New Ways of Working Together

ECR: The Next Generation. New Ideas for the Next Ten Years from ECR-Europe 2012

Virgil POPA
Valahia University of Târgoviște, Romania
virgilp51@yahoo.com

The new philosophy for the future ECR: Working together to create sustainable value for consumers better, faster and at less cost.

ECR: The next generation. Re-invent the cornerstones of ECR.

The cornerstones of ECR

(Source: ECR Europe Conference, 2012)

The new role of ECR: shaping the future of the industry, becoming a voice with a point of view, creating a clear agenda for collaboration and execution, setting concrete goals for 2020.

Best Practices
The Best Practices are approaches and tools for enabling a smooth execution of New Ways of Working Together between trading partners. They include:

- Aligned Resources (Butterfly to Diamond);
- Aligned Strategies (Strategic Choices);
- Joint Business Planning;
- Common Goals and Common Measures Shared Tracking.
Steps to success

New Ways of Working Together is about a business transformation. This transformation is NOT about “present” vs. “future”. It is about NOT settling for “status quo” but striving for a New Generation!

Phase I - Getting Started: Strategy and Commitment

Step 1: Prioritize Strategic Choices New Ways of Working Together presents retailers and manufacturers with four strategic choices. Each initiative prioritizes these choices based upon the trading relationship’s capabilities and objectives.

1. **Focus on the Consumer.** Satisfying the consumer delivers value to both the manufacturer and the retailer. Placing the consumer at the center of the business process impacts the way we think about the business, the strategies we choose the goals we set and the measures we use to evaluate our results.

2. **Prepare our People.** The effectiveness of New Ways of Working Together is limited only by the effectiveness of our organizations. The most obvious aspect of this choice is to enable cross-functional work to take place between trading partners by enabling new connections between supply resources and IT resources for example. Enabling people to more effectively impact the business will include exploring work process redesign and reward systems.

3. **Connect our Business Information.** Our business operations are increasingly reliant on information and this information must be managed as a strategic asset. The New Ways of Working Together approach is to establish connections between trading partners through shared information and use those connections to eliminate disruptions and enable growth. Standards based information initiatives such as accurate data synchronization and the Electronic Product Code (EPC) are in scope, but so are more basic types of information such as Point of Sale (POS) data and inventory information.

4. **Share our Supply Chains.** Trading partners should aspire to operate their supply chains as if they were one company. This means that sharing supply system information will become the standard way of operating. The shared supply chain will be more efficient, with fewer disruptions and contribute to consumer satisfaction.

Corporate initiatives succeed when they are tightly aligned with the company’s core strategy and gain the sustained commitment of executive management. New Ways of Working Together offers a framework for getting alignment and commitment.

Step 2: Internalize Best Practices. The best practices are approaches and tools identified by current participants for enabling a smooth execution of the New Ways of Working Together Initiative between trading partners. Depending upon which strategic choices a company makes, participants need to internalize some or all of these best practices.

**Best Practices**

1. **“Diamond” Organization Model.** Link individuals from multiple functional areas (such as supply chain/logistics, finance and IT) with their counterparts at strategic trading partners, rather than routing all communication through a single point of contact.

2. **Align Strategies.** This seems obvious, but alignment of strategy is hard work when it involves two organizations working together. Identifying the few priorities that will enable sales growth or eliminate disruptions for both trading partners requires senior
management commitment and an empowered organization. It is particularly important to align strategy before setting goals and measures that will focus the work.

3. Joint Business Planning. This is an enabling process for developing business action plans. Strategy alignment and the setting of common goals and common measures takes place within the structure of the annual, quarterly and regularly scheduled sales meetings.

4. Standard Measures and Common Goals; Shared Tracking and Scorecard and Measured Results. This best practice supports the delivery of results through a set of common goals and common measures regularly shared between trading partners and regularly reviewed in order to make adjustments and track results. When we have visibility to the right information, we enable faster, more informed decision making allowing us to focus on those projects with the greatest return.

