to Cosalt.

OBSERVATIONS AND COMMENTS : This meeting was a little disappointing in that the Nairn representative did not seem particularly excited at the prospect of becoming a sole supplier which, in fact, means an increase in business of 100%.

The fact that Cosalt's business represents only a very small proportion of Nairn's total business did rather come through.

However, G. Ellis did invite the Cosalt team to visit their manufacturing facilities at Kirkaldy in Scotland.

NATURE OF FOLLOW UP MEETING :

A further meeting was to be held in Kirkaldy on 15th April 1991.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: NAIRN, KIRKALDY,
SCOTLAND

PRODUCT: CUSHION VINYLs

ANNUAL TURNOVER: £60,000
pa

DATE/TIME: 15 April 1991 11am

RANKING: 37th

VENUE: KIRKALDY, SCOTLAND

CONTACT: GRAHAM ELLIS,
SALES DIRECTOR

COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD

SUPPLIER PERSONNEL : GRAHAM ELLIS AND CLARK JONES
(PURCHASING MANAGER).

NATURE OF VISIT : To evaluate Nairn's suitability to become
a sole supplier of cushion vinyls.

OBJECTIVES : To meet the remaining management team at Nairn.

To evaluate the plant/attitudes of the Nairn
personnel.

OBSERVATIONS AND COMMENTS : This meeting was more positive
and the factory/administration back up were reasonably
impressive.

The housekeeping in the factory was not as impressive as the
quality of Nairns products. However, there was a definite
air of well you are a customer we want to keep but,
nevertheless, Cosalt are far more important to most other
suppliers than we are to Nairn.

D.R. Upfield expressed his respect and appreciation for the
ease of working with the purchasing department at Nairn and
the reason for this was clear.

Nairn stated they would reduce their prices by 6% to obtain
a single source dealership with Cosalt.

NATURE OF FOLLOW UP MEETING :

It was agreed that further discussions would take place when
Cosalt had completed their remaining evaluations.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: STOVES, LIVERPOOL

PRODUCT: OVENS AND HOBS

ANNUAL TURNOVER: £700,000
pa

DATE/TIME: 20 June 1991 10.30am

RANKING : Joint 6th

VENUE: STOVES FACTORY,
LIVERPOOL

CONTACT: TOM WILKINSON
SALES MANAGER

COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD

SUPPLIER PERSONNEL : JOHN CRATHORNE (CHIEF EXECUTIVE), TOM WILKINSON, BEN GOSTELOW (ENGINEERING DIRECTOR) AND GEOFF CANE (PRODUCTION DIRECTOR).

NATURE OF VISIT : To explain and introduce comakership.

OBJECTIVES : To introduce comakership and take the opportunity to evaluate the manufacturing facilities since the management buy out.

OBSERVATIONS AND COMMENTS : Stove's management team came through as the most professional team visited to date. The changes in the factory since the authors visit some three years ago were quite dramatic. They have started down the road to a supplier development and are quite advanced in the total quality management approach.

They expressed much interest in future supplier development with Cosalt.

They are also working with a university to improve their business performance (Bristol).

NATURE OF FOLLOW UP MEETING :

A further meeting is to be held at Cosalt on July 1st 1991.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: STOVES, LIVERPOOL

PRODUCT: OVENS AND HOBS

ANNUAL TURNOVER: £700,000
pa

DATE/TIME: 1 July 1991 3pm

RANKING : Joint 6th

VENUE: COSALT, HULL

CONTACT: TOM WILKINSON
SALES MANAGER

COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD

SUPPLIER PERSONNEL : TOM WILKINSON AND JIM BATES (FINANCIAL DIRECTOR).

NATURE OF VISIT : To discuss Stoves' attitude to supplier development.

OBJECTIVES : To reinforce the principles of comakership.

OBSERVATIONS AND COMMENTS : The author outlined to the Stoves representatives that following Cosalt's recent visit to their factory where comakership was discussed in some detail - and agreed in as much as both companies saw it as the way forward - then their recent approach left a lot to be desired.

Without any consultation Stoves stated there would be a 5% increase and without any further dialogue invoices claiming the 5% arrived at Cosalt.

Stoves went on to say that this was not their usual way of doing business and that things would be done more professionally in the future.

Cosalt also asked the Stoves personnel to reconsider their price increase in light of the current economic climate as playing their part in return for a one year contract with Cosalt.

NATURE OF FOLLOW UP MEETING :

A further meeting would be held when Stoves had reviewed their position.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: STOVES, LIVERPOOL

PRODUCT: OVENS AND HOBS

ANNUAL TURNOVER: £700,000
pa

DATE/TIME: 23 July 1991 10.30am

RANKING : Joint 6th

VENUE: COSALT, HULL

CONTACT: TOM WILKINSON
SALES MANAGER

COSALT PERSONNEL: M.J. ISAAC

SUPPLIER PERSONNEL : TOM WILKINSON, E. GOUGH (SALES
MANAGER).

NATURE OF VISIT : To develop comakership.

OBJECTIVES : To discuss a 2 year contract between the two
companies.

OBSERVATIONS AND COMMENTS : A very interesting discussion
took place where Stoves suggested a two year contract, where
the recent increase of 2 1/2% would be held for two years.
In addition a retrospective rebate would be available
although the exact figure had not yet been calculated.

Supplier development meetings would start between the two
companies in September, as would the first of the Stage III
meetings.

NATURE OF FOLLOW UP MEETING :

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: STOREYS DEC. LTD.

PRODUCT: PAPER & VINYL
WALLCOVERINGS-----
DATE/TIME: 3 July 1991 11amANNUAL TURNOVER :
RANKING :

VENUE: COSALT, HULL

CONTACT: ERNIE WILSON
(SALES)-----
COSALT PERSONNEL: DAVID UPFIELDSUPPLIER PERSONNEL : ERNIE WILSON, BILL BARNES (MANAGING
DIRECTOR) AND STEVEN DALE OF LAMIN 8.-----
NATURE OF VISIT : With Steven Dale of Lamin 8 to discuss
supply situation, lead times and prices.-----
OBJECTIVES :

- (i) Prices, eliminate proposed 10% on vinyls from 1.7.91.
- (ii) Comakership - overview of secondary supplier.
- (iii) Lead times.
- (iv) Supply situation.
- (v) New designs.

OBSERVATIONS AND COMMENTS :

- (i) Pricing structure poor and ill defined.
- (ii) Factory layout average.
- (iii) Personnel not dynamic, although willing to learn.
- (iv) Design people not inspiring.

NATURE OF FOLLOW UP MEETING :

Pricing structure to be renewed with feedback w/c 8.7.91.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: TARKETT
FRANKFURT & S.IRELAND

PRODUCT: CARPET & CUSHION
VINYL SUPPLIERS

ANNUAL TURNOVER: £100,000
pa

DATE/TIME: 29 January 1991 11am

RANKING : 30th

VENUE: COSALT, HULL

CONTACT: RAY MCKENZIE
SALES DIRECTOR

COSALT PERSONNEL: M.J. ISAAC, B. PILMOOR AND D.R. UPFIELD

SUPPLIER PERSONNEL : R. MCKENZIE AND VIC SARRON (MANAGING
DIRECTOR).

NATURE OF VISIT : To introduce comakership to Tarkett.

OBJECTIVES : To introduce and explain comakership and to indicate Cosalt's intention to select a single source supplier for both carpets and cushion vinyls. In return for a considerable amount of extra work (there are currently 3 suppliers of cushion vinyl) Cosalt would expect a cost saving.

OBSERVATIONS AND COMMENTS : As part of the discussions the author indicated that Tarkett could consider one of three scenarios viz. :

- (i) to exclusively supply both carpets and cushion vinyl.
- (ii) to exclusively supply either carpets or vinyl.
- (iii) did Tarkett want to continue to be a supplier of Cosalt in the future?

Tarkett emitted much enthusiasm for the comakership approach but hinted that they may be restricted in supplying a sufficient range of carpets but were very interested in having more of Cosalt's business.

It was suggested that the author and Cosalt's designer visited the manufacturing facilities in Frankfurt, Germany to assess the latest developments in terms of management and machinery.

NATURE OF FOLLOW UP MEETING :

The visit to Frankfurt was arranged for 26-27 March 1991.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: TARKETT
FRANKFURT & S.IRELAND

PRODUCT: CARPET & CUSHION
VINYL SUPPLIERS

ANNUAL TURNOVER: £100,000
pa

DATE/TIME: 26/27 March 1991

RANKING : 30th

VENUE: FRANKFURT, GERMANY

CONTACT: RAY MCKENZIE
SALES DIRECTOR

COSALT PERSONNEL: M.J. ISAAC AND B. PATERSON

SUPPLIER PERSONNEL : R. MCKENZIE, VIC SARRON (MANAGING
DIRECTOR), AND GERMANY MANAGEMENT TEAM.

NATURE OF VISIT : To assess Tarkett's plant and management.

OBJECTIVES : To explain comakership to the German
management team and to evaluate their attitude to quality
etc. as well as review new/additional machinery.

OBSERVATIONS AND COMMENTS : A previous visit to this factory
had been made by the author and B.Paterson some two years
previous. Some new machinery was evident but the attitude
displayed by the management was more encouraging in as much
as they appreciated our business and were keen to look at
ways of reducing lead times etc.

Tarkett's sales force have a strong identity to Cosalt and
their products are of a high quality, but tend to be too
expensive for some of our applications e.g. bedrooms.

This aspect was pointed out to Tarkett but they felt they
could resolve the problem.

Prices were discussed and Tarkett indicated a reduction of
4% in return for becoming a sole supplier to Cosalt.

NATURE OF FOLLOW UP MEETING :

It was agreed that Cosalt would initiate a further meeting
to advise the preferred supplier when all evaluations were
completed.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: TEC

PRODUCT:

DATE/TIME: 2 May 1991ANNUAL TURNOVER :
RANKING :

VENUE: WILLERBY MANOR HOTEL

CONTACT:

COSALT PERSONNEL: M.J. ISAAC

SUPPLIER PERSONNEL :

NATURE OF VISIT : Seminar organised by TEC.-----
OBJECTIVES :-----
OBSERVATIONS AND COMMENTS : An interesting comment was made by a guest speaker, Lord Sief, the grandson of Michael Sparks, the founder of the Marks & Spencer group.

