

## **Case Study: Supplier on Time Delivery**

**March 2011**

### **Our Client:**

Our client is a \$15.0B global power leader that designs, manufactures, sells, and distributes its product and related technology around the world. This client has a global supply chain, and was forecasting strong revenue growth across several of its business units. Contributing to its operational challenges was the ongoing unacceptable on time delivery performance of its component suppliers across all major component categories.

Our client was experiencing on time delivery performance of its supply base in the lower 80 percentile and more specifically in the lower 50 percentile on its worst performing suppliers.

Based on The Tagos Group's reputation, knowledge, and expertise in supply chain management and systems, we were engaged in mid November of 2010 to formulate and execute an improvement process that would drive supplier on time delivery performance to the 95 percent level or higher by June 30, 2011.

### **The Challenges:**

The challenges facing this organization with regards to this project were as follows:

- Which initial group of problem suppliers should be targeted?
- How to communicate, initiate, execute, track, and maintain the improvement process in a cross functional matrix environment?
- How to incorporate specific supplier project management with the organizations own problem identification and resolution process, (7 Step Process), in order to track deliverables and insure a systemic ongoing solution.
- Developing specific metrics and expectations
- Buy in from the commodity teams to support such activity

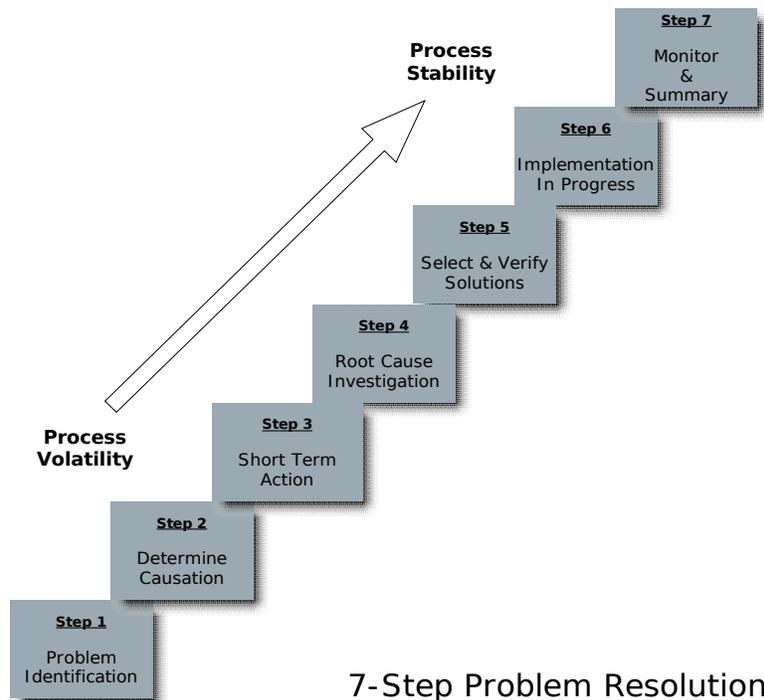
### **Strategy and Actions:**

The Tagos Group initially sent an assessment team into our client's organization in order to review and analyze the companies supply base metrics and OTD performance data. After completion of this initial review phase, The Tagos Group was able to determine and develop the overall project scope, identify specific global geographical complexities, and determine the appropriate group of suppliers to target in the initial improvement project.

The criteria that were utilized in selecting the initial group of twenty suppliers focused on suppliers who had a high level of delivery volume, in addition to those that would generate a high value impact to our client through improved performance. Our client specified that they would like us to develop an approach that would enable them to achieve 95% OTD from the

targeted group of suppliers by June 30, 2011 while also offering the knowledge of The Tagos Group to mentor and develop their personnel while leaving them with robust processes and a methodology to stay on track.

The team then developed an operational improvement strategy that focused on utilizing the client company's 7 Step problem identification and resolution procedure, coupled with project management software to track team activity and deliverables for each supplier.



The next step in this process was to communicate project initiatives to the individual sourcing teams, and then drive the process of problem identification and resolution with the sourcing teams and the supplier.

This stage of the project entailed more detailed data analysis, ongoing communication and conference calls with the team and supplier, weekly order delivery status reviews, monthly supplier scorecards, and supplier site visits.

Additionally, to keep senior management informed of progress and deliverables, a weekly supplier tracking sheet was formatted and updated each week. The tracking sheet was known as the 'PDCA Update', and is the acronym which represents Planning-Doing-Checking-Actions. This simple format tracked current and future team / supplier improvement initiatives, OTD metrics from a weekly and monthly basis, and project management status of each supplier. This format was also shared with sourcing team members to insure ongoing awareness, communication, and progress.

**The Results:**

Our approach and management of this project delivered substantial OTD results well ahead of the time expectations of our client. The clients OTD performance improved from 59% to 95%, within a 120 day period (Nov 2010 to March 2011), and was achieved well ahead of the clients initial targeted completion date of June 30, 2011. This approach also provided a systemic process which allowed for individual supplier assessment in order to analyze, determine, and resolve the root cause issues that were impacting and preventing the individual supplier companies from achieving OTD performance. Overall, the project resulted in achievement of positive delivery performance for our client company, along with a demonstrated and defined supplier process manual, which will be used as an educational and guidance tool for future sourcing personnel.

The Tagos Group's ongoing team interaction, supply chain expertise, and team mentoring capability helped our client's managers develop a solid workable understanding of how to effectively implement the 7 Step Problem Resolution process, along with the confidence in how to communicate and initiate this process with the supplier companies. This "intangible" mentoring benefit is one of the many leadership strengths that the experienced consultants of The Tagos Group bring to our clients in our day to day engagement with their employees.

Not only was OTD performance improved substantially, but the improved OTD performance also brought operational efficiencies along with significant WIP inventory reductions to the various business segments of our client. Our process ultimately allows the client and supplier to monitor and improve its processes in order to achieve continuous improvement and achieve higher levels of delivery performance.