5. Shared Recognition. Establish incentive and reward systems which promote collaboration within the company and externally with trading partners. These systems should reinforce and be based on consumer-driven performance metrics.

Step 3: Identify Strategic Partners
When considering New Ways of Working Together strategic partners, current pilot participants recommend:
- Selecting a partner that is like-minded in company culture;
- Gaining a partner’s commitment to change the way you work together;
- Assuring the quality of the data (clean and accurate) exchanged.

Strategic alignment assurance at the highest levels of each organization with partner companies is a key component. Partners must understand and respect the others missions and remain aware, in positive fashion, of areas where they may not be perfectly aligned.

Jointly prepare the people for the new way of working together with a framework that is not “cookie cutter” and flexible enough to enable both organizations to gain benefit. Discussion on Diamond Team Member assignment follows.

Step 4: Assign Diamond Team Members
The Diamond Team approach is an investment in human resources with proven ROI in efficiencies. Utilizing our subject matter experts on strategic focus areas delivers incredible service to customers.

Step 5: Establish Business Value
New Ways of Working Together pilot participants immediately captured value by eliminating business disruptions and allowing merchandisers and sales personnel to focus on growth. Changing the business planning and execution approach will provide cumulative growth. Setting strategies before focusing on measures is highly recommended. Customization of New Ways of Working Together by strategies provides a scenario where the individual partners can make business planning and execution adjustments suited to their business needs and priorities. Let the strategies drive the metrics. Collaboration between retailers and manufacturers holds much of the potential for deeper consumer insights, more efficient operations, and ultimately, the growth we all seek.
Step 6: Communicate Internally and Externally

Communicate and keep communicating - up, down, and out in all directions - so that everyone understands what you are doing, what you are doing means to them, and how what they do contributes to the overall success.

New Ways of Working Together provides a systematic approach to the art of effective communication. Building good communication processes into each step - shaping the strategic choices, identifying Diamond Team participants, the kick-off meeting and progress reviews – provides the transparency needed to allow Diamond Team members to adjust “on the fly” to maximize value.

Full-circle communication, providing and receiving positive feedback, insight into the needs of each team member as well as the cause and effect of each member’s actions, provides empowerment to make a difference. This new way of working together may be the most important component.

Phase II – Preparation and understanding

Step 1: Conduct the Kick-Off Planning Meeting

Identifying opportunities to improve begins with the right people having the right discussions using the principles of continuous improvement. Ensure everyone has the same visibility to and definition of success. The kick-off planning meeting should be viewed as a journey of renewed collaboration. The objective of the joint planning meeting should be to achieve alignment on the business outcomes both organizations wish to achieve by implementing New Ways of Working Together Best Practices. Principles for consideration should include:

- **Participants**: Start with a small group of allies with shared interests and proven abilities.
- **Scope**: Consider all the activities - from source to consumer - that affect sales call effectiveness. Pilot the subset of processes and technologies which have the greatest potential impact (enhancing growth and eliminating disruptions).
- **Objective**: Choose an approach that works for your organizations and the participants.
- **Approach**: set common goals and a process to evaluate progress with common measures; consider the impact on people - skills, roles, responsibilities; prototype the technology required to automate key parts of the process; and consider the impact of incentives, rewards and recognition for success.

Step 2: Select Top Business Opportunities

This seems obvious, but alignment of strategy is hard work when it involves two organizations working together. Identifying the few priorities which will enable sales growth or eliminate disruptions for both trading partners requires senior management commitment and an empowered organization. It is particularly important to align strategy before setting goals and measures which will focus the work.

*Sample Business Opportunities*

**Promote Growth**: Match products and assortments to consumer interests; Plan well targeted campaigns and promotions; Share timely feedback on retail performance; Strive for superior shopping experiences for the consumer.

