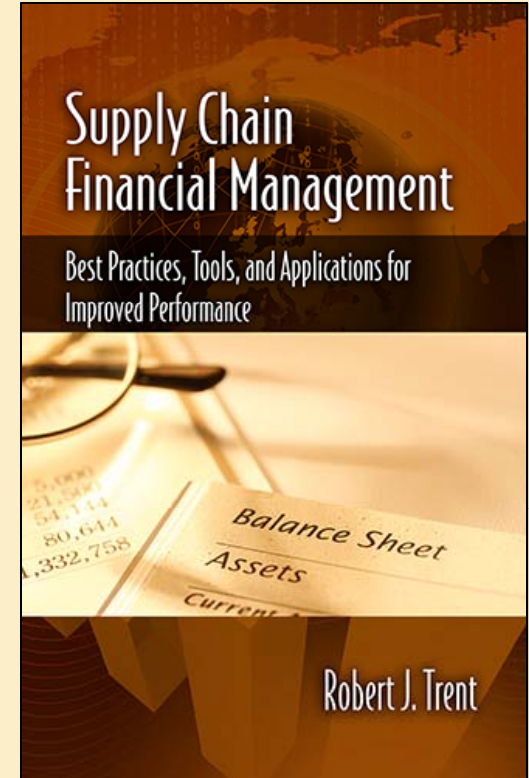


SUPPLIER DEVELOPMENT

BEST PRACTICES AND PROCESS



Supplier Development

- *What is supplier development?*
 - Supplier development represents any activity or effort on the part of the buying firm to improve the performance of key supply chain members
 - Development efforts fall primarily into two categories...
 - Working with a supplier to improve an existing performance capability, or to resolve a problem with an existing capability (can be reactive or proactive)
 - Working with a supplier to create a performance capability where none previously existed (proactive)

Supplier Development Best Practices

- Best-practice firms...
 - Have a well-defined supplier development process in place
 - Rely on an executive steering committee to help identify and prioritize development opportunities
 - Work with key suppliers to identify opportunities and to gain executive support
 - Establish a central system for controlling and monitoring supplier development efforts

Supplier Development Best Practices

- Best-practice firms...
 - Post the progress and results from development projects on a company Intranet
 - Manage supplier development initiatives as projects with widespread visibility across the organization
 - Use their supplier scorecard system to help identify improvement opportunities and track performance gains (supplemental article available that details the problems with most scorecard systems)
 - Measure and report the financial payback from their development efforts

Supplier Development Best Practices

- Best-practice firms...
 - Make budget specifically available to cover travel and living expenses of supplier development participants

