

By Terry Finefrock, CPIM

# Put Your Best Foot Forward

*Working with your suppliers for a fluid supply chain*

Suppliers are a valuable source of information and an integral part of a successful business strategy. I learned the value of collaborating with suppliers while employed by a manufacturer of broadband communications equipment. My firm had successfully consolidated 92 percent of our spend with 26 suppliers; established performance-based contracts; integrated activities via an enterprise resources planning system; and replaced purchase releases with weekly schedules, which detailed required shipments and longer-term planning schedules. These strategies resulted in a competitive advantage and dominant market share.

My company provided its suppliers with reports on quality and delivery performance. Quarterly meetings were conducted to identify and implement improvements. Perhaps most importantly, we welcomed supplier suggestions during these discussions. Every partner in the supply chain recognized that all of our financial futures were dependent on each of us performing to schedule and specifications. After all, if we lacked even a single part, we wouldn't need the others. Scheduling issues could create many negative consequences that would damage our collective ability to win orders and grow market share.

Prior to one of our quarterly meetings, we identified a decrease in our on-time shipments. Subsequent analysis pointed the finger at a supplier of electronic components whose on-time

delivery until then had been excellent. However, recent performance had been lacking. This supplier provided about 700 inexpensive parts—capacitors, resistors, and so on—that were used in most of our products.

Members of our supply chain had agreed to a four-week frozen horizon for

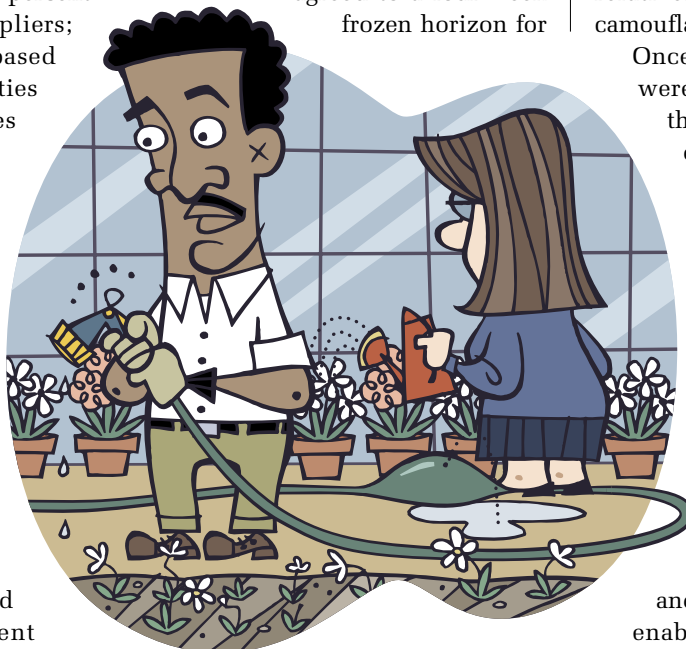
supplier could or could not deliver. This protected the planner and his “problem supplier” but also created near-term chaos for the numerous other suppliers. The majority of them were able to accommodate last-minute changes because their volumes were relatively low, and this fact had camouflaged the problem.

Once we saw the evidence, we were able to quickly eliminate the true root cause. And with our suppliers' help, we survived the crisis, reinforced our relationships, and learned some valuable lessons about managing operations.

We are all partners in the same complex supply chain; actions by one participant can create invisible, downstream consequences to others. Collaboration provides us with different and varied perspectives, which enable supply chain partners to recognize problems that may not be readily apparent. Proper integration of these diverse points of view can generate significant competitive advantage for all. 📌

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master-scheduled end items, inside of which no changes could be made without verifying that they could be accommodated by all suppliers. When confronted at the quarterly meeting, the accused supplier claimed that the poor performance was caused by changes we had made within that four-week horizon. He even had charts proving we had changed requirements within the horizon several times.

Further analysis traced the adjustments to parent subassemblies that were managed by one particular planner. We discovered this person had been resolving a different supplier's delivery problems by changing the subassembly schedules to accommodate what that

Illustration by Terry Colon