**Eliminate Disruptions**: Tackle specific logistics challenges; Minimize store out-of-stocks; Stop pricing/scanning errors; Reduce invoice discrepancies and deductions.
Step 3: Identify KPIs and Supporting Measures

New Ways of Working Together is not a scorecarding project. It is a change in business approach and practice. It provides a venue for partners to share information about the consumer and to develop common definitions for success. While most organizations think they are already doing this, in reality, they most likely are not. Misalignment on the definition of KPIs and how KPIs are measured is a common problem between trading partners (external). Compounding the problem is the misalignment of definitions and measures within an organization (internal). The lack of clear, agreed upon, standardized definitions is at fault. New Ways of Working Together is about achieving alignment – internally and externally, from trading partner to trading partner - across industry.

Measure Selection

To promote business growth and eliminate disruptions, identify KPIs and agree on supporting measures. One approach could be to select measures for the following four general areas:

- **Market/Consumer** - Measures which help identify the best category growth and profit strategy (sales, margin, supplier penetration, and retailer share of the market).

- **Operational Efficiency** - Measures which help reduce costs by highlighting unnecessary overhead and waste (order cycle time, days of supply, unsalable, timely payment).

- **Information Accuracy** - Measures which indicate whether the companies are sharing data and working in a synchronized manner (percentages for item data synchronization, item data accuracy, invoice accuracy, deduction incidents & balance).

- **Execution Effectiveness** - Measures which help avoid consumer out-of-stocks by revealing supply chain issues (percentages of order change, supplier service level, on time delivery, and store service level).

Depending on the strategic initiatives chosen and their ensuing focus, clearly defined/standardized measures between trading partners such as those listed above are key. New Ways of Working Together participants are employing effective communication processes to standardize their definitions and measures of these and other KPIs. While industry-wide standards on definitions and measures are pending, effective communication and alignment between trading partners on their definitions and measures are paramount.

Measures that help Eliminate Disruptions

(FMI, GCI, GMA GSI, VICS, NACDSN, New Ways of Working Together, 2007)
**Step 4: Set Project Timeline and Milestones**

Fundamentally, New Ways of Working Together is not a project, but an ongoing new way of working together. Yet, like any implementation, it is advantageous to plan a series of transition phases.

Each New Ways of Working Together project should encompass a complete business cycle. While typically a season, the business cycle can be any mutually agreed period within the planning horizon. Participants need enough time to agree on their strategic initiatives, select measures, set goals, monitor progress and take actions that have a tangible impact on results. Leaving time for analysis and review, an initial project cycle may take seven to nine months. Formal milestones are important to keep each project on track. For The New Ways of Working Together process, project milestones fall into three categories:

- **Organizational:** Team identification, kickoff meeting, project reviews, project conclusion;
- **Joint business planning:** Objective setting, goal selection, quarterly reviews, results compilation/summation;
- **Systems implementation:** System selection, system go-live, user training.

Along the way, team leads from each company should hold weekly conference calls and/or face-to-face meetings to drive the project deliverables and address issues as they occur.

**Example Pilot Project Timeline**

**November:** The pilot begins with a project kick off meeting, including all of the executive sponsors in attendance. The group sets the overall timeline for the project and assigns team leads from each company.

**December:** Steering committee members from all of the companies gather to select measures that best reflect New Ways of Working Together objectives. The team leads identify the source of data, frequency of collection, calculation method and other details for each measure.

**January:** Each trading pair meets separately to set goals for the pilot period. A technology solution is put into place to track results vs. goals along with data on the prior year’s performance.

**February:** Users are trained on the on-line system and the tracking of goals vs. results begins.

**March:** The Diamond Teams hold their first quarterly business review meeting, establishing the sales initiatives and disruption remediation strategies for the pilot period.

**April:** The steering team members meet to review progress-to-date and recommend midcourse corrections to ensure successful pilot results.

