

The Recipe for Business Success

Is a low-price strategy the way to win the customer's business? In this commentary, a more important element is recommended to improve and differentiate what companies offer to their customers.

By Jim Davidson

Where and how should your organization focus on investing money and resources to improve your supply chain performance? Should your attention be in the area of best practices, processes, world class standards both internal and external to your industry? These are valid questions for leaders of organizations to consider.

Academics have created many detailed and well documented "roadmaps" for success in response to these questions that improve a company's supply chain when they're properly applied. However, we must be careful when following and applying these instructions for success that we don't forget or ignore the value that is resident within both the "vehicle" and ultimately the "driver" as it applies to properly utilizing the roadmap.

Several years ago, I was placed in the very uncomfortable position of having to share our organization's best practices and processes with direct competitors. Our customer was a very large multi-national corporation employing four competing Lead Logistics Providers (LLP's), each providing services to a number of facilities throughout North America. As suppliers, it was very difficult for all to sit in the same room together and listen to our customer tell us how and why - for the benefit of everyone - we would share what we believed to be our competitive differentiators. In reflection, it really was quite humorous, as all of us nodded compliant acceptance to this idea while simultaneously inwardly vowing no one was going to share anything with anybody that jeopardized their competitive advantage.

Fortunately, our collective customer was successful in not only insisting that best practices and processes be shared. This customer was also successful in accomplishing this sharing through the utilization of common communication standards. While I cannot speak for my competitors in this exercise, for me, this was a very revealing and learning

experience.

Our customer employed an objective scorecard system to rate their LLP's on a quarterly basis, both prior to and following the sharing of best practices and processes. More than a year later, following the sharing of information amongst competitors, to my astonishment, our customer's rating order of their suppliers did not change. As a management team wishing to understand why the sharing of our perceived competitive differentiators hadn't changed or altered our rating status we engaged in some very robust boardroom debates prior to arriving at some form of consensus on this subject.

Our conclusion was that the differentiator(s) was not the best practices or standardized processes that were shared amongst the suppliers. Clearly, the difference was how we applied these processes or, simply put; how we executed them. While perhaps this is not a surprise to some readers, I assure you that within the environment and context of our business it was significant and revealing to our management team.

I believe also that this principal applies equally to other areas of our business on a consistent and regular basis. For example, we are regularly bombarded with the notion that "price is everything" and the lowest price will successfully win the business. While it is easy to agree that price is important and, at the very least, your price must be competitive, I do not agree that price by itself wins business. The majority of our incrementally new annualized business over the years has continually come from within our existing customer base. This business is won as a result of many contributing factors. These factors, of which price is one, include: relationships, quality of service, ability to execute, and financial stability, to name only a few.

An accurate reflection of my personal recipe for success has been contained in my laptop screen saver that has the streaming message; "success comes to the average person who consistently performs above average." I fervently believe this to be true and also believe that this applies equally to companies and corporations. Do a good job, at the right price, and do it consistently and your success is virtually guaranteed.

What does all this have to do with best practices, processes, measurements, and standards? We need all of these in place along with competitive pricing, but let's not forget about the requirement to implement and operate at the highest levels.

