



Supplier Development and Supply Chain Performance Alignment

– Positioning Diverse Suppliers for the Economic Upturn –

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The Diverse Manufacturing Supply Chain Alliance (DMSCA*)

DMSCA is a nonprofit membership organization that assists its Corporate Members in the development of diverse manufacturing and logistics suppliers for sustained participation in strategically sourced global supply chains in the commercial and government sectors

* Formally operating as the National Minority Manufacturing Institute



Issues:

How can major corporations support Supplier Diversity and supplier sustainability in global supply chains while focused on their core competency and global competitiveness in a challenging economy?

Discussion Objectives:

- To increase your knowledge about the DMSCA Corporate Mentoring Program (CMP) and works to support supplier development and supply chain performance alignment
- To show how the CMP addresses customers' supplier performance risk mitigation, fosters collaboration, and improves supplier relationship management.

A Bit of History: 1930-1950



Willie Sutton

- Bank Robber “Slick Willie” Sutton
- When asked why he robbed banks, Sutton simply replied
- "Because that's where the money is."



A Corporate America Supply Chain Truism

Large multinational corporations are dealing with the economic downturn by cutting supply chain cost, reducing inventories, and cutting suppliers to either sustain or increase profits.

Likewise, during the economic upturn, Corporations will continue to cut supply chain cost, reduce inventories, and cut suppliers for the same ends.

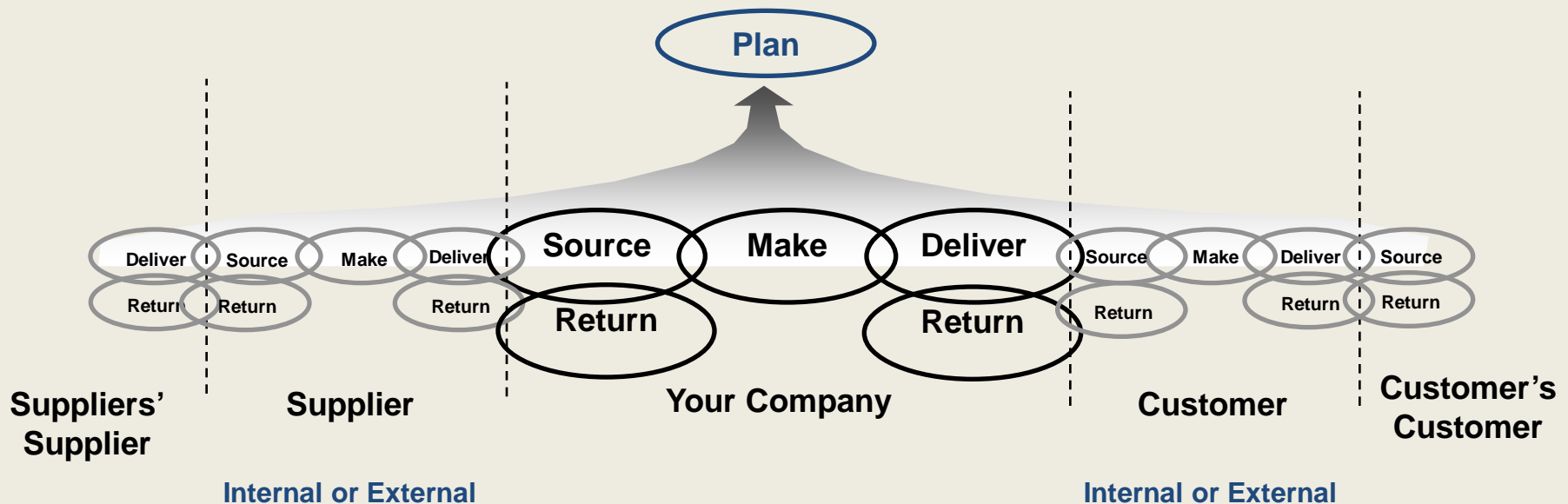
Yes, there will be an economic upturn, but for Diverse Suppliers left standing, the playbook for playtime on the global supply chain court will be more difficult, more scrutinizing, and more restrictive.

Performance differentiation by being the best at “taking cost out” and “adding value to” the supply chain is the only winning move.

