Designing long term oriented policies to build strong Manufacturer-Dealers relationships: a system dynamics approach

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Abstract

In today's economy all manufacturers need to pay attention on how to build strong and long-term relationships with their dealers' chain. In fact, it has been demonstrated that short term policies aimed to provide dealers immediate benefits (e.g., price discounts) may prevent the development of long term and fruitful relationships. Also supporting dealers in promoting manufacturers' products has been proved as a sustainable strategy in the long run.

Another implication of manufacturers bounded policies refers to their inclination to reinvest significant amounts of their sales revenues in advertising and product portfolio improvement, without taking into account the need to invest in dealers' human resources, to make their strategies sustainable. Such weaknesses have been proved to be a crucial cause of failure in high-tech industries, where business internal and external actors are expected to quicker share the key-success factors underlying innovative and revolutionary product offer.

Based of the above remarks, this paper aims to demonstrate the usefulness of a system dynamics approach in involving both manufacturers and dealers in strategic reasoning. Such an approach is likely to overcome communication boundaries arising from an inclination to maximise short term personal results.

Empirical evidence arising from a research project conducted by the authors with a manufacturer operating in a high-tech industry, shows that using system dynamics as a methodology to support communication and learning may act as a significant lever to design successfully long term oriented policies. Such policies ought to increase dealers' skills and motivation, and improve potential customers' awareness of product benefits, at the same time.

Introduction

In today's economy all manufacturers need to pay attention on how to build strong and long-term relationships with their dealers' chain. In fact, it has been demonstrated that short term policies aimed to provide dealers immediate benefits (e.g., price discounts) may prevent the development of long term and fruitful relationships (Liker and Choi 2004:3). Also supporting dealers in promoting manufacturers' products has been proved as a sustainable strategy in the long run.

These issues have been debated in the field of the Distribution Channel Management (Dwyer et al. 1987; Anderson and Narus 1990; Ganesan 1994; Yilmaz et al. 2004). In particular, researchers emphasised that manufacturers cannot ignore in designing long term growth-oriented policies, strategies aimed to increase dealers' satisfaction. Furthermore, in order to successfully plan business growth, it has been remarked in literature the central role played by communication. In fact, researchers underlined that a failure in channel communication is likely to affect the relationship between organizations and its own dealer structure (Mohr and Nevin 1990; Stem and El-Ansary 1992).

Such remarks suggest that in order to effectively build a long term oriented relationship with an own dealers' chain, a manufacturer has to adopt a systemic approach aimed to foster market consensus on a side, and mutual benefits on the other side.

In particular, in the innovative and revolutionary high-tech industry, manufacturers in order to achieve the desired sales revenues can not ignore the need to continuously promote activities aimed to both update dealers employees' skills and motivation.

This paper is the result of a research project conducted by the authors with a manufacturer operating in the high-tech industry. It is based on the hypothesis that in order to successfully support dealers, a manufacturer has to design long term oriented policies aimed to both build up a growing potential customers' awareness of company product benefits on a side, and increase dealers employees' skills and motivations on the other side.

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In the first part of this paper, an analysis of main contributions in the Distribution Channel Management and Communication fields are outlined. Further, the role of the Strategic Human Resource Management is also briefly remarked.
In the second part, the case-study, the evolution of the business, problem issues, feedback analysis of adopted management growth policies, unperceived potential limits to growth of management policies and policy design to remove limits to growth are discussed. It is worth remarking that problem issues and feedback analysis of adopted company growth policies are the results of several meetings with the involvement of the management.
Finally, an analysis of the main stock and flow structure of the system dynamics model used to explore alternative scenarios and results from two simulation runs are provided.

1. Distribution Channel Management

Researches in the field of distribution channel management underlined the importance of enhancing the quality of relationships between manufacturers and dealers (Dwyer et al., 1987; Anderson and Narus, 1990; Ganesan, 1994). As noted by Anderson and Narus (1984), manufacturers should focus on strategies aimed to increase dealers' satisfaction about the adopted distribution channel system (Brown et al., 2000; Geyskens et al., 1999).
In particular, as remarked by Yilmaz et al. (2004) manufacturer companies may increase the level of dealers' satisfaction by acting on four main areas:

- delivery (e.g., how well the manufacturer fulfil dealers' procurement requirements);
- operation (e.g., manufacturers' contribution to dealers' inventory management, store design);
- personnel (e.g., manufacturers' support about dealers' personnel competence, courtesy and responsiveness);
- sales (e.g., manufacturers' support about dealers' sales and profits).

By effectively managing the above sub-systems, manufacturers may enhance dealers' commitment. In fact, dealers could be more prone to invest in manufacturer's business and to share its mission. As consequence, the manufacturer is inclined to foster investments in distribution channel management.
Such phenomenon is likely to generate a virtuous circle able to build up a long-term relationship between manufacturer and its dealers' chain (Fein and Anderson, 1997; Ross et al., 1997).
By analysing the successful relationships between Japanese and North American companies, Liker and Choi (2004; p. 3) emphasised "that immediate benefits of low wage costs [or aggressive pricing policy] outweighed the long-term benefits of investing in relationships". In particular, Liker and Choi also emphasised that Toyota and Honda built great supplier relationships by implementing a set of different, but coherent policies aimed to:
- investigate how their suppliers work;
- supervise their vendors;
- develop their suppliers' technical capabilities;
- share selected information intensively;
- conduct joint improvement activities.

To some extend such set of policies can be also used in managing the relationships between manufacturer and dealers.
It is also worth remarking that one of the main difficulties in building a strong supplier relationship is played by the role of channel communication. In fact, it has been also remarked that a failure in channel communication is likely to affect the relationship between organizations and its own dealer structure (Mohr and Nevin, 1990; Stem and El-Ansary, 1992).

2. Distribution Channel Communication

By reviewing main contributions in the field of the communication channel theory it is possible to detect two approaches (Mohr and Sohi, 1995).
The *first* approach aims to explore the "nature of communication flows" between channel partners. In particular, it underlies some aspects such as the frequency of interaction (Brown, 1981), the level of formality or the bidirectionality of communication flows (Anderson et al., 1987).
The *second* approach focus on the assessment of communication flows quality, in terms of mutual benefits, satisfaction and effectiveness generated from managing communication flows among channel partners (Guiltinan, Rejab, and Rodgers, 1980; Bialaszewski and Giallourakis, 1985).
Mohr and Sohi (1995) suggest a model of communication flows between suppliers and dealers. Figure 1 reported above shows the cause-and-effect relationships underlying distribution partners' satisfaction with communication, embodied in Mohr and Sohi model.