Lord Sief said that Marks & Spencer people were the most important to Marks & Spencer but as a joint second, suppliers and customers. The author thought the fact that a company as successful as Marks & Spencer considered suppliers as important as customers argued very well for a comakership approach for Cosalt.

NATURE OF FOLLOW UP MEETING :

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: THOMPSON PLASTICS
HULL

PRODUCT: BATHROOM
ANCILLARIES

DATE/TIME: 22 July 1991 11am

ANNUAL TURNOVER: £700,000
pa

VENUE: THOMPSON PLASTICS

CONTACT: GEOFF GOFORTH,
WORKS DIRECTOR

COSALT PERSONNEL: M.J. ISAAC AND D.R. UPFIELD

SUPPLIER PERSONNEL : ANDREW EAVIS (JOINT MANAGING DIRECTOR),
GEOFF GOFORTH.

NATURE OF VISIT : To visit Thompsons's manufacturing
facilities.

OBJECTIVES : As above plus to further discuss comakership.

OBSERVATIONS AND COMMENTS : The long awaited visit was well
worth while and as expected the facilities were impressive.

Thompson Plastics are no doubt a very able company and have
all the attributes of a long term supplier of the type
required by Cosalt.

However, there is still some concern about the lack of
competition and their reluctance to take their share of the
current depressed market condition.

But they have promised to look at certain aspects of their
pricing structure.

NATURE OF FOLLOW UP MEETING :

A further meeting would be arranged in September to discuss
the Stage III of the supplier development programme.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: THOMPSON PLASTICS

PRODUCT: BATHROOM
ANCILLARIESANNUAL TURNOVER: £700,000
pa

DATE/TIME: 28 June 1991 11am

RANKING : 6th

VENUE: COSALT, HULL

CONTACT: GEOFF GOFORTH,
WORKS DIRECTOR-----
COSALT PERSONNEL: M.J. ISAAC, D.R. UPFIELD AND B. PILMOORSUPPLIER PERSONNEL : ANDREW EAVIS (JOINT MANAGING DIRECTOR),
GEOFF GOFORTH.-----
NATURE OF VISIT : To introduce comakership.-----
OBJECTIVES : To introduce and explain comakership and to
ask Thompsons to consider if they were interested in a one
year contract.-----
OBSERVATIONS AND COMMENTS : Thompsons were very interested
in comakership as they themselves are a progressive
successful company having BS5750 accreditation and are
currently pursuing a TQM approach.The author suggested that whilst Thompsons have been a
supplier to Cosalt for many years, they would retain the
business only if they continued to offer the best value for
money in quality terms.The point was made that the recent letter whereby Thompson
had stated that prices would be increased by 5% and held for
one year assumed they would have the business for the whole
year and a price increase was their right. Thompson
accepted the criticism and stated that such a letter would
not be sent in the future - an excellent example of supplier
complacency. (copy letter attached).Thompson said they would be happy to have an open book
approach to their costings for a supplier development
agreement but did not think they could reduce the 5% price
increase indicated.Whilst it is difficult to imagine that Cosalt will not
continue to trade with Thompsons alternatives will none the
less be sought.-----
NATURE OF FOLLOW UP MEETING :Thompson invited the Cosalt team for a further meeting at
their plant.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: TOSH

PRODUCT: MFC
 (MANUFACTURED BY ALSAPAN,
 SPAIN & FRANCE),
 CHIPBOARD SUPPLIER
 ANNUAL TURNOVER: £450,000
 pa

DATE/TIME: 29 April 1991 3pm

RANKING : 10th

VENUE: COSALT, HULL

CONTACT: ROGER COWDY,
 SALES DIRECTOR

COSALT PERSONNEL: M.J. ISAAC (D.R. UPFIELD AND B. PILMOOR
 UNABLE TO ATTEND DUE TO URGENT SITUATION ELSEWHERE IN THE
 BUSINESS) .

SUPPLIER PERSONNEL : ROGER COWDY

NATURE OF VISIT : To introduce comakership and to explain
 Cosalt's desire to seek a single source supplier for MFC
 products.

OBJECTIVES : To introduce and explain comakership.

To explain the details of the single source
 proposal from Cosalt.

To invite TOSH to consider any other products
 they would like to sell Cosalt.

OBSERVATIONS AND COMMENTS : Roger Cowdy listened with
 interest and was clearly interested in the possibility of
 extra business (possible £1.1 x 10⁶ turnover) but seemed
 concerned with the single source proposal, presumably in
 case Burnetts were favoured to TOSH.

Mr. Cowdy explained that he felt he could offer a better
 service if consulted at the development stage - an essential
 prerequisite of comakership.

Mr. Cowdy went on to explain that there were other products
 he would like to offer Cosalt - and thought he could do so
 competitively.

NATURE OF FOLLOW UP MEETING :

The author requested Mr. Cowdy submit his proposals within
 a few weeks and a site visit to assess the manufacturing
 facilities would be arranged.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: TRAVIS, HULL

PRODUCT: PLUMBING
FITTINGS

DATE/TIME: 2 October 1990 2pm

ANNUAL TURNOVER : £10,000
pa

RANKING : 36th

VENUE: COSALT, HULL

CONTACT: DAVID TROTT,
SALES DIRECTOR

COSALT PERSONNEL: M.J. ISAAC, D.R. UPFIELD AND B. PILMOOR

SUPPLIER PERSONNEL : DAVID TROTT

NATURE OF VISIT : To introduce comakership.

OBJECTIVES : To explain the comakership concept and the
single source supplier idea.

OBSERVATIONS AND COMMENTS : It was not at all clear that
this company had the capacity to handle all of Cosalt's
business, even though the right noises were being made.

NATURE OF FOLLOW UP MEETING :

A further meeting would be arranged when Travis had
considered Cosalt's proposals.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: UMIST, MANCHESTER

PRODUCT:

DATE/TIME: 24 April 1991 11am

ANNUAL TURNOVER :

RANKING :

VENUE: COSALT, HULL

CONTACT: DR.D.M.LASCELLES

COSALT PERSONNEL: M.J. ISAAC

SUPPLIER PERSONNEL : DR. D. LASCELLES AND DR. B. BURNES

NATURE OF VISIT : To discuss a quality improvement programme for Cosalt's suppliers.

OBJECTIVES : To discuss further development aspects of comakership, especially a quality improvement programme for Cosalt's suppliers based on the Nissan model.

OBSERVATIONS AND COMMENTS : Dr. Burnes outlined the proposal which is essentially a company wide quality improvement programme, taking a corporate view with each of the suppliers.

A pilot scheme was suggested of between 4-6 companies and the author would have an active part to play, but UMIST would act as the facilitators.

The aim of the programme is to improve the overall business of the supplier base.

The proposal in principle was favoured by the author and UMIST would consider a more detailed plan for consideration by Cosalt.

NATURE OF FOLLOW UP MEETING :

A copy of the detailed plan would be submitted to the author within 1-2 weeks.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: VALOR HEATING,
BIRMINGHAM

PRODUCT: GAS FIRES

ANNUAL TURNOVER :
POTENTIAL NEW SUPPLIER
RANKING :

DATE/TIME: 9 July 1991 11am

VENUE: COSALT, HULL

CONTACT: JOHN WILLIAMS,
SALES MANAGER

COSALT PERSONNEL: M.J. ISAAC AND D.R. UPFIELD

SUPPLIER PERSONNEL : JOHN WILLIAMS AND JOHN BEAUMONT,
MARKETING DIRECTOR

NATURE OF VISIT : To introduce comakership.

OBJECTIVES : To explain comakership and to consider Valor
as a potential supplier to Cosalt.

OBSERVATIONS AND COMMENTS : Valor were quite active in the
caravan industry but lost out on price to Widney. John
Beaumont seems determined to alter this situation and he
painted a scene of Valor nowadays as a very successful
dynamic company who wanted to deal with demanding customers
like Cosalt.

He appreciated the concept of comakership and declared his
company would be happy to be involved.

NATURE OF FOLLOW UP MEETING :

A visit to their factory was arranged for 24th July 1991.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: VENCIL RESIL, GOOLE
HULL

PRODUCT: POLYSTYRENE,
WALL INSULATION

ANNUAL TURNOVER :
RECENTLY RETURNED TO
COSALT AS A SUPPLIER

DATE/TIME: 6 June 1991 10am

RANKING :

VENUE: COSALT, HULL

CONTACT: NICK PONTING
TECHNICAL MANAGER

COSALT PERSONNEL: M.J. ISAAC AND D.R. UPFIELD

SUPPLIER PERSONNEL : NICK PONTING

NATURE OF VISIT : To discuss comakership and a single source contract.

OBJECTIVES : To explain comakership and to invite Vencil Resil to consider what products they would like to offer Cosalt.

OBSERVATIONS AND COMMENTS : The meeting went well but tended to become too much of a technical meeting. The author suggested that the more technical aspects could be discussed more meaningfully at a subsequent meeting at which Cosalt's technical manager would be present.

The meeting was concluded by Vencil Resil stating that they would consider the options available to them and would return with their package.

NATURE OF FOLLOW UP MEETING :

Subsequent meetings would be held when Vencil Resil were ready and a factory visit was arranged for 27th June 1991.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: VENCIL RESIL, GOOLE
HULL

PRODUCT: POLYSTYRENE,
WALL INSULATION

ANNUAL TURNOVER :
RECENTLY RETURNED TO
COSALT AS A SUPPLIER

DATE/TIME: 27 June 1991 11am

RANKING :

VENUE: GOOLE

CONTACT: NICK PONTING
TECHNICAL MANAGER

COSALT PERSONNEL: M.J. ISAAC, D.R. UPFIELD AND G. CROSIER

SUPPLIER PERSONNEL : NICK PONTING , DAVID HANNEY - FACTORY
MANAGER, JAMES CRISFIELD - TECHNICAL SERVICES MANAGER.

