

4 Ways to Build a Critical Supply Chain Relationship: *Purchasing and Logistics*

You need your Purchasing department to meet customer demand while also keeping inventory at reasonable levels. You need your Logistics department to get orders to their destinations on time while also at the lowest cost. These are tough jobs, made even tougher by the fact that they are intertwined and co-dependent. The objectives of each team make life even more complicated for the other. Today's supply chain requires alignment and transparency between the two departments to create a highly functioning, efficient inbound logistics program. The stakes are high: freight costs can swing up to 20% and inventory levels can swing up to 5% based on how these teams work together.

Working together is easier said than done when information, decisions and processes are siloed, and there is a lack of consistent communication.

Like any relationship, it takes time, patience and commitment to make it work. Here are our top four ways to help Purchasing and Logistics build a stronger, more productive relationship:

1. Establish common ground

In any relationship, each party has its own needs and goals and may have a hard time seeing how the others' needs and goals are just as important. While Purchasing and Logistics departments have their own targets to achieve, they ultimately contribute to the same overarching goal. Determine this point of convergence, whether it is the total landed product cost, total cost of ownership, or another metric. Then identify the specific behaviors that contribute to achievement of this goal.

2. Generate the plan and set targets together

Once you have established a common goal, you will need a plan to get you there. Instead of each department working individually toward the goal, the teams should work together to build and conduct an integrated process. If you farm this responsibility out to a secondary team, it will remain a sideline activity. Effectively working together includes a continuous planning process that is rapidly iterated, well-structured, and tightly tied to execution; this process will drive measurable value through discrete solutions. Solutions generated by this process should be small and manageable, such as changing the ordering and routing of a specific supplier's product. Communication and workflow mechanisms will be key components of the process: they need to fold seamlessly into daily jobs and not just exist as a weekly meeting that gets skipped in favor of other work.

3. Monitor plan execution

Change is difficult and unsettling, and it will tend to fail in even the strongest cultures if not monitored. Use immediate, alert-based reporting tools to monitor the day-to-day progress, and make adjustments when needed. As much as possible, solve problems as they occur on an order-by-order and shipment-by-shipment basis. In many cases, this approach will allow you to save money before it is lost, and importantly, you will reinforce better habits and decision-making in a lasting way. Finally, leave room for smart deviations from the plan. This is the supply chain, after all, in which every day brings a new normal. If you do not build flexibility into the process, it will quickly become accepted practice by both sides to ignore the new solutions altogether. As you execute against the plan, these checks and balances will keep everyone on track and invested in accomplishing your overall goal.

4. Review goals and overall progress

Taking a step back from the daily execution of the plan will highlight what aspects of the process need to be adjusted and ensure that Purchasing and Logistics remain aligned and on the path to shared success. It is important to have honest discussions and ask questions such as, "Are we hitting our benchmarks?" "What challenges are we facing with this new process, and how can we overcome them?" "Which specific solutions are working, and which are not?" Schedule recurring meetings (e.g. every 30 days) in which both teams can review the plan together and gauge progress toward achieving the goal.