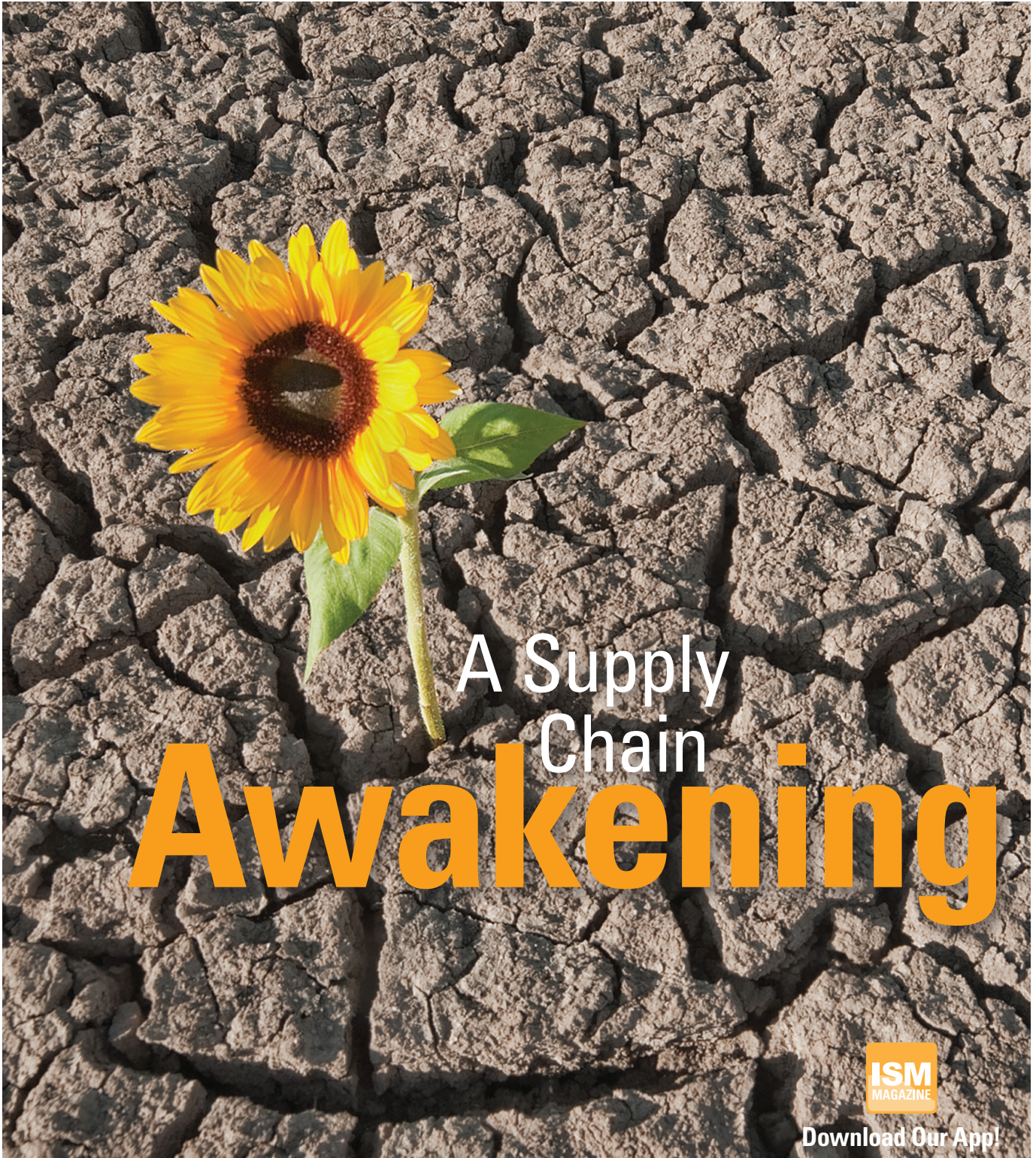


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A Supply
Chain
Awakening



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COVER STORY

By Mary Siegfried

If you asked Ian Blount, Ph.D., a few years ago to describe Coalescence, the food ingredient and flavor manufacturing company he founded with his wife, Angela Cauley, he probably would've told you he's in the contract manufacturing business. But today, after re-examining Coalescence's processes, systems and metrics, he has a different answer. "We are more engaged and informed about our company and realize now we are a supply chain company," he says.

That realization, which Blount calls a paradigm shift, came after the Ohio-based company was introduced to the Diverse Manufacturing Supply Chain Alliance's (DMSCA) Corporate Mentoring Program (CMP). "The CMP is a supplier development process that engages corporate members with mature and maturing manufacturing and logistics suppliers to guide their development as strategic supply chain organizations committed to supply chain excellence," according to DMSCA.