NATURE OF VISIT : To evaluate Vencil as a potential supplier
to Cosalt.

OBJECTIVES : To evaluate Vencil and to reconsider them as
a supplier to Cosalt.

OBSERVATIONS AND COMMENTS : The day went well and all Cosalt
personnel were impressed with the professionalism and
quality attitudes of the three Vencil representatives.

All three were eager to resupply Cosalt and to take part in
comakership should they succeed in their efforts.

The eagerness to resupply Cosalt was even more impressive
when one realised that Cosalt's total annual production
could be produced in 3 days!

NATURE OF FOLLOW UP MEETING :

Further communications would be made when Cosalt had
considered the complete package from Vencil and also had
considered the rival companies.

COMAKERSHIP - SUPPLIER APPRAISAL MEETINGS

COMPANY: WITHAM GLASS, HULL

PRODUCT: MIRROR SUPPLIERS

DATE/TIME: 17 April 1991 2.30pmANNUAL TURNOVER : £90,000
pa

RANKING : 31st

VENUE: COSALT, HULL

CONTACT: HARRY ANDERSON,
MANAGINGDIRECTOR-----
COSALT PERSONNEL: M.J. ISAAC, D.R. UPFIELD AND P. CURTIS

SUPPLIER PERSONNEL : HARRY ANDERSON

NATURE OF VISIT : To discuss Cosalt's proposals re.
comakership.-----
OBJECTIVES : Witham Glass to present their proposals.
Cosalt to evaluate these proposals.-----
OBSERVATIONS AND COMMENTS : In general a very fruitful
meeting. Witham agreed to reduce their prices by 20% (a
reduction of 10% had been made some months earlier) and the
whole exercise had forced Witham Glass to review its
production facilities.The point was made by Cosalt that whilst these prices were
welcome it was still very important that these prices could
sensibly be maintained i.e. Cosalt appreciated that their
suppliers needed to maintain sensible margins to remain in
business.Witham's enthusiasm to comakership was again noted by
Cosalt.-----
NATURE OF FOLLOW UP MEETING :Subsequent telephone conversations confirmed that Cosalt had
accepted the revised prices and that Witham would continue
to act as a single source supplier to Cosalt.

Appendix IX

ADVANCE QUALITY PLANNING MEETINGS

A G E N D A

1. QUALITY
 - 1.1 Product Quality
 - 1.2 Information
 - 1.3 Communication

2. SERVICE
 - 2.1 Delivery
 - 2.2 Quotations
 - 2.3 Specifications, Costings and Terms

3. LEAD TIMES
 - reduction and maintenance of

4. STOCK LEVELS
 - reduction and maintenance of

5. AFTERSALES
 - service of
 - lead times
 - availability of materials

6. PRODUCT DEVELOPMENT
 - 6.1 Constant Improvement
 - 6.2 Optimization
 - 6.3 Prototypes

Appendix X

OVERVIEW OF A PRESENTATION BY DON MACLENNAN
SUPPLIER DEVELOPMENT TEAM AT
NISSAN MOTOR MANUFACTURERS, SUNDERLAND

DATE OF PRESENTATION: THURSDAY 30TH APRIL 1992, 2 P.M.

THOSE PRESENT: M.J. Isaac, Cosalt Holiday Homes
 S. Hudson, Cosalt Holiday Homes

 J. Crathorne, Stoves

 M. Gibson, CV Carpets

 P. Millership, Manor House Furnishings

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NISSAN:

- Established 1933 in Japan.
- 4th largest motor vehicle manufacturing assembly - production plants in 22 countries, over 6 continents.
- 1952 Austin Motor Agreement.
- 1960 Deming Prize - Excellence in Quality Control.
- 1983 Plant in U.S.A.
- 1984 Plant in U.K.
- 1986 Production of Bluebird commenced (Japanese design, production components were localised to the position where 70% of the vehicle is now localised).
- 1990 Primera launched in Europe (only 'new' car i.e. all components not previously tested on any Nissan model).
- 1992 replacement for Micra launched.

Other activities:

- Rocket research 1953
- Fork Lift trucks 1957
- Marine Engines 1970
- Weaving Machines 1963

Nissan in Europe:

- Technology Centre located in Cranfield. The market side of the centre is located in Brussels.

On the Nissan Motor Manufacturing (UK) Ltd. site in Sunderland:

- Body Assembly
- Paint Plant
- Trim and Chassis
- Stamping Shop (press work etc.)
- Injection Moulding (bumpers, fuel tanks etc.)
- Blow Moulding
- Engine Machining
- Engine Assembly

Aluminium Foundry recently commissioned.

Production figures for U.K. plant:

-	1986	5,000
-	1987	29,000
-	1988	56,000
-	1989	77,000
-	1990	76,000
-	1991	124,000
-	1992	200,000

PRESENTATION AS DISCUSSED BY DON MACLENNAN:

- (i) Two major concerns were expressed with regard to the setting up of the Sunderland plant - the first concern was that there was no history of success in terms of a U.K. automotive manufacturer. Quality, the ability to deliver, costs etc. Can they actually achieve quality levels we expect and attain in Japan?

In fact the quality coming out of Nissan U.K. is on a par with their sister company in Japan.

The second concern was 'people' - would they do the business and work the way we would expect. This has now been laid to rest.

- (ii) Nissan achieve somewhere in the region of 97% attendance, 99.95% punctual attendance. Lateness is unheard of - nobody clocks on.
 - (iii) Nissan employees are paid in the same form - monthly salary into the bank, including shop floor workers. The only differential is at certain levels there are differences i.e. company car. Though holidays, catering facilities etc. are common to everyone (everyone is on the same terms and conditions).
 - (iv) The right environment - right response - train them right and they will respond. Nissan pride themselves in their training, this gets the best out of people. Average age at Nissan for people on the line is 23 years of age, and on the plant it is 28.
 - (v) All managers at the Nissan U.K. plant are British. Selection - Training - Communication - Line Processes - Responsibility.
 - (vi) ILU Measurement System in place at Nissan for training. There is a definition for each stage of training for an operator. The supervisor goes through the standard operation of the job with the operator, watches them do the job a couple of times - they are then considered to be 'I' level. When the operator carries out the job within standard time they are considered to be 'L' level. When standard operation in standard time (without reference to the standard operation), this is 'U' level.
- When they can standard time and support the next operator this is termed 'neighbourhood check'. Each job has a training requirement.
- (vii) Assembly line at Nissan U.K. is split into different sections, say a group of 20 people. These 20 people are under the control of one supervisor - he is the main person on the production line (classed as the largest job with the most training requirements). The supervisors are very highly skilled, motivated and competent people who manage their areas.

The supervisor will have two team leaders working for him.

- (viii) An area is set aside for a rest area for each group. At 8 a.m. each day the supervisor will have a team meeting before the start of the shift. This is to discuss any concerns from the previous shift, understand the concerns and check them out. He will also check if anyone is missing from the shift, if so the team leader will fill in for the person absent.

NISSAN'S IMPLEMENTATION/PROGRESS ON SUPPLIER DEVELOPMENT:

Supplier development has been most evident within Nissan over the last four years - the purchasing department being the primary area.

Nissan's criteria for selection of suppliers:

- (i) Single sourcing
- (ii) Small supply base
- (iii) Stable long term relationships
- (iv) Continuous improvements
- (v) Partnership philosophy

TO SECURE THE HIGHEST QUALITY, MOST COST EFFECTIVE COMPONENTS AND MATERIALS, CONSISTENTLY DELIVERED ON TIME.

This objective will only be achieved by long term close working relationships with our suppliers, and will, at all times, take into account Nissan's company quality philosophy. All based on mutual trust and integrity.

TO HELP SELECTED SUPPLIERS DEVELOP AND IMPROVE THEIR OVERALL CAPABILITY AND PERFORMANCE. Specifically, to assess our suppliers to improve productivity, reduce costs and maintain quality assured production.

Nissan's aim: TO HELP SUPPLIERS TO IDENTIFY AREAS FOR IMPROVEMENT - ASSESSMENT.

Assessment of a manufacturing site for the purpose of understanding the company and prioritizing improvement activities.

- Quality Control
- Delivery Control
- Stock Control

- Housekeeping
- Safety
- Morale
- Production Technology
- Productivity
- Equipment Control
- Management

EDUCATE and TRAIN in quality and production improvement techniques.

SUPPORT supplier initiatives to improve productivity and reduce defects.

ASSIST in the development and improvement plan - monitor and record progress.

IMPROVEMENT TECHNIQUES:

- 10 Day Improvement Project (Kaizen)
- Size change, time reduction
- Trouble shooting
- Housekeeping (5C Activity)
- Clean and check
- Manufacturing Cells
- Easy Working

HOUSEKEEPING: 5C ACTIVITY -

- Clear out
- Configure
- Clean and check
- Conformity
- Custom and Practice

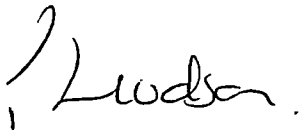
- (i) Teamwork is imperative to any industry - shop floor, cross functional within offices, and working relationships with our suppliers which is an extension of the team.

- (ii) Long term relationships with component suppliers is the aim, towards a concept of cost effective production, through to zero defects.
- (iii) There is no batch build at Nissan U.K., all made to order, nothing on expectation. The cars appear in no set sequence on the production line, though high and low specifications are taken into consideration to balance the line for capacity of people's capabilities.
- (iv) Suppliers work on a four month expected build total, then down to a 30 day firm order, revised on a 10 day basis. It is Nissan's intention to reduce the order lead time, from point of order to delivery to something less than 30 days, possibly 10 days.
- (v) QCDDM - Quality, Cost, Development, Delivery, Management. This was a very successful method of measuring supplier performance, and it achieved a significant improvement over a 12 month period - it provided people with a quarterly feedback.
- (vi) Electronic Data Interchange - (EDI) link present with the vast majority of suppliers. No record of delivery notes, self billing system in operation, paid direct to the banks.
- (vii) Depending on the component and the location of the supplier, some deliveries are made twice in one shift, others may be every two shifts.