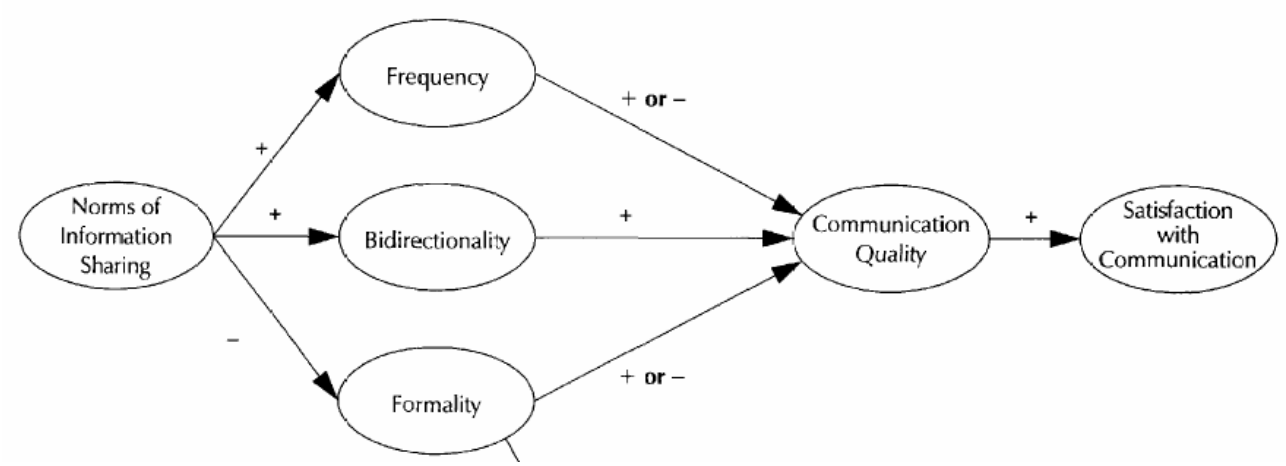

Figure 1 - The model of communication flows between manufacturers and dealers (Adapted from Mohr and Sohi, 1995)

The first variable in the model is "Norms of information sharing". Such guidelines feed dealers' expectations towards manufacturer's behaviours, and vice versa, within the distribution channel.
Such a variable is likely to affect the communication quality through three main drivers: frequency, bidirectionality and formality.
It has been remarked (Feldman and March, 1981) that a lack of information, due to a low communication frequency, is likely to generate difficulties in decision making process. However, a high level of communication frequency may determine a phenomenon of "information overload" that causes problems in assessing new business alternatives (O'Reilly, 1980; Liker and Choi, 2004; p. 9).
Similar considerations may be given about the formality variable. In fact, formality may increase communication quality of distribution channel partners, allowing them to anticipate partner's behaviours. However, this formality may represent a real obstacle to a "just in time" communication.
Bidirectionality is likely to directly increase communication quality. In fact, by providing and receiving feedbacks about distribution partners' behaviours and performance, both manufacturer and dealers are able to share more effectively business strategies and mission.
A high communication quality directly affects partners' satisfaction with communication and, in particular, allows dealers to achieve satisfactory performance.
In order to affect communication quality's drivers it is necessary to focus on dealers' personnel sub-system (Yilmaz et al., 2004). This requires that manufacturers identify coherent practices of dealers' human resources management able, on a side to improve the communication quality with dealers and on the other to build up dealers' personnel competencies to effectively promote manufacturers' mission.
Based on the above remarks, such a perspective suggests to identify a pattern of human resource management practices, as a strategic lever on which to act to increase dealer's performance. This

has been identified as the domain of the "strategic human resource management" (Wright and McMahan 1992).

3. The Strategic Human Resource Management

The "strategic human resource management" (SHRM) approach is defined as a planned set of practices aiming to develop human resources skills and competences, that allows organizations to reach its own objectives (Wright and McMahan, 1992).
In particular, in order to understand the SHRM approach, Wright (1998) underlines four main issues on which organisations have to focus.
The *first* issue concerns the role of human resources as one of the main levers on which to act in order to build a sustainable competitive advantage towards competitors.
The *second* requires the drawing up of a coherent and articulated set of programs, actions and activities that can facilitate, on a side, personnel to acquire desired skills and competences, on the other, organizations to create the internal environment able to fully exploit personnel abilities to gain a sustainable competitive advantage.
The *third* refers to the necessity to develop systemically human resources management practices. In particular, such practices have to be coherent among them (*horizontal coherence*) and with corporate strategies (*vertical coherence*).
Finally, the strategic role of Personnel Unit has also to be taken into consideration in order to allow the organization to reach its own objectives. This issue emphasises the pragmatic dimension of the SHRM approach.

Jeppy Ltd case study

By the end of the 1980's, Samantha and Marc few months after their marriage decided to launch a new venture. The business idea of *Jeppy Ltd* turned around a simple but a revolutionary concept: *to give to the technology its original rule*. In other words, to create a technology able to increase human capabilities and improve the quality of live.
Such a vision started from an observation of the diffusion of an innumerable electronic products used for various applications in houses, offices and companies. Even though most of them embody a common electronic part they can be used to do only one application. This is due because each producer designs a product as a "closed world".
For instance, when you buy a washing machine and an air conditioner indeed you bought the same electronic device twice. As a consequence, you are forced to pay twice the same electronic part.
Furthermore, these two products are not able to communicate at all. This is mainly due because they have been designed through a "closed word" logic.
In order to overcome such limits, *Jeppy Ltd* proposed a new unitary and humanized technology concept based on an unlimited set of bricks that combined among them produce the various applications that men need for their home and working activities. It's the same philosophy of the LEGO bricks game where combining the various bricks among them, it is possible to build endless shapes.

The evolution of the business

At the beginning of the 1990's, in order to create *Jeppy*'s bricks by using high quality components Samantha and Marc signed a partnership with major high-tech producers located in Asia. Such agreement also allowed them to support a low production cost.
As Samantha and Marc were conscious that the market was not ready to understand and, hence, "buy" the concept of "Unitary Technology" (UT), they decided to adopt "Trojan horse" products. Even though such products appeared to end consumers as traditional one (i.e., computers,

videorecorder, etc.), they embodied some *Jeppy*'s bricks. This was the initial commercial strategy pursued by *Jeppy Ltd*.
Company products have been sold by high-tech dealers all over the domestic market. As the products have a high quality/price ratio, due to the use of the latest technology, in few years Jeppy's sales revenues reached a satisfactory level.
At the end of the 1990's, during a management meeting, commercial managers were very happy of company results as they have been able to reach all commercial targets. However, both founders, Samantha and Marc, started to make some remarks related to company mission.
In fact, by analysing business figures they perceived that the concept of UT proposed by *Jeppy Ltd* was not understood by end consumers. In order words, it seemed that customers bought Jeppy's products without any consciousness of the bricks logic behind them.
In particular, two phenomena could be pointed out:

- end users did not tend to link Jeppy's products among them;
- Jeppy's products that didn't appear as traditional one showed a dramatically decreasing pattern over time.

