

I S M

INFO/EDGE

MAY 2002 Vol. 7 No. 2

Job-Related Tools
for Supply
Management
Professionals

**DEVELOPING A STRATEGIC
PLAN FOR THE SUPPLY CHAIN**

FINAL ISSUE!

Job-Related

Tools for

Supply

Management

Professionals

The Strategic Planning Model2

Eight Key Steps4

Sample Tools9

References12

AUTHORS

R. Henry Migliore, Ph.D.

R. Henry Migliore is a professor of strategic planning and management at Northeastern State University/Tulsa and Broken Arrow. He has published and consulted worldwide in the area of planning, strategy, and management. Migliore's material and books are translated into seven languages.

Jerry Hamlin, Ph.D.

Jerry Hamlin is purchasing manager for ASEC Manufacturing Sales in Tulsa, Oklahoma. He has had a number of positions in traffic, purchasing, and materials management.

David Paris, C.P.M., FPIM

David Paris provides consulting and training for Industrial Solutions, Inc. He has 30 years experience in purchasing and materials management and currently teaches and serves as sensei implementing lean manufacturing.

Rick D. Metz

Rick D. Metz is a consultant specializing in ISO standards. He has over 20 years experience in the field.

David B. Watt

David B. Watt works for the Watt Group in Catoosa, Oklahoma. His specialty is alignment solutions for the supply chain.

Publisher

Institute for Supply Management™, Inc.
 2055 East Centennial Circle
 Tempe, Arizona 85284

Paul Novak, C.P.M., A.P.P.

Chief Executive Officer

Editorial Review Board

Robert Laneros, Ph.D.

Associate Professor
 Western Michigan University

Barbara Stone Newton, C.P.M., A.P.P., CPPB

Purchasing Manager
 State of North Carolina

Gene Roth

Corporate Purchasing/Supplier Diversity Manager
 Enterprise Rent-A-Car

Sarmento Silva, C.P.M.

Director, eProcurement
 AstraZeneca

Staff

Julia K. Ogden, MA, JD (jogden@ism.ws)

Vice President – Communication

Roberta J. Duffy, MA (rduffy@ism.ws)

Editor, Manager

Heather Gonwa (hgonwa@ism.ws)

Copy Editor

Frances Hernandez (fhernandez@ism.ws)

Production Coordinator

Diane M. Serpa (dserpa@ism.ws)

Layout Artist

Nora P. Neibergall, C.P.M. (nneibergall@ism.ws)

Vice President – Marketing and Sales

Cindy Urbaytis, MA (curbaytis@ism.ws)

Lead Sales Account Manager

Kathy Braase (kbraase@ism.ws)

Sales Associate

ISM InfoEdge (ISSN #1082-5517) is published semiannually by the Institute for Supply Management™, Inc., 2055 E. Centennial Circle, Tempe, AZ 85284. Telephone: 480/752-6276. *ISM InfoEdge* is a semiannual publication of the association. ISM members receive the publication as part of their membership fee which represents \$12 of their total fee. Subscriptions to university and public libraries are \$24 annually. Preferred Periodicals Postage paid at Tempe, Arizona, and additional mailing offices. POSTMASTER: send address changes to: *ISM InfoEdge*, P.O. Box 22160, Tempe, Arizona 85285-2160. In Canada, Publications Mail Agreement Number is 40048267. Send return addresses to: Canadian Institute for Supply Management, Scotia Plaza, Suite 4900, 40 King Street West, Toronto, ON, Canada M5H 4A2. Copyright © May 2002 by the Institute for Supply Management™, Inc. All rights reserved. ISM affiliates may reprint text in their newsletters and magazines with credit given to *ISM InfoEdge* and author, unless noted otherwise in the text. Requests for reprints by nonaffiliates must be approved by editorial staff. Please send requests to the address above. The authors published in *ISM InfoEdge* are solely responsible for the accuracy and content of the information provided. Opinions expressed and materials published herein do not reflect the opinions of ISM unless it is expressly stated that such opinions have been formally adopted by ISM. The publication of an advertisement by Publisher is not an endorsement of the advertiser nor the products or services advertised. Publisher assumes no responsibility for claims or statements made in an advertisement.



The Strategic Planning Model

“ The development and integration of people and technological resources are critical to successful supply chain integration. ”

