

# New Ways of Working Together

*Preparing Our People  
for the New World*



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# Executive Summary

## New Ways of Working Together—New Ways of Winning Together

Manufacturers and retailers of consumer goods must discard long-entrenched business practices and behaviors and work together to align their beliefs, cultures, core processes, and reward protocols in the name of profitable growth and customer satisfaction.

At an early stage in the research it became evident that if we change the way we look at things, what we are looking at changes. The intent of this research is to change the way you view yourself, customers, and trading partners by understanding how all stakeholders are connected. If we can influence how you think and view a situation then and only then can we influence the actions that follow. Making decisions from a position of leadership requires respect, knowledge, acceptance as well as understanding from all stakeholders. Finding *New Ways of Working Together* demands courage, commitment, and collaboration.

## Collaboration—No Longer an Option

Collaboration is no longer an option but rather a critical component of profitable growth and finding new ways of working together. This white paper commissioned by VICS and titled—*New Ways of Working Together: Preparing Our People for the New World* creates a strong business case for change in the way trading partners collaborate and interact with one another. It addresses the importance of alignment with a refocused attention on the consumer with jointly agreed growth.

While progress has been made, the journey has barriers and opportunities. We must look inwardly and externally to identify protocols of performance that inhibit customer satisfaction and we must take responsibility if we are to change.

Fueled by the current economic challenges, the need for trading partners to radically alter the way they think and work has never been stronger. We must allow faith not fear to guide us in finding New Ways of Winning Together.

# A Note of Thanks

This research would not have been possible without the generosity of VICS' Board and all participants in this research. Their willingness to share insights, opportunities, and challenges openly and honestly was invaluable. Inez Blackburn, President of Market Techniques and Innovations, in conjunction with the Corporate Executive Board greatly appreciate the thought leadership and insights of all participants and would like to thank you by sharing this groundbreaking research that will enable you to meet today's challenges.

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# Introduction: Influencing Change

What happens if your view or perspective is incomplete or flawed with respect to your company, consumers, or trading partners? Historically, corporations have put structures in place in accordance with a belief that humans control their own surroundings. Processes and protocols have been designed to protect an existing or preferred position. But these corporate structures, those that trace their roots to the Industrial Revolution, cannot withstand culminating economic pressures. Too much focus on securing a position of power can result in conflict within your company and with your trading partners.

*New Ways of Working Together (NWWT)* commissioned by the Global Commerce Initiative (GCI) project team set the stage for a new way of thinking and working together based on the current mind-set of key stakeholders. Through its commitment to industry best practices, VICS played a pivotal role in securing the support of its member companies and the success of this research. Collaborative Planning Forecasting and Replenishment (CPFR), an industry initiative created and promoted by VICS, emphasizes the importance of collaboration internally and externally. The *New Ways of Working Together* framework is premised on having the right structures, incentives, and rewards in place in an environment that connects business information. Conclusion: CPFR and NWWT, two compatible initiatives, can be deployed independently and concurrently to guarantee the pursuit of appropriate change.

Trust creates change and change creates trust. Our manufacturers, retailers, and consumers have changed. The call to rethink the business is now.

When you change the way you look at things...what you are looking at changes. It is our hope that this research will change the way you view your company, your partners, and your consumers by providing some recommendations and opportunities.

“*Developing a culture of openness and having people in key positions that are willing to share information on a regular basis rather than protect ‘turf’ would be extremely helpful. Also, aligning our internal and external metrics across the supply chain would more effectively align core processes and issues. I believe this hurdle can be overcome within the first phase of collaboration in the creation of joint business plans.—Retailer*”

## Collaborative Challenges

- View** 60% of participants agree that enterprise goals are aligned internally at the corporate level.
- Fact** Enterprise goals are not aligned at the department level.
- View** A majority of participants feel they have the right skills to collaborate internally.
- Fact** Fewer participants feel confident about skills to collaborate externally.
- View** Organizational structure and metrics are believed to support collaboration.
- Fact** Organizational structures do not effectively support collaboration at all levels of the organization.