As they recognised that the initial strategy, based on the "Trojan horse" products concept, has failed, they decided to reshape their commercial strategy.
At the beginning of the third millennium, the management launched an own dealer chain aiming to explicitly promote the concept of UT. In order to effectively introduce to potential customers such a revolutionary concept, the company decided to provide dealers' employees an initial training course.

Problem issues

In few years, the number of company dealers steadily increased in the domestic market. In fact, at the end of the 2001, *Jeppy* Ltd could count on 16 dealers. By the end of the 2004, the number of dealers was about 166.

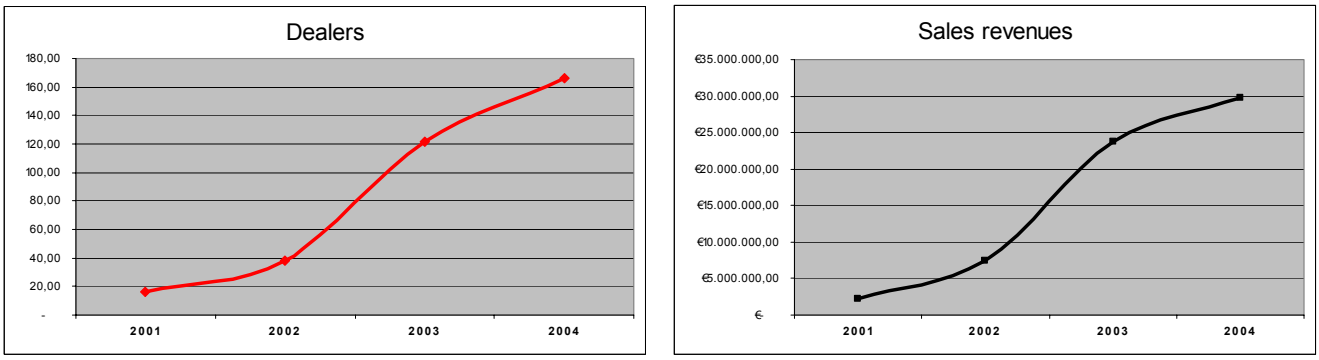

Figure 2 – Dealers and related sales revenues dynamics (2001-2004)

From figure 2, it is possible to note that in the observed period company sales revenues reached about Euro 30 Millions.
However, by analysing the quantity of products sold over the four-years it is worth remarking that the so called "Trojan horse" products showed a continuous growing trend. On the contrary, the company products that explicitly represent the UT concept show a weak growth in a first period and dramatically fallen down in the last two years (see figures 3 and 4).

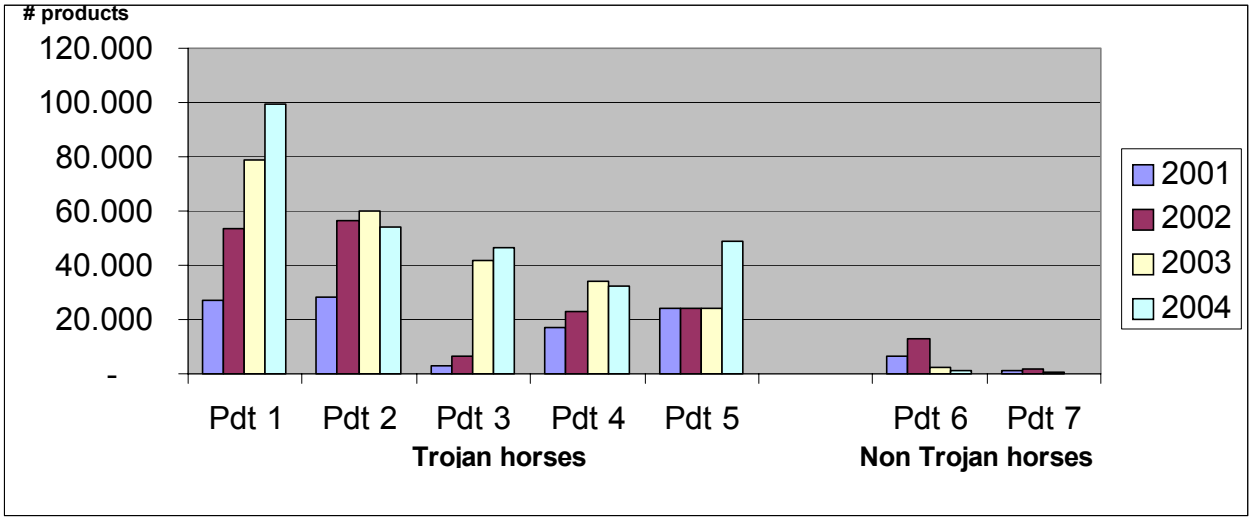

Figure 3 – Company products sales quantities (2001-2004)

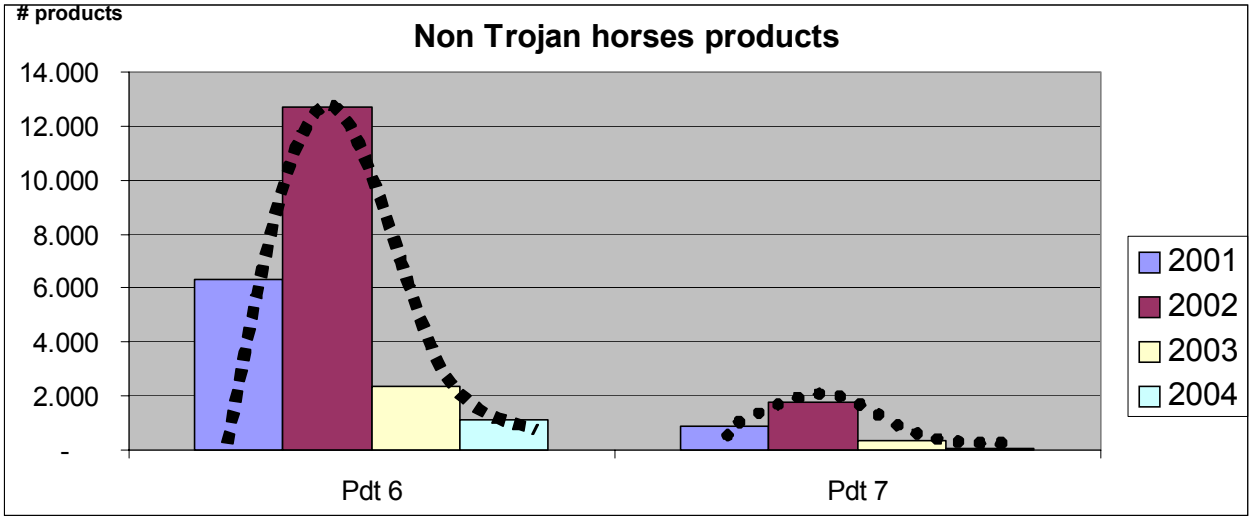

Figure 4 – Non Trojan horses products sales quantities (2001-2004)

Figures 3 and 4 depict the negative trend of the "Non Trojan horses" company products sales quantities. In fact, at the end of the 2004, the latter count for less than 1% of the total company revenues.
Such figures stimulated the following key questions:

- Why do sales quantities of "non Trojan horses" products show a decreasing pattern?
- What are the main causes of such drastic reduction?
- Why do sales quantities of "Trojan horses" products show a continuous growing trend?
- What is the real contribution of the company dealer chain to the achievement of the company mission?