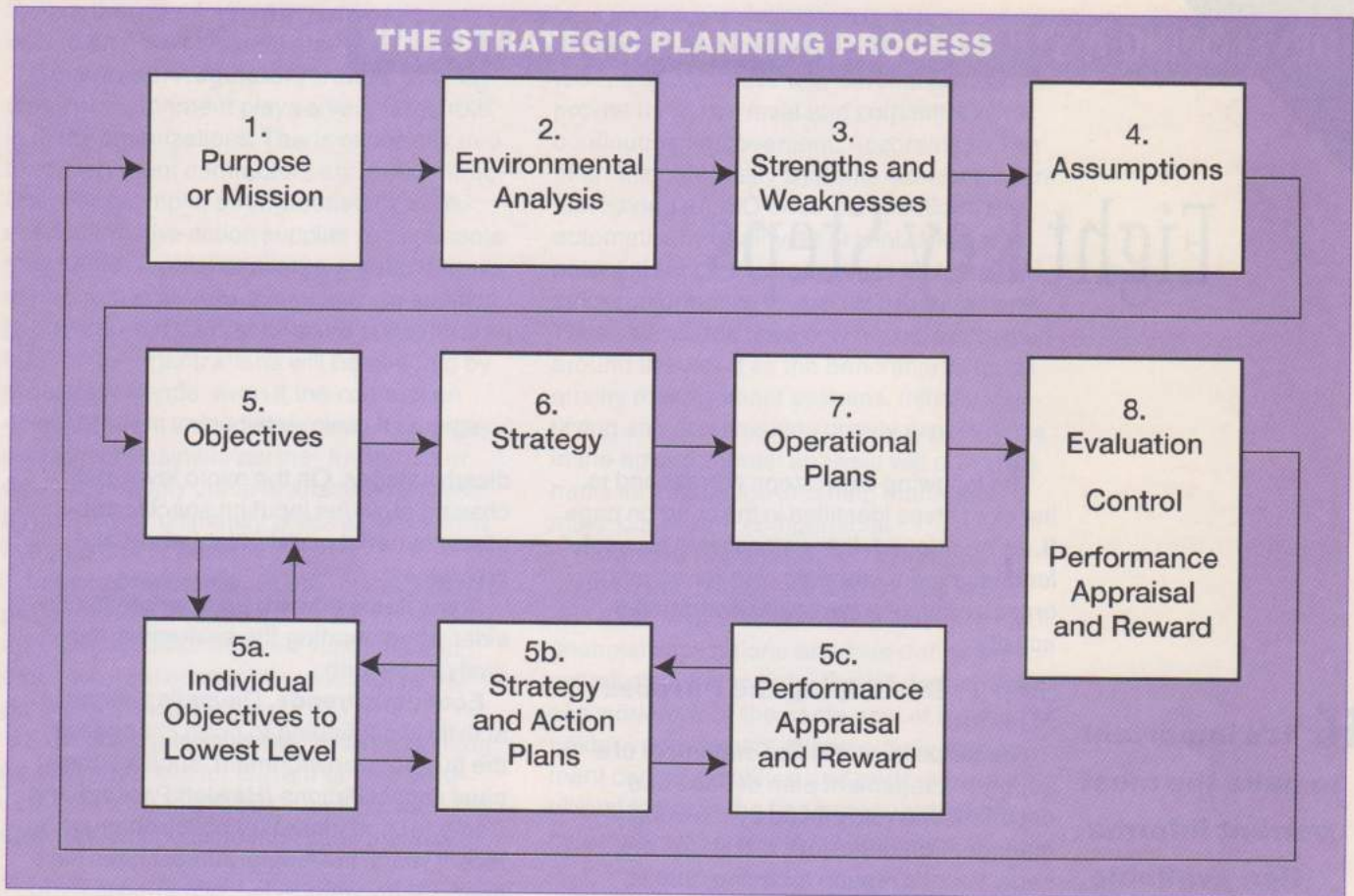
As supply managers and supply management organizations strive to optimize their supply processes and outcomes, they may find it useful to design a strategic plan and apply it to the supply chain. This article presents an approach to the development of a strategic plan for the supply chain. The Institute for Supply Management™ defines “supply chain management” as: the design and management of seamless, value-added processes across organizational boundaries to meet the real needs of the end customer. The development and integration of people and technological resources are critical to successful supply chain integration. The methodology presented here is applicable for supply management, purchasing, inventory, and materials. It emphasizes coordination with the supply management, purchasing, production, sales, inventory, and marketing plans in order to ultimately increase stakeholders’ value for the company or organization. It introduces the concept first presented in *Strategic Planning and Management for the New Millennium*, by R. Henry Migliore, Ph.D. This concept advocates supply chain integration by the supply management team. The supply management professional can use the following models, apply the outline, and develop a plan for his or her responsible area. A number of actual examples and experiences are discussed to bridge the gap between theory and practice. This planning approach has been used successfully in a number of

organizations. The section “Sample Tools,” on page 9, provides examples of worksheets and charts that can be helpful in developing strategic plans.

Emerging Roles

Supply managers are playing an increasingly important role in many facets of the performance of organizations. This is evident in many areas, from the pursuit of the best-value outcome when selecting suppliers and establishing quality standards, to negotiating payment terms that best affect a firm’s cash flow. In the April 2001 issue of *Purchasing Today*®, supply management trends, based on the new economy, are identified. Joseph L. Cavinato, Ph.D., C.P.M., senior vice president and ISM distinguished professor of supply management for ISM, says, “Supply managers can expect a greater emphasis on cross-functional teamwork. Departments such as supply management, accounting, marketing, and operations will need to understand each other’s role in the organization to maximize its product and service offerings.” Because this particular function can be such an intricate factor, long-range functional planning can create a competitive advantage for the firm which masters it.

Another recent trend, documented in a recent issue of *ITE Solutions*, indicates the growing importance of supply chain strategic planning. These activities are becoming standard as a means of



increasing stakeholders' value. At present, ISO 9000, 9001, and 9002 quality assurance programs formulated by the International Standards Organization are methods a firm can use to demonstrate to others that it has a system for developing, sustaining, and managing quality. The organization's decision to implement a supply chain management (SCM) process is key not only to improving the flow of products or services to customers, but also to improving the cash flow, where appropriate.

It is important to note that all enterprise functions play major roles in ensuring the success of a SCM process that improves both the product and cash flow. Communications, measurements, and development of workable processes will ultimately determine the success of the program and its effects on stakeholder value.

The Model

Just as important as knowing where you want to go is having a way to get there. The

strategic planning/MBO model, as presented in *Strategic Planning and Management for the New Millennium*, provides such a road map, whether for the overall organization or just operational functionality. It is necessary that the overall strategic plan of the organization be established before managers attempt to develop a plan for a specific functional area. The reasoning for this is the functional plan should directly support the larger plan. Ideally, and in many organizations, supply management has an active role in the creation of the overall plan. See the figure above for an illustration of the strategic planning process.

Next, this article will discuss each of the steps identified in the chart.

Eight Key Steps

“ It’s important to have the most current information available, as economic conditions tend to change frequently. ”

The following eight steps correspond to the eight steps identified in the chart on page 3. As mentioned, this process can be useful for designing a strategic plan for an entire organization or a particular operational activity.

Step 1: Developing the Purpose or Mission

The purpose or mission statement of a supply management plan defines and describes the role played by the supply management department. It states the department’s reason for being, that is, the service that the department provides to the organization. This statement, though conceptually simple, provides the basis for the plan as well as a reference for decision-making. An example of such a statement is presented in the box below.

Step 2: Environmental Analysis

The environmental analysis helps set the stage for subsequent steps. Fortunately, supply management is well-positioned to perform an environmental analysis. In the *International Journal of Physical Distribution and Logistics Management*, Ferguson and Hartley write, “Due to purchasing’s external interaction, the function occupies a unique position for monitoring the external environment on a macro and a micro level. Purchasing can monitor the company’s external environment for competitive advantages/disadvantages by providing input on forecasted supply market changes, which may result in supply advantages or

disadvantages. On the micro level, purchasing provides input on specific suppliers, materials, and potential supply problems.”

Some items that are appropriate to consider when creating the environmental analysis include:

Economic trends. Dramatic economic activity is continuing to bring changes in the business environment, such as company consolidations (Hewlett Packard and Compaq) and monetary policy changes. In recent years, the federal interest rates have been keenly watched as economists try to determine if the economy is recovering. For an environmental analysis, it’s important to have the most current information available, as economic conditions tend to change frequently.

