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Supplier Development

Three Steps to Drive Supply Performance

Companies have shifted away from competing head-to-head and toward competing against each other's "extended enterprises": their supply chains. Due to the immense resources required to bring complex products to market on a global scale, supply chain professionals must foster earlier and closer supply-partner relationships to stimulate the intimate collaboration needed to realize the mutual value that can be created from lean extended-enterprise concepts. Further, professionals must institute supplier development programs that contain a repeatable supply performance cycle to maintain a healthy, continuously improving supply base. Prominent companies are implementing a supply performance framework not only to realize cost savings, but also to best position themselves to execute at a higher level and out-innovate their competition.

Challenges

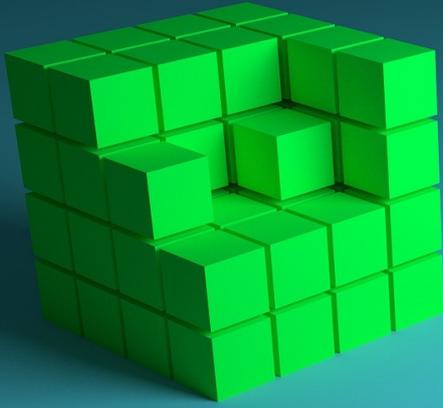
Successful supplier development programs require tremendous time, resources, and executive leadership support.

They also promise a desirable long-term payoff. Companies must achieve a fully-functioning internal lean production system first then look externally to drive lean thinking throughout their supply base and create a lean extended enterprise. Lean production systems must be implemented while simultaneously preserving customer supply, this combination can pose serious execution risks. Full buy-in internally and externally at potential supply partners is a major individual mindset and company culture change. Experience in knowing what operational aspects of a plant to focus on first can pose a hurdle for new continuous improvement teams. Thus, balancing the pressure tradeoff of realizing early measurable results with realistic timelines is key to emboldening long-term supply partnerships that yield mutual value creation.

What is a Supply Performance Program?

A Supply Performance Program is an expanded traditional Supplier

Development Program that extends the lean production system throughout the value chain to create a performance driven, lean extended enterprise. Comprised of a repeatable framework, a Supply Performance Program incorporates additional steps and metrics: identification, assessment, qualification, rating, and transition to quantitatively drive supply performance. Symbolically, the name itself, supply performance, communicates a mindset shift away from OEMs driving knowledge down to less capable suppliers to "develop them" and illustrates that the goal of the program is to improve performance throughout the extended enterprise. Dramatic program cost saving results can be realized through true-cost sourcing, rightsized inventory levels, and reduced material handling. Practitioners must focus on adding value first and sharing cost savings second. Actualizing a Supply Performance Program is a resource-intensive endeavor so having a dedicated internal team and external partners in place that can execute the program is key to success. Lean is a long-term journey but organizations are starting to leverage cloud software technology to expedite continuous improvement initiatives and more quickly realize payback from Supplier Performance Programs.



Solutions

Step 1 - Execute Lean Internally Then Enable Externally

Companies need to stabilize their production facilities first before beginning to develop suppliers, and correctly sizing your inventory is the first step toward that goal. Lean internal-material management systems: plan for every part, supermarket, pull signals, and route development are the four core tools needed to optimize inventory. Piece price, landed costs, or net present value are often the dominate cost-decision criteria for selecting suppliers which is a fraction of the total cost picture. Procurement needs to be an early Supply Performance Program adopter because they must first convert to true-cost sourcing for all new business. A robust true-cost model must be enforced and include piece price, change, amortized, ongoing, and risk costs. As a Supply Performance Program advances supply optimization, resourcing will inevitably be required. Understanding your exact change costs upfront will position your team to swiftly transition supply as needed.

Step 2 - Dedicate a Supply Performance Team & Resources

Many small to midsize companies utilize a blended supply performance team of outside resources to reduce costs and for onsite assessments and continuous improvement activities. Implementing a Supply Performance Program is a full-time job so if you are resource constrained or are expecting that staff will get pulled away from time to time, partner with service providers to aid bandwidth. Develop and maintain a detailed strategic workplan including

communication plans, timelines, agendas, and weekly/bi-weekly and/or monthly meetings. Supply Performance Systems are paving the way to more efficiently track open items lists including: tasks, leads, initiatives and due dates across OEMs and suppliers. Value stream map a product family first to establish program momentum and help identify opportunities for driving lean thinking. Develop and rollout five tools essential to value stream mapping: product family, current state value stream map, future state value stream map, 30/60/90-day action plan, and work plan.

Step 3 - Implement a Supply Performance Program

Ensure Supply Performance Program success by implementing a repeatable Supply Performance Framework that your team and extended enterprise can utilize on an ongoing basis. This should be a consistent process to advance new potential suppliers through the Supply Performance Framework and transition suppliers that are not partners so you can cultivate a healthy supply base. Lean supplier development is an intense culture-change initiative and the impact on people needs to be considered to ensure success. Focus on individual leadership assessments, company culture assessments, and on providing ancillary tools to build a positively deviant culture of trust. Investing in supplier development training quarterly, both internally or externally, is a key to keeping the program exciting and fresh. Bringing in new materials, concepts, and tools via mini lean workshops can be incorporated into onsite quarterly review meetings to teach best practices.

Many OEMs and large Tier I suppliers have principally done an outstanding job administering supplier development programs at their direct Tier I suppliers and delivered impressive outcomes. However, our research has shown that momentum stagnates at the Tier II, III, and IV levels identifying massive untapped cost-saving potential for companies with the fortitude to pursue supply performance throughout their extended enterprise. Desire to quickly improve supply base performance needs to be tempered with ensuring your lean journey is well underway and lean production systems are in place ahead of rolling out a Supply Performance Program. Implementing a traditional Supplier Development Program is a good start but executing a more robust Supply Performance Program will place you ahead of your competition and generate superior results in the long term.

About William Crane

William is a serial entrepreneur and experienced executive in supply chain with demonstrated results starting, launching and enhancing procurement, logistics, supplier quality and manufacturing organizations for startups and established companies globally. As a former venture capitalist, startup founder several times over, and supply chain professional at both OEMs and suppliers. William brings a unique perspective having worked at every stage and function within the supply chain. William's passion for bringing innovative technology products to market that have a positive impact on the world can be found via IndustryStar's blog Supply Chain for Tomorrow's Technology. #SupplyChainTech

About IndustryStar

At IndustryStar, www.industrystarsolutions.com, we are a supply chain services and software technology company that is passionate about partnering with high growth technology companies to bring innovative and disruptive technologies to market that will have a positive impact on the world.