Based on such key issues, the management decided to launch a research project aimed to detect the causes underlying company strategy failure in achieving its mission.

A feedback analysis of main management policies aimed to foster business growth
The project has been conducted by authors with the active involvement of the management and, in particular, of the company organising manager. Due to the complexity of the above key issues and the relevance of delays and non linearity between decisions and effects, the System Dynamics methodology has been applied (Sterman, 2000).

Once key variables and related behaviours over time have been shared with the management, the research focused on detecting management mental model of business growth processes. Such approach aims to explore main feedback loops underlying perceived company growth policies and disclose unperceived potential limits to growth (Isaac and Senge, 1994).
In particular, the above key issues have been explored by using qualitative diagrams. Such a step has been done through five meetings with the company management. By using such diagrams company key variables, policy levers and main cause and effect relationships among them have been made explicit [1].

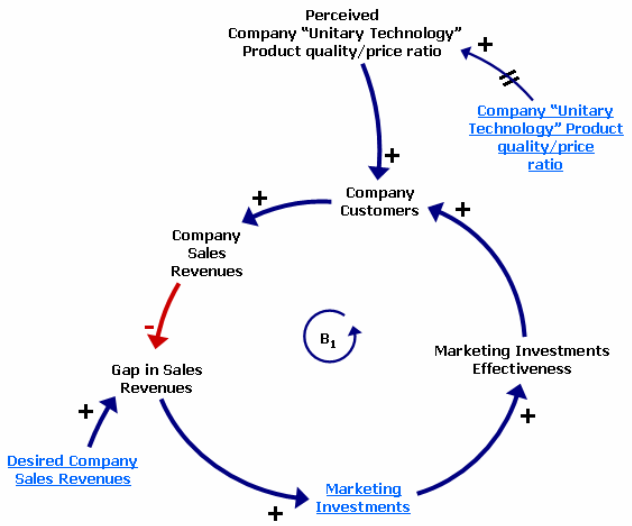

Figure 5 – Balancing feedback loop leading to company sales revenues growth through marketing investments

In order to close the gap between the desired and the actual value of company sales revenues, the management planned to invest in marketing and in dealers' chain. In particular, the former would allow the company to spread out in the market product portfolio innovative characteristics. As a consequence, the management expects an increase in both customers and sales revenues. An increase in company revenues generates a reduction in the gap between the desired and the actual value. Once company revenues reach the target the management will make new marketing investments in order to maintain such level of sales. This policy underlines the balancing feedback loop portrayed in figure 5.

[1] The methodology used to facilitate managers' mental model explicitation is based on the group model building approach. Vennix J. 1996, *Group Model Building*, Wiley.

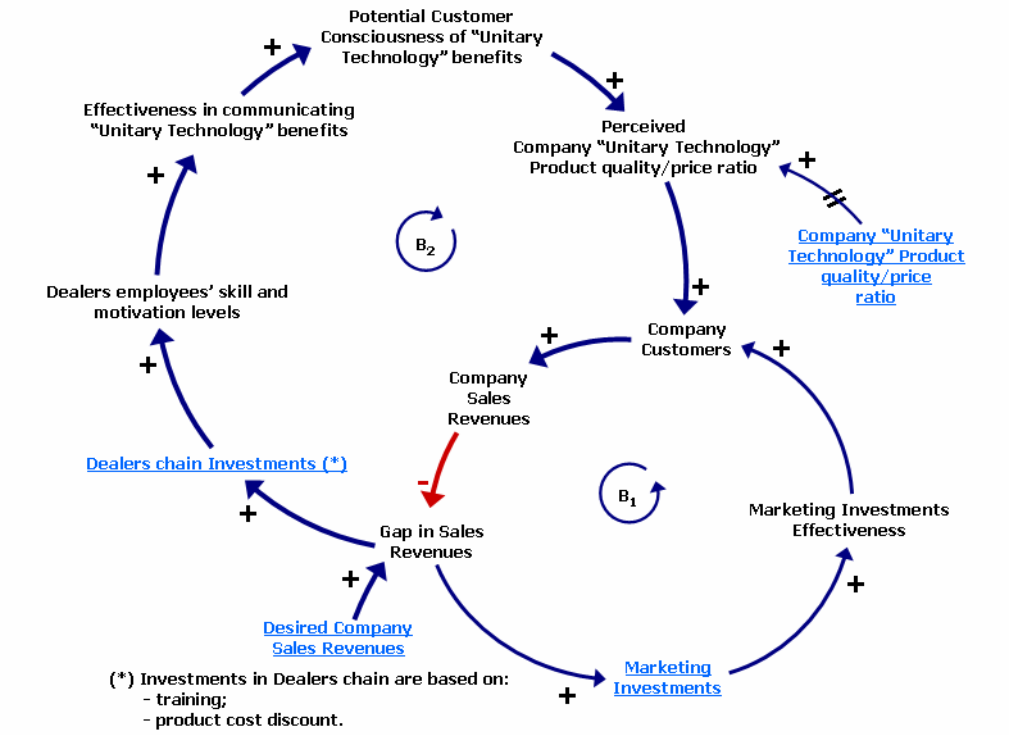

Figure 6 – Company dealers' chain investment policy aimed to reach the desired level of sales revenues

The other policy adopted by the company to meet the desired sales revenues is based on investments aimed to open new dealers' store and at the same time to provide dealers personnel training programmes and product cost discount. Such investments in dealers' chain would allow the company to increase UT products sales. In fact, in order to effectively communicate to potential customers the concept and related benefits of UT products, the management perceives as fundamental the increase of the levels of skill and motivation of dealers' employees. According to management mental models, such goal can be achieved through two different policies:
- a basic training course of dealers' employees on the UT concept and related benefits and
- a high product cost discount compared to other resellers.

In fact, as such levels of skill and motivation of dealers' employees grows up it is likely that potential dealers' visitors became more aware of the benefits of UT products. As company product quality/price ratio is very high, an increase in the potential customer consciousness will contribute to boost the number of individuals that become more prone to buy company UT products. Such phenomenon generates an increase in the company sales revenues up to the desired target. Once such a target has been achieved, the management may decide to invest new resources in the development of the dealers' chain to keep such market position (see balancing loop B2 reported in figure 6).

Unperceived potential limits to growth of management policies

Feedback loops carried out in figures 5 and 6 disclose management mental models underlying main business growth processes and related policies aimed to foster UT products sales. According to the effects generated by such balancing feedback loops management expected a growth pattern of UT products sales up to the desired target (see figure 7).