In order to increase the frequency and reduce the size of delivery, Nissan are tending to contract their own vehicles to pick up parts from suppliers. Stock currently held - 1 1/2 days, in order to reduce this more frequent deliveries are required.

- (viii) Components from Japan - 35 day lead time, Nissan are aiming to reduce this to 30 days (much less would not be realistic).
- (ix) Parts delivered are not inspected, only development parts - only the capability of the supplier to provide parts to the specification required can be confirmed.
- (x) Zero economies possible through supplier development - no real price increase of the component over the 12 month period of the component.
- (xi) Kaizen (continuous improvement), fundamental to the way in which Nissan work.

- (xii) D. MacLennan felt that the supplier development which had been carried out at Nissan had helped give them the edge.
- (xiii) Suppliers are encouraged to look at all processes - any existing process that has not been looked at for some time should have at least 20% possible improvement available.



Sheila Hudson
30 April 1992

STRATEGY FOR SUCCESS

Why did we do it? 18 months ago we had done quite a lot of work with our suppliers, carried out improvement activities in some areas, having some success, but also some frustrations - we realised some suppliers were not making some of the changes/improvements. They were not all able to realise the productivity benefits which were available.

We decided the infrastructure of the organization needed to change to support the culture change we were trying to get people to adopt.

We came to the conclusion we needed them to re-think a lot of their strategy, to address first thoughts points of view

- where are we now
- where do we need to be
- where do we want to go
- how do we get there.

All in all little long term thinking was taking place.

We set up a pilot project, trialled it with 3 suppliers, which was not an absolute success, but it was effective in getting suppliers to question the way they did things.

After the pilot exercise it was decided to proceed further.

The UMIST input was essential, very good and very professional, acting as a catalyst.



D. MacLennan
30 April 1992

Appendix XI

MANOR HOUSE FURNISHINGS LIMITEDSTRATEGIC WORKSHOPAIM:

To develop a business improvement/management development strategy for the company, and identify the resources, specific objectives, priorities and performance measures required for its implementation.

OBJECTIVES:

By the end of this workshop participants will have:

- (i) Used the vehicle of this workshop as a constructive springboard for personal and company development.
- (ii) Established where we are now.
- (iii) Taken the presented data and agreed with company chairman the key issues and the way forward.
- (iv) Produced an outline business strategy.
- (v) Started a personal development plan.

MANOR HOUSE FURNISHINGS LIMITED
SUMMARY OF INDIVIDUAL COMMENTS OF MANAGERS

(i) MANAGER'S PERSPECTIVE: COMPANY Vs SUPPLIERS

- (a) Company expects good service.
- (b) Encouraging supplier improvements e.g. BS5750.
- (c) Company sees itself as role model for suppliers.
- (d) Two groups of suppliers
 - Bulk (foam, springs, fabric): dependent on company for own well being - easy to negotiate.
 - Low volume materials: treat company as any other supplier.
- (e) Company considered to be a very good customer - reacts quickly to changing environment.
- (f) Supplier credit is crucial source of working capital.
- (g) Company responds quicker to customers than suppliers do to company.
- (h) Supplier/Company relationship should be extended (Cosalt model).
- (i) Company relationship with suppliers has improved.
- (j) Better around the table communication required between the supplier and company management teams.

(ii) MANAGER'S PERSPECTIVE: COMPANY Vs CUSTOMERS

- (a) There should be a supplier development format similar to Cosalt with, say, Willerby.
- (b) A Customer Satisfaction Survey should be considered. (No clear objective measure of customer satisfaction in existence).
- (c) Company offers the best prototype service to

customers although contract is not always subsequently won.

- (d) Apparent marketing strength: Company is perceived as innovatory.
- (e) Some customers are more difficult to deal with than others.
- (f) Company has very good relationship with customers.
- (g) Relationship with customers is a 'just-in-time' business with small batches demanding flexibility of response. Makes long term planning and scheduling extremely difficult.

(iii) MANAGER'S PERSPECTIVE: MANOR HOUSE + 5 YEARS ON

- (a) Company will consolidate its status as No. 1 supplier in the caravan industry.
- (b) Further growth is dependent on diversification.
- (c) Company should promote export markets.
- (d) Examples of market diversification include:
 - refurbishing Park Homes and Social Clubs etc.
 - specialist furniture manufacture
 - domestic curtains
 - garden furniture
 - refurbishing public houses, hotels etc.
 - boat work furnishing
 - better class of work
 - greater income potential
- (e) Company might consider purchase of major competitor.
- (f) Company needs to carry out a marketing strategy to determine likely areas for diversification.

- (g) Company has significant growth capability when recovery comes but dependent on:
 - risk of large additional competitor(s) entering market
 - Chairman's intentions regarding ownership.
- (h) Investment required in latest manufacturing technology and improvement of production processes (e.g. reduction in overtime, automatic cutting machine).

(iv) MANAGER'S PERSPECTIVE AS A DEPARTMENTAL MANAGER

- (a) Management of supplier credit has significant impact on purchasing operations - need for improved co-ordination between Finance and Purchasing.
- (b) There should be more involvement by Buyer with suppliers at an earlier stage than at present (e.g. price negotiations).
- (c) Clarification required between Sales Executive's role versus Buyer's with suppliers (e.g. suppliers query whether to contact buyer or sales executive).
- (d) Performance of management team is adversely affected by lack of consistent approach to the interpretation of Company Policy and disciplines as they affect management staff.
- (e) Consistency of foam supplier response requires improvement (Trentside).
- (f) Suppliers improve when contact made, but not lasting.
- (g) Should be more supplier development contact particularly with foam suppliers.
- (h) Company/customer credit control policy requires review.
- (i) Inconsistency between customers in methods of developing specifications.
- (j) Need for greater liaison between Finance and other departments in supply and analysis of financial data.

- (k) Quality Management System must be understood and accepted by other departments and people identified to carry out various QM functions.
- (l) Refurbishment activity needs to be recognised as an integral part of business e.g. responsibility for refurbishment costings should be identified.
- (m) Departmental managers should be consulted regarding selection of personnel to fill specific functions.
- (n) Need for availability of accurate costings for new specifications to permit correct invoicing.
- (o) Departmental managers are not making decisions for which they are responsible.

(v) MANAGER'S PERSPECTIVE AS AN INDIVIDUAL

- (a) More contact with suppliers and customers desirable.

Sample quotes:

"I have never visited suppliers, would like to have the opportunity".

"I think that it is a good idea to visit customers".

- (b) Remaining QA system requirements should be fully implemented and ownership of responsibilities accepted by managers.
- (c) Perceived lack of status and trust of/in management team.
- (d) Difficult at times to gain access to Managing Director.
- (e) Job descriptions should be completed and understood by members of the management team.
- (f) Need for regular scheduled management team meetings (e.g. used to be every third Friday).
- (g) Lack of consistency of understanding of individual managerial roles.

- (h) Need for independent final product audit to:
- reduce risk of defective products reaching customers.
 - assist in monitoring and recording details of prototype material sent to customers, including possible use of check list.

Appendix XII

MANOR HOUSE FURNISHINGS LIMITED
MANAGEMENT DEVELOPMENT PROJECT

SUMMARY OF MANAGEMENT EXERCISES

<u>MANAGER</u>	<u>EXERCISE</u>
Quality Manager	Identify the disciplines in the QM system which are still to be implemented, in order to gain the assistance of other managers.
Accountant	Identify financial information needs of other managers, and ascertain how such data could be made 'user-friendly'.
General Manager	Identify any problems you experience at present in maintaining co-ordination and control over the: operation, output, communications, costs of the manufacturing activities at Trowell, Larklands, Wood Mill and After sales. If possible, make recommendations.
Buyer	Develop a provisional performance listing for all suppliers used by the company (including materials delivered to and used at Trowell, Wood Mill, Larklands and Belfield Street).
Works Manager Administration	Identify the documentation which accompanies product despatched from Larklands, Wood Mill, After sales, and Trowell to Belfield Street, and make recommendations to standardize methods.
Works Manager Operations	Investigate and recommend ways of improving the stock control of commodities and miscellaneous components used on production at Belfield Street.
Specifications Manager	Develop a simple control system involving a check list for identifying and monitoring the shipment of prototype parts to customers.

Sales Executive

Identify customer information needs of other managers, and ascertain how the effectiveness of the communication process can be improved.

SUPPLIER RATING ASSESSMENT

Supplier Date
 Buyer Previous Rating 446 .
 Quality Assurance New Rating for 6 months ending

SECTION A - MAIN FEATURES Maximum 15 points on the basis of ALWAYS (15-10) NORMALLY (9-5) SELDOM (4-1) NEVER (0)			
ASSESSMENT BY	THIS SUPPLIER	POINTS	
		Possible	Awarded
Quality Assurance	1. Meets requirements of our material specification.....	15	
Purchasing	2. Delivers on time.....	15	
Purchasing	3. Has competitive prices.....	15	
Quality Assurance	4. Supplies appropriate certification...	15	
SECTION A TOTAL		60	

SECTION B - OTHER FEATURES Maximum 5 points on the basis of ALWAYS (5) NORMALLY (4-3) SELDOM (2-1) NEVER (0)			
ASSESSMENT BY	THIS SUPPLIER	POINTS	
		Possible	Awarded
Quality Assurance	5. Reacts effectively to quality problems.....	5	
Quality Assurance	6. Offers good degree of technical co-operation.....	5	
Purchasing	7. Reacts well in emergency.....	5	
Purchasing	8. Keeps promises.....	5	
Purchasing	9. Advises of potential trouble.....	5	
Purchasing	10. Issues accurate invoices and advice notes.....	5	
Purchasing	11. Is conscious of need to hold down costs	5	
Purchasing	12. Handles introduction of new components etc., efficiently.....	5	
SECTION B TOTAL		40	

RATING To be completed by Purchasing			
TOTAL POINTS	RATING		
RATING A = 100 to 85 Preferred	B = 84 to 71 Acceptable	C - 70 to 50 Interim Acceptable	D = 49 and below Unacceptable

CIRCULATION:

Supplier
 Purchasing -
 Quality Assurance -

RAW/MF

Appendix XIV

Tel: Corby (0536) 400800
Facsimile: (0536) 400101

16th December 1993

Mr. M. J. Isaac
Managing Director
Cosalt Holiday Homes
Lorraine Street
Stoneferry
Hull
North Humberside HU8 8EH

Dear Mike,

I refer to your letter of 17th November on the subject of
"Co-Makership/Supplier Development".

