

# ATTRIBUTES AND SUCCESS FACTORS IN PARTNER RELATIONS THROUGH SUPPLY CHAINS

## JIT CASE STUDY FOR A MANUFACTURING COMPANY

### АТРИБУТИ И ФАКТОРИ ЗА УСПЕХ ПРИ ОТНОШЕНИЯ МЕЖДУ ПАРТНИРАЦИ СИ ПОСРЕДСТВОМ СНАБДИТЕЛНИ ВЕРИГИ

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**Abstract:** *The aim of this article is to define the attributes of partnering relations and to identify the key factors that help a relationship to succeed. The suggestions for changes and optimization of production process are given and use of storage capacity is established according deliveries to clients, which greatly influence their satisfaction and loyalty to products and services of the company subject in our research. Partnering relations are based on mutual trust, commitment, openness, involvement of different organisational levels, continuous development and sharing of benefits and risks. The success of the relationship is based on two-way information-sharing, joint problem solving, the partners' ability to meet performance expectations, clearly defined and mutually-agreed goals, and mutual involvement in relationship development and planning.*

**Keywords:** INTER – ORGANIZATIONAL RELATIONSHIPS, PARTNERING, JIT

## 1. Introduction

Many companies are focused on price as the most important factor in purchasing and this result in adversarial relations with the suppliers. Currently, problems exist in defining the optimal type of relationship and in deciding how different relationship types could be managed. Partnering is the most common form of co-operation used to manage relationships between facility service providers (in this case for raw materials), the company in which the research is performed and the clients. However, the partnering relations in facility services are by nature more operational than strategic. It offers some benefits that are not offered by traditional contracting [1,2,3]. Additionally, the term partnering is used to refer to a variety of different relationship types. Therefore, there is a need to define the elements that constitute partnering more precisely. Because it is usually more expensive to get new customers than to keep the existing ones, there is a need to identify the factors that make one relationship a success. Success factors vary across relationship types and relationship performance may be quite different in different relationship types [10].

But, the partnership is not a solution in general for company's needs and issues. In the particular example, the company where the research is done, possible change in the organization of production and its optimization are determined. [2,3].

The research questions of this article are defined as follows:

- Which are the factors that make one partnering relation a success?
- What actions should be taken for re-organization and optimization of mode of production in the direction of greater satisfaction and loyalty as well as from suppliers and customers of the company?

The answers to these questions are essential to managers in both buying and supplying companies in the process of developing and maintaining partnering relations. These answers will also point out guidelines for future research. In particular, it is important for the results to be tested empirically in the future.

## 2. Partnering relations as a form of collaboration

Traditionally only markets and hierarchies have been considered in economic science for allocating resources and coordinating economic activities. During the last decades, researchers have also concentrated on co-operative forms combining markets and hierarchical allocation structures. The significance of different

forms of relationships has also grown in business practices because companies try to gain a competitive advantage by outsourcing non-critical activities, establishing close partnering relations, and reducing and trimming their supplier bases [4].

One type of collaborative business relationship is a partnership. In our research strategic partnership is applied with both, suppliers and dealers, and it has confirmed our expectations. Strategic partnering is defined as an ongoing, long-term inter-organisational relationship for achieving strategic goals [6,9].

The need for collaborative relationships, e.g. partnering, depends on two factors. Some relationships are important because of the volume of business they represent, others because they affect the future of the company in which they are sources of technical development and important for product or service quality and performance. The impact of a specific supplier relationship depends on how it fits into the operations and strategy of the buying company and on how other customer and supplier relationships is affected by it.

### 2.1 Attributes of partnering relations

The attributes of partnering relations describe their nature. They are needed in classification of relationships and also useful in defining the appropriate relationship type for the purchasing entity, which represents a certain level of importance for a company's business.

Partnering relations are built on commitment, trust, and openness [2,3]. Commitment refers to the willingness of partners to make an effort on behalf of the relationship and the belief of the committed party that the relationship is worth working on to ensure that it lasts indefinitely [11]. It suggests a future orientation in which partners attempt to build a relationship that can weather unanticipated problems. In other words, partnering relations are of a long-term nature. A high level of commitment provides a context in which both parties can achieve their individual and joint goals without raising the spectre of opportunistic behaviour [12].