* Moving Without the Ball II – Prepare to Play on a Faster Court/.D. Burton, Minority Business News, August, 2009

The CMP Utilizes the Supply Chain Council's Supply Chain Operations Reference (SCOR®) as Context for Initial Supplier Performance Benchmarking

- SCOR is a supply chain process reference model containing over 200 process elements, 550 metrics, and 500 best practices including risk and environmental management
- Organized around the five primary management processes of Plan, Source, Make, Deliver and Return



Supply Chain Activities: All Customers and Suppliers

- **PLAN**: Demand Planning/Supply Planning
- **SOURCE**: Sourcing Stocked, Make-to Order, Engineer-to-Order Product
- **MAKE**: Make-to Stock, Make-to-Order, Engineer-to-Order Production Execution
- **DELIVER**: Order, Warehouse, and Installation Management for Stocked, Make-to-Order and Engineer-to-Order Product
- **RETURN**: Return of Raw Materials, Receipt of Return of Finished Goods

The Value of SCOR

SCOR Index Comparison 2003-2008

[About](#)[PCOR.com](#)

NAME		LAST TRADE	DAY CHANGE	2003-2007 GROWTH	TIME
SCOR Companies Index	(SCOR)	1969.49	78.61	32.94 %	4:02pm ET
Dow Jones Industrial Average Index	(DJI)	9265.43	413.21	7.71 %	4:03pm ET
Standard & Poors 500 Index	(S&P)	985.4	44.85	8.45 %	4:59pm ET





The Corporate Mentoring Program is a performance and quality driven Supplier Development model that systematically aligns a Supplier's performance with the supply chain performance mandates of its Customers and that of its global competitors.

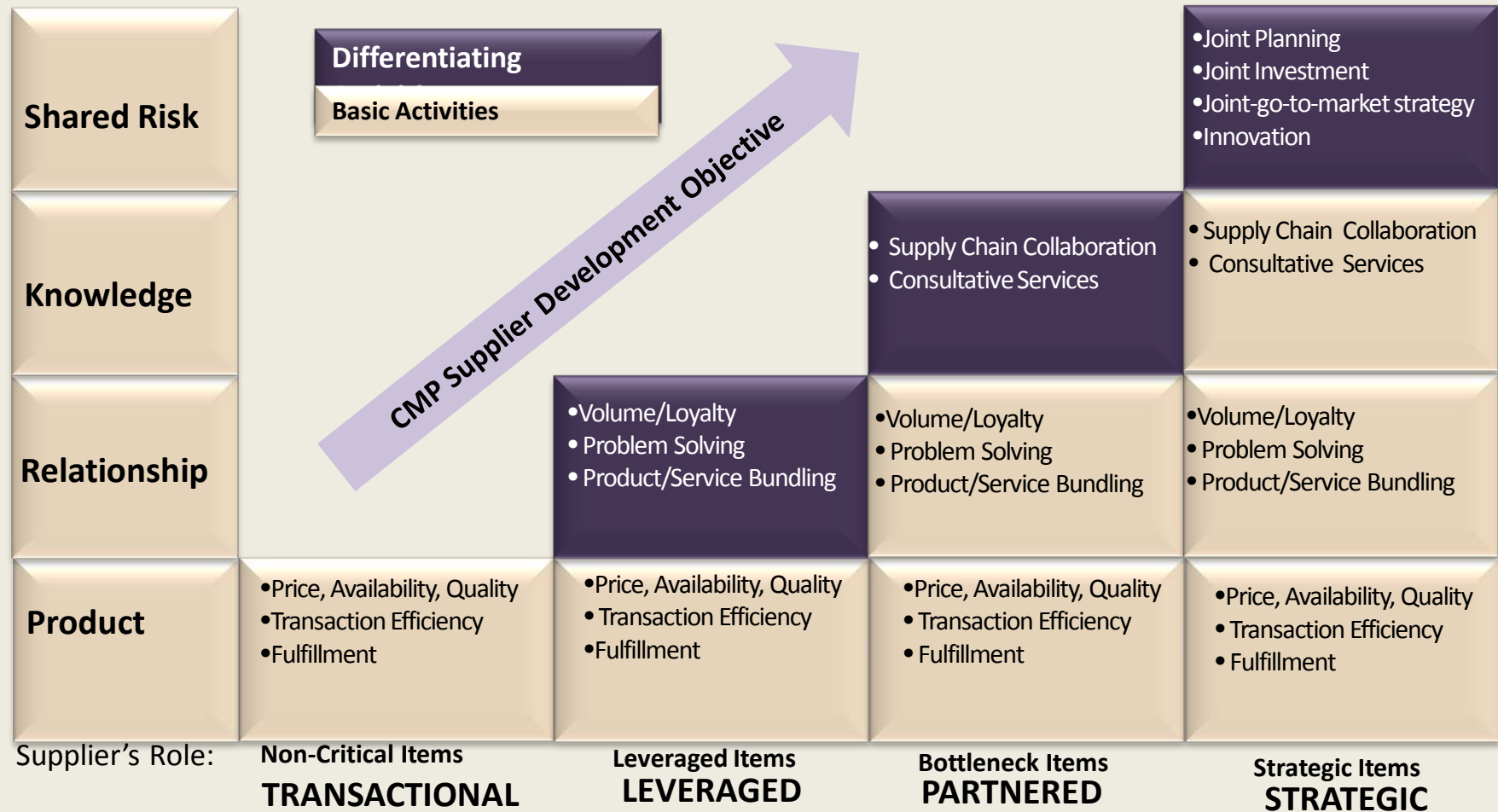
The CMP is characterized by a 22 week 9 phase process that encompasses:

