

# Reducing Supply Chain Costs While Enhancing Performance

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“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

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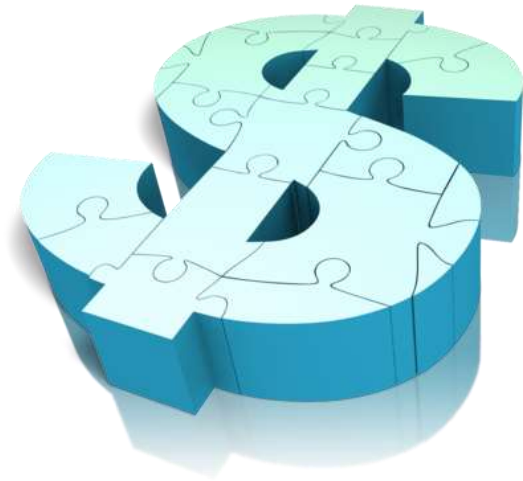


# There are More Benefits to Supplier Development Program

- 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	<b>\$5 million</b>
○ My Expectation	<b>\$8 million</b>



**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!

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