**May:** The team leads present preliminary results to the project sponsors in preparation for future project phases.

**June:** The pilot officially ends, though systems, processes and teams are left in place to maintain New Ways of Working Together as an ongoing process. Team leads compile before vs. after results to build the business case for rolling out additional trading relationships.
Step 5: Communicate Internally and Externally

Trading partner collaboration is relationship building. The relationship between trading partners, like the internal relationship within a corporation, improves when information is shared accurately and freely.

The key is effective follow-up which reinforces and advances progress while supporting growth for both the companies and people involved.

One-to-One Reviews
Check in with people who are carrying out assignments individually. Understand what is being accomplished and what issues are being encountered. Ask what help is needed.

Group Progress Reviews
Assemble all key stakeholders and bring everyone up to date at once. The meetings should include a reminder of the ultimate goal established during the original kick-off meeting, along with a review of the master plan and progress reports from each leader. To ensure productive reviews, each presenter should be brief, speak with candor and allow adequate time for questions.

Progress review sessions have educational impact. People’s understanding of the whole initiative improves as issues are raised and discussed. Participants should keep in mind progress reviews are for progress reporting and planning of the immediate next steps. They are not debating events or meant for devising long-term strategy.

Industry Sharing
As we explore new ways of working together by eliminating disruptions to enable growth, we are mindful that there are opportunities for sharing non-competitive learnings for the benefit of the industry. We encourage all New Ways of Working Together participants to share their non-competitive learning’s with industry through their respective associations and to harness the collective learning’s of other New Ways of Working Together participants.

Phase III – Project Implementation

Execution is key to business success. Great strategies alone cannot drive winning results. While successful execution isn’t simple, the potential payoff is big for companies and their people.

Step 1: People: New Ways of Working Together - Diamond Team
The Diamond Team approach is a big investment in human resources. When executed properly, the Diamond Team approach provides efficiencies that offset the investment. By using subject matter experts to work on the various opportunities that arise from time to time, we can accelerate growth and deliver incredible service to our customers. Evaluate the entire value chain from source to consumer to be truly successful. Utilize your Diamond Team principles to achieve results in all functional areas.

The butterfly diagram below represents the traditional buyer/seller connection structure (win-lose model) where communication is channeled through a single point of contact on each side. The depiction shows how organizations have traditionally used the sales call as a communication funnel where all information was fed between Sales and Merchandising regardless of the topic. In this scenario, merchandising and sales personnel can get bogged down on tactical issues on behalf of various parts of the organization.
The diamond diagram (win-win model) represents the preferred model which creates connection between organizations across functional areas and skill sets. More connections deliver better alignment across the organizations and more opportunities for the creation of value. The diamond relationship partners key functional area personnel with their trading partner counterparts. The scenario allows the real subject matter experts to work together toward common goals. New Ways of Working Together participants to date have noticed that empowering people has enhanced productivity in those key relationships.

**Figure 3. The butterfly model and the new model of collaboration – Butterfly Model**

(FMI, GCI, GMA GS1, VICS, NACDSN, New Ways of Working Together, 2007)

**Step 2: Processes: Joint Business Planning**

This is an enabling process for developing business action plans. Strategy alignment and the setting of common goals and common measures takes place within the structure of the annual, quarterly and regularly scheduled sales meetings.

**The Joint Business Planning Process**

**Annual Executive Review:** review annual results; approve future strategies and goals; refine/revise joint business plan process.

**Quarterly Cross Functional “Diamond” Sessions:** review achievement against goals; agree on any new strategic initiatives; refine/revise goals for next period.

**Day-to-Day Interactions:** execute joint business initiatives; exploit newly identified opportunities; address critical performance issues.
Step 3: Enablers: Standards and Technology

Technology is a powerful tool that continually changes our world and lives. It shatters conventional ways of doing business with extraordinary paradigm shifts. But true success is measured by the human potential technology releases. It is by equipping and empowering our people that untapped potential will be unleashed.