- performance benchmarking
- performance gap determination and diagnostic gap analysis
- in-plant assessment , root cause analysis, and improvement plan development
- improvement plan implementation support and/or assistance
- suppliers performance monitoring and collaboration via performance dashboards
- supplier continuous improvement process
- capacity development and expansion

Responsive to Corporate Base Segmentation



Supply Base Rationalization and Segmentation



While the Supply Chain is the context for CMP implementation, its focus is on the Supplier

Enterprise Performance Level	Primary Input	Response / Capability
Level 4	Strategic Business Context	Innovation and Growth
Level 3	Customer Critical Requirements	Superior Supply Chain Enabler
Level 2	SCORmark Best Practices	Superior Supply Chain Partner
Level 1	Process Critical Requirements	Sustainable Business Platform

Performance Benchmarking

Performance Benchmarking Process:

[6 hour Workshop/24-7 On-Line Tutorial/ Follow-Up Consulting]

Steps:

- Supply Chain Definition
- Supply Chain Prioritization
- Supply Chain Strategy (Customer's/Supplier's)
- Performance Benchmarking
- Gap Analysis

SCORmark Performance Percentile Interpretation:*

Performance Objectives	Percentile	Interpretation
Superior	90 th	"Top 10" performer
Advantage	70 th	"Top half" performer
Parity	50 th	"Half better/Half worse"

* Based on global database maintained by the American Productivity and Quality Council (APQC)

Interpreting the Data

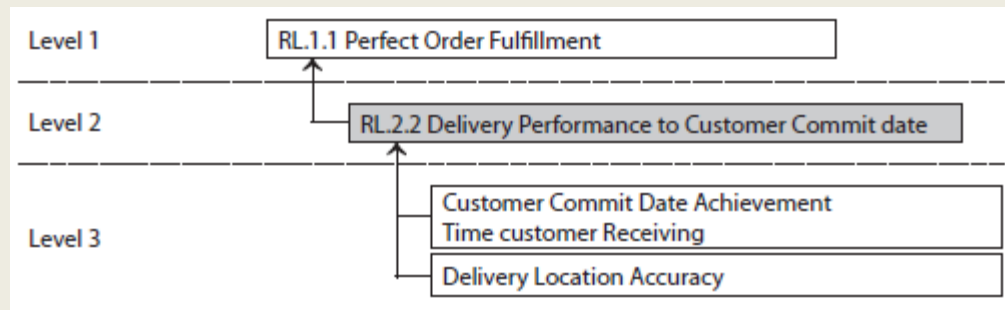
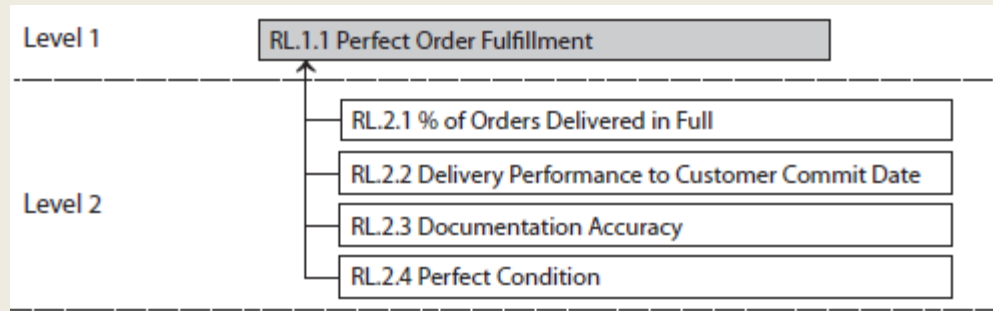
- Used for choosing target performance
- Critical to understanding performance in a particular demographic
- Can be “internal” (competing against other supply chains in same company)
- Aligns Strategy, Performance, and Performance Goals