**Change—The Only Way to Influence Action.** The current economic climate will not tolerate old ways of thinking. Manufacturers and retailers of consumer goods must cast aside long-entrenched business practices and beliefs. They must start working together to center their cultures, planning processes, and reward systems around the singular goal of maximizing the value proposition for all consumers. Ultimately, to understand how all stakeholders are connected, trading partners must change the way they view themselves and each other and work toward removing barriers that come in the form of structures, incentives, and rewards. To address the change that is required and eliminate the barriers that reduce collaboration at all levels, joint business planning must be an active goal within organizational structures.

#### KEY BARRIERS

- Short-term profit, not long-term customer value creation is key to performance.
- Goals and metrics are detached from customer experience or satisfaction.
- Corporate goals are not anchored to what people do at the departmental level.
- Buyers and sellers are focused on short-term financial objectives.
- Impact of decision on customer experience is often not considered.
- These problems are compounded by rewards and incentives designed to accomplish short-term departmental goals that too often conflict with each other and with customer expectations.

**Change Is Critical to Profitable Growth.** Are you deploying processes, tactics, or strategies that are agenda or consumer driven? Are your behaviors in conflict with relationship building and knowledge sharing? What happens if your incentives reward behaviors that negatively impact your consumers or trading partners? Companies that are not collaborative, end up placing too much emphasis on the structure.

“*Focus on profit has impacted training which impacted learning and innovation which impacted customer service.—Manufacturer*”

**Your Views Impact Everyone: Employees, Consumers, and Trading Partners.** Seek to understand barriers before forcing or enacting change. It's not easy to address situations from an outsider's perspective but it's an imperative step toward manifesting actionable change. Thus research confirms the removal of key barriers that block parts of an organization from working together as an integrated unit, will result in significant and sustainable growth.

#### Collaborative Outcomes

**View** The majority of respondents believe their organization is collaborative.

**Facts** When probed, participants don't believe their organization promotes collaboration.

Collaboration is a key driver of performance and behavior.

More than 65% of participants do not have collaborative relationships with trading partners.

**Extraordinary Times Call for Extraordinary Measures.** Consumers today are confronted with unprecedented challenges and the need to work collaboratively has never been more important. Manufacturers and retailers face mutual challenges: a global economy in crisis, the appearance and convergence of technology, demographic shifts and the affluence of emerging economies, a renewed focus on distribution economics, and a retail landscape that is changing as new sales channels emerge. These forces will individually and collectively impact and alter the value chain, changing where consumers live, shop, and work.

Additionally, as the need for environmental stewardship becomes more and more apparent, sustainability has become the new mantra. Increased concern for and awareness of the environment will change the way manufacturers and retailers do business. The evolution of the consumer will result in a revolution in how companies are designed, measured, and rewarded. Companies today will feel the wrath of consumers who want assurances about the environmental impact of manufacturing and delivery. Zero-landfill and environmentally friendly business processes will no longer be an option.

Companies understand that success will not be realized by individual efforts but rather the combined efforts of their companies and their trading partners. Collaboration is at the forefront of center stage. Central to this discussion is the importance of the consumer; undoubtedly, all strategy should begin and end with the consumer. All structures, incentives, rewards, and training must be defined in accordance to creating a stronger value proposition for the consumer.

The concept of understanding connectedness across an organization and corresponding impact on incentives and rewards is a strong argument for standards in performance metrics as it dictates protocols of performance. Preparing people for change recognizes that the environment is constantly changing and you must therefore have the correct view to put the right practices and processes in place. Also evident is the fact that in a highly competitive environment, there is a strong propensity to control and manipulate information. Views in isolation can often be manipulated—shared view promotes understanding and often changes perspective.

To serve the consumer best, manufacturers and retailers must prepare their own people for change and also enter into open relationships with each other. Companies exist as a network of relationships and success is defined by the strength of those relationships, which is different from a traditional organizational chart (structure). Founded in trust and understanding, these relationships help ensure that the consumer becomes the focus of process and policy. It takes courage to look at a situation from the perspective of someone else, and it takes leadership to drive that change.

## Measures and Rewards

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- View** There is a 50/50 split on whether current metrics support effective collaboration.
- Fact** More than 50% of participants believe metrics are not aligned internally.
  
- View** Corporate and department goals are aligned with corporate strategy, trading partners, and customer satisfaction.
- Fact** There is no evidence to support the alignments.
  