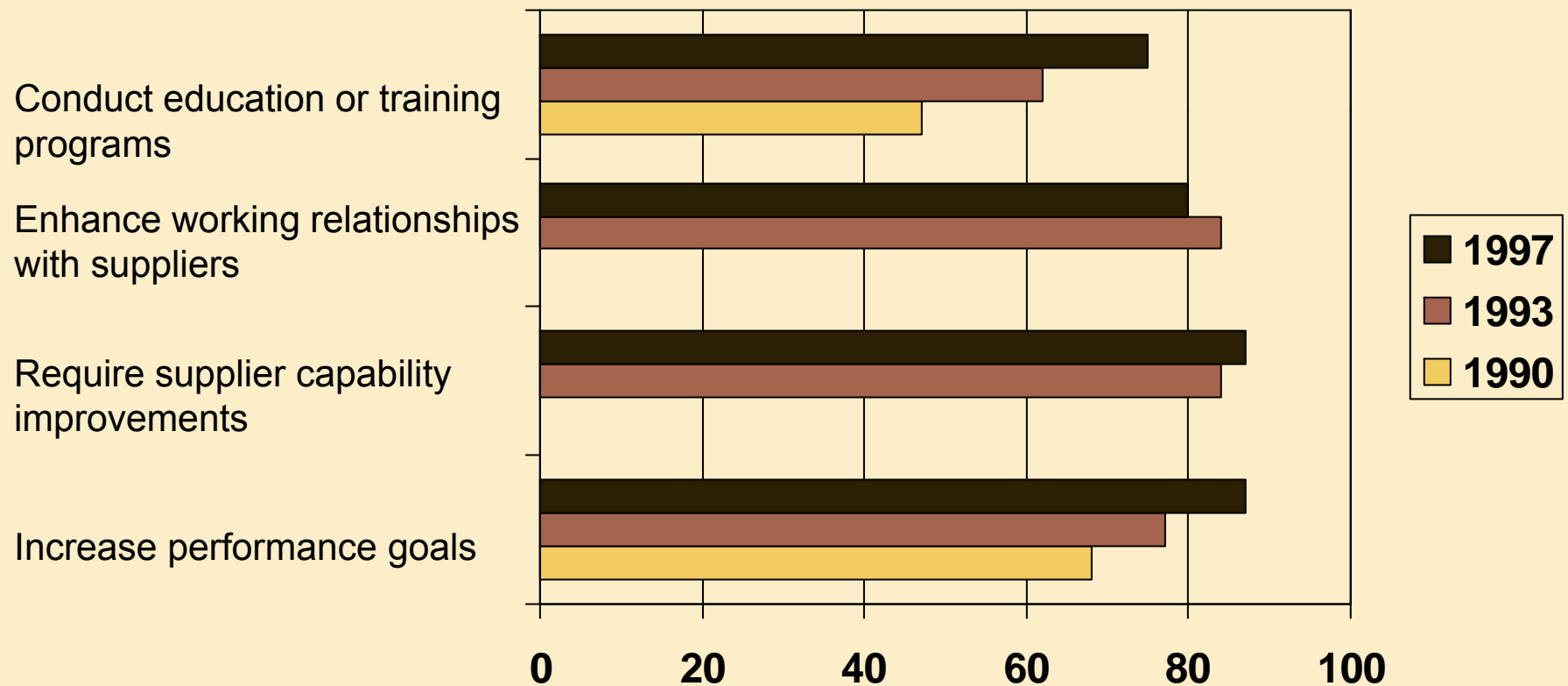
Supplier Development

- Supplier development has been philosophically difficult for many U.S. firms...Why?
- Most supplier development activities in the U.S. have been reactive...Why?
- The logic behind supplier development is clear...
 - With fewer remaining suppliers, performance improvement will occur primarily through the improvement of existing suppliers rather than large-scale supplier switching
- Identify a set of factors that are critical to effective supplier development...