There is no doubt in my mind and those of my staff involved in the meetings
that there have been practical improvements and benefits for both Companies
stemming from improved communications.

Benefits include:

1. Clearer understanding of lead times required by Euramax.
2. Euramax are more aware of Cosalt stock levels (3-5 days)
3. Cosalt are able to work with reduced stocks.
4. Improved information on specification from Cosalt (computerized system).
5. Agreed 21 days delivery time on after-sales.
6. Better returns of skids and roof boxes.
7. Improved quality.
8. Closer liaison regarding arrival time of vehicles.
9. Closer liaison on prototypes and cutting lists.

Contd/.....


Many of these improvements on both sides were achieved fairly early on so that meetings have now become a little less frequent but nonetheless still worthwhile.

Looking to the future I wonder if once in a while we should expand the meeting to take in possibly your sales people, myself, yourself etc. to have a broader base discussion on the way ahead, or alternatively a separate meeting.

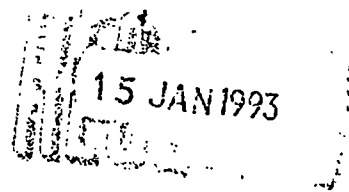
The one concern that I have is that having had this development, expended effort to achieve improvements on both sides and achieved all the benefits detailed above we now enjoy only 50% of the business that we had previously supplied you with.

In this respect I should appreciate the opportunity to explore with you the "way-ahead" and your latest thinking on the subject of "co-makership".

Yours sincerely,

A handwritten signature in cursive script, appearing to read "M. Kilgus", with a long horizontal flourish extending to the right.

^{1P} R. A. Walters
MANAGING DIRECTOR



449.

Thompson Plastics

Bridge Works, Hessle, North Humberside, HU13 0TP
Tel 0482 646464, Fax 0482 644446, Sales Fax 0482 643634

Our Ref: AJE/KW

14th January 1993

Mr M Isaacs
Cosalt Holiday Homes Ltd
Lorraine Street
Stoneferry Road
Hull
HU8 8EH

Dear Mike

With reference to your note of 17th November, apologies for this delay in replying, I have for the last month been involved on other things and unfortunately this letter remained lost in my in-tray.

Having discussed supplier development policies adopted by Cosalt, which we contribute to, I have discussed the matter with a number of other people at Thompson Plastics. The belief is that the scheme is beneficial, particular reasons being:

1. Increased understanding of one anothers businesses.
2. Providing a forum away from day to day pressures where ideas can be floated and discussed in a more detailed and rational manner.
3. Enabling each company to find out the others perception of future business and needs in a more objective way.
4. Providing a useful discipline for developing good working relationships over and above day to day activities.

The only negative is concern that occasionally the meetings are over long and discussion gets side tracked on to "who made the mistake". It is suggested for the meetings to be efficient and continue to be held in high esteem they should have a concise agenda, a time limit and be well chaired.

Cont/...

M Isaacs - Cosalt

- 2 -

14th January 1993

We felt our customer information seminar held in the summer, which you unfortunately were unable to attend was successful. Certainly a number of customers are in the process of developing products or using materials that they had not previously considered.

At some time in the future I would like to discuss this with you the idea of repeating that seminar. I would like your opinions on subject matter, emphasis, types and level of people to attend, time and venue etc.

I look forward to hearing from you in due course.

With very best wishes

Yours sincerely



A J EAVIS
Joint Managing Director



RECEIVED 12 FEB 1993

451.

Opening up new horizons
Gateway Fabrications Limited

Unicorn House, Broad Lane, Gilberdyke, Brough, North Humberside HU15 2TS.

Telephone: Howden (0430) 440185 Facsimile: (0430) 441850

Mr. M. J. Isaac,
Cosalt Holiday Homes Ltd.,
Lorraine Street,
Stoneferry Road,
Hull,
HU8 8EH.

Our Ref: MT/JC

8th February, 1993.

Dear Mike,

Re: Supplier Development Programme.

In response to your recent letter on the above, I have discussed this with our Management and Supervision and I am pleased to report our comments as follows:-

- 1) The regular meetings, to a pre-determined agenda, have improved communications between our two companies in both directions. This is particularly noticeable in the chassis specification and order system, with all previous errors and misunderstandings now virtually eliminated.
- 2) Regular contact allows the flow of ideas and problems to be simply examined and decisions taken early, to reduce unnecessary time spent on unacceptable items. Examples of this were alternative paints and bolted galvanised chassis.
- 3) Quality improvements through improved flow of information (again both ways) has been a major benefit, indicated by improved chassis strapping to reduce paint damage, use of corner steadies during erection, chassis numbering, chassis set chart, etc.

The above points are not exhaustive, but in general indicate the success of the overall programme. I am very pleased and keen to be included in the programme, and feel it will be of long term benefit to both companies.

I apologise for the delay in replying to your letter, and look forward to seeing you again in the near future.

Yours sincerely

Malcolm Taylor
Director & General Manager.



Appendix XV

QUESTIONS TO SUPPLIERS

- (i) With regard to the Supplier Development programme, did
 - a) You approach Cosalt or -> Q2
 - b) Cosalt approach you. -> Q3
- (ii) Please describe the manner in which you came about a self-development programme. -> Q4
- (iii) Had you heard of Supplier Development previous to this occasion, if so, why was the decision taken not to act upon it. -> Q4
- (iv) Do you agree with HART (1986) **"Letter to all single source suppliers"**, Quality, 1986, Page 64 that *"the responsibility for the quality of purchased items lies firmly on the shoulders of the vendor. He believes that suppliers have an obligation to study their customers' production processes to see how supplied material is used and how it relates to the customer's finished product."*

What are your reasons?

- (v) What were your initial reactions to Cosalt's proposed Supplier Development programme, and why?
- (vi) What did Cosalt perceive the benefits of the programme would be to you?
- (vii) What did you perceive the results (favourable and unfavourable) to be of the programme?
- (viii) To date, have these initial perceptions been met - what, if any, are the divergences?
- (ix) Do you regard it as a long term relationship with Cosalt?
- (x) How was the Supplier Development message conveyed to the other members of your organization?
- (xi) Were they all in support of this programme, did they have any reservations, how were they overcome.
- (xii) Have there been any other unanticipated results to the programme?
- (xiii) Would you consider developing a Supplier Development with your suppliers, do you perceive the results for your suppliers to be similar to

the effects you have experienced?

- (xiv) In basic terms, for you, has Supplier Development been an exercise of power from a strong customer, Cosalt, or is it more of a mutual partners progression?
- (xv) Have you implemented a full, successful Total Quality Management policy in your organization as a result of conformances to Supplier Development?
- (xvi) As a supplier making deliveries, would you agree and be prepared to off-load yourself at Cosalt and deliver the goods to the appropriate work station in order to offer a full service of delivery?
- (xvii) Have you had any further thoughts upon Supplier Development since the start of this programme?
- (xviii) Now being a more informed supplier have you noticed any particular reactions from Cosalt's competitors?
- (xix) Have you experienced a conflicting supplier development programme from any other of your customers, how do you believe you would deal with this situation if it was to occur?

- (xx) What would your reactions be if Cosalt required a component to be manufactured which was too sophisticated for you to produce e.g.
- would you attempt in vain to meet these requirements.
 - would you amicably cease trading.
 - would you persuade Cosalt to continue to accept your component even though it did not meet their requirements.
- (xxi) Would you consider placing one of your own Quality Controllers within Cosalt to again check your goods on arrival before being passed to Cosalt's own quality checkers?

Appendix XVI

CUSTOMER-SUPPLIER MEETING HELD ON 25TH APRIL 1991
BETWEEN COSALT HOLIDAY HOMES LTD. AND EURAMAX ALUMINIUM AT
COSALT HOLIDAY HOMES.

THOSE PRESENT: Cosalt	J.W. Hepworth
	B. Pilmoor
	D.R. Upfield
	L. Turner
	S. Ladd
	S. Hudson
Euramax	G. Groves
	D. Prattis
	M. Smith
	T. Johnson

The meeting was opened by M.J. Isaac who welcomed the Euramax personnel to Cosalt for the first of the comakership meetings, aimed at working together towards a long term partnership. This was in fact quite an historical and significant meeting which could only help to improve the business for both companies.

Euramax confirmed that Cosalt were the first company they had worked this closely with and were looking forward to establishing a closer relationship.

J.W. Hepworth confirmed that the meeting would take the form of the agenda which had been previously circulated, and introduced S. Ladd (After Sales Manager) to the Euramax personnel.

ACTION

1. S. Ladd expressed his concern to Euramax at the situation with regard to 'popped' panels, this was being compounded by poor deliveries which, on average, were at 2-3 weeks. This was an embarrassing situation to Cosalt, the damage to Cosalt's reputation could be irreversible, customers did not see the problems as a Euramax panel, only a Cosalt van.

Euramax suggested they provide Cosalt with a small stock of largest panels in order that we can cut to size, they could not be pre-cut because of the inconsistency in model range that this problem was occurring. Although Euramax would provide free of charge, in fact the cost could be on Cosalt because when the problems are seen by customers it could lose a sale.

S. Ladd to provide G. Groves with a list of complaints this afternoon.

SL

Euramax to provide Cosalt with panels for stock next Wednesday/Thursday.

GG

2. It was further agreed that the 'odd' panel that was not covered in stock, Euramax would attempt to turn round the replacement within 2-3 days.