It is worth remarking that the management also implicitly recognised two other positive phenomena that may contribute to foster a company growth over time. In particular, the new resources derived

from higher revenues will contribute to increase the budget to be allocated in both marketing and dealers' chain investments and as a consequence to move up the desired value of sales quantities.

Figure 7 – Comparison between expected and actual behaviours of "Unitary Technology" product sales quantities

By comparing expected and actual UT products sales quantities, it emerges a noteworthy gap that underlines the limits of management mental models in explaining the outcomes of business growth policies.

What are the main causes underlying such a gap?

What are the main limits to growth unperceived by the management?

In order to investigate main causes of discrepancies between desired and actual company product sales quantities, it has been decided to interview some key actors of the company dealers' network.

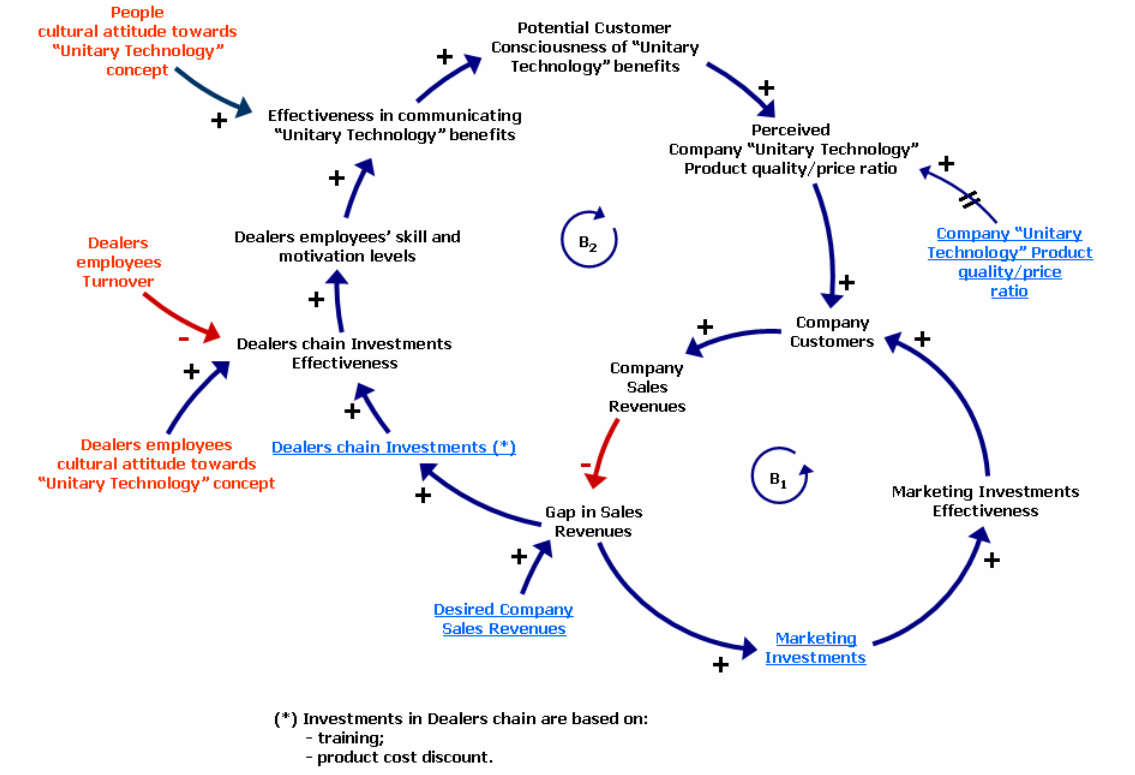

Figure 8 – Main unperceived variables preventing company investments effects

By interviewing personnel working in a sample of Jeppy's Dealers, we detected three main key aspects that act on dealers' chain investments effectiveness (see figure 8).

The first limit to growth to UT company products sales perceived by dealers' employees refers to people cultural attitude towards UT concept. The main difficulty in understanding such concept results from the common habit to perceive technological products as "closed worlds". On the

contrary, UT concept is based on the revolutionary idea that is possible to create endless applications that are able to communicate among them through a common technology.
The second limit can be related to a low dealers' employees cultural attitude toward UT concept. In fact, by discussing with front-office employees, it was possible to note their difficulties in effectively communicate to potential customers the benefits of UT products. This is mainly due a lack of effective and continuous focused training activities provided by Jeppy.
Moreover, such a difficulty in promoting UT products is also amplified by the high turnover recorded in dealers' personnel. This can be considered another limit preventing dealers' chain investments effectiveness on Dealers employees' skill and motivation levels.

Policy design to remove limits to growth
Based on the causal loop analysis showed in the previous pages, we suggested the management to act on the above commented limits to growth (people cultural attitude towards UT concept; dealers employees' cultural attitude towards UT concept; dealers employees turnover) by introducing customised dealers personnel recruitment, advanced training and goal setting policies, and new investments in developing people's awareness of UT concept.