- View** Only 50% of participants are willing to change their own metrics to drive performance.
- Fact** Nearly 75% of participants are ready to change trading partners' metrics to drive performance.

# Call to Action

Accept that some change is uncontrollable and embrace the necessity of shared knowledge. Stakeholders are connected. Therefore, the decisions of industry leaders in the new world will require respect, acceptance, and understanding from all stakeholders. Knowledge Only Becomes The Catalyst For Decision Making When It Is Shared.

“*Effectively communicating between areas of focus is challenging. It is important for all areas to understand each other’s perspective. The people who are executing our strategy don’t always understand the ramifications of their decisions on the customer experience.—Retailer*”

**Change Is Not Only Inevitable but Attainable.** We exist in highly competitive environments where any strategy deployed creates actions and decisions that will often collide with the decisions of others in situations that no one planned. Success today is dictated by advancing your strategic position for yourself, your department, your consumers, and your trading partners. Success also depends on your ability to accurately predict how others will respond. Understanding the role you play is critical.

Forces of change will require “New Ways of Working Together,” inspiring a more collaborative approach to doing business. *New Ways of Working Together*, a framework developed to find new ways for vertical trading partners to work together, helps you understand your current situation, with an emphasis on improvement. It allows you to see how all your relationships—those you have with your own company and your trading partners—can work together to help you adapt and survive. Use the New Ways of Working Together framework to embark on the path toward the co-creation of profitable growth, by promptly satisfying the consumer. Acting as a guide to overcome obstacles of performance, the *New Ways of Working Together* framework propels you to think about your strategic position with respect to advancement.

How do you rate? Are short-term profitability goals more important than meeting longer-term consumer needs? Are your goals clearly articulated and transparent? How do you manage conflict? Companies should openly and honestly respond to all critical questions before initiating steps toward the *New Ways of Working Together* framework.

## Organizational Capabilities

**Views** More than 70% of participants think profit drives hierarchy and importance of performance metrics.

Almost 90% of participants say trading partners have structures, measures, or rewards that negatively impact performance.

More than 75% of participants believe that knowledge flows willingly internally.

More than 50% of participants believe knowledge flows willingly externally.

More than 70% of participants say their trading partner would describe them as supportive and collaborative.

**Facts** There are numerous bottlenecks in the process.

Timely access to critical contacts and resources is limited.

## Critical Questions

- What is your management philosophy?
- What is the right management philosophy?
- Have you prepared your people for the economic climate?
- Are you skilled in the right areas of performance?
- Do you use your time and resources effectively?
- Do your current structures support a positive customer experience?
- What are your organization's greatest strengths and weaknesses?
- Do you reward collaboration?
- Do you tell the truth to your consumers, trading partners, and employees?
- Is information being manipulated to protect or promote a position?
- Do you trust yourselves, your trading partners, and your consumers?
- Do you have incentives and rewards that drive the right behaviors?
- Are programs and initiatives designed in a way to add value to customer experiences?
- Do you understand and support how your trading partners differentiate themselves in the marketplace?

The questions are not designed to find flaws in your business processes but rather to enlighten the discovery of information. Applied correctly, New Ways of Working Together lead to New Ways of Winning Together. Thus, the corporate vision must be aligned to what departments actually do and believe; there can be no disconnection.

The New Ways of Working Together Framework provides organizations with guidelines to help improve the quality of decisions made. Tempting as it is, to focus on the four pillars in isolation for the sake of short-term wins, the research shows that this is a mistake and that organizations only improve if they consider all linkages at the same time and integrate these pillars across how work is done.

## Focus on the Consumer

Involve trading partners in bi-lateral collaboration to better meet the needs of your consumers. A key focus and opportunity is the development and deployment of Jointly Agreed Growth (JAG). This methodology addresses the fact that, in more strategic relationships, annual business planning conducted in isolation is not meeting the needs of the current economic climate. Leadership trust and longer-time horizons will be required to allow companies to make the investments required to better serve their consumers. The ability to cooperate and co-create products and services tailored to the evolution of customer needs will be attainable through a stronger focus on the consumer

***Will only work if***—Companies develop joint business plans focused on the consumer experience. Incentives and rewards must be deployed in accordance to responsibility, accountability, and the creation of value.