The Role of Standards

Many retailers and manufacturers engage in joint performance measurement initiatives in their ongoing trading relationships. To date, the means of calculating metrics values have been proprietary. Manufacturers and retailers often use different terms and calculation approaches for the same measures.

New Ways of Working Together promotes the development of a library of comprehensive unambiguous industry standard measures. Companies should have enough standard metrics available to represent the diverse performance measurement requirements. They must include revenue, margin, market share, inventory, logistics, data quality, product quality, order management, invoicing and payment, as well as consumer and demographics measures. The measure definitions need to be precise enough that independent companies working with the same underlying data will derive the same metrics result.

The New Ways of Working Together initiative is working with the GS1 standards organization to develop standard specifications and interchanged data formats for performance measurement.

Data Sharing Alternatives

There are several options for sharing data to support New Ways of Working Together.

Supplier Extranet

A retailer can set up a supplier extranet allowing manufacturer users to log in, review information and perform tasks on the retailer’s site. The extranet model has the advantage of offering access to manufacturers of any size - they do not need any in-house IT or planning applications to participate. However, a manufacturer has to work with each retailer that has an extranet separately, and often must cope with widely varying capabilities, navigation paradigms and user expectations. Manufacturers that depend on retailers’ extranets cannot easily aggregate data across all of their customers to understand demand patterns and anomalies.

Message Interchange

Some companies exchange data through business-to-business transactions sets, using EDI, XML or flat file formats. The company-to-company model offers the advantage of standards based messages, and uses each company’s own enterprise applications to analyze and act on the data. Companies can also combine this data across trading partners to get market level insights. However, this approach also demands that a company invest in a B2B communications infrastructure, and have applications that can deal with large volumes of consumer demand data. The company-to-company approach also must overcome batch data synchronization delays, and subtle differences in each company’s user views.

Hosted/On-Demand

The hosted/on-demand model collects data from multiple retailers and makes it available to multiple manufacturers through a public exchange or private service. The hosted model combines the benefits of ease of access of the extranet model with the data aggregation and single point of access of the company-to-company model. However, the
hosted model raises issues of data ownership and payment, security and competitive positioning. Some retailers also do not allow their data to be hosted by a third party, limiting the potential for the hosted model to become universal.

**Hybrid**
Realistically, most companies will have to accommodate multiple models. For example, a retailer may operate an extranet for smaller suppliers, while sending B2B transaction data to larger ones. Manufacturers may need to access extranets for retailers who do not offer message interchange as an option. In this complex environment, the use of standards is vital.

**Phase IV – Measure the Process and Results**

People want to succeed. Giving them the ability to know what success looks like and a common way to achieve that success drives teamwork and a personal sense of accomplishment. What gets measured gets done.

**Step 1: Provide Visibility to Data** - Measured data drives results. Each of the agreed upon KPIs and supporting measures should be made visible to everyone on the Diamond Team. Technology can provide the means to display accurate and timely data ensuring everyone sees the same information. As industry KPI definitions, means of measurement and communication of KPI scorecarding become available, adherence to the standards can provide a simplified means to the exchange of similar information between multiple trading partners.

**Step 2: Develop Joint Performance Scorecard** - New Ways of Working Together promotes the inclusion of measures beyond the sales and growth categories which appear in most traditional scorecards today. New Ways of Working Together scorecard elements should include measures of interest and value to both trading partners, providing motivation for everyone to participate and add business value to the process.

**Step 3: Review Results** – It is important to review the scorecard results on a weekly or monthly basis, depending on the frequency of the data input. The results should be shared with everyone on the Diamond Team and discussed in weekly or monthly trading partner meetings. Timely review of the results allows for easier and more effective course corrections if needed. Where favorable results are achieved, success should be celebrated along the way.

**References**
GCI, GMA GS1, VICS, NACDSN, *New ways of working together*, 2007
GCI: *Preparing our people for change*, 2007
ECR Europe Conference 2012 – *Plenary session*