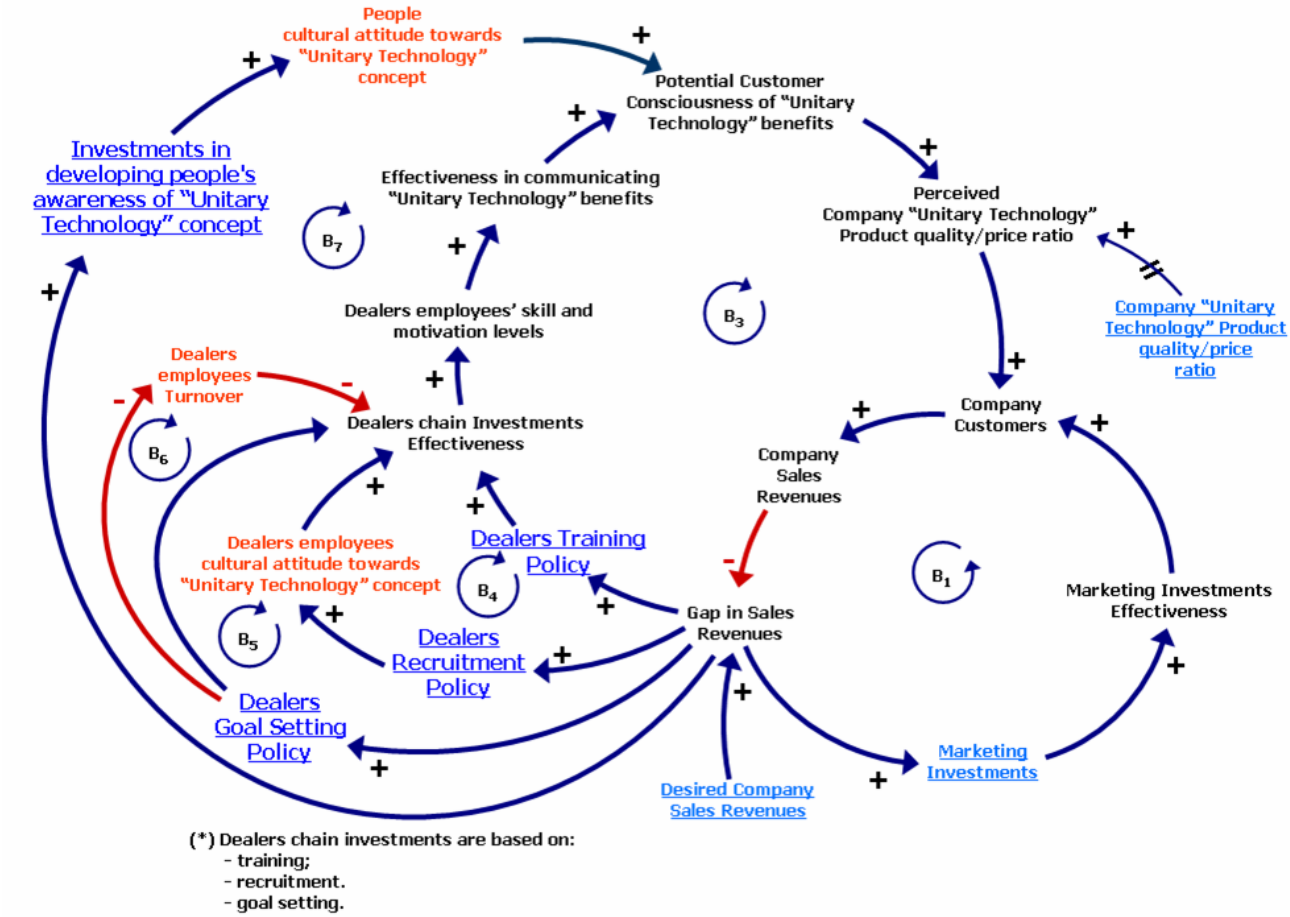

Figure 9 – Suggested policies to overcome company limits to growth

To achieve company mission and the desired level of sales of "Non Trojan horses" products, we suggested the management to act on the "dealers' chain investment effectiveness" through a set of policies that have not to be conceived as alternative, but complementary. In fact, we demonstrated them through an insight system dynamics model that decisions aimed to implement a goal setting policy without proper personnel recruitment, advanced training activities are likely to fail in reaching company desired goals.

First, we suggested the management to design new training programmes aimed to foster dealers' personnel capabilities related not only to sales communication effectiveness, but also to UT benefits in using such innovative products. Training programmes include workshops, demonstrations sessions of the use of UT products, team work and on-the-job-training period.
Second, we proposed the management to introduce more selective dealers' personnel recruitment policies aimed to verify human resources potentiality and their initial level of skills and competences to effectively promote UT products. In fact, an improvement in the recruitment activities will provide employees with a higher cultural attitude towards UT products.
Third, it has been also recommended to adopt a goal setting policy. Such policy has two main goals: on a side, it aims to increase dealers' personnel motivation and to provide employees well defined and stimulating targets. On the other side, it reduces dealers' personnel turnover and as consequence it allows dealers to maintain personnel with a higher level of competences.
Finally, in order to diffuse the concept and related benefits of UT products among people and to increase potential customer consciousness about UT products, it is necessary that such investments have to be supported periodically by public events, conferences and targeted news through monthly reviews.
All these policies are able to foster both the "*Effectiveness in communicating Unitary Technology benefits*" and "*Dealers' chain investments effectiveness*". As a consequence, dealers' personnel will be able to get more potential customers inclined to buy UT products. This will increase the quality/price ratio of UT products perceived by potential customers, the number of company customers that will buy such products and sales revenues. This will in turn decrease the gap between the desired and the actual level of company sales revenues.
Such phenomena are portrayed in figure 9 (see, in particular, feedback loops B3, B4, B5, B6, B7). It is work remarking that all suggested policies bring back to balancing loops that aim to push the actual value of company sales revenues towards the desired one.

An analysis of the main stock and flow structure of the system dynamics model
Based on the above commented feedback structure, the authors built an insight System Dynamics model. Such model has been used to both capture company key-variables past behaviours (in particular, "Non Trojan horses" products sales quantities) and explore the effectiveness over time of the suggested strategy (dealers employees' recruitment, advanced training and goal setting policies, and investments in developing potential customers' awareness of UT concept). The system dynamics model investigates three main business areas:

- Company Customers' sub-system related to "Trojan horses" and "Non Trojan horses" products sales;
- Company Dealers sub-system;
- Dealers Employees' skill and motivation sub-system.

Due to the peculiarity of the third sub-system stock and flow structure, it will be discussed in the next pages[2].
The stock and flow structure depicted in figure 10 has been adapted on the basis of the Skill Inventory Model suggested by Winch (2001). In particular, it is possible to observe a "physical" structure related to "dealers employees" and two main co-flows structures associated with dealers employees' skill level and dealers employees' motivation level.
In particular, dealers employees' level results from the total number of company dealers and the number of employees per dealer. Dealer employees' turnover is likely to affect the recruitment dealer policy aimed to restore the desired number of employees.
Dealer employees' skill level may decrease due to both a normal employees obsolescence and a leaving rate. Such a stock may increase not only through new recruits associated with a higher skill

[2] Model equations are available from authors.

level (due to a selective recruitment policy), but also by continuous training programmes provided to employees.
Figure 10 also captures the main relationships affecting dealer employees' motivation level. In particular, it may decrease due to both a normal employees motivation outflow and a leaving rate. Dealer employees' motivation level may grows up through customised recruitment and goal setting policies. It is worth remarking that the goal setting policy is also likely to decrease employees turnover.