Cosalt to liaise closely with Euramax to ensure replacement stock is replenished as required.

3. B. Pilmoor commented that, although he accepted Euramax did appreciate the urgency of the problems, he was concerned that Euramax were not doing anything about eradicating the problem i.e. did they know what the cause was?

Investigations were currently being carried out by Euramax and they did see it as a diminishing problem. At the moment they were considering griplocking before design; the present method they use is profile first and then edge treat, consideration is now being given to edge treating first and then profiling.

4. ROOF SEAMS - S. Ladd commented that this was an on-going problem. Euramax confirmed that they were looking into implementing a wider seam and requested that they 'view' the problem seam when complaints are received, and before rectification work is carried out.

It was agreed that S. Ladd would arrange for immediate external rectification work to be carried out on a problem seam, but that he would contact Euramax before internal work was carried out.

SL

B. Pilmoor expressed concern over roof seams not being hooked together, with only the dow holding the metal together. Euramax explained that new wider hooks were now being used and this problem should be eliminated.

B. Pilmoor to pursue with R. Bell re. the use of covering a damaged roof with a new roof.

BP

5. S. Ladd expressed his concern over after sales panels, when received the wider panels are getting caught and the edges are arriving scuffed. Euramax confirmed that after sales panels were not in fact taped for transporting but this situation will be rectified by Euramax and more care taken in preparation for transporting.

GG

Euramax to identify, separately, after sales panels i.e. marked up differently so they can be easily distinguished on arrival.

6. COMMUNICATIONS - D. Upfield confirmed that the 'rapport' between buying department at Cosalt and D. Prattis at Euramax was working well.

Internally, Euramax admitted to a few problems, this was as a result of events that very morning, and these would be resolved on Euramax returning to site.

Internally at Cosalt, a system should be introduced whereby an order has been placed on Euramax - which Euramax should process - the order however should be relayed to D. Upfield by whoever made the order i.e. it is the responsibility of Cosalt to ensure D. Upfield is made aware of the situation.

7. D. Upfield to liaise with G. Groves re. any queries on Euramax invoices.

DRU

8. SPECIALS, LAKELANDS ETC. - B. Pilmoor to liaise with P.T. Nevitt re. production of minimum of lakeland colours of possibly 5 or 10's on each batch i.e. look at running slightly larger batches on lakeland vans.

BP

9. LEAD TIMES - Euramax commented that the earlier the decision is made at Cosalt on the screens in the proto season, the shorter the lead time will be. This can vary between 3-8 weeks.

It was agreed that as soon as B. Pilmoor published his production programme for the forthcoming build, it would be forwarded to Euramax with an order.

BP

10. CUTTING LISTS - Euramax confirmed that the new system was a lot better (computerised and in metric).

Cosalt agreed to highlight changes which were made for ease of reference.

JWH

11. QUALITY AND SERVICE - Euramax to consider dropping in an extra panel of the largest size when there is a new van for the first time.
12. Mr. Paterson's memo on development of the exterior of caravans was discussed.
13. B. Pilmoor requested the following be discussed at the next meeting and appreciated that Euramax were probably not aware of the problems:
 - (a) Request that Euramax Despatch Manager be present at the next meeting, Euramax agreed this would not be a problem.
 - (b) Some deliveries are being made without any paperwork, Euramax agreed to rectify this situation immediately.
 - (c) Lorries arriving for delivery after 4.30pm gives Cosalt a problem, especially when there is no prior notice. Cosalt agreed to a compromise - Euramax can drop a trailer and return next morning to unload.
 - (d) Deliveries on a Friday afternoon, without prior notice, cause Cosalt problems. Euramax will inform their drivers to contact Euramax if this is going to happen who will, in turn, inform Cosalt of the afternoon delivery.
 - (e) Problem with damaged panels or roofs, Euramax slow to pick up for return, Euramax to investigate.
 - (f) Pallets stacked too high - no clearance between metal and the steel stillage above, Euramax to pursue with transport driver.
 - (g) Euramax to liaise with paint manufacturer re. problems with Coppice Green.
 - (h) Paperwork on roofs - it is often wrong, Euramax to investigate.

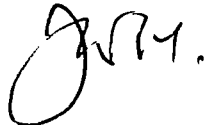
- (i) Roof stillages to be looked at by Euramax.
- (j) Some pallets tend to be sketchy - panels damaged inside the skid, Euramax to investigate.
- (k) B. Pilmoor to liaise with A. Harris re. Euramax drivers picking up skids. If a driver has the room the skid should be put on for transportation, A. Harris to monitor the situation.

BP

ANY OTHER BUSINESS

1. B. Pilmoor requested that the BRE report be discussed at a separate meeting.
2. Euramax requested a separate meeting on prototyping.
3. Cosalt to notify Euramax prior to next meeting of attendees.

The next meeting will be held on 6 June 1991 at 10.30 a.m. at Euramax.



J.W. Hepworth
TECHNICAL MANAGER

JWH/SH
26 April 1991

CIRCULATION:
Those Present + M.J. Isaac

4. STOCK LEVELS - DRU advised SC to keep stock levels under check as season end approaches, details to follow soon. DRU/SC
5. CUSTOMER CARE - Dick Jones to speak to DRU as it was noted some orders taking a long time to process, from complete chain Cosalt and Manor internally. DRU/SC
6. PRODUCT DEVELOPMENT
- 6.1 CONSTANT IMPROVEMENT - Cost saving on Amble Pink reported at last meeting will not now happen. P.T. Nevitt has reversed this decision and chosen a more expensive fabric for tickings.
- 6.2 OPTIMIZATION - Nothing new to report.
- 6.3 PROTOTYPES - D35.2 J.W. Hepworth expressed total dissatisfaction with quality of the prototype set. Generally the scene is not good.

'G' range - now rushed since the 'G' range proto single set is still not right.

All have been on-going for 3 months, G. Essex did also point out some changes are specification modifications.

Manor to look into all these as they will delay the costing.

The next meeting will be held in late June at Manor House.


D.R. Upfield
PURCHASING MANAGER

DRU/SH
25 May 1994

CIRCULATION:
Those Present + M.J. Isaac, P.T. Nevitt, M.J. Gale, S. Ladd,
J. Haslam, P. Millership.

Appendix XVII

M E M O R A N D U M

FROM: J.W. Hepworth
TO: Mr. M.J. Isaac
DATE: 25th November 1992

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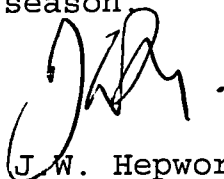
Please find detailed below what I perceive to be the benefits of supplier development, together with the potential savings:

1. Better understanding of each others needs to produce the product required.
2. A tightening of controls on information flow resulting in not just some being added, but also the waste element eliminated.
3. In most cases we receive a better quality product with less rejections.
4. The two sets of management have a better working relationship, which in turn gives an appreciation of each persons responsibilities.
5. A more consistent product, with better quality.

I would certainly recommend going down this road with other suppliers.

During the course of our involvement with supplier development, quite a lot of cost saving ideas have been put into practice.

A good example of this is a recent meeting with Eltheringtons and from the first discussions an idea is looking very strongly as though it will be adopted. This will give a saving of £20-£25 per van on Vienna/Albany/Monaco, which should result in approximately £20,000-£25,000 savings over the 1994 season.



J.W. Hepworth
TECHNICAL MANAGER

M E M O R A N D U M

FROM: S. Ladd
TO: Mr. M.J. Isaac
DATE: 25th November 1992

-----oOo-----

SUPPLIER DEVELOPMENT

Please find detailed below my thoughts and comments on the progress of supplier development so far:

1. The creation of supplier development has enabled us to advise our suppliers that we are monitoring the quality of their products and what, if any, faults occur. If faults are occurring we are then in the position to be able to sit down with the supplier to discuss the situation in an attempt to ensure the problems are solved and action is taken to prevent them from reoccurring.
2. Anything that improves the overall quality of our product and helps to reduce the number of customer complaints is obviously a big bonus to the customer care department and the company as a whole.
3. Both service and quality from our suppliers seems to have improved over the last twelve months or so. Also a lot of our suppliers now seem more keen to assist or be involved when there is a problem. I feel that this stems from the introduction of the supplier development meetings.
4. Whilst our workmanship at this moment is very good we must ensure that our suppliers standards do not drop. It is all too common for faults with our suppliers products to have a very detrimental effect on our caravans. Most of the time the customer does not know what the suppliers name is, he just associates the fault with Cosalt. We must not forget the major problems that have been caused over the past few seasons by such suppliers as Ellbee, Euramax, Thompson Plastics.


S. Ladd
CUSTOMER CARE MANAGER

M E M O R A N D U M

FROM: J.G. Crosier
TO: Mr. M.J. Isaac
DATE: 19th November 1992

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CUSTOM HOMES SUPPLIER DEVELOPMENT

Although custom homes have not been involved heavily in supplier development because the majority of materials used are common throughout the company.

We have used the element of supplier development in conjunction with BS5750 and our supplier control and material optimization programme.

Supplier development meetings have taken place with Beauvale, J. Lambert (plumbers), Colfax Windows and Atlas Trailers on development of a new chassis design.

1. BEAUVALE

Initially the meetings were met with a good response and formulated a better understanding of the needs of both parties.

We have gained in the following areas:

- (a) Prices held for a further year.
- (b) Better turn round of prices.
- (c) Better confirmation of specification details with Beauvale detailing all standard specifications item by item, each item coded to enable a better after sales service to be introduced.
- (d) Better communication at prototype stage.
- (e) More acceptable type of invoice.

However, we are still experiencing major problems with Beauvale, mainly lack of communication from Beauvale - the reasons for this have been explained through the supplier meetings.

2. COLFAX

We have gained good communication with this company, they have produced a fact sheet, and fixing instructions which has helped problems out in the field.

3. J. LAMBERT

Again we have produced fact sheets for commissioning of homes and drawings detailing pipe runs and general service layout.