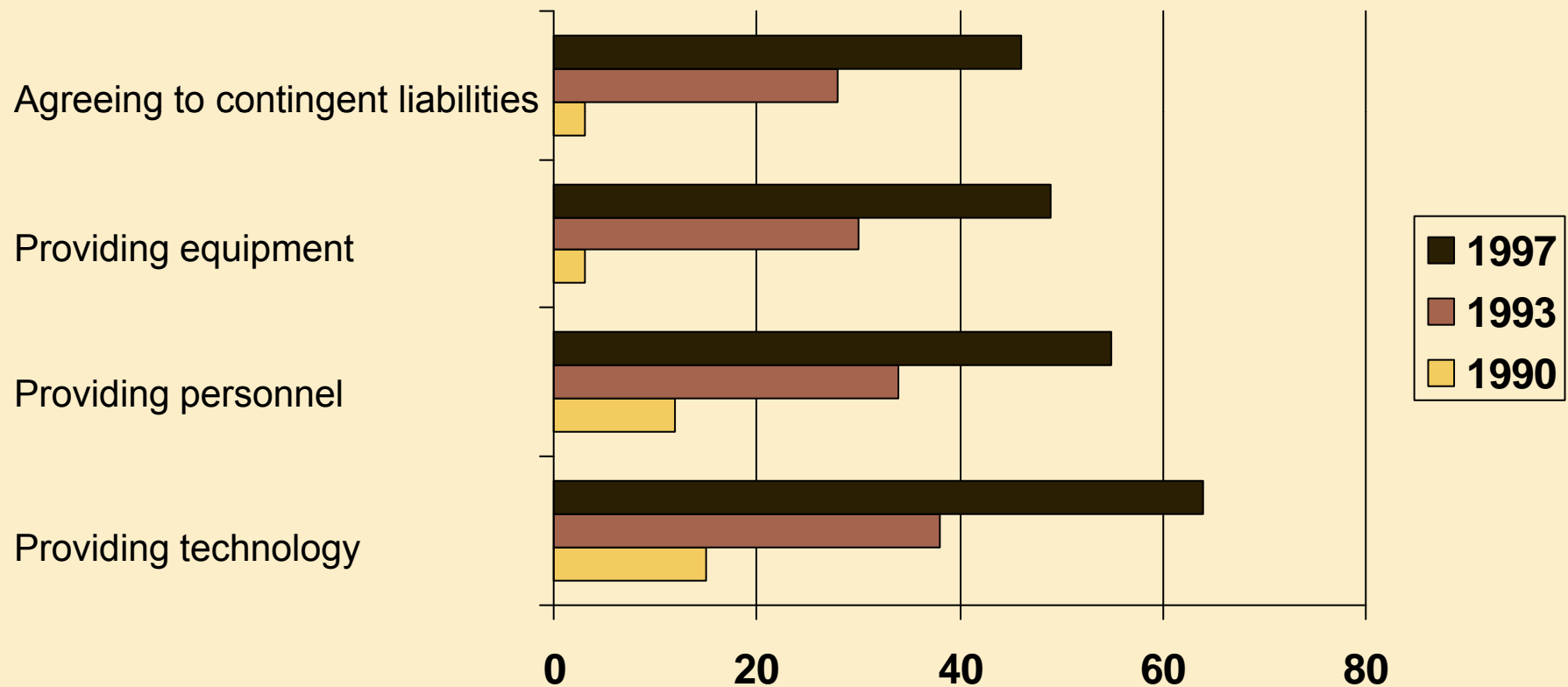
Supplier Development Activities

- Growth in supplier development (percent of firms indicating they rely on a development activity)...



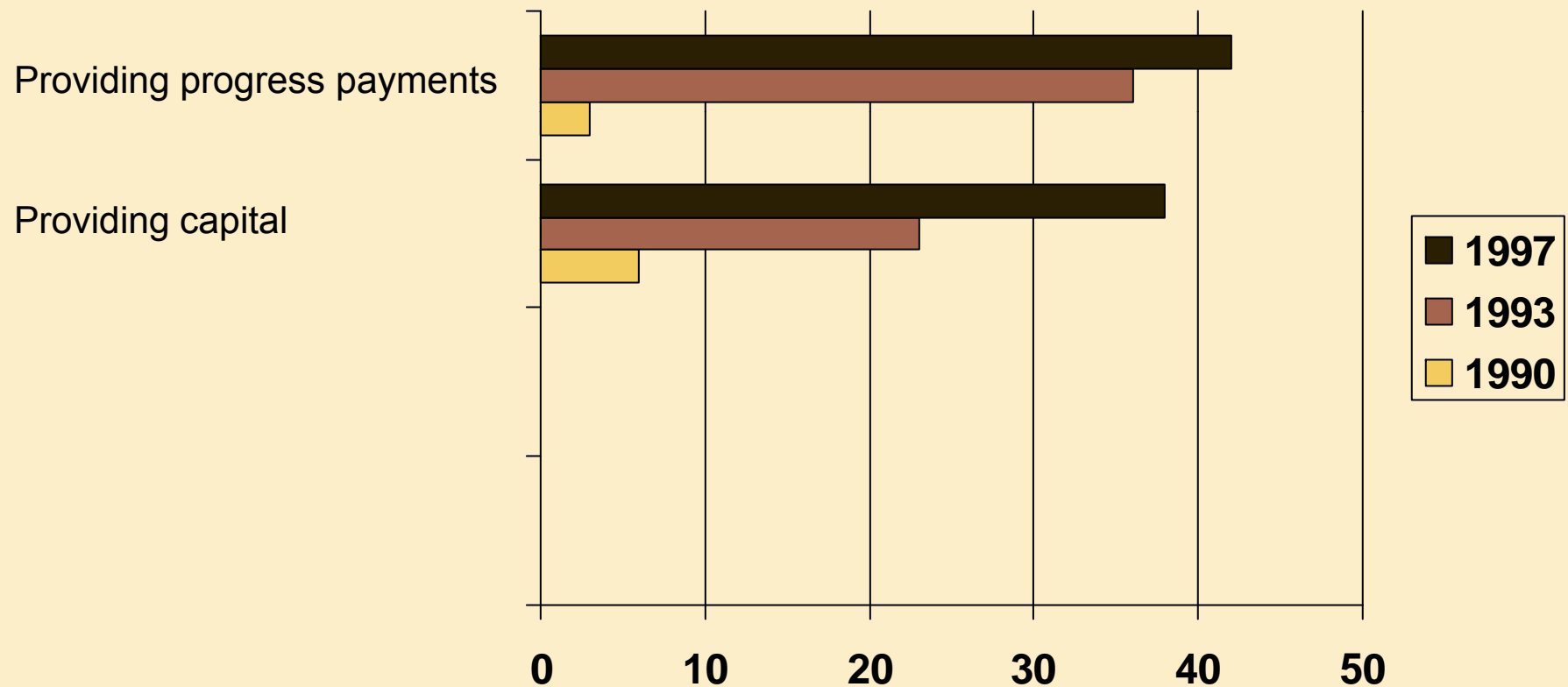
Supplier Development Activities

- Growth in supplier development (percent of firms indicating they rely on a development activity)...



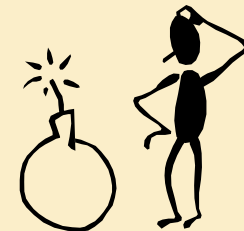
Supplier Development Activities

- Growth in supplier development (percent of firms indicating they rely on a development activity)...