Trust is a multilevel phenomenon that exists at personal, organisational and inter-organisational levels. Because companies are coalitions of people, it could be said that only individuals exercise trust. However, both companies and individuals may be the recipients of trust. Trust is mostly connected to risks and risk-taking, there are always some short-term inequities in any relationship and thus a need for trust also exists. As risks increase, so does the need for trust. Risks are multiplied when the products

and services that have been exchanged become more complex, more transaction-specific investments are needed, or when only a limited number of potential partners exist. Relationships based on a high reliance on trust are characterised by mutual interdependency and strong ties, which are created through extensive interaction in the long run.

The need for trust varies in different economic exchanges. If excessive trust is placed in a business partner, one may be misallocating precious resources or taking unnecessary risks that could have a substantial negative effect on the company's performance. On the other hand, underinvestment in trust is also problematic. It may cause a company to bypass opportunities for more efficient and mutually beneficial exchanges and creates significant added risks (e.g. opportunism) and costs (e.g. monitoring).

Openness refers to frequent interaction between parties. Interaction must occur at many levels and across many functions between companies [2,3]. The nature of the information shared differs according to the orientation of the partners: partners with a strategic partnering orientation share information that is both strategic and operational, whereas partners with an operational partnering relation only share operational information [9].

## 2.2 Partnering success factors

Previously we found out that attributes, which describe the nature of partnering relations, are mutual trust, commitment, openness, involvement of different organisational levels, continuous development and sharing of benefits and risks.

While attributes are related to the partner's attitudes and prevailing atmosphere in the relationship, success factors are more concrete and could be exploited in developing guidelines for the implementation and management of partnering relations. Success in partnering relations depends on the partners having a common vision of the future. The success of a relationship requires the establishment and execution of clearly defined goals; in order to achieve these goals, well-defined procedures must be clearly communicated to the managers involved with the relationship [2,3].

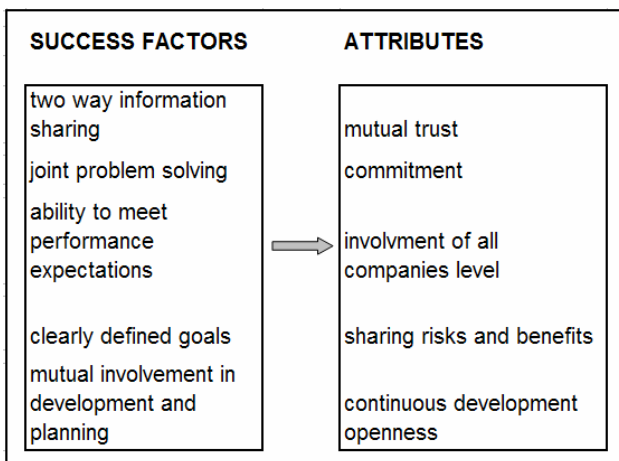


fig. 1. partnering framework for facility services

It is probable that there will be some conflicts between parties during the relationship, and thus it is important to know how the parties solve the conflicts. Some amount of conflict might even be necessary in order to keep the relationship between two companies healthy [4]. Perhaps the two-way information sharing is the most important factor in establishing and maintaining partnering relations [2,3]. Altogether, the most frequently mentioned success factors of partnering relations seem to be two-way information-sharing, joint problem-solving, the partner's ability to meet performance expectations, clearly-defined and mutually agreed goals, and mutual involvement in relationship development and planning. These

factors should be taken into account when implementing and managing partnering relations.

## 3. Results of discussion

While doing the analysis about the success of company's work, there are concrete factors defined as fundamental. They are interdependent and have been analyzed based on:

- Their own affection;
- Their mutual connection;
- Level of the degree of change for each and every one;
- Moment of applying the changes;
- Time duration of the changes.

Considering their connection and level of affection, in the continuing work of the company we use an approach for designing analysis and research, so that actions can be made for achieving better result.

Factors that are in general for most of the analysis:

- Time that is used in exploitation of current work
- Expense concerning the product quality
- Using energy and other expenses
- Using the capacity of the working assets
- Expenses for putting assets into work
- Total results for the production with previous factor analysis.

