How a new Sourcing Team can trigger the Cultural Change

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My first day!

New Product Development

Customer Target Price
What happened?

The Company tried to introduce modularity into the new product generation

BUT didn’t change the culture
Everybody was still working in Silos!
Engineering was still customizing to order
Introducing Cross Functional Teams

Before

Product Management

Engineering

Suppliers

Manufacturing

Sourcing

After = -40%
Restructuring Sourcing Organisation from site based to global

- New global management team
- Introduction of
  - Commodity Leadership
  - New product development purchasing
  - Supplier development
Review New Product Development process for early involvement of Sourcing

But Sourcing cannot decide to stop a development project!

Sourcing can say “gate cannot be passed, design needs to be reviewed”

High Tech
High Speed
Customized...

Engineer

Costs
Standardized
Potential suppliers...

Purchaser

Note: TG = Toll Gate  Sourcing with Go/Nogo decision right
Supplier Selection: a conversation I had

Engineer: Does this mean that we will not be able to chose our supplier?

Purchaser: Yes, Sourcing is selecting Supplier.
Supplier Selection: a conversation I had

But how can I be sure Sourcing will chose the right supplier?

You give us the specifications, we chose the supplier accordingly
Supplier Selection: a conversation I had

Engineer: How can I be sure he will deliver the right Quality?

Purchaser: Would you rely on Sourcing to do the Drawings?
Supplier Selection: a conversation I had

Engineer: Of course NOT!

Purchaser: Same for Supplier selection, it is much more than just developing with the supplier around the corner!
We continued to:

- **Train** sourcing team
- Hire sourcing professionals to achieve **Critical Mass**
- **Cross-functional workshops** on Re-Design to Cost
- Cross-functional workshops on global Sourcing Strategies and Supplier Portfolios
- Introduce **Innovation Partnering** and Value Analysis with Engineering and suppliers
- **Communicate internally:**
  - explain new way of working at different levels in different functions of the company
  - communicate results
- **Communicate externally:** Supplier Events to explain new way of working and expectations
Results!

- Reached Target **Costs** of the new machine after 18 months = **-30%**!
- New projects acc. new “Prod. Dev. Process” at **Target Costs**!
- Sourcing seen as a **valued partner** in the organization
- Most suppliers welcoming the new approach!
- Sourcing **savings doubled** year over year over-achieving targets by 50%!
- **Complexity reduced**: number of part numbers and options significantly decreased

Finally within 3 years, the company achieved TURNAROUND

Sourcing and the new culture triggered by the new team has had a significant contribution to it!
Key Success Factors!

✓ **Sense of Urgency** or/and commitment by Top Management

✓ **Critical mass** of people with new mindset, no “lonesome cowboy” approach

✓ **Quick wins** => show that it is working

✓ **Share** the **credit** of success with all involved functions

✓ **Communicate**, train, repeat and institutionalize
Thank you!