

Reducing Supply Chain Costs While Enhancing Performance

Tues November 12, 2013

Mark Hehl

Senior Consultant

Solutions4Business Inc.

MarkHehl@soln4biz.com

(203) 263 4746

www.soln4biz.com

Solutions4Business Inc.

“Your Consulting Partner for Strategic Supply Chain Initiatives”

Agenda

- Supplier Development = Enhanced Financial Performance
- The approach that yields results
- “What gets measured gets improved”
- Achieving *Rapid Results*
- A Key Factor – Culture
- Case Studies:
 - \$4 Million savings – by mistake?
 - A \$14 Million success story
- Getting started

The Cost Squeeze

Cost Increases Can Not
Always Be Passed Onto Customers!



Developing Suppliers = ROI

- My Journey
 - Aerospace Industry
 - Negative supplier relationship
 - Small Supplier
 - Experienced various customers
 - Excellent ----- Poor
 - Timex
 - Implemented formal supplier development program
 - Convincing my peers?

Developing Suppliers = ROI

- Timex Supplier Development
 - Select key suppliers
 - 20% cost reduction
 - 25% schedule performance improvement
 - 30% quality level improvement



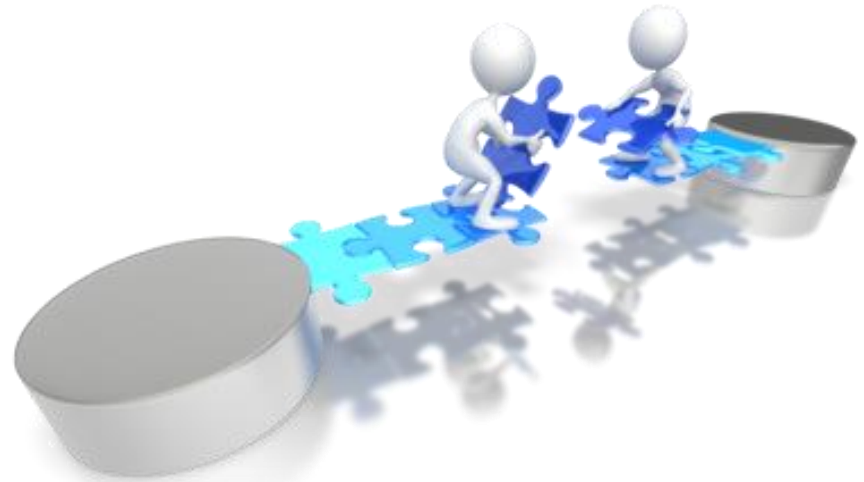
The Approach That Yields Results

- Browbeating does not work!
- REMEMBER: Suppliers are business partners
 - A healthy supplier is a good one!
- Key strategic suppliers
- Development / improvement program
 - Investment in suppliers is an internal investment
- Larger customers
 - More experience with improvement tools
 - Resources for supplier development



Forming A Win-Win Partnership

- *Rapid Results* Projects
- Cost sharing
- Resources
- On site support
- Timed withdrawal
- Gain sharing



Avoid “Sea-Gull” activity



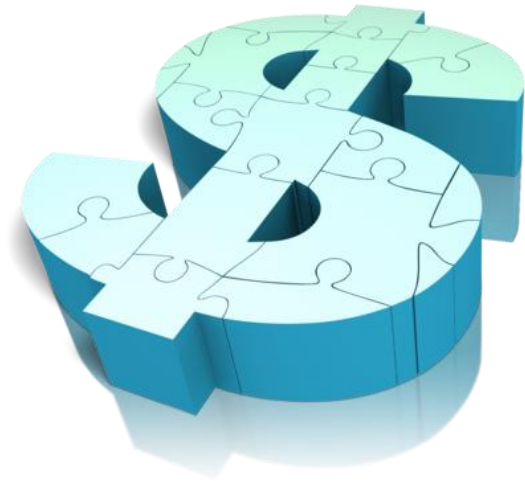
A
V
O
I
D

There are More Benefits to Supplier Development Program

- Supplier workforce motivation
 - Priority
- Improved on time delivery
- Quality level rise
- Enhanced supplier – customer relationship
 - Important with foreign organizations
- Supplier more likely to be flexible
- Greater cooperation