All of these factors are previously conditioned from the market needs, marketing and sales.

Analysis of these factors is realized concerning the previous knowledge and research of the company's functioning and main methods for making profit. Individuals included directly in this realization of work are also taken into consideration.

In order to complete its manufacturing program, the company needs to order raw materials, tools, instruments and merchandise. Mainly most of it, is provided by suppliers from the home market and the rest of it by import.

Supply of raw materials, which is around 300t per year, is divided in non-equal quarters.

The realization of supply is as followed:

- First quarter: 15%;
- Second quarter: 25%;
- Third quarter: 10%;
- Fourth quarter: 40%.

This schedule for realization of the supply of raw material is conditioned from the market needs, concerning the buyers.

Distribution in certain time intervals has been made, considering the competitiveness on the market and the receivables, which implies adjustment taking into account the receivables, and on the other side defining the supplies, taking into account suppliers, which means planning the supplies concerning the receivables.

This mode of work is adopted and has been implemented for many years, but the analysis made at the time of the research, taking into account the parameters - sales and supply as fundamental for working and profitability of the company, suggest taking in action additional activities concerning more adjustable concept for organizing the activities:

- Supply;
- Exploitation of the capacity of the means of production;
- Expenses for undertaking the means of production;
- Time for adjustment of the time limit per operations, from the available capacities in the production and using the scheduling;
- Following the competition's progress;
- Customer's loyalty, depending on their needs.

The steps we need to undertake are the following:

- Dividing the quarter supplies into monthly which requires opinion and approval of the suppliers;
- By decreasing the series in production, reducing of the preliminary final time is acquired;
- With this mode of undertaking the means of production, we need a plan for decreasing the expense.
- Scheduling without idling speed increasing the competitiveness by realization of the principle - *price designed by your needs*;

- Customers loyalty designed by the principle – *made and delivered according their needs.*

The four basic positions are: domination of the customer, domination of the supplier, independence of the customer – supplier relationship, and interdependence of the customer and the supplier. The four generic positions are buyer dominance, supplier dominance, buyer-supplier independence, and buyer-supplier interdependence. The greater the interdependence is, the stronger the motivation to form a long-term partnering relation [9].

The domination of the supplier is a problem considering collaboration, because when the supplier is dominant, he might not want to manage his own deficit management resources towards customers. In a case of independency, business affairs are less important, there are numerous potential partners on the market and there is no need for collaboration from this kind.

#### 4. Conclusion

The entire partnership between the suppliers on one side, production and the clients on the other side, is reduced on correlated consultation and analysis of the needs, and at the same time, accepting the prepositions. We, as production, take actions for providing an answer to both sides. This is realized by designing strategic plan for the entire year in aspect of eliminating the stagnation and expenses that appear while producing large series.

This company, as one that makes efforts to become and stay competitive on the market, owns a list of possible (approved) suppliers. The list contains all the suppliers that have been categorized by the top management as satisfying regarding risk, commodity, suppliers type, performance and price of materials. In this way we obtain capacity for making decisions which will be the basics for future applying of the supply strategy and activities that we are going to undertake to manage the suppliers.

From the previously analyzed activities and given suggestions for undertaking the necessarily steps, we can confirm goal feasibility, respectively:

- The suppliers are chosen with criteria to satisfy our production needs, concerning customers needs;
- Reducing the series, time for a final preparation in the technological operation influent only among a small number of operations in production, so we put as a factor with little influence;
- Reducing costs is reached by using basic means that are financially acceptable, or we can also use services from other customers (for optimization of costs in separated operations, including another company's service is possible) ;
- Scheduling without idling speed will be achieved by elimination of the warehousing in the depot between two operations because now with decreasing of the quantity of the peaces in the series we eliminate the warehousing;

- We will put accent on the policy that the customer is always right, so that it will be highlighted that the price regarding the quality is according to his interests and is competitive on the market;
- Just In Time production, means that until the next delivery of the large series, the time period of waiting has been three months and now it is decreased to only one month, which implies that the time of delivery for the definite user is decreased as a result on the size of series.

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