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## Connect Business Information

Establish common goals, common measures, and a common language with the highest level of data integrity. Key components of this plank include the establishment of GSI standards for key performance indicators called: Trading Partner Performance Measures and the use of Global Data Synchronization to ensure data integrity.

***Will only work if***—Short-term objectives and goals are anchored to long term, consumer focused business plans. The ability to share information is the first step to creating an open forum of collaboration where information is leveraged.

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## Prepare Our People

Address the organizational structures, capabilities, measures, people performance incentives, and rewards that either facilitate or create barriers to collaboration. Preparing our people also requires an understanding of current and required capabilities as we prepare them for change. In particular, this requires that individuals just below the executive tier (such as product managers, merchandisers, purchasers, sales people, etc.) have access to more granular information in terms of how their counterparts are being rewarded.

***Will only work if***—Shopper satisfaction is adopted as a core ideal around which goals, measures, and rewards are aligned and if a shopper-focused business plan provides clear direction to the whole organization.

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## Share Our Supply Chain

Consumers today want the fountain of youth at a discount. Focus on the importance of visibility and collaboration across the supply chain. Sharing our supply chain is also about how the industry and trading partners must do things differently to address volatile energy costs and the need for more sustainable business practices.

***Will only work if***—Every decision made has an impact on shopper satisfaction today and beyond. Instead of optimizing each component and maintaining siloed in goals, the sharing of information must allow for end-to-end supply chain visibility. Make sure you have what you need when you need it.

## :: Focus on the Consumer



The noted absence of the consumer in driving joint business planning, performance metrics, strategies, and tactics plague manufacturers and retailers alike as consumer focused equity statements are noticeably absent. Research shows that trading partners often neglect to consider how each positions themselves relative to customers, meaning that neither party is exempt from the repercussion. Goals and metrics remain exclusively financial in nature and the hierarchy and level of influence is focused on short-term financial gain rather than building a longer and lasting relationship with the consumer.

Resistance to change is also apparent when companies who by definition continue to be successful with current structures, incentives, and rewards do not have the same impetus to change as their less successful competitors and trading partners. A company's culture often dictates protocols of performance that force a company to be structured, measured, and managed independently rather than collectively. Managing structures, incentives, and rewards as separate mutually exclusive entities rather than as critical components of a single entity result in the deployment of detached plans and processes.

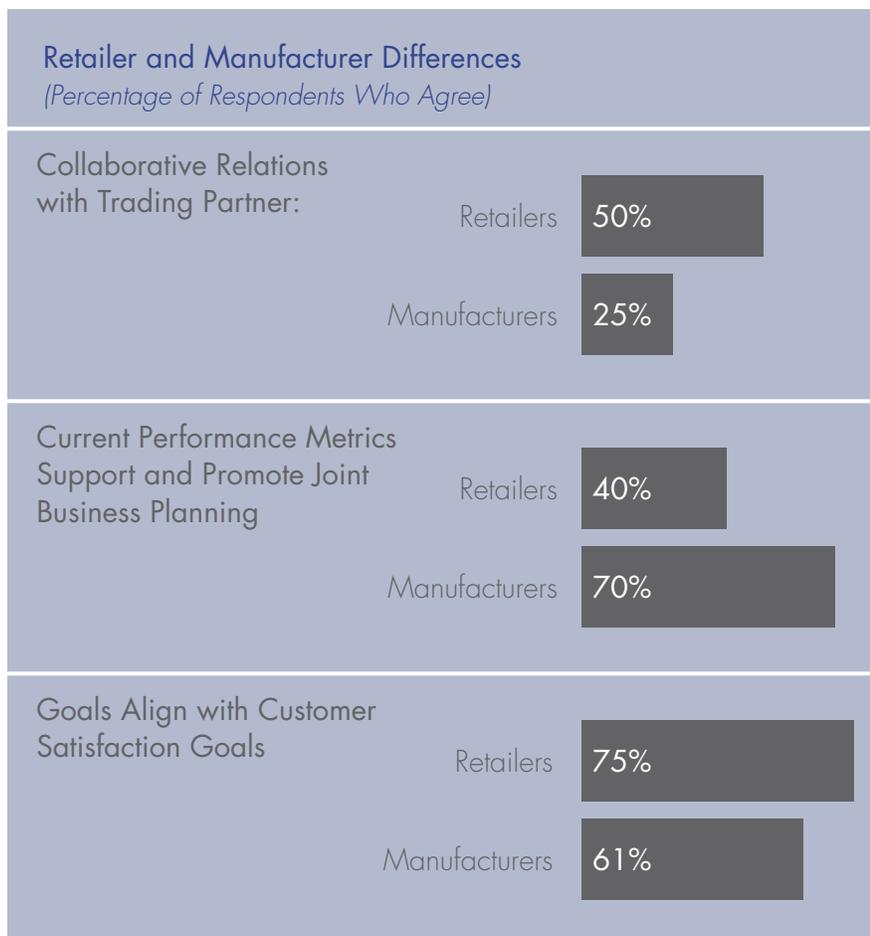
Collaboration should not be limited to trading partners but rather to all parts of the value chain. Collaboration with your consumer at the product development stage is identified as an invaluable opportunity as it promotes understanding of the evolution of your consumers. Products designed to maximize efficiency and profitability metrics without equal credence to non-financial measures will not maximize customer or employee satisfaction. For example, a new consumer product that addresses what a company wants to sell instead of what the consumer wants to buy won't deliver the expected result.