Emerging technologies. With the plethora of new technologies that seemingly hit the marketplace every day, the supply manager’s activities will be impacted on both a personal and organizational level. The environmental analysis should identify emerging technology that could impact internal processes and resource allocation. Could these new technologies reduce costs or support resources that are required? How will this ultimately affect the firm’s strategy?

Also, if the technologies are going to impact communications with suppliers and others in the supply chain, those changes should be identified and taken into account.

Commodity/market trends. Mark IV Automotive watches not only the commodities it uses but also the commodities its suppliers use. This attention has allowed them to identify periods when a supplier price reduction was appropriate and has been used as a negotiation tool to acquire lower prices. Staying abreast of market and commodity information — and the external

SAMPLE STATEMENT

Our focus is to Procure Raw Materials from Partners who practice a Quality Process of Continuous Improvement, who provide us with Quality Products and Responsive Service with Fair and Competitive Pricing. With Integrity and Open Communication, we will instill Trust and encourage the exchange of Creative Ideas. We will foster a Challenging Work Environment of Cooperative Synergy.

factors that might affect these trends — is vital to an environmental analysis.

Government/regulatory trends. The regulatory environment plays a very large role in many organizations. This is especially true for government contractors and subcontractors. For example, strengthened or weakened affirmative action supplier requirements may further restrict or allow a greater degree of freedom in selecting suppliers. In addition to government contractors and subcontractors, other organizations will be affected by regulatory trends, even if the connection does not seem immediately clear. If an organization or business partner further up or down the supply chain is affected by these trends, it may ultimately affect all other firms in that chain or network.

Labor agreements. Supply management professionals must keep current on labor agreements affecting their suppliers and other external companies, such as transportation providers.

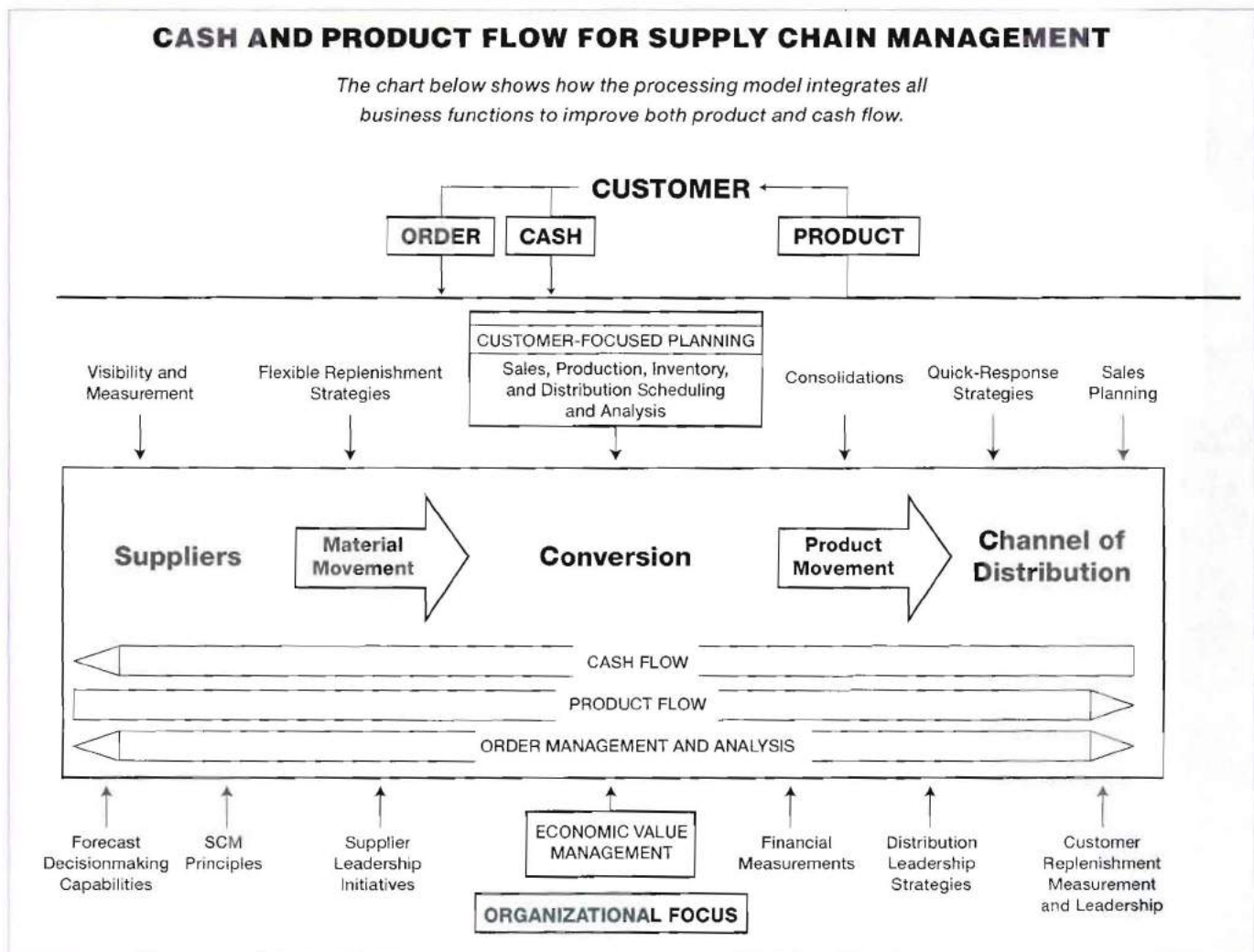
Expected quality levels. When searching for new suppliers for current or new products, it is wise to choose suppliers with documented business quality plans that have

been regularly adhered to ensuring long-term dependable performance. Many suppliers in today's market have ISO certification, which proves their own level and commitment to continuous improvement. According to The International Quality Systems directory, often just having an ISO 9000 certification will automatically qualify an organization as a potential supplier to companies that demand strict conformance to specified requirements. These standards have now become accepted around the world as the benchmarks for all quality management systems. Initially identifying and documenting quality expectations in the environmental analysis will provide a basis for evaluation and help managers to make consistent comparisons.

