Supplier Base Management: Managing the Whole, Not Just the Parts
Presenter

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Session Objectives

- What is Supplier Base Management (SBM)?
- What are the components of an effective SBM system?
- How does SBM help the firm better compete in today’s market?
The Integrated Supply Chain

Relationship Management

Information, Product, Service, Financial and Knowledge Flows

SUPPLIER NETWORK

INTEGRATED ENTERPRISE

Sourcing

Logistics

Operations

DISTRIBUTIVE NETWORK

MATERIALS

END CONSUMERS

Capacity, Information, Core Competencies, Capital and Human Resources

Source: Supply Chain Faculty, Michigan State University
Background
Supplier Base Management Background

- SCM 2010 and Beyond
  - A research project aimed at helping identify the future trends taking place in supply chain management
  - Highlighted the transition taking place in the supply chain
- Industrial research
- Supplier Relationship Management literature
- Trends in Michigan
REMEMBER!

- Today’s supply chain is a result of actions taken in the past

- Tomorrow’s supply chain will be the result of actions that we take today
Comparing Supply Chains

- Today’s supply chain
  - *Strategically-Decoupled, Price-Driven*
  - Focused
    - Driven by the supply chain disruptions/risk, leadership within the supply chain, managing the timely delivery of goods and services
- Measured by three critical indicators
  - Price
  - Delivery
  - Quality
- Not linked to strategic objectives
Tomorrow’s Supply Chain

• Strategically-Coupled, Value-Driven
• Highly adaptive

• More complex performance measurement
  – Cost savings
  – Cost avoidance
  – Revenue growth
  – Asset utilization

• Strategic in nature
  – A corporate capability and asset
  – A necessity and an opportunity.
# The Supplier Base - Changes

<table>
<thead>
<tr>
<th>Key Issues</th>
<th>Old View</th>
<th>New View</th>
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<tbody>
<tr>
<td>Which suppliers to focus on?</td>
<td>Current major suppliers</td>
<td>Current major suppliers, Minor Suppliers, Potential Suppliers, “Past” Suppliers</td>
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<tr>
<td>Relationships</td>
<td>Current</td>
<td>Current Future</td>
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<td>Attention Spent on Past Suppliers</td>
<td>Minimal</td>
<td>Great (knowledge transfer, Technical support)</td>
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<td>View of the Supplier Base</td>
<td>Static</td>
<td>Dynamic</td>
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<td>Performance Measurement</td>
<td>Cost Quality</td>
<td>Multiple dimensions (hybrid/blended measures)</td>
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<td>Awareness of other supply chains</td>
<td>Low</td>
<td>High</td>
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THE AGILE AND EFFECTIVE SUPPLIER BASE

One of the Keys to Tomorrow's Supply Chain

ONE THAT “FITS”
What to do when the supplier cupboard is bare?

The challenge facing certain critical industrial sectors
Baseball and Supply Chain Management

Identifying the Link?
How successful would your team be if it only focused on the majors?

Over the long term, not very!
Tenets of SBM

• The supplier base is inherently dynamic

• There is a need to balance the various forces in a supplier base

• Supply chains move between efficiency and effectiveness

• No supplier can be all things to all customers
SBM Elements

1. Management of Major Suppliers
2. Management of Minor Suppliers
3. Scouting
4. Transition Management
SBM Elements

- Major Suppliers
  - Current suppliers that we work with
  - Represent certain capabilities that we need to compete
  - Major focus of research (academic and practitioner)
- Major challenges
  - Risk
  - Determining the “right” number of suppliers
  - Setting the “right” type of relationship
Air Force Manufacturing Strategy Workshop
2009
Managing the Minors

- Focus – minor suppliers
  - Potential suppliers with relatively small amount of business.
- Supplier evaluation
- Supplier development
- Supplier improvement
- Supplier education
- Supplier integration
- Supplier socialization
Managing the Minors

- Pool of replacement suppliers
- Defines the firm’s ability to meet sudden increases in demand through readily available capacity expansion
- Source of competitive pressure
- Source of new capabilities
- Risk reduction strategy
- Start of the relationship!
What We Learned from Tom Linton
Scouting

- Scouting the competition and their supply chains
  - Identify and recruit suppliers
  - Identify how the competitors’ manage their suppliers; trends, developments, changes
  - Complete intelligence analysis

- Scouting the environment for new, potential suppliers
  - The “field of dreams” approach does not always work.
Scouting

- How do we make ourselves attractive to potential suppliers?

- Old view
  - Good customers fire bad suppliers

- New view
  - Good suppliers fire bad customers
Transition Management

- Moving suppliers in and out of the major supplier system
- Minimizing the problems caused when a major supplier leaves:
  - Product support
  - Intellectual capital
  - Informal factory effect
  - Knowledge transfer
Epic Kayaks and China
What Outcomes Do You Want Your Supply Chain To Achieve?

- Six Major Outcomes
  - Cost
  - Responsiveness
  - Security
  - Sustainability
  - Resiliency
  - Innovation

- Blending outcomes requires trade-offs
- Performance measurement is more complex
- Outcome not enough; focus on solution
The Role of SBM

- Desired Outcomes
- Desired Supply Chain Capabilities
- Realized Outcomes
- Current Supply Chain Capabilities
- Supplier Base Management
- Capabilities Gap

Suppliers

Act on
The Challenge

- Strategic outcomes
- Supplier Capabilities
- Practices
SBM Implementation Guidance

- What percentage of your time is spent on:
  - Majors
  - Minors
  - Scouting
  - Transition

- What formal systems have you in place for identifying potential suppliers and for developing them?

- How long would it take for you to recover should a major supplier leave?

- How long would it take for the supply chain to respond should corporate strategy significantly change?
SBM Implementation Guidance

- How have you made your firm attractive to potential suppliers?
- A critical competitor changes their supply chain strategy:
  - How long would it take for you to identify or to assess the change?
  - How would you respond?
  - What would you do?
    - Reactive vs. proactive!
- Is top management aware of the potential fit between the supplier base and corporate strategy?
  - Strategic alignment!
So What?

- Must view the supplier base from a systematic, dynamic perspective.
- Success depends on ensuring that you have the right suppliers available at the right time.
- This is a deliberate activity.
- Fit occurs by intent rather than by accident!
QUESTIONS