While that official statement details the program's goal, Blount has a simpler description — "It's an eye opener." After participating in the program for the last three years, at the request of corporate sponsor McCormick & Company Inc., Coalescence LLC has been working on a detailed metrics scorecard, designing technology tools to improve forecasting, on-time delivery and inventory management, and developing processes to become a better supplier to its customers.

"We now look at the supply chain as a whole continuum, and we make sure we are capturing costs and offering a value proposition through the entire chain," he says. "It's not just about manufacturing, it's about our supply chain."

It's All About Supply Chains

It's that type of eye-opening viewpoint DMSCA strives to awaken in diverse suppliers, explains David J. Burton, the non-profit's passionate founder, CEO and president. He describes DMSCA as a community of practice where diverse supplier companies and corporate members share resources, best practices and problem-solving solutions. It's the only supplier development program preparing diverse suppliers for strategic engagement in supply chains, Burton says.

While working years ago in small-business development, and small-business incubation and funding programs, Burton





A Supply Chain Awakening

says he was concerned by the lack of support for small and midsize manufacturing companies. "Suppliers were not getting this new thing called supply chain," he says. "I wanted them to realize it's not manufacturing anymore, it's not logistics anymore, it's supply chain." With that mantra at its foundation, DMSCA evolved from the National Minority Manufacturing Institute as an organization designed to prepare suppliers to be performance-driven and performance-managed.

"My philosophy is that if you live on cost you will die on cost," Burton says. "But if you understand the supply chain you can improve processes, leverage your value and become partners with your customers." Through the CMP, which includes corporations such as Johnson & Johnson (J&J), McCormick & Co., Delphi, Caterpillar and the Boeing Company, diverse suppliers are mentored by corporations that help them understand the value in process improvement, quality management and performance benchmarking.

Verify Best Practices

DMSCA's emphasis on continuous improvement is one thing that attracted Hannah Kain, CEO of ALOM in Fremont, California. She heard a presentation about the alliance at a conference "and signed up on the spot."

"Anytime I can participate in a program that results in a certification, I'm for that," she says. "I believe one of the key challenges corporations face is knowing whether the diverse suppliers they are working with have the needed skills and knowledge." An independent, third-party certification helps demonstrate her company's commitment to performance development.

ALOM achieved the CMP Level 3.0 certification from DMSCA earlier this year, "verifying that it practices premier standards in supply chain process measurements and controls as

recognized by leading corporations."

Kain admits it's an intense process involving consistent monitoring, measuring and benchmarking. ALOM's corporate sponsor is J&J, which is also an ALOM customer. "We shared metrics with J&J and received feedback about the metrics that are important to them," she explains. "When we reached the top level, we were able to prove that we have a sustainable metrics and benchmarking model. It shows that we are continuously improving and following our metrics."

Align, Adapt, Achieve

When diverse supplier companies like ALOM and Coalescence commit to DMSCA, they first are benchmarked against global competitors. They are required to gather supply chain specific metrics about their operations, measuring delivery performance, inventory levels, order fulfillment cycle time and forecast accuracy, for example. There are also enterprise benchmarks, which address 13 areas of operational maturity.

The CMP approach includes three focus areas for suppliers:

1) Align — Supply chain performance:

- Assess organizational readiness for managing a supply chain project.
- Develop a supply chain strategy.
- Benchmark the current state and determine future-state customer-critical supply chain performance.

2) Adapt — Change and develop:

- Determine the current-state performance-gap root cause.
- Apply best practices to close current-state performance gap.

3) Achieve — Supply chain performance excellence:

- Conduct supply chain case study.
- Develop strategic improvement plan after on-site assessment.
- Report standard and customer-critical performance metrics.
- Certify supply chain performance.
- Continuously improve.

The program is self-paced, and on average takes one to two years to attain a CPM Level 3.0 and begin monthly metrics reporting. "This certification is not something you apply for," says Burton. "It's something you achieve through benchmarking, understanding gaps in your supply chain, designing processes to fill those gaps, and applying best practices to improve your performance and reporting metrics throughout the process. We want this to become a supplier's corporate culture and to commit to annual performance benchmarking."

Build Supply Chain Teams

Burton insists that every supplier company in the program have a supply management organization. With the program's performance benchmarking and scorecard requirements, the supplier company's supply chain organization must guide and sustain the metric-focused processes and best practices, Burton explains.

Coalescence now has a supply management team of three and an MRP system, which Kermit Montague, supply chain director, built from the ground up. And with help from DMSCA, he has taken it to the next level, building technology tools to measure performance areas such as on-time delivery and ship-to-commit (shipping the order on time and in full).