Financial implications. The graphs on pages 5 and 6 illustrate a cash flow model and a value proposition. They illustrate the financial implications and help define the overall objective in order that all departments can work toward the same goal of stakeholder improvement. When supply management can be identified and portrayed as a pivotal factor in the financial supply chain model, it can complete the transition from

CASH AND PRODUCT FLOW FOR SUPPLY CHAIN MANAGEMENT

The chart below shows how the processing model integrates all business functions to improve both product and cash flow.



Government/regulatory trends. The regulatory environment plays a very large role in many organizations. This is especially true for government contractors and subcontractors. For example, strengthened or weakened affirmative action supplier requirements may further restrict or allow a greater degree of freedom in selecting suppliers. In addition to government contractors and subcontractors, other organizations will be affected by regulatory trends, even if the connection does not seem immediately clear. If an organization or business partner further up or down the supply chain is affected by these trends, it may ultimately affect all other firms in that chain or network.

Labor agreements. Supply management professionals must keep current on labor agreements affecting their suppliers and other external companies, such as transportation providers.

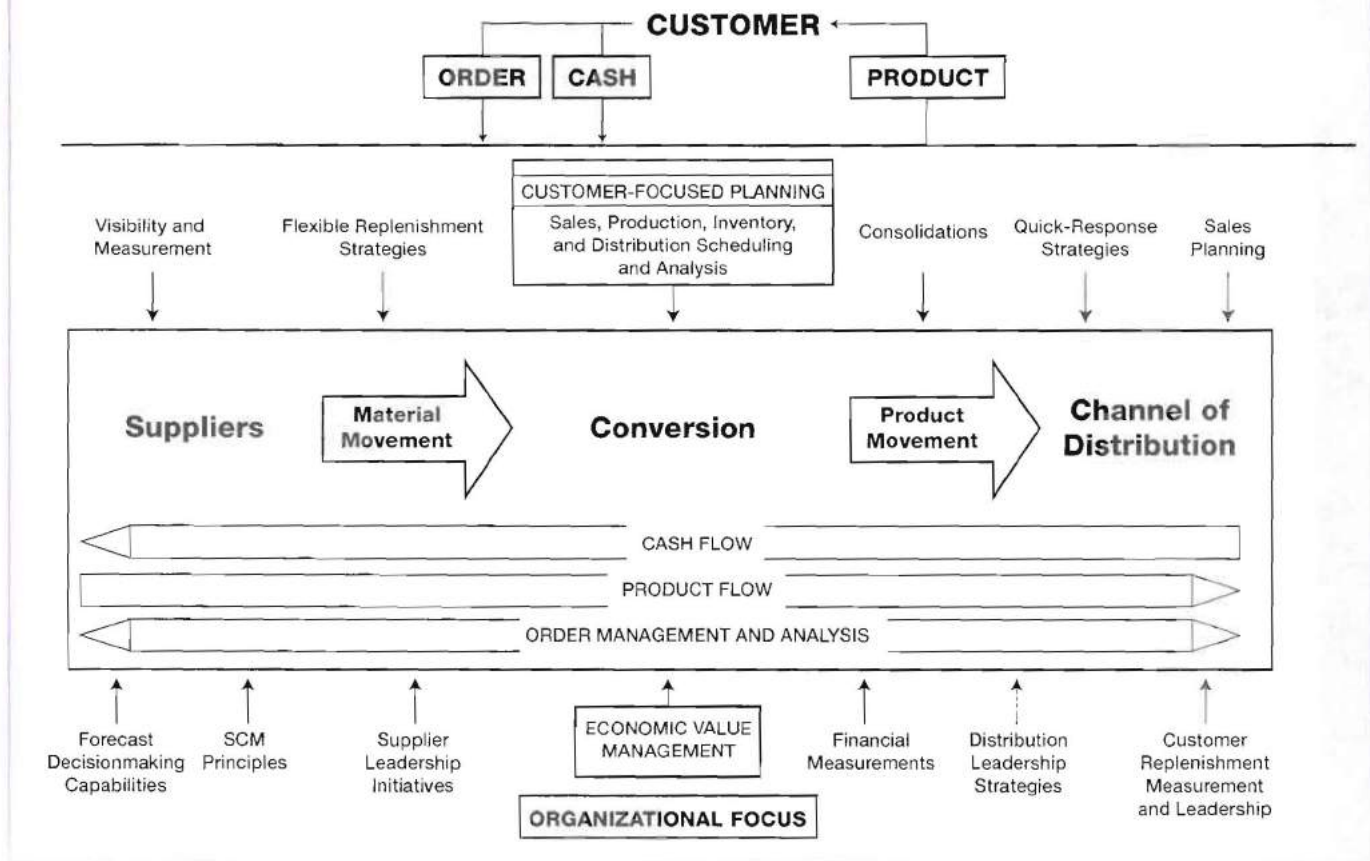
Expected quality levels. When searching for new suppliers for current or new products, it is wise to choose suppliers with documented business quality plans that have

reproducible performance. Many suppliers in today's market have ISO certification, which proves their own level and commitment to continuous improvement. According to The International Quality Systems directory, often just having an ISO 9000 certification will automatically qualify an organization as a potential supplier to companies that demand strict conformance to specified requirements. These standards have now become accepted around the world as the benchmarks for all quality management systems. Initially identifying and documenting quality expectations in the environmental analysis will provide a basis for evaluation and help managers to make consistent comparisons.

Financial implications. The graphs on pages 5 and 6 illustrate a cash flow model and a value proposition. They illustrate the financial implications and help define the overall objective in order that all departments can work toward the same goal of stakeholder improvement. When supply management can be identified and portrayed as a pivotal factor in the financial supply chain model, it can complete the transition from