Supplier Development

- Identify possible risks to supplier development



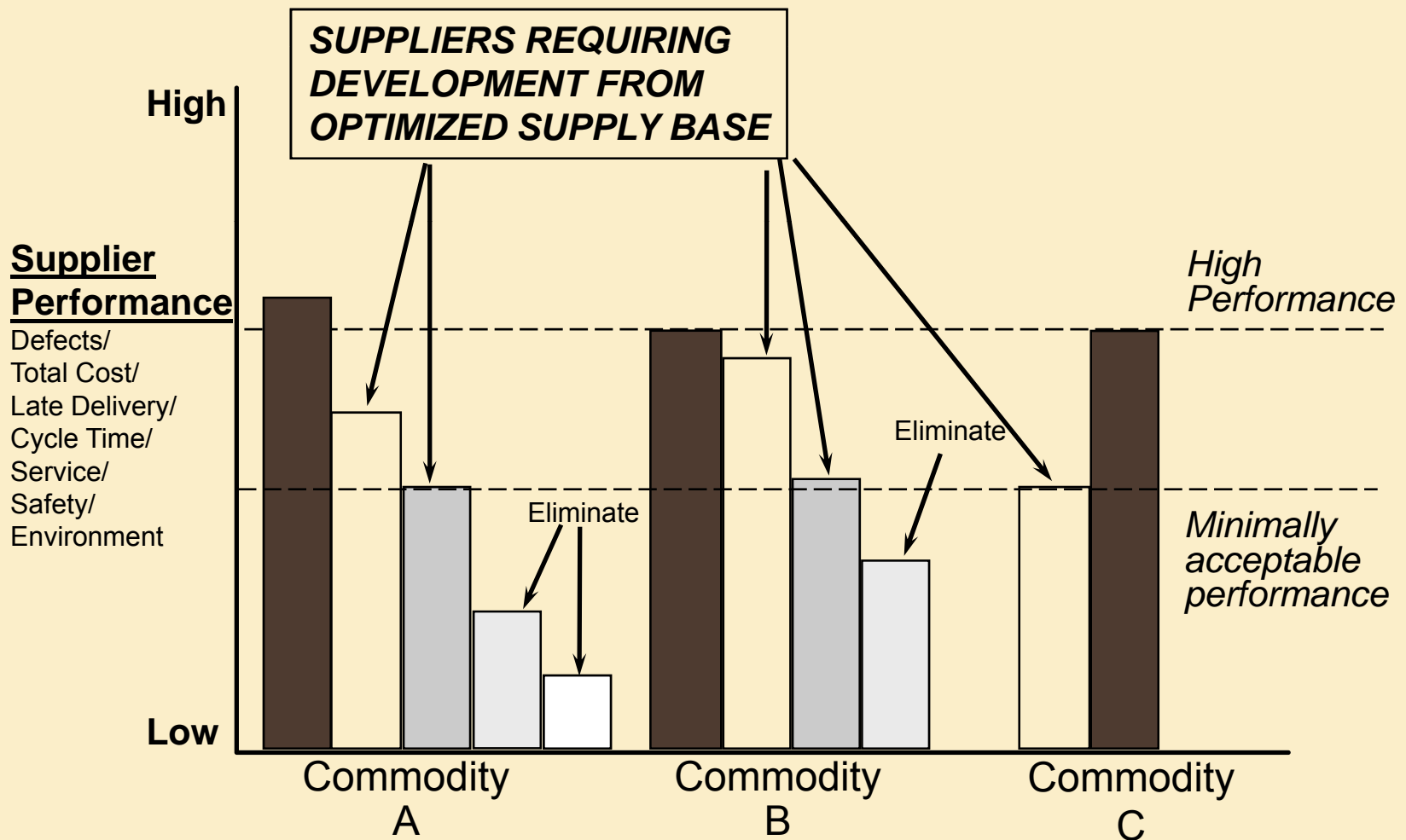
Supplier Development

- *Allocate development resources carefully!*
 - Most firms budget limited resources to the development effort
 - Some suppliers are world-class and do not require development efforts
 - Some suppliers may not want your development support



Identify Candidates for Development

- Identifying potential development candidates



Supplier Development Results

Krause, Survey of 527 firms
Respondents: ISM members

Criteria	Before Supplier Development	After Supplier Development
Incoming defects	11.65 %	5.45 %
% on-time delivery	79.85 %	91.02 %
Cycle time (from order placement to receipt, inclusively)	35.74 days	23.44 days
% orders received complete	85.47 %	93.33 %