
In this Issue:

[Why do Firms persist with Discredited Strategies for Supplier Improvement?](#)

[If the Job Could Talk - Supporting people to get the job done](#)

[Win-win in the workplace!](#)

[3 Key Ideas for Business Success in 2012](#)

Welcome

Welcome to our May 2012 Newsletter, I hope you enjoy its contents and get some value out of it. If you have an article or comments you think our readership would benefit from don't hesitate to get in touch. We have again sourced articles from colleagues and friends to bring you a range of advice and insights that you can implement in your business. The first revolves around the common problem for many firms, how to get suppliers to improve their performance! The answer it seems is not to concentrate on punishing suppliers to better performance! We also canvass how managers can help their staff by developing meaningful Job Descriptions. Graham Apperley out of the UK describes a method of "opt-in" skills development that has garnered some success. Finally we end with 3 ideas you might find useful in delivering business success in 2012.

Andrew Downard: 0419 581 705 email andrew.downard@adsupplychain.com.au

Why do Firms persist with Discredited Strategies for Supplier Improvement?

By Andrew Downard – Director AD Supply Chain Group Pty Ltd



Firms are almost always faced with suppliers that are not performing to the required standard so why not give them back some of their own medicine? Perhaps delay payment for those suppliers that miss deadlines, apply fines for those where the customer has market power or make them jump through more hoops to win business. Sounds reasonable and it should result in improved behaviour. Right?

Futility is sometimes described as repeating the same action over and over again and expecting results to be different. This is exactly the situation Purchasers, who use punishment to gain performance improvement in their supply base, find themselves in. The results almost invariably disappoint. A survey of Purchasers reported in Manufacturing News (Spare the Rod – Punishing Suppliers Doesn't Work, 26-2-07) reported that 67% of respondents use penalties against Suppliers. Of the same respondents, 58% self-reported these penalties as being ineffective.

Professor David Corsten has also highlighted that punishments usually result in the development of a strong negative attitude within the supplier towards the Purchaser. He also points out the disparity in performance between the “punishers” and the more successful purchasers that don’t rely on this strategy alone.

So what is going on? Why the difference in performance? Perhaps Barbara Pytel in her article “Punishment Doesn’t Work” (2008) has part of the story. In discussing punitive relationships she makes the point that “punishment encourages minimum behaviours – just enough to avoid punishments”. This hardly describes the situation that is going to lead to leading edge performance. In fact it is unlikely to result in even average levels of performance.

Is the best strategy to forgo punishments entirely? Again Corsten provides some perspective on this question. In the research “Mitigating the Deleterious Effects of Punishments in Buyer/Supplier relationships” he found Purchasers that were seen to be interested in helping suppliers to improve performance could apply punishment without the negative effects (ensuring there are consequences to performance failure). Perhaps Stick and Carrot is the best approach.

So what do Purchasers that adopt a more balanced approach gain? Stephen M Covey (son of Stephen R Covey, author of the 7 Habits series of books) in his own book “The Speed of Trust” points to savings in the order of 40% of the contract value for firms that rely on trust over punitive contract conditions in IT outsourcing. There are also countless other examples of the increased value to be gained from collaborative relationships.

So why do people stick with a discredited strategy? My thoughts are that the following factors may be at play:

1. Punishing suppliers is an easy option to implement.
2. Punishing suppliers gives the impression that action is being taken.
3. Senior Management in powerful organisations often has a sense of entitlement that drives punishment focused behaviour.
4. Organisations prone to punish suppliers are likely to hire Purchasing staff that fit the “model”.
5. Organisations prone to punish suppliers are also likely to treat their employees less fairly, which can set up a reinforcing set of behaviours.
6. Many organisations lack the skill sets necessary to provide assistance to suppliers which leaves only punishment to try and effect change.

I would be interested in getting your feedback and additions to this list; please feel free to comment.

Finally, what steps should a firm take to gain improvements in supplier performance? The following points, while not exhaustive, provide some guidance:

- Make performance criteria clear from the beginning and preferably ensure performance can be measured by both the Purchaser and Supplier.
- Agree consequences for failure between the parties, from the beginning of the relationship.
- Meet regularly to review performance.
- Agree at the review meetings the improvement activities to be carried out.
- Have a plan that balances the carrot and the stick.

If you would like help setting up a Supplier Development process or Collaborative Supplier Relationships please feel free to get in touch: Andrew Downard: 0419 581 705 email andrew.downard@adsupplychain.com.au

If the Job Could Talk - Supporting people to get the job done

By David Vincent - Founder, Break Through Training Group



If a job could talk, it would explain what was necessary to achieve superior performance. We could ask it to tell us about...

- The knowledge a person needs
- The personal attributes required to drive success
- The rewards for superior performance
- The hard skills vital for the job
- The behaviours necessary to perform at peak levels, and
- The motivations needed

But we know that jobs can't talk. If they did we would certainly hear the real story.

Instead we must get the truth from another source... from the people in and around these jobs.

Getting this truth is the key issue in achieving superior productivity and developing and retaining top talent. Getting this truth can be achieved by developing a Position Results Description for each job.

A recent survey by a leading Australasian recruitment agency found that nearly half of the nation's employees say that their boss does not have a clue about what they actually do at work.

One third said their job description was not correct.

Job descriptions are provided so people know what they are required to do. Unfortunately, most of these job descriptions are activity lists, purely task oriented. Employees are told what to do ... and this, along with an annual appraisal, is commonly regarded as Performance Management.

To manage performance effectively we are looking at a dual purpose.