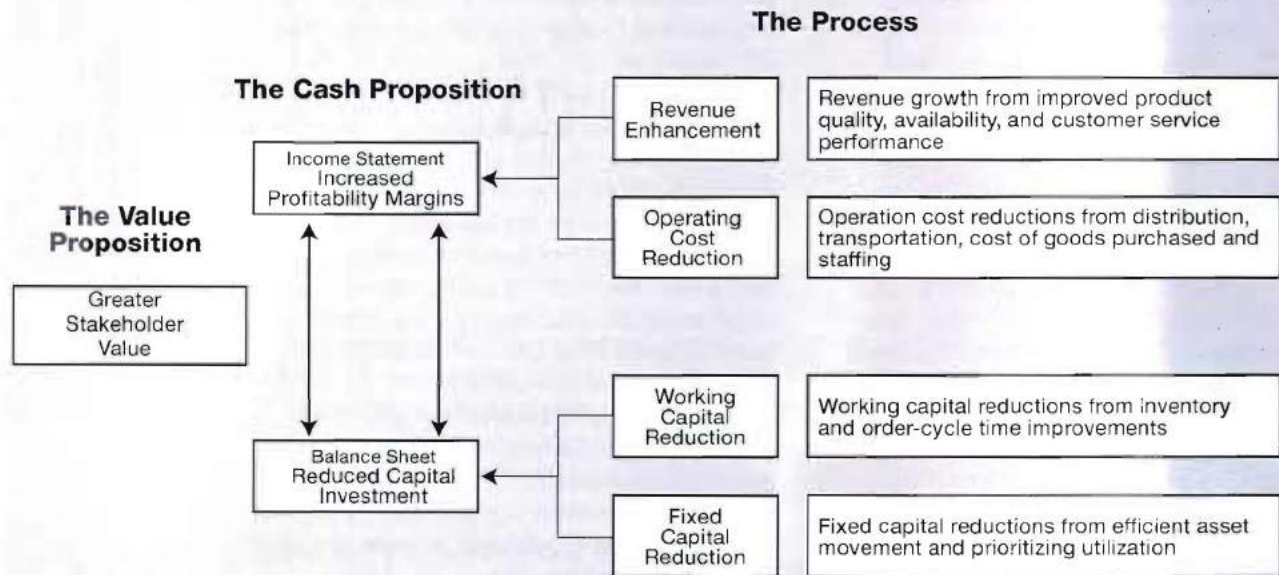
CASH AND PRODUCT FLOW FOR SUPPLY CHAIN MANAGEMENT

The chart below shows how the processing model integrates all business functions to improve both product and cash flow.



THE VALUE PROPOSITION

This chart illustrates the impact of a supply chain alignment process in increasing the stakeholders' value or meeting the organization's major goals.



the backroom to the boardroom, according to Timme and Williams-Timme in a recent article in *Supply Chain Management Review*.

Business cycles. Traditional business cycle theory of expansion, peak, contraction, cash flow, and recession should be incorporated in the environmental analysis as economic indicators apply to your specific business. Cross Manufacturing in Overland Park, Kansas, uses cycle forecasting to predict economic trends. Over the past 15 years, the cycle forecasting model has been very accurate.

Step 3: Strengths and Weaknesses

A compilation of internal strengths and weaknesses allows the firm to strengthen its competences and address potentially self-inflicted barriers. This examination should look not only within the supply management group but also at the other functional groups within the firm whose performances could affect the outcome of the functional plan. Functional areas of responsibility must create a supportive plan for the entire organization's strategy and cash flow. In some cases, the supply management group may be unable to address a particular weakness. In such cases, a collaborative effort between functions is necessary.

Step 4: Assumptions

Unfortunately, even the most thorough environmental and internal analysis of past and current situations cannot predict the future. Therefore, it is necessary to make certain assumptions about things outside the firm's control that could have a significant effect on the outcome of your plan. For this particular step, your plan should identify factors over which you have no control. You can then incorporate these factors later in the strategy and operational planning stages. For example, if a commodity-type material experiences wide price fluctuations, your plan should allow for a marketing adjustment (i.e., sell less/more of a particular family of parts, or increase/decrease sales price thereby changing the product mix necessary to sustain profits or capitalize on positive fluctuations).

Here are some examples of assumptions made in a strategic plan for Mark IV Automotive:

- The prices for liner board have reached their bottom, so price increases of 4 to 6 percent are expected in 1999.

- Sales growth for auto filters, belts, and hoses will continue at a 6 percent per year pace.
- Petroleum-related products will continue to have soft prices throughout 1999 due to low oil prices.

Here are some examples of assumptions made in a strategic plan for the company ASEC Manufacturing:

- Foreign exchange rates are assumed at certain levels for the development of standard cost internationally.
- Assume legislation requiring catalytic after treatment of vehicle exhaust will remain in place and strengthen over time, requiring technological advancements.
- In purchasing, it must be assumed the forecasts provided by marketing environmental analysis are correct. The favorable purchase price variance (PPV) is based on controlled savings per unit, but variations in demand volumes will affect total PPV for all material.

Step 5: Objectives

In establishing objectives for supply management, begin at the highest level of the strategic planning process. First develop specific, measurable goals necessary to support the overall objectives of the firm, which are identified in the corporate strategic plan.

Examples of key supply management areas around which objectives can be established include:

- Improve delivery performance from suppliers, as well as to customers.
- Reduce [by x percent] inventory levels and turns not only of raw materials, work in process, and finished goods, but also of your suppliers and customers in order to determine the product and cash flow through the supply chain.
- Obtain favorable PPV through negotiation, supplier partnerships, component commodity tracking, technological advance releases from suppliers, and information share of MRP forecast and inventory levels.
- Establish excellent inventory accuracy through cycle counting programs and controlled issues and receipts to the system.
- Expand education and development of supply chain personnel. Encourage staff to develop life and career plans and negotiate the career plan with their bosses to ensure continued growth of the department.

- Establish and maintain ISO 9000 and/or QS 9000 compliance.
- Establish financial and cash flow measurements. These are the "toll gates" of the success of the improved alignment processes.

See the sample tools on page 9 for more examples of objectives developed by various companies. (These are true examples with the company name withheld for confidentiality purposes.)

Step 6: Strategy

In developing the strategies to meet objectives, professionals will enter the "thinking" stage of the supply management strategic plan. This involves the development of programs and/or policies aimed at building the framework for the operational plans. Many firms have developed preferred supplier programs as part of their supply management strategy to provide incentives to suppliers through certain guarantees earned when performance reaches a certain level. These programs benefit the firm by enticing suppliers to improve performance.

Purchasing and supplier partnerships or joint study teams working to improve shared processes have gained popularity as a strategy. These arrangements have allowed purchasers and suppliers to deal at a positive level, acting in collusion rather than in confrontation. Another benefit is the improved communications and understanding that can be accomplished as perceptions are shared and unknown barriers are exposed and eliminated.

An example of a strategy in motion is the trend of many organizations moving toward Internet-based commerce.

Examples of strategies used by ASEC Manufacturing:

- Track key commodities of suppliers' products, which influence pricing.
- Develop preferred supplier program including quality audits based on ISO 9000 standards, price reductions, and online deliveries and reject rates.
- Increase frequency of delivery of items to reduce inventory.
- Demand management of customer's inventory turns.
- Share MRP forecast to support inventory level.