SAMPLE LEVEL 1 SCORECARD

Attribute	S/ A/ P	Metric (level 1)	Diverse Supplier	Parity	Adv	Superior	Supplier Variance
Reliability	S	Perfect Order Fulfillment	97%	92%	95%	98%	1%
Responsiveness	A	Order Fulfillment Cycle Time	14 days	8 days	6 days	4 days	8 days
Flexibility	P	Supply Chain Flexibility	62 days	80 days	60 days	40 days	12 days
Cost	P	Supply Chain Mgmt Cost	12.2%	10.8%	10.4%	10.2%	1.4%
Assets	A	Cash-to-Cash Cycle Time	35 days	45 days	33 days	20 days	2 days

Performance Gap Analysis and In-Plant Root Cause Analysis

Reliability	A	Perfect Order



ROOT CAUSE IDENTIFICATION – Metrics Variable

D2.3

Reserve Inventory and Determine Delivery Date

Inventory and/or planned capacity is identified and reserved for specific orders, and a delivery date is committed and scheduled.

Create Supplier SCORcard

- Based on average data averaged over many samples
- Comes from root transactions, not aggregates
- Six-Sigma team support a big help

SAMPLE LEVEL 1 AND 2 RELIABILITY SCORECARD

Attribute	S/A /P	Metric (level 1 and 2)	Diverse Supplier	Parity	Adv	Superior	Supplier Variance
Reliability	S	Perfect Order Fulfillment	97%	85.5%	91.5%	98%	1.0%
Reliability	S	Accurate documentation rate	99%	99.0%	99.3%	100%	1.0%
Reliability	S	Percentage of sales orders delivered on time to customer commit date	97%	89.4%	95.8%	98.4%	1.4%
Reliability	S	Order Fill Rate	100%	95%	98.5%	99.8%	NA
Reliability	S	Perfect condition rate	99%	98.0%	99.0%	99.9%	.9%

IMPROVEMENT PLAN DEVELOPMENT

SUPPLY CHAIN PERFORMANCE

PLAN
SOURCE
MAKE
DELIVER
RETURN

Reliability
Responsiveness
Flexibility
Cost
Assets



IMPROVEMENT ENABLERS



BUSINESS PLATFORM ABILITIES

MIS -Manufacturing Information Systems
M&S - Modeling and Simulation
MP&E -Manufacturing Processes and Equipment
EM&TI -Enterprise Management and Technology Integration
LR&E - Legal, Regulatory, and Environmental

