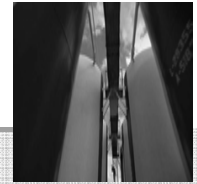


Basics of Supply Chain Management

ASQ Customer Supplier Division
2007 Symposium

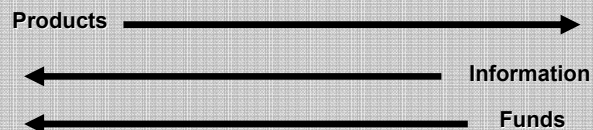


When you hear
“Supply Chain Basics”

What comes to mind?



Your Supply Chain



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End to End Process

- Right product
- Right quality
- Right cost
- Right time



4

New Definition

Supply Chain

Is

People



5

What Determines Effectiveness?

Collaboration

The ability of people
to work together

across departmental
and company boundaries



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What You Can Take Away

- How do I ensure ideas get implemented?
- How do I bring other people with me?
- How do I make my supply chain process more effective?



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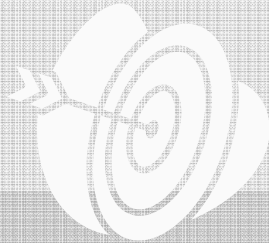
Your 2007 Challenges

- Implementation of lean manufacturing with key suppliers
- Monitoring and ensuring suppliers meet quality and delivery requirements
- Ensuring quality when dealing with off-shore suppliers
- Finding the right suppliers

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Finding the Right Suppliers

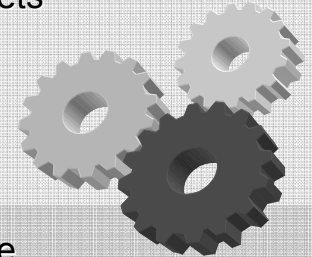
- Company strategy
- Supply chain strategy
- Commodity plans
- Sourcing teams



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Company Strategy

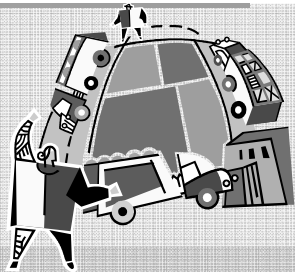
- Customers and markets
- New products
- Core competencies
- Organization structure



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Supply Chain Strategy

- Customer service
- Manufacturing / outsourcing
- Strategic sourcing
- Transportation, distribution, and logistics



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Strategic Sourcing

Alignment of
Supply Chain Strategy
with Company Strategy



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Risk/Value Matrix

High	Bottleneck	Strategic (critical)
RISK	Routine	Leverage
Low	Low	High
	VALUE	

Risk/Value Matrix Material Classification

High	Bottleneck <ul style="list-style-type: none"> ▪ Low spend ▪ No customer impact ▪ Unique specs 	Strategic (critical) <ul style="list-style-type: none"> ▪ Significant P&L impact ▪ Key customer benefit ▪ Limited supply base
RISK	Routine <ul style="list-style-type: none"> ▪ Industry standard spec ▪ Many producers ▪ Low cost to switch 	Leverage <ul style="list-style-type: none"> ▪ High COGS ▪ Does not differentiate ▪ Many producers
Low	Low	High
	VALUE	

Risk/Value Matrix Specific Actions

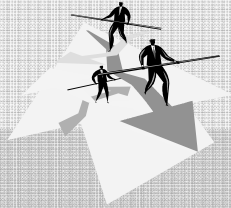
High	Bottleneck <ul style="list-style-type: none"> ▪ Contingency Plans ▪ Develop competition ▪ Increase technical understanding 	Strategic (critical) <ul style="list-style-type: none"> ▪ Process improvement ▪ Sr. mgmt. involved ▪ Increase market knowledge
RISK	Routine <ul style="list-style-type: none"> ▪ Minimize admin cost ▪ Re-engineer out ▪ Explore new methods 	Leverage <ul style="list-style-type: none"> ▪ Active negotiation and sourcing ▪ Watch market changes
Low	Low	High
	VALUE	

Risk/Value Matrix Strategic Approaches

High	Bottleneck <ul style="list-style-type: none"> ▪ Ensure supply availability ▪ Develop alternates 	Strategic (critical) <ul style="list-style-type: none"> ▪ Develop partnerships ▪ Joint development programs
RISK	Routine <ul style="list-style-type: none"> ▪ Simplify acquisition process 	Leverage <ul style="list-style-type: none"> ▪ Maximize buying power
Low	Low	High
	VALUE	

Commodity Plans

- Short term – 1 to 2 years
- Focused on
 - How many/which suppliers
 - Total cost
 - Material availability
 - Supplier quality