- Measure and graph PPV working toward a goal.
- Measure and graph cycle counting results toward a goal.
- Take classes and certify as a C.P.M. and CPIM.

Step 7: Operational Plans

Developing operational plans requires entering the trenches to examine the fundamental activities necessary to implement the strategies. This activity reaches deeply into the supply management integrated function. Within the department, it is critical that the strategies become integral to the way the department functions and are pursued individually and jointly to gain synergy. To ensure this occurs, it is imperative that supply managers involve the members of the department in the development of the operational plan and establishment of enterprise financial measurements.

An example of an operational plan in action is the use of purchasing cards. American Express set a strategy of channeling the multitude of office supply purchases through their financial service.

Step 8: Evaluation, Control, Performance Appraisals, and Reward

The evaluation step involves the presentation of functional plans to the firm's management team. The presentations of every function plan, not only supply management, but also marketing, operations, human resources, etc., launch the discussion and debate about how the plans fit one another and eliminate the "silo" phenomenon that precludes full supply chain alignment. The outcome of this discussion and debate should be a modified plan that conforms and connects with the other plans and supports the firm's overall strategic direction.

Control and performance appraisal fit with the old adage "What gets measured, gets done." It is clear, to reach a destination — improved shareholders value — one should employ the proper tools of navigation to determine position, direction, and speed. These tools for the purpose of strategic planning and management are the metrics a firm would refer to when determining whether objectives are being met. What should be measured are both those things the firm can act upon and things outside the firm's control that may explain certain situations. Put another way, a firm should measure and display information that changes that may

hurt or help the firm. How often a firm measures these should depend on the availability of the information and the benefit of the measurement in relation to the cost and the potential exposure to the firm as a result of a change.

Caution must be taken establishing supply chain objectives to ensure they are not driven in a vacuum. For example, the purchasing department in a Midwest manufacturing company changed suppliers of lubricants. They were able to cut the total lubricant costs by over 50 percent. In the short term, the purchasing department met cost reduction objectives, and the firm's profit position improved in that year.

Over the next few years, however, the company began to experience progressively worse equipment wear and breakdown problems. The effect was poor manufacturing efficiency, and customer deliveries became a significant problem. Management was slow to react to the problem. Every measurable area indicated there was a problem: breakdown, repair costs, etc. After the cause of the problem was finally determined, the company returned to the higher grade, more costly lubricant. A combination of improved preventive maintenance, check maintenance, and running maintenance, along with the superior lubrication, dramatically improved the plant operation. This example illustrates the issue that arises when a metric is examined in isolation rather than in conjunction with others to produce a more robust benefit/cost analysis.

Another adage proclaims, "What gets rewarded, gets done well." This statement demonstrates the simple philosophy that people perform best when their contribution is recognized and rewarded. Many different options exist when trying to determine the best method of reward but the selected option should provide incentives for current and future performance. One should not limit this reward to within the organization. For example, supplier recognition days are a common practice to honor top suppliers in areas such as quality, continuous improvements, and customer satisfaction.

Sample Tools

The following are examples of objectives, data plans, and worksheets that can be used in developing a strategic plan. Obviously, the elements will vary, depending on the organization's individual needs.

THREE-YEAR OPERATING PLAN — MATERIAL CONTROL DEPARTMENT SAMPLE OBJECTIVES

OBJECTIVES	FY 2001	FY 2002	FY 2002	FY 2002	FY 2002	FY 2002	FY 2003
Objective #1: Material cost Obtain % material cost as a % of net sales for the cylinder line	Last year reference	Current year 1st quarter	Current year 2nd quarter	Current year 3rd quarter	Current year 4th quarter	Total year	3rd year
Target	41.0%	44.9%	43.5%	43.4%	43.2%	43.8%	41.0%
Actual	43.1%	42.5%	40.3%	42.1%	44.8%	42.6%	
Variance	-2.1%	+2.4%	+3.2%	+1.3%	-1.6%	+1.2%	
Objective #6: PPV Achieve 0% variance on Lewis PPV each quarter	Last year reference	Current year 1st quarter	Current year 2nd quarter	Current year 3rd quarter	Current year 4th quarter	Total Year	3rd Year
Target	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Actual	2.2%	0.14%	1.4%	1.8%	2.0%	1.4%	
Variance	2.2%	0.14%		1.8%	2.0%	1.4%	

SAMPLE OBJECTIVES FROM CLIENT PLAN

OBJECTIVE PLAN	1998 PLAN	1997 ACTUAL	% CHANGE
1. R/M Back Order (to mfg.)	0	4	100%
2. R/M Back Order (X-number)	25	31	20%
3. R/M Inventory Turns	5.5	5	10%
4. R/M Parts Shipments Reject	10	36	72%
5. Net Savings	\$2.0 million	\$2.5 million	20%
6. Total RM Vendor Base	325	376	14%
7. VPI	95%	88%	8%
8. VCAR Performance	15 days	N/A	N/A
9. Payable Days Outstanding	40	35.5	13%

SAMPLE OBJECTIVES: YEAR 2000 SUPPLY MANAGEMENT

MATERIAL PRICING

1. *Potential to reduce material cost 5 percent.*
2. *Achieve \$5 million reduction for year 2000.*
3. *How: negotiations.*
4. *Consolidation of supply base.*
5. *Standardization of materials.*

WORKING CAPITAL IMPROVEMENTS

1. *Terms*
2. *Extend payable terms by 5 percent*

3. *Reduce raw material inventory by 10 percent*

4. *Work with logistics and supply management on the following:*

- *Improved leadtimes and supplier delivery performance*
- *Inventory consignment programs*
- *Elimination of remaining MOQs*
- *Pull systems*
- *Work with technical teams to standardize product/materials*
- *Maintain 100 percent either ISO 9000 or QS 9000 certification of suppliers*

SUPPLY MANAGEMENT WORKSHEETS

PURPOSE/MISSION/REASON FOR BEING:

Who are your customers?

Why are you needed?

What service do you provide?

WRITE OUT YOUR PURPOSE STATEMENT:

ENVIRONMENTAL FACTORS:

What is going on external to your company in the supply management area?

What are the latest technological advances utilized by the industry?

YOUR DEPARTMENT STRENGTHS:

- 1.
- 2.
- 3.