“Processes that are not understood and integrated with our trading partners combined with the lack of trust among the trading partners inhibit our ability to share pertinent information. We also need to commit to a consistent format of information.”  
—Manufacturer

## :: Connect Business Information

Customer equity is gained or lost at every point of the value chain creating an even stronger business case for connecting business information and allowing visibility. The development of joint business plans with consumer-focused equity statements will result in a stronger value proposition and equity if trading partners commit to developing and deploying plans and programs that support and reinforce equity.

One message that came out loud and clear from the research was around the need to improve the current scorecarding process. While almost 69% of respondents do some kind of joint business planning with their trading partners, respondents also cited an overwhelming focus on financial outcome metrics and insufficient granularity of detail as major barriers to making these efforts more effective.



**Retailer** Too often, incentives and rewards are designed to protect a position or structure. This can lead to internal competition without sufficient attention being paid to the entirety of the customer experience.

**Manufacturer** Too often, they don't understand how they're being measured and are left guessing about protocols of performance. They also do not consider how the retailers position themselves relative to the consumers; coming out with generic campaigns that drive short-term volume at the expense of long-term differentiation.

**Retailer and Manufacturer** Responsibility assigned without accountability in the absence of understanding how behaviors impact trading partners and consumers is identified as a major hurdle.

## :: Prepare Our People

Lead by example. Prepare your own people to be leaders in their own right and collaborate effectively across the supply chain in the name of customer experience. The right people (even if you have to retrain the wrong people first) with the right skills equal the right direction.

- Take responsibility for the current status quo.
- Expand your view to include all stakeholders.
- Collaborate effectively across the supply chain in the name of the customer experience.

A leader can garner the best results by allowing others to become leaders in their own realm and by preparing them for change. The economy fueled by trends beyond our control represents challenges and opportunities. There has never been a stronger case to improve performance through leadership. Preparing your people for change is about developing the right skills and capabilities in an environment of collaboration.

If your practices or processes are not compatible with those of your consumers or trading partners, make the following adjustments immediately:

- Change outdated structures.
- Modify incentives or rewards that do not result in behaviors that positively impacts the consumer.
- Seek to understand and adjust non-compatible processes.

Build capabilities from company expertise to general business management expertise. Expand general expertise and understanding into how different activities are linked and the impact on the consumer. Shifting emphasis from a point of control to collaboration shifts the focus in the right direction. Define your success by the success of others. Use information to create knowledge—not to control a position. In addition, include metrics that target employee and customer satisfaction as well as learning and innovation.

## :: Share Our Supply Chain

Only supply chains that are collaborative, agile, adaptable, and aligned provide companies with sustainable competitive advantage and excellence in customer service. Consumers want quality, value, and service in accordance to the evolution of their needs that are produced in an arena of sustainability.

Despite failing economic times, consumer expectations have not diminished; even as their focus is on value. There is no room for error or inefficiencies. With so many intermingled parts, the supply chain must be one cohesive and collaborative unit from conception to completion.