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Sourcing Teams

- Commodity focused
- Cross functional
- Empowered
- Global



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How to Work Effectively with Suppliers

Build Trust

Share Information

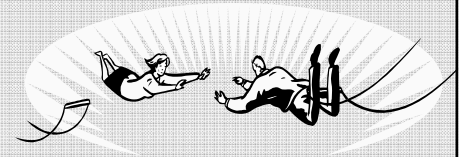
Measure Results

Develop Joint Programs

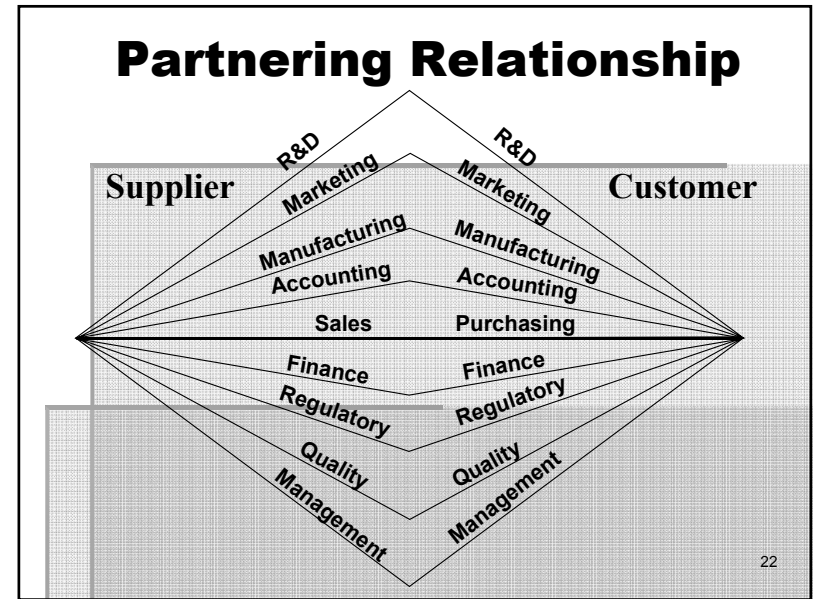
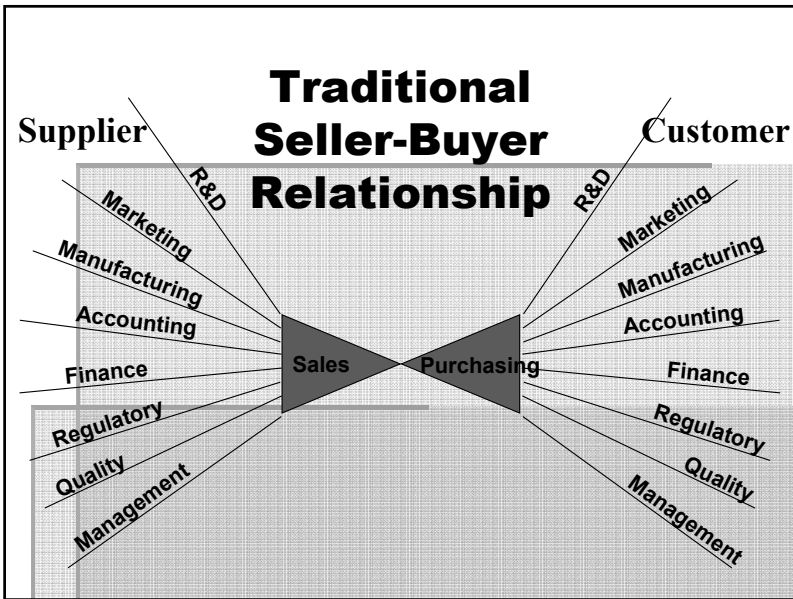
19

Building Trust

- Share strategies
- Open books
- Share resources
- Joint problem solving




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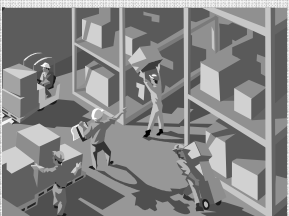
Partnerships

- What is a partner?
- Do we need partners?
- How many supplier partners can we have?

Supply Chain Measures

- Total cost
- Customer satisfaction
- Inventory velocity
- Quality of product/service
- "Greenness"



Optimizing Your Supply Chain

- Most companies provide the resources
- Most companies have good people
- Most software systems work



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Differentiators

- Group/team functionality
- Relationship building skills
- Communication skills
- Training/development



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Thank You

For more information, visit:
www.HShieldsConsulting.com

- or -

e-mail Herb Shields at
hcscnsnb@aol.com

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