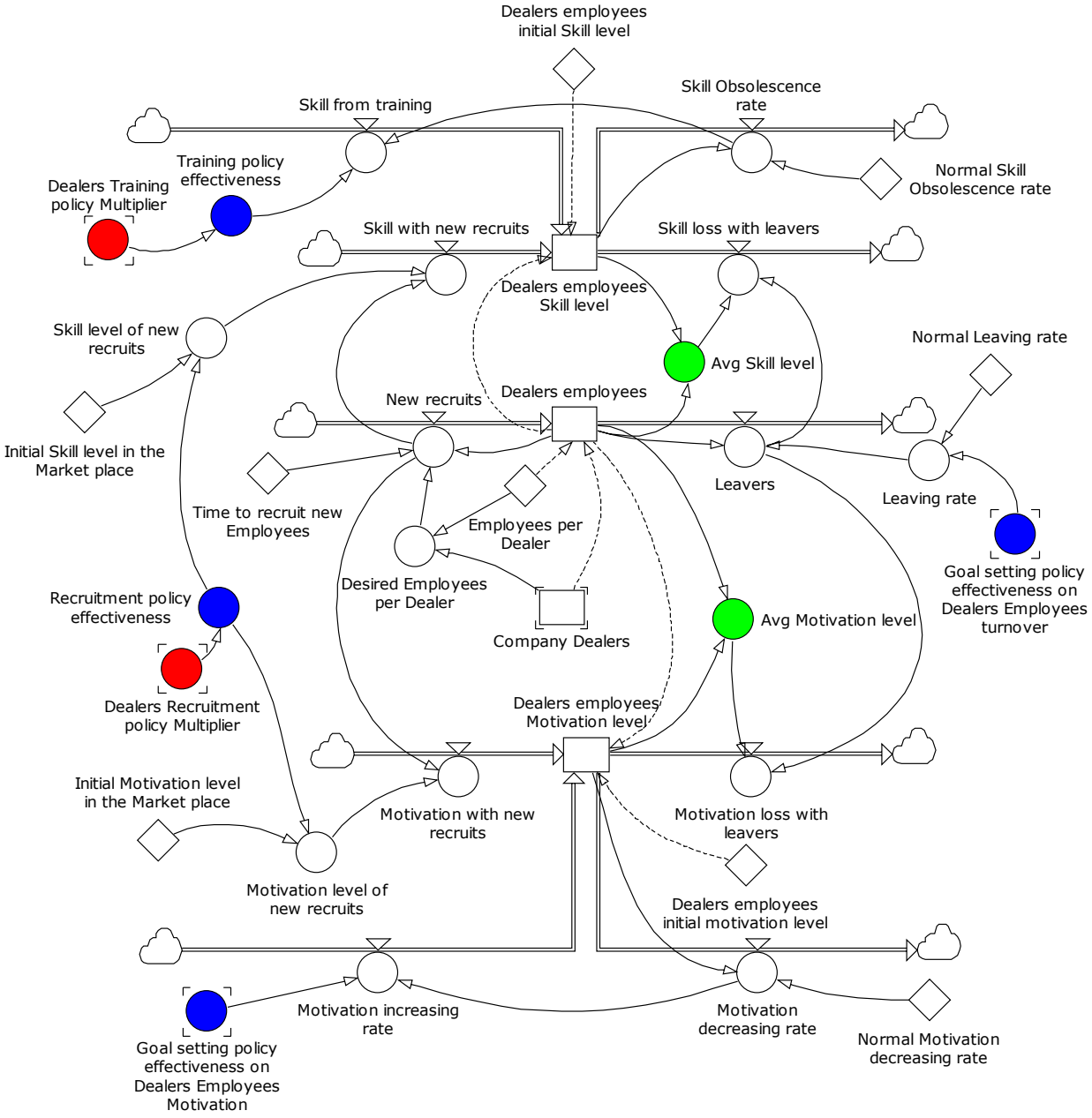

Figure 10 –Stock and flow structure related to Dealers employees' skill and motivation levels

Scenario Analysis

In order to support the management of *Jeppy Ltd* to explore the effectiveness of our suggested policies to overcome the limits of business growth, the System Dynamics simulation model has been used to analyse different scenarios.
In particular, dealers employees recruitment, advanced training and goal setting polices and investments in developing potential customers' awareness of UT concept have been hypothesised according to three possible options: low, medium and high.

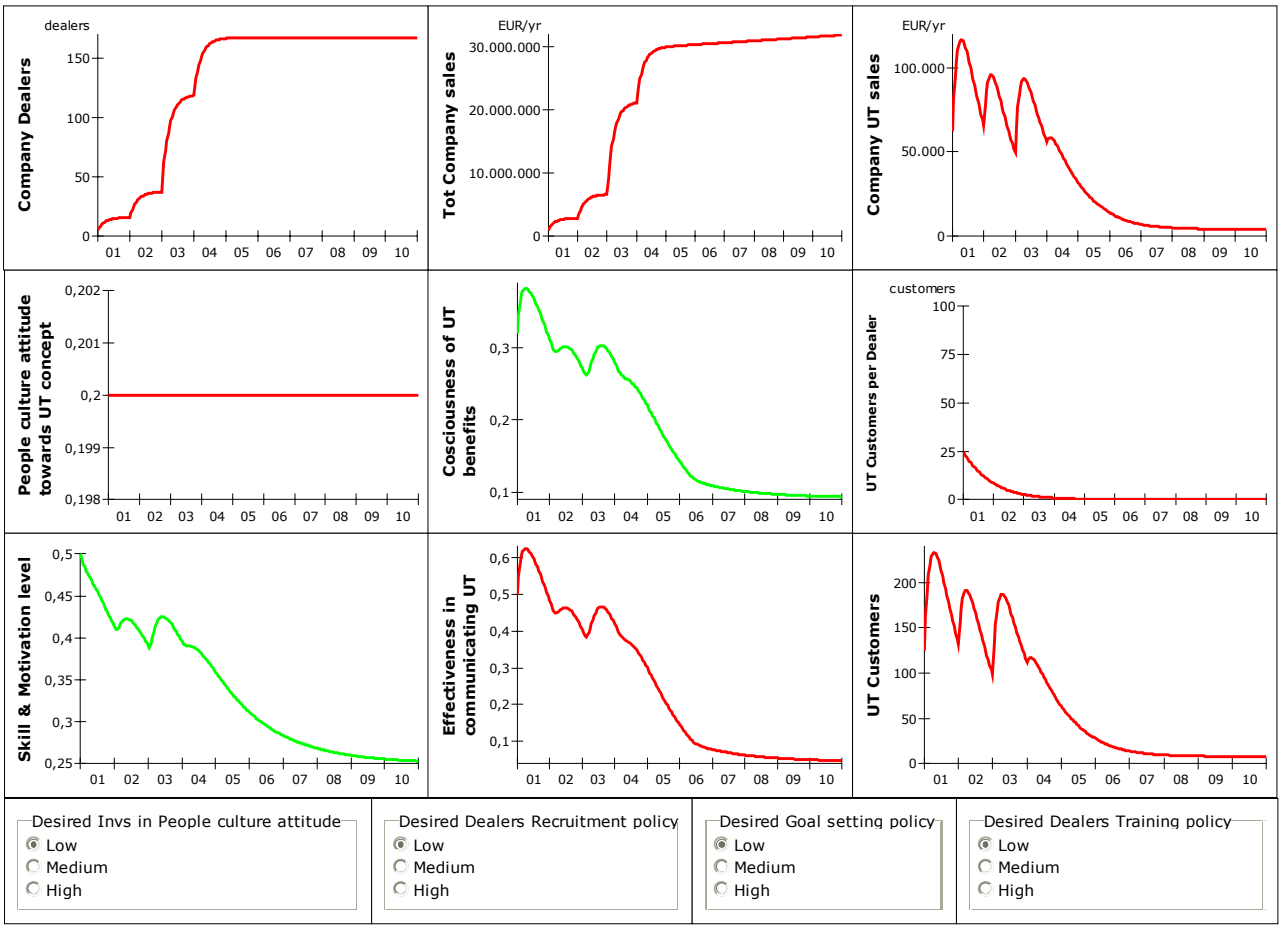

Figure 11 – Main business variables dynamics (*base run*)

Figure 11 shows company key-variables behaviours related to the actual policies undertaken by the management. The simulation run covers 10 years. It starts from 2001 and ends in 2010.