YOUR DEPARTMENT WEAKNESSES:

- 1.
- 2.
- 3.

ASSUMPTIONS (things over which you have no control):

- 1.
- 2.
- 3.

KEY RESULTS/OBJECTIVES/TARGETS:

AREA	OBJECTIVE			
	Last year	2002	2003	2004

- 1.
- 2.
- 3.
- 4.
- 5.

STRATEGY (game plan to achieve objectives):

- 1.
- 2.
- 3.
- 4.
- 5.

OPERATIONAL PLANS:

MAJOR PROBLEM FACING YOUR DEPARTMENT:

ANALYSIS:

ALTERNATIVES TO SOLVING THE MAJOR PROBLEM:

- 1.
- 2.
- 3.

RECOMMENDATIONS:

REFERENCES

- Duke, C.L., "Communicating in a Virtual World," *Purchasing Today*®, April 2001
- Ferguson, W.C., and Hartley, M.F., "Purchasing Role in Corporate Strategic Planning," *International Journal of Physical Distribution and Logistics Management*, 1996
- Frost, R., "International Standards for Peace and Prosperity — 31st World Standards Day," *International Organization for Standardization*, www.iso.ch/presse/WSD2000.htm, October 14, 2000
- Glossary of Key Purchasing and Supply Terms*. ISM
- The International Quality Systems Directory*, www.iso9000.org/learning_desc_titre.asp
- Johnson, J.C., Murphy, P.R., Wardlow, D.L., and Wood, D.F., *Contemporary Logistics* (7th ed.), Prentice-Hall, 1999
- McCormack, K., and Johnson, B., "Business Process Orientation, Supply Chain Management, and the E-Corporation," *IIE Solutions*, October 3, 2001
- Migliore, R.H., *Strategic Planning and Management for the New Millennium*. Tulsa: Color Graphics, 2002
- Savole, B., "The Last Word on Supply Chain Involvement," *ITE Solutions*, October 1998
- Timme, S.G., and Williams-Timme, C., "The Financial-SCM Connection," *Supply Chain Management Review*, May/June 2000
- Yuva, J., and Sohn, S.W., "Out with the Old, In with the New," *Purchasing Today*®, April 2001



Managing For Success

R. Henry Migliore, Phd
hmigliore@aol.com
918-299-0007

10839 S. Houston
Jenks, OK 74037

www.henrymigliore.com
Utube drmigliore

Supply Chain Management

Purchasing/Inventory/Materials

Abstract

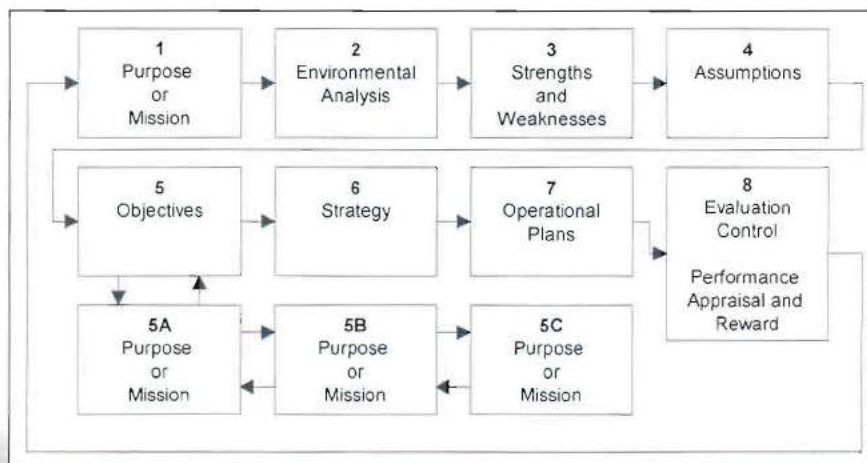
- An approach to the development of the Supply Chain Management Strategic Plan.
- Emphasizes coordination with the production and marketing plans.
- Introduces the concept of strategic thinking for the supply chain professional.

Introduction

- Purchasing and Materials Management plays an increasingly important role in the performance of a firm.
 - PPV 100% to net profit
 - More inventory turns = greater profit
 - Schullenberger measure of management
- Long-range functional planning can create a competitive advantage for the firm.
 - Working in concert as the corporate team



Model of Strategic Planning Process



Purpose or Mission

- The Purpose or Mission Statement defines and describes the role played by each department.
- The purpose statement provides clarity and it's role in contributing to the success of the company
 - Team members pull their own weight
- It states the department's reason for being to the organization.
 - Provide quality parts as needed

EXAMPLE:

Bama Companies Purchasing Department Mission

Our focus is to Procure Raw Materials from Partners who practice a Quality Process of Continuous Improvement, who provide us with Quality Products and Responsive Service with Fair and Competitive Pricing.

With Integrity and Open Communication, we will instill Trust and encourage the exchange of Creative Ideas.

We will foster a Challenging Work Environment of Cooperative Synergy.

Environmental Analysis

- Economic Trends
- Emerging Technologies: New grease, coating
- Watch commodities used by the firm and suppliers
- Government/Regulatory Trends: China 'C' to 'D'
- Labor Agreements: Gasoline last week
- Expected Quality Levels: Toyota
- Business Cycle



Strengths and Weaknesses

- A compilation of internal strengths and weaknesses allows the firm to strengthen its competence and address potentially self-inflicted barriers.
 - Responsible to strengthen the team to max. potential
 - Equipment utilization – run many parts per setup

Functional areas of responsibility must create a supportive plan for all the company's strategic plan.

Assumptions

- It is necessary to make certain assumptions outside the firm's control that could affect the outcome of the plan.

1. Prices for Liner Board
2. Sales Growth
3. Increased Steel Prices



Objective

- Begin at the highest level of the strategic planning process.
- Examples are:
 - Delivery Performance: 99%
 - Inventory Levels : Reduced
 - Inventory Accuracy: 98%
 - Education and Development of Personnel
 - CPIM, CPSM, CSCP, LEAN



Strategy

- Develop programs and policies aimed at building framework for operational plans.
- Examples of strategies:
 - Track Key Commodities that influence pricing
 - Cerium and Zirconium
 - Develop a Preferred Supplier Program
 - Increase frequency of delivery to reduce inventory
 - Purchasing: Weekly delivery of “A” items
 - Materials: produce “A” items weekly
 - Demand Management of customer’s inventory turns

Operational Plans

- Develop Operational Plans to examine the activities that implement the strategies.
- An example:
 - American Express channeled office supply purchases through the financial service.
 - Produce in smaller lot sizes to reduce inventory

Evaluation, Control, Performance Appraisals and Reward

- Present Functional Plans to the firm's management team.
- Ensure control and performance appraisal fit with "What gets measured, gets done."
- Ensure actions are not driving in a vacuum.

