Supply Base Optimization

Actions to Drive Supply Performance

BOOM

William Crane | Founder & CEO | IndustryStar Solutions LLC

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Overview

What is Supply Base Optimization?
Common Challenges
4 Steps to Ensure Success
Framework
Case Study
10 Actions to Realize Value Now
Questions & Answers
Contact Information
Sustainable supply base optimization starts with rationalization, a strategic initiative, and supporting processes to initially reduce static or limited-use suppliers; moving beyond simply reducing the number of suppliers and spending more time with fewer suppliers to reduce costs. It then requires critical lean supply chain methods and tools to systematically optimize the supply base size, which is dependent upon supplier performance.
## Common Challenges

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<th>Daily “Firefighting” Tasks</th>
<th>Cross Functional Team Collaboration</th>
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<td>Mergers/Acquisitions</td>
<td>Lean Supplier Development</td>
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<td>Cultural Change</td>
<td>New Product Launches</td>
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<td>Company Politics</td>
<td>Rating Suppliers</td>
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| Cost Reduction Pressure    | Identifying Suppliers               |
| Poor On Time Delivery      | Assessing Suppliers                 |
| Supplier Quality Issues    | Qualifying Suppliers                |
| Purchasing Bandwidth       | Onboarding Suppliers                |
Supply Base Optimization
4 Steps to Ensure Success

Step 1. Analyze Supplier Spend, Capabilities, & Performance

Step 2. Create Project, Transition, & Communication Plan

Step 3. Rationalize Supply Base First

Step 4. Execute Optimization Plan
Supply Performance Framework™

We subscribe to a continuous improvement mindset akin to gardening your supply base, by utilizing a Supply Performance Framework™ to maintain a healthy number of supply partners for each spending category.
TREMEC Needed a US Supply Base
Leveraged Supply Performance Framework to Grow and Optimize Supply Base

PRODUCT: Transmission Program
INDUSTRY: Automotive Tier I
TOOL: Supply Performance Framework
OVERVIEW: Leveraged Supply Performance Framework and Supply Performance Software to optimize Mexico, Belgium, and United States supply base for all new transmission program. Executed disciplined process over 6 months to map current supply base and identify, assess, qualify, onboard, rate, develop, and transition supply partners.

Cost Reduction
$20M+ Program Component Cost Avoidance Savings

Supplier Engagement
Increased from 76 to 323

Timing
Expedited Procurement by 2 Months
Supply Base Optimization

10 Actions to Realize Value Now

1. Attain Cross Functional Participation
2. Review Future-State Buy Considerations
3. Analyze Spend Across Categories
4. Look Beyond Spend
5. Rationalize = Zero Cost
6. Leverage Bank-Build Risk Mitigation Strategy
7. Avoid Obsolescence Pitfalls
8. Professional Transitions are Critical
9. Prototypes Great Test Cases
10. Process Discipline is Key to Sustainability
THINK BIG: Continuous improvement methodologies, Lean and Six Sigma require close collaboration with supply partners, thus maintaining a more agile supply base can expedite supply performance results.
Please take a few minutes to complete this brief survey.

Survey link: [www.instituteforsupplymanagement.org/CA17](http://www.instituteforsupplymanagement.org/CA17) or Scan the QR code on your smartphone.