

SUPPLY-CHAIN Strategy

It is a common debate within organizations regarding Supply Chain strategies ... “Do we single source? or ... multiple source?”

I am sure that the debate is now highly heated as organizations wrestle with the challenge of not interrupting supply during this global outbreak of the COVID-19 virus. There is no professional procurement specialist in the world that wants to be held responsible for an assembly line stoppage resulting from a single sourced custom fastener coming from a low-cost country like China. But should that happen?

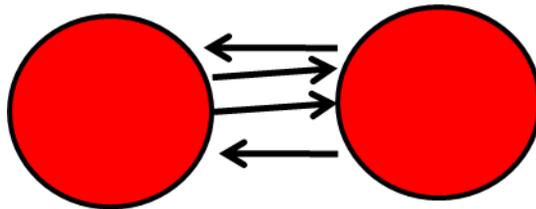
As a supplier you have developed expertise and perhaps a technical edge in the production of your widget ... but indeed you have competitors, so you want to keep your process Intellectual Property very close. As a result you are very coy about sharing your strategic edge especially with customers that have an operating philosophy of multi-sourcing.

In a single source scenario you will be able to leverage your Suppliers Intellectual Property which should also benefit you to be the leader within your industry sector ... so how can we make that happen while building insurance of uninterrupted supply?

A Single Source strategy is not required in every situation ... particularly for commodity-based items that are readily available through multiple sources ... but you should still have the foresight to plan in advance for alternate supply strategies.

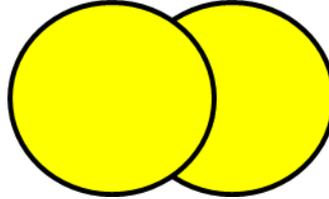
Typically a supplier relationship starts between engineering departments where the OEM engineering department has identified certain features and process capabilities within a supplier that most likely are not documented within literature or technical drawings. Engineering is focused on the best featured solution but once the product is ready for production our Procurement Professionals step in ... quoting the world based on engineering drawings looking for the lowest unit cost ... the battle begins!

If we look at a traditional transaction based relationship with a supplier it consists of a series of clinical transactions encompassing Purchase Order Transmission, Order acknowledgement, Advance Shipping Notices, Packing Slips, Invoicing and Payment ... in essence nor real relationship or understanding about our Supplier or the Supplier truly knowing your needs ... This can be defined as follows ...



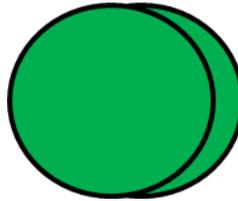
Where Lean Thoughts
can become
Reality

SUPPLY-CHAIN Strategy



In some cases organizations may think they have an advanced relationship with their supplier based on the virtues of EDI or a form of Supplier Certification ... but you may still be vulnerable to Supply Chain interruption ...

Ultimately, you want to create blurred lines between you and your supplier so that you are operating in unison and combined are formidable foes to your competitors with both of you integrating your independent technologies for a leading-edge solution



If you have a blurred relationship then you also have a common destiny for either success or failure so you both have a vested interest or a symbiotic relationship ... it all comes down to "TRUST" !!

The argument for multiple sourcing is simple ... how do I ensure that supply will not be interrupted should any cataphoric happen. In some cases OEM just follow a simple rule looking for redundant tooling to be located elsewhere in case of fire so production can continue. But that may not help when a global threat happens.

However let us take it to next level ... your supplier knows their competitors better than you do and gthey know of their capability and capacity including their global reach ... so how do I tap into this knowledge?

Enter the power of your FMEA (product/process – Failure Mode Evaluation Analysis).

At the onset of your supply agreement you need to invest planning time with your supplier to create your FMEA. With a proper FMEA should disaster happen you will already have established contingent triggers that would allow you to shift production through the facilitation of your supplier to other facilities of the supplier or perhaps to supplier competitors.

In a time of need it is amazing that competitors will drop the veil of competition in lieu of cooperation. Many competitors have similar equipment and will allow your supplier's employees to run your production on their equipment using your supplier's employees who of course come to the situation with that tribal knowledge that is your edge.

In the end it is actually pretty simple ... if you as an organization are lazy then the strategy of multi-source is the solution. If you decide to invest in additional planning through the creation of a joint FMEA you will be able to leverage your supplier's technical and process expertise while being able to use them as a resource should tragedy happen.

In tragedies resources become sacred and typically we have 10 people employed for every person we employ so easy and quick access to additional resourices.

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