I feel we have gained in the following areas:

- (a) Better communication with suppliers, thus alleviating some frustrations.
- (b) Better technical feedback to ensure that we are using suppliers products correctly.
- (c) Better prices? Although we would have part achieved this because of the recession.
- (d) Together with the supplier development and BS5750 we are able to analyse problems more clearly, and not always immediately blame the supplier.

OTHER THOUGHTS:

The intention is not to find fault and apportion blame, but to create a method of continuous improvement.

My own feelings are that most companies, including parts of our own, have not yet created the 'blame free environment', together with personal accountability and, therefore, are unable to fully look at the problems in a clinical and constructive way.

If this environment cannot be created then the full potential of supplier development and BS5750 can never be achieved.



J.G. Crosier
GENERAL WORKS MANAGER, CUSTOM HOMES

M E M O R A N D U M

FROM: G. Deighton
TO: Mr. M.J. Isaac
DATE: 23rd November 1992

-----o0o-----

SUPPLIER DEVELOPMENT

The supplier development meetings held over the last year have given much benefit to the purchasing department:

1. An improved personal relationship with our suppliers, from a liaison point of view. This has helped us when we have a problem with a supplier fault or specification error as we have a more favourable reaction and response, making for a faster turnaround and getting complete caravans.

We have benefited from both our visits to suppliers, and seeing how they deal with their problems, and the suppliers visiting us and seeing our problems.

2. The product has also improved, although not every individual item is correct we do have a more consistent product. This is shown by the reduction in the day to day phone calls from the buying department, stating the product is not up to standard.
3. Our delivery service has also improved as we now have very regular deliveries from a majority of our suppliers. Returns of defective items are now very quick and replacements returned usually within the same week.
4. The points above show that the knock-on effect is the reduced number of times we are called out to the shop floor to look at defective or incorrect goods, or the number of times a storeman knocks on the door with defective items.
5. The internal improvements I feel should be to involve the supplier at an earlier stage of development of the prototypes. This should lead to better communications for all concerned and cut down on chasing items which may be now out of production from the supplier.



G.L. Deighton
ASSISTANT PURCHASING MANAGER

M E M O R A N D U M

FROM: B. Pilmoor
TO: Mr. M.J. Isaac
DATE: 17th November 1992

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SUPPLIER DEVELOPMENT

Please find below my thoughts on supplier development since its introduction into Cosalt:

Through the title and format of supplier development we have, as a company, benefited the most major way in reducing the cost of materials bought-in at holiday homes. The companies we have regular meetings with now respond quicker to problems because of the personal relationships which we have built up and which now exist. We also have a better understanding of each others needs on information they require from us, and the service we require from them.

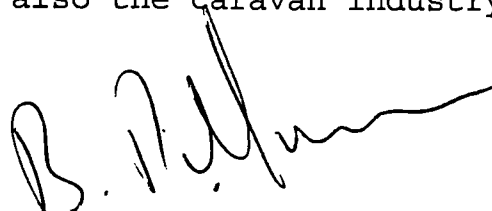
The product quality, although not perfect, I would say has improved. Also, the disciplines on the flow of information has improved, and quotations are turned round faster.

Our suppliers are actively looking at reducing lead times to us, and also to reduce the lead times on material coming in to them. Also, our after sales service has improved through the closer relationships which have been formed.

Our suppliers take a more active role when we are developing our prototype vans with suggestions and optimization of materials.

Although we have agreements with suppliers on length of contracts, with the economic climate being as it is we are now finding that better deals from a pricing point of view are available, and we must review pricing structures regularly. I also feel that the meetings with some companies could be structured to 3-4 per year, and introduce new companies to the supplier development format.

The overall supplier development programme has, in my opinion, been a success, not only for Cosalt and the suppliers involved but also the caravan industry.



B. Pilmoor

GENERAL WORKS MANAGER, HOLIDAY HOMES

M E M O R A N D U M

FROM: D.R. Upfield
TO: Mr. M.J. Isaac
DATE: 13th November 1992

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SUPPLIER DEVELOPMENT

These are my thoughts on the major benefits of the supplier development meetings:

Apart from the obvious drawback over massive time involvement, I cannot think of any reason why more meetings still should not be set up.

SUPPLIER DEVELOPMENT - NOTES ON MEETINGS

PLUS POINTS:

- Problems are discussed openly, regularly and with a timetable to resolve them, rather than reaction it is proactive.
- Information flow is improved and problem areas are easily identified, and thus communication improves - you can put names to faces (relationships have developed).
- Each others limitations, expectations, capacities can be seen with alternating visits, giving a 2-way in-depth knowledge of how the other works or is capable of working.
- Service is improved, deliveries can be discussed to suit both parties on timing and loading.
- Quotations, costings, specifications and credit terms can be discussed and any weaknesses highlighted.
- Stock is important. Regular meetings can help with scheduling and forward planning to help reduce stock, waste and ensure continuity is maintained. This keeps lead times to a minimum and highlights weaknesses.
- Customer Care, an important feature is openly discussed and repeat faults or trends can be identified. Possibly this can lead to a design change, this benefitting both parties.

It can also identify if certain items are easy to get hold of and vice versa if stock is running low.

Service back up to the field can be discussed.

- Product development is vital. Both parties are encouraged to constantly improve, to optimize materials and resources to best effect.

By inviting suppliers in to comment at the prototype stage then discussing things at the meeting, we are engineering our products to be built to the highest standards.

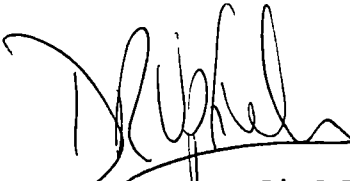
Utilizing materials for their correct purpose and developing, both parties benefit rather than previously when both parties went their separate ways.

SUMMARY:

The principle of supplier development is sound and good business practice. The use of the regular meetings is a benefit of great importance. It ensures problems to both parties are discussed and resolved to a timetable as regular meetings ensure this.

Before the meetings, problems may be hidden or washed over. Development was stunted or not encouraged, stocks and lead times were not controlled.

Suppliers only were hit when a problem or cost query developed.


D.R. Upfield
PURCHASING MANAGER, HOLIDAY HOMES

COSALT HOLIDAY HOMES

Advertising Feature

The road to quality

By **Mike Isaac**,
joint managing
director,
Cosalt Holiday
Homes Ltd.

THE last 12 months have been excellent for Cosalt Holiday Homes Ltd. In October 1993 we became the first manufacturer in the caravan holiday homes and park homes sector to be awarded the internationally recognised quality

accreditation BS5750 Part 2. In January 1994, we won no less than five of our industry's premier national awards including the coveted Caravan Holiday Home of the Year*, for the second year running.

BS5750 was an important milestone for us. We had been working towards BS5750 registration for approximately two years and in that time every aspect of our business administration and manufacturing process has been observed, analysed, in many cases changed or improved and documented. Many quality standards have been set, covering method manufacture, specification of components, and administration procedures.

In essence BS5750 Part 2 means that our customers can be sure that every Cosalt holiday home or park home they buy has been constructed to the highest internationally recognised standards from top quality materials. This year also saw the launch of our vinyl-wrapped manufacturing company, Kings Form, which produces a comprehensive range of components for the kitchen and bedroom industry.

Customers and suppliers know that they are dealing with a well organised and

efficiently managed company, with an excellent sales team and a quality controlled after sales service.

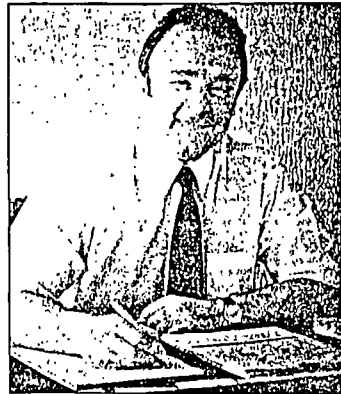
More importantly, however, our attainment of BS5750 Part 2 should be seen as the culmination of a much longer journey towards quality, which began some years ago and which has profoundly transformed Cosalt Holiday Homes from a traditional production driven company to a market responsive organisation. The award benefits us in many ways: our customers and suppliers will know that they are dealing with a top-quality, market-driven company where all employees work to a consistently high standard.

The Importance of People
It all began some six or seven years ago when we became aware that our reputation for quality left much to be desired. As complaints were received from customers, we made site visits to see exactly what the problems were and to understand what customers demanded in terms of quality product. So began our quality journey to become a company with a reputation for producing high-quality products which would satisfy customer needs.

We began our pro-

gramme of quality development by concentrating on our most important asset — our people, their training and development. The first initiative designed to improve their quality of work was quality circles. These quality circles involve groups of employees from the shop floor or a staff environment who are trained to identify and solve their own work-related problems. The QC groups usually comprise between eight and 12 people who meet on a regular basis after work, and membership is voluntary.

The groups often look at quality issues but also discuss productivity, safety or cost issues. When a quality circle has decided on a solution to a particular problem, a presentation is made to management including the details of any costs involved. With management approval the circle members or other depart-



Mike Isaac.

ment members may well carry out the work themselves. Quality circles are very important vehicles for improving communication between management and the workforce. Then, in 1989, I made a

visit to Japan to study a number of key manufacturing companies to establish how Cosalt Holiday Homes could become a world-class manufacturing company...

Continued on page 7.

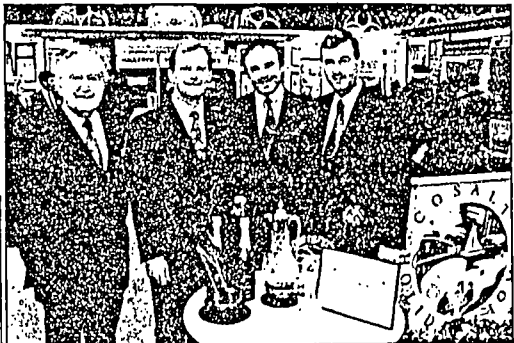
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Displaying their five awards from the Caravan Holiday Homes of the Year Awards, from left: Raoul Lloyd, chairman of Cosalt Holiday Homes, Peter Nevitt and Mike Isaac, joint managing directors, and Bill Wood, financial director.