Review

- Review plan quarterly.
- The management team's opportunity to ask questions and give input.

Conclusion

- Authors have a combined 70 years experience in manufacturing, operations, engineering, and supply chain management.
- Supply Chain Management is a key part to the firm's strategy.
- When the Supply Chain Management strategy is combined with the corporate strategic plan everyone is working to accomplish the same corporate goals.

Presentation Team

- Dr. R Henry Migliore --- Managing for Success
 - 918/299-0007
- David Paris --- David Paris Consulting, LLC
 - 10025 E. 39th Street, Tulsa, OK 74146
 - 918/633-0652

R. HENRY MIGLIORE

Dr. Migliore is President of Managing for Success, an international consulting company. He was Professor of Strategic Planning and Management at Northeastern State University/Oklahoma State University—Tulsa from 1987 to 2002; Dr. Migliore teaches at the graduate and undergraduate levels. He was formerly Professor of Management and former Dean of the ORU School of Business from 1975 until 1987. He was a visiting professor at the University of Calgary, fall of 1991; ITESM Campus Guadalajara, Guadalajara, Jalisco, Mexico, spring of 1995; and Singapore in 1997.

He is former manager of the press manufacturing operations of Continental Can Company's Stockyard Plant. Prior to that, he was responsible for the industrial engineering function at Continental's Indiana plant. In this capacity, Dr. Migliore was responsible for coordinating the long-range planning process. In addition, he has had various consulting experiences with Fred Rudge & Associates in New York and has served large and small businesses, associations, and nonprofit organizations in various capacities. He has made presentations to a wide variety of clubs, groups, and professional associations. Dr. Migliore has been selected to be on the faculty for the International Conferences on Management by Objectives and the Strategic Planning Institute Seminar Series. He is also a frequent contributor to the Academy of Management, including a paper at the 50th anniversary national conference. He served for 12 years on the Board of Directors of T. D. Williamson, Inc., and was previously on the Boards of the International MBO Institute, Brush Creek Ranch, and the American Red Cross/Tulsa Chapter, and he is chairman of a scholarship fund for Eastern State College. In 1984 he was elected into the Eastern State College Athletic Hall of Fame. Dr. Migliore has been a guest lecturer on a number of college campuses. He has lectured for the Texas A & M—Pepperdine, ITESM—Guadalajara, and the University of Calgary Executive Development Programs. He serves on Chamber and/or Civic Committees, and he served on the Administrative Board at The First United Methodist Church, Tulsa, Oklahoma. He was selected Who's Who on a list of 31 top echelon writers and consultants in America.

To date, previous articles on management and business subjects have appeared in *AIEE Journal*, *Construction News*, *Management World*, *Management of Personnel Quarterly*, *Journal of Long-Range Planning*, *Dental Economics*, *Health Care Management Review*, *MBO Journal*, *Business and Society Review*, *Parks and Recreation Journal*, *The Journal of Business Strategy*, *Daily Blessing*, *Ozark Mountaineer*, *On Line*, *Real Estate Today*, *Communication Briefings*, *Journal of Sports Management*, *Alberta Business Review*, *The Planning Review*, *Hospital Topics*, *Journal of East-West Business*, *Journal of Ministry Management*, *IIE Solutions*, *Industrial Safety and Hygiene*, *Debt-Free Living*, *Supply Chain Management*, and two Mexican journals. His books include *MBO: Blue Collar to Top Executive*, *An MBO Approach to Long-Range Planning*, *A Strategic Plan for Your Life*, *Strategic Long-Range Planning*, *Strategic Planning for Church and Ministry Growth*, *Common Sense Management: A Biblical Perspective*, *Personal Action Planning: How to Know What You Want and Get It*, and *Tales of Uncle Henry*. They describe personal theories and experiences. He contributed to the books *Readings in Interpersonal and Organizational Communication* and *International Handbook on MBO*. He coauthored the book *The Management of Production: A Productivity Approach*. Other books he wrote include *Strategic Planning and Management*, *Strategic Life Planning*, and *Common Sense Management*. The manuscript *People, Productivity, and Profits* has been completed. He is coauthoring a series of books with Haworth Press. Released so far are *Church and Ministry Growth* (1995), *Planning for Nonprofit Management* (1995), *Strategic Planning and Health Care* (1996), *Strategic Planning for Private Universities* (1997), and *Strategy Planning for Collegiate Athletics* (spring 2000). *Strategy Planning for Higher Education* and *Planning for City Government* were completed in 2003. *Strategic Long-Range Planning for the New Millennium* was updated and published in June of 2002. His books have been translated into Russian, Chinese, Korean, Spanish, German, and Japanese. A Spanish version of *Strategic Planning* coauthored with Gonzalo Rivero, had an early edition out in February of 2002. He has also produced *Personal Financial Success*, an ORU video training kit offered on nationwide television, and video/audio tapes to go with his books. Dr. Migliore has developed three complete videotaped and computer Internet Web-based correspondence courses.

In November of 1985 the daily *Managing for Success* cable television program was inaugurated and was on the air until March of 1986. It was on Tulsa Cable. The series began again on Tulsa Cable in September of 1986. He writes occasional columns for the *Tulsa World*, *Tahlequah Pictorial Press*, *Collinsville News*, *Jenks Journal*, and *Muskogee County Times*. A complete video series with 4 summary units and 36 support units covering planning, management, and common sense management supports other material.

In November of 1998, Dr. Migliore was inducted into the Eastern Oklahoma State Hall of Fame. This followed his induction in 1988 into the Eastern Athletic Hall of Fame.

Dr. Migliore has been a small business consultant for the Oklahoma Small Business Development Center for 13 years. Dr. Migliore holds degrees from Eastern Oklahoma State, Oklahoma State University, St. Louis University, and completed his doctorate at the University of Arkansas. He belongs to the Academy of Management and the Planning Executives Institute and is a senior member of the American Institute of Industrial Engineers.



DR. R. HENRY MIGLIORE

Email: hmigliore@aol.com
www.henrymigliore.com