IDENTIFY SUPPLY CHAIN
IMPROVEMENT TARGETS

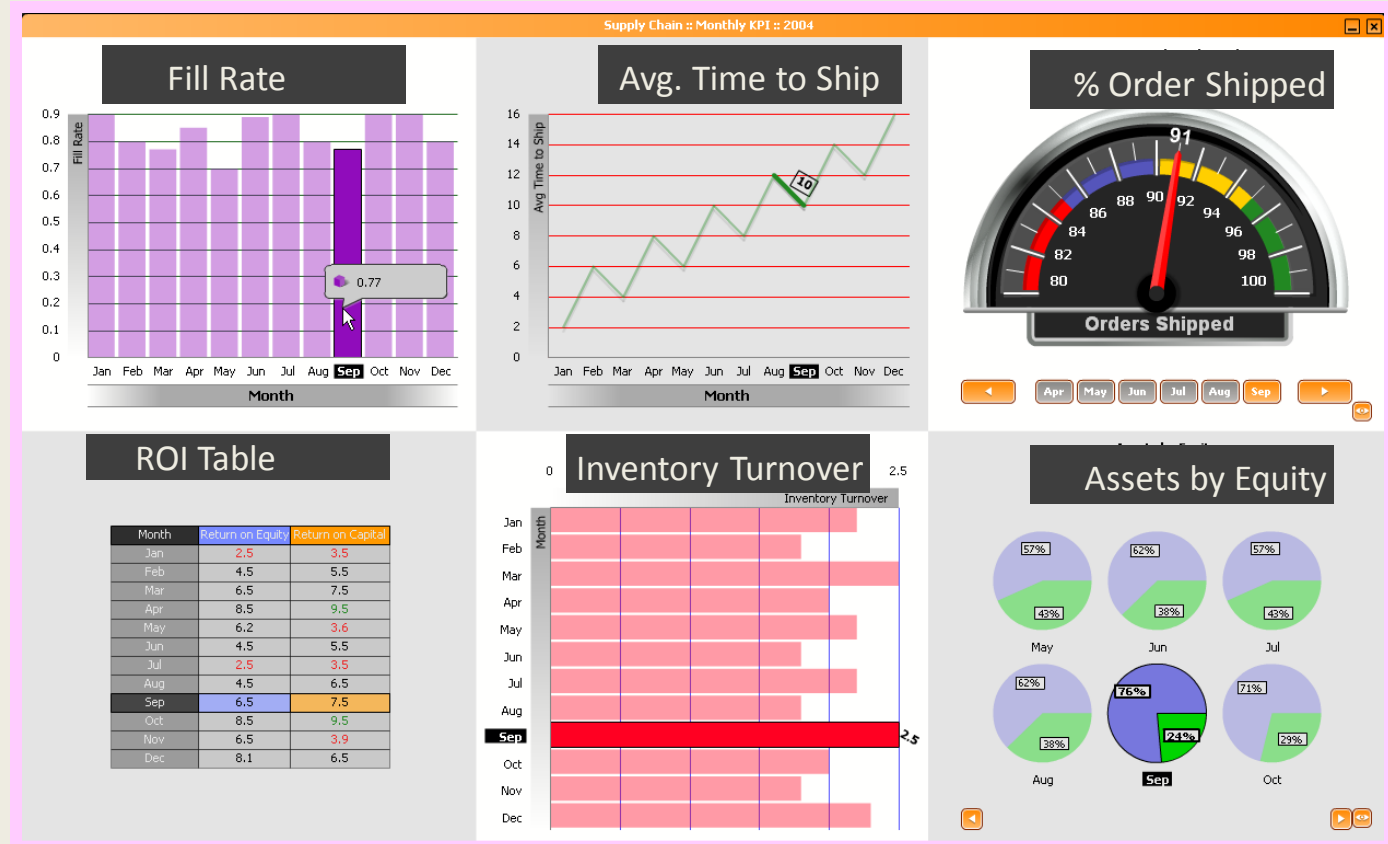
IDENTIFY ENABLING BUSINESS
PLATFORM by WBS

Supply Chain Performance improves where a Best Practice is enabled by Business Platform capability

Customer Collaboration

On-line Business Process Management (BPM) : Performance Reporting and Monitoring

- Visualization of supplier performance status
- Customization of interconnected supplier variables
- Data drilldown
- Monitoring of supplier performance trends, metrics, and warning signals
- Real time information reporting/data downloads
- Customized visual querying & discovery
- Balanced Scorecard reporting



DMSCA Supplier Performance Maturity Index (SPMI): Indicators of a Supplier's Relative Performance Maturation

Performance Maturity Level	Supplier Type	Level Description
LEVEL - 0	Not Process Driven	Processes not repeatable
LEVEL - 1	Process Driven	Has repeatable processes which are defined
LEVEL - 2	Process and Quality Driven	Systems in place to measure company performance
LEVEL - 3	Market-Supply Chain Driven	Performance goals defined /processes compared to market objectives
LEVEL - 4	Product-Division Driven	Analyzes performance deviation/performance dashboards deployed for performance management and customer collaboration
LEVEL - 5	Company Driven	Processes of managing are compared and improved continuously company - wide

Recap of CMP Approach to Supplier Development and Supply Chain Performance Alignment

**Performance
Benchmarking**

**Supplier Performance Improvement: In-Plant Assessment /
Performance Variance Root Cause Analysis / Best Practices**

**Relationship
Management**

Level 1

**Process Critical
Requirements**

Manufacturing Information Systems (MIS)

Level 2

**SCORmark Best
Practices**

Modeling and Simulation (MIS)

Level 3

**Business Critical
Requirements**

Mfg. Processes and Equipment (MP&E)

Level 4

**Strategic Business
Context**

Enterprise Mgmt. and Technology Integration (EM&T)

Legal, Regulatory, and Environmental (LR&E)

**Performance Dashboard Management
Performance Maturation Indexing
Monitoring/Collaboration**



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