1. Achieving organizational results... accomplishing the organization's overall mission and attaining key strategic goals.
2. Establishing culture... creating an organizational culture that respects employee contributions to results and values employee growth and development.

Task oriented job descriptions limit the employee's scope and inhibits their initiative. If people do not really know why they are doing what they do and what results are expected, they will find little meaning and purpose in their work.

In order to structure a job for results (instead of tasks), we need to document in specific language the following information.

1. **The Major Goal:** the overall results the employee is expected to produce. To do this each person must answer the question 'Why does my job exist?'
2. **Key Results Areas:** this is where the individual needs to focus attention and maintain control.
3. **Realistic Performance Standards:** which describes the conditions or situations that must be accomplished in each key result area. These performance standards need to be specific, quantitative, time phased, results oriented and measurable.

I highly recommend this process as it leads to formulating a 'Position Results Description' (PRD).

A key aspect of this process is that an employee writes their own PRD and agrees it with their manager. This means that the employees' expectation of the job is the same as their manager's expectation of the job. This alignment leads to...

- **Support:** It's in the interest of the manager to support the employee achieving their major goal.
- **Communication:** It's a communication document that enables regular constructive discussion about goal achievement.
- **Accountability:** As each employee writes their own PRD they define their accountability.
- **Planning:** A PRD is a working document used for daily, weekly or monthly planning.

David Vincent is an Accredited Mindshop Facilitator and Founder of Break Through Training. For more information on Break Through Training or the process within this article, please email David at: david@breakthroughtraining.com.au or visit www.breakthroughtraining.com.au

Win-win in the workplace!

By **Graham Apperley - Crowe Clark Whitehill**



It's no secret that successful businesses often employ people who are as keen to work on the business, as in it. For many businesses however, this may be an aspiration rather than reality, with a workforce of varying abilities, skills and ambitions. So just how do we motivate our people to get the best out of them, not only for the benefit of the business, but also for themselves.

As individuals, we are motivated by a wide range of factors but the desire to overcome perceived weaknesses in ourselves can be one of the strongest. It is possible to use this desire to engage your workforce in business improvement generally, whilst also meeting their personal aspirations.

So how do we go about this? Well why not start a lunchtime 'skills group' revolving around self-improvement for the attendees?

An invitation can be sent to all employees to attend a series of lunchtime meetings where they will learn about tools, processes and techniques which can be used in both their business and personal life, as well as boosting their self-confidence and generally having fun. It is important that the invitation stresses that this is open to everyone regardless of seniority or position.

Experience has taught us that this can appeal to quite a significant percentage of the workforce, as evidenced by the example below.

Following an invitation from a business improvement champion within a firm of chartered accountants, 22 people from a workforce of 80 asked to attend the first meeting. Six months later, a 'second intake' is about to start attending a new series of meetings. A core group from the initial 22, have formed a more advanced group and are concentrating on the application of tools and processes on the one thing they all have in common, the business they work in and (now) on!

The initial intake spent the first six months learning the basic tools and processes that will enable them to find solutions to issues in both their business and private life. In addition they all gained experience in other valuable areas such as networking skills, selling skills, life balance, strategic planning and public speaking. They have all grown and gained confidence as well as knowledge along the way. They all now have a much better understanding of what a business needs to do to succeed and the part that they can all play in it.

So what were the key factors that led to the success of the lunchtime meetings?

When asked, the key appeal was a desire to gain more self-confidence. The meetings duly emphasized confidence building, tools and skills which are useful in private life as well as business life and sessions that were highly interactive and fun. By meeting these key criteria, the participants achieved their aims whilst the business gains by involving more employees and by improving the skills, knowledge and effectiveness of all the participants. A win-win in any language!

For more information on Crowe Clark Whitehill, please visit www.crowecw.co.uk

3 Key Ideas for Business Success in 2012

1. Better Communication using YouTube

Whether it is internal communications, documenting processes or communicating updates to potential customers it can take hours to write up a written communication. Doing a video recording using a camcorder, Flipcam or even your iPhone however can take just minutes. You can then with a click of a button upload this video to YouTube and send out a link for the video to your target audience. If you wanted to be more creative and put intro slides and / or captions editing takes very little time. The important point is that the message you are seeking to communicate will get a lot more traction in video format versus written. So next time you are about to write up a newsletter update to your customers how about use a YouTube video instead.

2. Only worry about the things you can change

Business stress increases during volatile times. Ensure that regardless of the pressures around you in business at present that you focus your strategies / actions on aspects within your control. We call this having an 'internal locus of control' where you take responsibility for change rather than pointing the finger at external factors.

3. Change hurts but...get used to it

The pace of change in business is rapidly increasing. A recent 2009 study by consulting group, Kotter International now show that 70% of internal change projects fail. Combine these factors and the result is that many businesses are 'change fatigued' and not wanting to adapt. Unfortunately there is no choice but to continuously evolve your business at present or risk being left behind. Whilst any change is difficult ensuring your team is armed with a common planning methodology to manage the change, that there is great communication from the top down on the direction the organization is heading and managers lead by example will all help make it an easier process.

4. Growth and Profit Solution

Don't forget that you have free access to our Growth & Profit Solution (GPS) tool at our website:

<http://adsupplychain.com.au/Diagnostic/Diagnostic.html>

This is a simple and powerful way to help you gather that critical focus on your Top 3 Growth and Profit Opportunities for 2012. Click below to complete it and be sent a report at the end summarising your results.

AD Supply Chain Group Pty Ltd

(ACN 120 573 864)

Tel: 61 (0) 419 581 705

e'mail andrew.downard@adsupplychain.com.au

web www.adsupplychain.com.au