As it is possible to observe from the above figure, such decisions may lead to a decreasing pattern in dealers employees skill and motivation levels, which affects the effectiveness in communicating UT benefits to potential dealers visitors. As a consequence, UT customers and company sales will dramatically collapse. Such phenomenon is also due to a lack of investments aimed to foster people culture attitude towards UT concept that causes a fall down of people consciousness of potential UT benefits.

It is worth remarking that management policies adopted from 2001 to 2004 also aimed to strongly increase the number of dealers. As figure 11 shows, at the end of 2004, the company could count on 166 dealers. Such a growth is the main driver of company UT sales. In fact, as the number of dealers remains unchanged, from 2005 it is possible to remark an acceleration in the decreasing rate of company UT sales. Such phenomenon can be also observed in the dynamics of the UT customers variable.

The analysis of company key-variables dynamics portrayed in the base run provided a satisfactory fit with company past results. As a consequence, the SD model has been used to assess the effectiveness of two alternative scenarios. In both scenarios, the suggested policies have been implemented from January 2005.

The first (reference run) is based on high investments aimed to foster people culture attitude towards UT concept and unchanged policies on dealers' human resource management.

The second (current run) is based not only on decision oriented to increase people culture attitude towards UT concept, but also on high investments in customised dealers employees recruitment, training and goal setting policies.

Figure 12 shows both reference and current runs. In particular, it is worth remarking that company decisions aimed to only foster people culture attitude towards UT concept is not sufficient to boost UT customers and sales revenues. This phenomenon is strongly related to the low level of dealers employees effectiveness in communicating UT benefits. In fact, such a key-variables is affected by dealers employees skill and motivation levels, that in this first scenario is not properly taken into consideration.
On the contrary, current run is likely to generate desired effects on both external and internal company systems. In fact, such decisions contribute to increase, on a side people culture attitude towards UT benefits and on the other side dealers employees skill and motivation levels. The higher employees skill and motivation level is, the greater dealers employees effectiveness in communicating UT benefits will be. This is likely to foster a further increase in the potential customers' consciousness of UT benefits, which will affects perceived company UT product quality/price ratio. As a consequence, potential customers are more prone to buy UT products leading to an increase in Company UT customers and sales revenues. An increase in UT sales revenues will allow the company to meet the desired level of revenues.

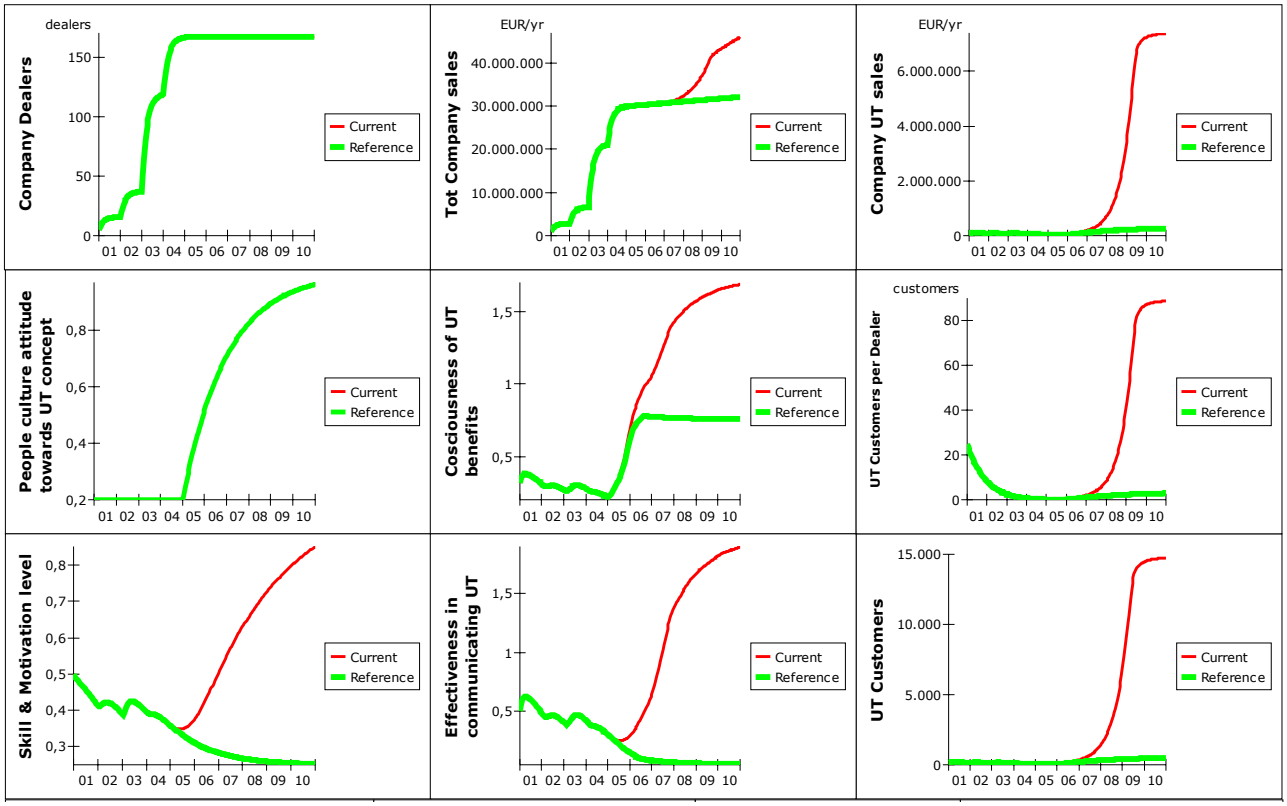

Figure 12 – Current and reference scenarios

Conclusions and further analysis

In order to successfully design long term policies aimed to foster manufacturers-dealers relationships, it has been demonstrated that manufacturers must give up decisions exclusively oriented to generate immediate benefits (Liker and Choi 2004:3). In fact, such policies may disclose future company failure.
This paper tries to demonstrate the effectiveness of the system dynamics methodology in supporting manufacturers in designing long term policies based on human resource management practices (recruitment, training and goal setting policies) and external efforts aimed to increase potential customers awareness of company product benefits.

Results from scenario analysis session conducted with the management of the manufacturer show that using system dynamics simulation models is likely to effectively support communication and learning in designing successfully policies to build strong Manufacturer-Dealers relationships.

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