“What Gets Measured Gets Improved”

- Establish metrics up front
- Understand current performance
- Establish a system to track improvements
- Jointly select
 - Metrics
 - Develop / agree upon
 - Immediate improvement usually ensues
 - Convert into \$
 - *Rapid Results* projects



Achieving Immediate Results

Rapid Results methodology, validated over many years, achieves immediate results and develops implementation strategy



A Rapid Results Project

- Designed for a team to achieve some measurable results quickly
- Must be real results -- quality up, costs down
- Rapid ~60 to 75 days
- Team encouraged to innovate



\$4 Million Annual Savings!



- Unintentional outcome (Quick Win!)
- New customer orders
- Dual inventory Assessments
- Duplicate ordering of expensive material
- Results
 - Reduce inventory
 - Faster process time
 - Increased space for actual work
 - 8 extra hours/week available for preventive work

To Ensure Success Select a Goal that is...

- Urgent and compelling
- Measurable, bottom-line goal
- People feel ready and willing to do it
- They can do it with available resources and authority



Rapid Success Brings Three Rapid Rewards

1. Bottom-line paybacks
2. New management learning and confidence
3. Innovative methods tested



The Advantage Of *Rapid Results* as a Method For Cost Reduction

- A minimum of up-front training and indoctrination is needed – *Train as you go!*
- Small up front investment of time and energy is required before you see that it is working
- Success is achieved quickly -- so there's quick pay-back and fast gratification for participants
- The method adapts to the culture -- rather than making the culture adapt to the method.

Developing your partners will pay off!

One Key To Success

Understanding, Unlocking
&
Applying the Culture



Lack of Cultural Awareness = Paying a Higher Price

- Asian customer – Chinese Supplier
- No understanding or engagement of Chinese culture
- World recession – late 2008
- Material prices dropped significantly
- Refusal to lower kit price
- Reason – Cultural Difficulties



\$14 Million Savings – A *Rapid Results* Case Study

- Division of a German Company located in Asia
- Understood that culture was the key
 - Consultant selection - cultural understanding
 - Exploited the positive aspects of the culture
 - *Two Rapid Results* projects
- Annual savings goals (year 1)

○ Client Expectation	\$5 million
○ My Expectation	\$8 million



Actual Savings \$14 million!

Best Investment

- Cross Cultural Understanding / Training
 - All Team Members
 - Both Directions



A Critical Investment!

A Key Supplier Is Your Extension

- Provide what is needed for success
- Company direction
- New products
- Secure input relative to new designs / services
 - Development time reduction
 - Cost savings



Periodic supplier conferences

Getting Started

- Items for consideration
 - Organizational buy – in
 - Implementation Plan
 - Resources
 - Facilitators
 - ROI Projections
 - Key suppliers selection
 - On site assessment
 - Supplier motivation
 - Behavioral / change management issues
 - Understanding and application of the suppliers culture (if different)



Keep These In Mind

- Supplier Development = Cost Reduction
 - Browbeating is not effective
- “What gets measured gets improved”
- Trained & competent facilitator is needed
- *Rapid Results* projects will provide a positive ROI
- Culture
 - Understand
 - Apply
- Get started



Questions?

Thank you for allowing me to be of service!

Mark Hehl

Senior Consultant

Solutions4Business Inc.

MarkHehl@soln4biz.com

(203) 263 4746

www.soln4biz.com

“Innovative Ideas and Superior Execution”



SOLUTIONS4BUSINESS

Innovative Ideas and Superior Execution.

- **Supply Chain Services**
- **IT Consulting**
- **Project Management**