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Purchasing Support for Manufacturing Transformation

Jeff Burris, Principal, Advanced Purchasing Dynamics, Inc.
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In order to respond to the dramatic shifts in our economy many companies are drastically altering manufacturing footprints to improve cost structures. Some of these transformations are being planned in advance allowing procurement organizations to support with thorough analysis and implementation plans. Others, especially in the automotive sector, are being done on an urgent basis placing Purchasing in a reactive mode. Regardless of the timing of the transformation, Purchasing is responsible for ensuring that quality materials are delivered at the lowest total acquisition cost.

Purchasing Support for Urgent Transformations

Urgent transformations require that Purchasing focus first on delivery:

- Ensure supplier material release schedules are rapidly transitioned.
- Identify critical supply issues that exist, or may arise, due to increased shipping distances. Prioritize transportation to support production.
- Identify commodities that could be negatively impacted by changed shipping and handling conditions.
- Identify critical MRO items & outside services needed in the “new” locations.
- Obtain appropriate resources to support.
- In the initial stages urgent transformations are best managed utilizing very focused, frequent and short cross-functional meetings. The meetings need to be focused on identification, prioritization, assignment and reporting of critical tasks. Succinct action oriented minutes should be published on a timely basis.

During this initial stage, total acquisition cost suffers. Additionally, until Purchasing starts changing source locations the manufactured quality of incoming materials is maintained.

Purchasing can move onto a more strategic role as described below, after uninterrupted supply is maintained and manufacturing operations have stabilized.

Purchasing Support for Planned Transformations

In planned transformations operations usually want to assess alternative scenarios and Purchasing has time for thorough analysis and planning.

Advanced Purchasing Dynamics has deep experience and proven solutions that enable purchasing to effectively support manufacturing transformations. For information call 734-927-0836 or e-mail jburris@apurchasingqd.com.

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Purchasing Support for Planned Transformations

In planned transformations operations usually want to assess alternative scenarios and purchasing has time for thorough analysis and planning that should include the following:

- **Assess the current state** of supply into manufacturing operations that are likely to be moved during the transformation. The best approach is to use a structured risk assessment approach similar to PFMEA.
 - Review quality history and documentation.
 - Map out current acquisition costs (transportation, freight, duty, inventory carrying cost and supplier development).
 - Make sure you have a good understanding of your supplier manufacturing cost structures.
- **Assess the potential future supply chain:**
 - Conduct on-site audits of potential suppliers.
 - Analyze cost quality and cost implications (Make no assumptions on freight and duty).
 - Review cost structures of potential suppliers against current suppliers to identify potential cost and savings.
 - Investigate existing business relationships of potential suppliers for potential conflict.
- **Develop costs and plans for all alternatives**
 - Assess feasibility of supply changes prior to, concurrent with or after the manufacturing transformation.
 - Identify resources that will be required.
 - Obtain cross-functional input.
- **Execute supplier changes** using a gated, cross functional program management approach.

Our experience has shown that companies who follow well planned and executed strategies for supporting urgent or planned manufacturing transformations are able to achieve greater cost improvements quicker than those who do not.

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