During the past 15 years, leading companies that focused on building and rebuilding supply chains to deliver goods and services to consumers as quickly and inexpensively as possible have realized varying degrees of success. Firms that invested in state-of-the-art technologies often did not deliver the expected results. Many companies also teamed up to streamline processes, lay down technical standards, and invested in infrastructure they could share. Interestingly, there is one fundamental problem that most companies and experts continuously ignore: *Ceteris paribus*, companies whose supply chains became more efficient and cost-effective often didn't gain a sustainable advantage over their rivals.

In fact, the performance of some supply chains steadily deteriorated. For instance, despite the increased efficiency of many companies' supply chains, the percentage of products that were marked down in the United States rose from less than 10% in 1980 to more than 30% in 2007, and surveys show that consumer satisfaction with product availability fell sharply during the same period. Selling products efficiently across your supply chain without a measurable improvement on customer satisfaction will not result in a competitive advantage or a demand driven supply chain.

Collaboration is a discipline that must be embedded in your corporate culture rather than an exercised option. The business case for effective collaboration has never been stronger. The *New Ways of Working Together framework* empowers our knowledge sharing capabilities across the supply chain, as it will help trading partners to co-create their value chain in the name of customer satisfaction.

“ We have different brands that have unique supply chain needs, in addition there seems to be a constant strain between merchants and operations both internally and with our external partners. It's not always clear that different parts of our partner's organization communicate with each other and that we are talking to the right people.—Retailer” ”

Top-performing supply chains possess very different qualities.

1. Demand driven supply chains create an environment of trust by deploying processes that are compatible with your trading partners
2. Great supply chains are agile and are fueled by demand driven models; they react speedily to sudden changes in demand or supply.
3. They adapt over time as market structures technologies and strategies evolve.
4. They align the interests of all the firms in the supply network so that companies optimize the chain's performance when they maximize their interests.
5. They result in a stronger value proposition for their customers at a reduced cost.
6. They promote an environment of trust through effective Collaboration on key process.

# The Work Ahead

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Each of the four strategic pillars will impact the customer experience but it is important to understand their connection. A dedicated focus on the consumer will force business information to be connected, putting pressure on the skills and infrastructure required to prepare our people. These actions will inevitably produce a positive customer outcome.

For decades, this industry has been discussing joint business planning, collaborative commerce, efficient consumer response, and data sharing. For the first time, industry leaders are committed to understanding and changing the people systems—structures, measures and rewards, and capabilities—that have slowed down our ability to meet the needs of our consumers and shoppers. This paper set out to identify the key elements that either facilitate success or create barriers for vertical trading partners to develop and execute focused business plans.

We are currently at the crossroads of progress and must develop New Ways of Working Together to survive the economic downturn and escalation in global competition. We exist in an environment of uncertainty and are often left grasping at current and emerging initiatives in the name of salvation. Unfortunately, the onslaught of initiatives and acronyms designed to address declining margins and more demanding consumers have not resulted in the expected breakthroughs. To move beyond the current state, we have no choice but to take responsibility and work together in the name of survival and profitable growth.

The light bulb was not invented through continuous innovation of the candle and we must look beyond the confines of our companies and cast a wider net in pursuit of a solution. Discovering new ways of working together will require participation and commitment from all stakeholders. It will demand the creation of a culture that promotes and rewards collaboration and it will require formal protocols that enable multiple points of collaboration. We will need to understand what drives current performance to understand what we need to change. It is now a requirement to view your trading partners and current relationships as a competitive advantage rather than a source of conflict.

The work will provide the means to benchmark behaviors and capabilities within your company. It is up to us to implement the change and prepare our companies to succeed well beyond the “2018 Future Value Chain.”

We can and we will create change through our commitment, courage, and passion for who we are and what we do. You can be your own inspiration. Change is possible if you allow faith, not fear, to drive innovation and growth.

# About the Authors

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## Inez Blackburn

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Inez Blackburn is the President of Market Techniques and Innovations; a specialized training and consulting firm with a proven track record in research, education and training for companies who want to maximize performance through collaboration, creativity, balanced metrics and customer centric decision making. Value is created by challenging the status quo in pursuit of best practices across the supply chain and Market Techniques and Innovations is dedicated to identifying revolutions before they are officially declared; paving the way toward performance excellence.

## Corporate Executive Board

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