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COSALT HOLIDAY HOMES

Advertising Feature

The secrets of Kai zen bring improvements

Mike Isaac

FOLLOWING my visit to Japan, the Japanese concept of Kai zen was introduced into the company. Kai zen means continuous improvement by seeking small improvements through the elimination of waste.

To assist in the implementation of Kai zen we used the services of a consultant experienced in Japanese quality techniques. The activities of the shop floor during normal working were videotaped. Afterwards, the Kai zen group studied the video to analyse what superfluous activities were carried out. The group then suggested ways of improving the various activities. The filming was carried out either by a member of the workforce or by a manager with the full knowledge of the shop floor.

Kai zen and quality circles complement each other - QCs tend to concentrate on larger projects while Kai zen for continuous improvement should be steered for all the time. QCs and Kai zen often highlight potential managers for the future. Throughout its journey, Cosalt Holiday Homes theme was to educate both management and workforce that quality is the responsibility of each man doing his own job, not just relying on an inspector to find faults - quality should be built in.

Quality improvement is not just the use of the "Quality Manual", but a release of commitment and creativity from everyone in the company to find a superior way of doing things. To achieve this, they need the opportunity to create the right environment through QCs and Kai zen.

One of the most significant achievements made by a quality circle at Cosalt Holiday Homes was the reduction by a project group of the time taken for the changeover of 100 and 120 vans on the production line from 40 minutes to five minutes. This saving in time led the way to increased flexibility which we believe is the key to the success of our company.

Controlling Stock Levels
Our next quality initiative was JIT - just-in-time manufacture. Just in time simply means that components required for manufacture arrive just prior to being needed. Before the introduction of JIT Cosalt Holiday Homes held large stocks of components, which, apart from being a very costly exercise, tended to become damaged or to deteriorate with time. JIT manufacture leaves no room for error and sharpens the performance of both supplier and manufacturer, and is an essential feature of a modern manufacturing company. A high level of communication between sales, manufacturer,

technical, purchasing and the supplier base is vital for successful JIT manufacture.

Formerly, batch sizes for caravan holiday homes were typically of 50, or more, which is great if a customer wants 50, or more. But if, say, only 20 are wanted, then it means that the remaining 30 go back into stock, with the risk of a detrimental effect on cash flow and stock deterioration. Current batch sizes now at Cosalt Holiday Homes are typically five, 10 or 15, depending on market requirements. Batches of two have even been manufactured. Many of our customers for Impressionists Holiday Homes and Cosalt Park Homes already know that individual park and customer specifications and preferences are willingly met, even on a one-off basis.

The result of JIT manufacture is that both internal and external lead times have been cut. The internal lead time, or the time it takes from order intake to final manufacture, has been dramatically reduced as has been the external lead time - the time it takes to receive components from external suppliers.

In keeping with many UK manufacturing companies, Cosalt Holiday Homes was in effect changing its culture. From a production-driven company to one that must be

driven by the demands of the market place and its customers. This cultural change was quite considerable and great efforts were made to help all employees understand and respond positively to their changing environment.

A second Japanese idea, cell manufacture was introduced shortly afterwards. Cell manufacture differs from conventional manufacturing, a batch of components moves through the various processes, and the first component of the batch must wait until the last component of the batch undergoes one operation before the whole batch moves out to the next operation. This process is very time consuming and is the main cause of long internal factory lead times.

In cell manufacture, however, the machines involved are arranged in a circle or cell design so that a component moves through each operation until it becomes a finished item, without having to wait for all the other components to make their way through the system. Finished items are available much quicker but in smaller quantities - again acknowledging that Cosalt Holiday Homes seeks to offer their customers the products they want, when they want them.

Continued on page 8.



A typical Cosalt Impressionist Holiday Home blends perfectly in the tranquil surroundings of Dolgead Hall, near Welshpool.

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COSALT HOLIDAY HOMES

Advertising Feature

Links with suppliers

MOST of the quality initiatives mentioned above are designed to improve the quality of Cosalt Holiday Homes' internal performance but, in 1990, a further quality programme was born: this time the suppliers were involved. Cosalt Holiday Homes is essentially an assembly-type factory,

where limited manufacturing is performed but the final product, be it a park home or holiday home, is assembled from a large number of components purchased from its suppliers. Hence the resultant quality depends heavily on the quality of its purchased components. So in 1990 Cosalt began its supplier

development programme. Supplier development, or co-makership as it is sometimes known, aims to identify chief suppliers, to treat them as long-term business partners, working with them to continuously improve product quality and design input and to reduce the overall cost of the components supplied. Single-source supply was

identified as an important means of enabling suppliers to provide a better service. We therefore set out to identify a group of preferred suppliers. This task took over a year and some 105 visits to achieve. Suppliers responded enthusiastically to our initiative, which they saw as a commonsense means of mutual improvement and a source of mutual benefit.

Quality meetings with each supplier are held several times a year between the operational managers of both companies to discuss such areas as product quality, delivery, communication, reduction in stock levels, supplier involvement at the prototype stage and the all-important customer care requirements.

The introduction and successful development of supplier development has required us to recognise that our suppliers are the experts in their own field. Our product quality has in turn improved by listening to our suppliers. Our supplier development programme has been very successful and is continuing to have a major impact on our performance as a quality company.

We pride ourselves on learning from our mistakes, we recognise that problems will occur, but our quality systems ensure that they do not keep recurring. Our



The practical kitchen of the Cosalt Monaco Super, Caravan Holiday Homes of the Year 1993 and 1994.

commitment to quality is company-wide; our philosophy is to get it right first time and quality is therefore everyone's concern.

Before we asked our suppliers to ensure that our bought-in materials and services reliably met the required standards of performance and efficiency, we spent many years putting our own house in order first. Quality improvements are now a continuous process, concentrating more than ever on customers and suppliers, both external and internal.

One of the key requirements of any organisation striving for a total quality route is for management to get close to employees, listening and then acting on what is communicated. Some of our biggest

improvements have been realised by the people doing the job talking directly to our suppliers. The people who do the job every day of their lives are the experts in the business; we just provide the environment for them to release their energy and full potential.

Supplier development has given us a form of insurance on the products we are buying in the safe knowledge that we can rely on our suppliers to continually improve their products, service and failure rates.

The quality of our suppliers speaks for itself. We could not operate our own quality systems if the suppliers could not perform to our standards. Commitment from our suppliers was readily forthcoming, and our success has proved that they were not merely paying us lip service.

Cosalt Holiday Homes' external failure costs have been improved as a direct result of supplier development. Repairs and servicing, warranty claims and complaints are being continually improved and reduced, proof that we are meeting the customers' requirements with the right product, to the right specification at the right price, when the customer wants it.

Many achievements have been made through the implementation of supplier development and these can be summarised as:

- Increased confidence throughout our management team.
- Development of a cohesive culture.
- Improved quality products from suppliers.
- Improved communications between customers/suppliers, internally and externally.
- Reduction in stock levels, lower inventory costs.
- Reduction in lead times.

Cosalt Holiday Homes' suppliers help us operate in an environment where quality is controlled during the process rather than checked at the output.

One of the aims of supplier development was to have one of the best customer-supplier relationships, while being the best value to our customers. Cosalt Holiday Homes has achieved this and we feel

that we are also best at attracting and maintaining the best staff and achieving a high quality of life for our employees.

The most recent stage of our supplier development programme has seen the bringing together of Cosalt Holiday Homes' management team and some of our suppliers on visits to Japanese-run manufacturing plants, and also to their suppliers.

I believe the successful companies for the future will be the ones which are the best in every aspect of business performance, including the best to deal with for both the customer and the supplier and where the employees have the best quality of life.

The purpose of this article is to stamp Cosalt Holiday Homes' commitment to quality with particular emphasis on its work in the field of supplier development, and to show how heavily we depend on good suppliers in order to manufacture products of the highest quality.

Kings Form April this year saw the creation of a new business within Cosalt Holiday Homes. Kings Form manufacture vinyl-wrapped doors and drawer fronts for the kitchen and bedroom furniture industry. This follows our investment last year of more than £500,000 in machinery to make doors and drawer fronts for our range of park and holiday homes. This investment in state-of-the-art equipment reflects the confidence Cosalt Holiday Homes has in suppliers to move with advances in technology.

Cosalt Holiday Homes has over 20 years' experience in designing and manufacturing kitchens and bedrooms for holiday homes which will be of direct relevance to the new business. Several major kitchen and bedroom manufacturers have sealed their commitment to the components manufactured by Kings Form, which also sees an extension of our commitment to total quality management.

The early signs of this move into the furniture market have been extremely positive and this paves the way for an exciting future for this company.

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A belief in the power of training

FURTHER improvements to the quality of our work have been gained through training. We believe very strongly in the power of training to improve the performance of our work force, and an extensive training programme is therefore under way, with involvement from the local TEC and the Department of Management Systems and Science at the University of Hull. Cosalt Holiday Homes is also working towards the Investors in People Award where the main thrust of the training is to be able to manage the rapid changes necessary to survive in the turbulent 1990s and beyond.

Companies nationwide and local academic institutions keen to view Cosalt Holiday Homes' technology and quality systems have enthusiastically toured our facilities, evidence that Cosalt Holiday Homes is a leader in its processes and product. I believe that Cosalt Holiday Homes' continued successful development centres around three vitally important groups of people: the customers, the suppliers and its own people. Staying close to and working with these three groups is considered to be of paramount importance to Cosalt Holiday Homes and Park Homes. We shall only become a world-class manufacturing company if we provide the customer with the highest-

quality product at the lowest possible price, with the highest standard of customer service.

The BS5750 scheme requires us to continually monitor our customer's response and demands and is designed to encourage continuous improvement. This we do already and we will continue to do, as we take the next step on our quality journey by putting the finishing touches to our BS5750 Part 1 application, which will endorse the design elements of our business.



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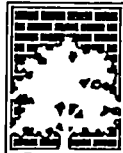
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