"We collected a lot of data, but it was not being used strategically," he says. "Once we were introduced to the CMP, we began relying heavily on our data to measure performance. The tools help us improve forecasting and delivery, and they allow us to be more transparent with our customers." While gathering the required scorecard metrics for the program, Montague says corporate sponsors continuously provided feedback and direction, helping the company understand what large corporations want from suppliers.

Blount says for the raw materials

side of the business, Montague built a forecasting tool so Coalescence could use a JIT system, which helps the company better manage its cash flow and inventory. He says another system improvement prompted by the CMP was greater customer transparency.

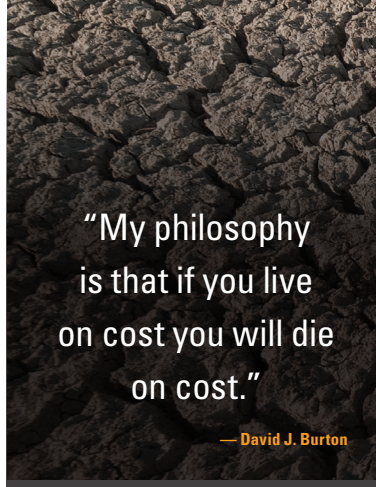
"We now give customers visibility into our ordering system so they can understand how managing their order can help us bring in product at the best economic order quantity so we can offer them a better price point," explains Blount, senior vice president and COO. "All of these technology and visibility upgrades came from our participation in DMSCA. That is what inspired us."

Increase Employee Involvement

Kain says the rigorous metrics gathering requirements of CMP helped her company expand its metrics knowledge beyond senior management. Because achieving the CMP certification is a company-wide effort, Kain says middle management became more involved in metrics gathering, KPIs and customer relationships.

"We are a better supplier because we have employees at all levels who understand more about our customers, what their priorities are and how we can align with those priorities," she says. "It's an important transition for us, and we have committed to continuous, consistent improvements."

Burton says DMSCA has 13 corporate members, which it will be increasing by the end of the year. There are 30 diverse supplier companies at varying CMP phases, and most are small to midsize mature companies in a variety of industries including automotive parts, medical devices, aerospace, electronics, and food and beverage. Expecting 10 to 15 new supplier companies by the



"My philosophy is that if you live on cost you will die on cost."

— David J. Burton

end of the year, he stresses that the program is not for startup companies because "it's probably too much work for a startup."

Blount will attest to that. "It's absolutely laborious," he states. "The biggest challenge is being able to take the time to extract the data that is required, and then find the time to put the information into perspective for the organization." He admits the requirements are especially challenging for entrepreneurial companies as they attend to day-to-day business while going through the intense transformation process.

Burton notes the program is more like castor oil than Vicks cough syrup. "You may not like the taste at first, but it will be good for you, he says.

Sell Your Performance

DMSCA is, of course, an organization focused on diversity, but Burton is as committed to supply chain improvement as he is to diversity. He insists that suppliers who participate in the program be able to compete on what they are, not who they are. "We want corporations to give suppliers an opportunity to sell their performance, not their gender or race. The way our supplier companies demonstrate they are strategic is by sharing their metrics, aligning their value with the corporation's and managing business performance," he says.

One of Burton's goals is to open the channels of communication in large corporations and collaborate with procurement leaders and supplier diversity leaders in helping DMSCA identify and select suppliers for participation in the program. He

focuses on fostering collaboration between the organizational supplier diversity function and the supply management function that makes sourcing decisions. "Connecting with CPOs, and even CEOs, will help us get more top-down engagement in the CMP," he adds.

Despite the work and commitment required of diverse suppliers to attain a CMP certification, Burton says the program's biggest challenges are overcoming complacency and revenue success. He says some suppliers are complacent with being transactional companies, and they don't see the need to become strategic business partners. "And some will make a lot of money being transactional, and some will fail," he says.

He recalls talking to an executive at a diverse supplier company who proudly told him the company has been making US\$300 million for the past several years. Burton quickly responded, "Well, that's my definition of failure. Why aren't you making a billion dollars? You are not growing your revenue and you are not improving processes." He calls such companies contract collectors. "And there are a lot of them out there."

Build the Ark

Burton's belief in supply chain improvement and corporate mentoring is rooted in the idea that corporations are looking for suppliers who are "little versions of themselves." And he says that isn't something that happens overnight.

"I tell suppliers that Noah built the ark long before the rains came," he says. "The CMP is their ark because they are not going to have time to build supply chain improvements into their company when the customer calls." **ISM**

Mary Siegfried is a senior writer for *Inside Supply Management*®. For more information, send an email to author@ism.ws.