

### **Boilerup Consulting**

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### Agenda for Today our company



## We are encountering resistance

PROBLEM



• Address root cause to resolve problems now and in the future

## Let's restructure our supply chain!

**RECOMMENDATION OVERVIEW** 



Replace Tier 3 & 4 suppliers using Automek's global network

**Redefine contracts and invest resources in Agile** 

Transfer penalty costs levied by OEM to Agile

### **Underlying causes downstream**

**TIER 2 ROOT CAUSE ANALYSIS** 



### **Underlying causes upstream**

**TIER 3 & 4 ROOT CAUSE ANALYSIS** 



### Who really cares?

#### **STAKEHOLDER ANALYSIS**



## Taking responsibility

**CLEANUP ANALYSIS** 



## What really matters?

#### **IMPORTANT CONSIDERATIONS**



## What are the options?

#### **OPTION ANALYSIS**

Problem Recommendation Analysis Risk Mitigation Implementation									
	Quality Assurance	Implementation Time	Changeover Cost	Supplier Relations	Future Product Portfolio	Turnaround Time			
Option 1	+	+	+-	+	+	-	3		
Option 2	+-	+-	-	+	+	+-	1		
Option 3	+	-	-	-	-	+	-2		

- Option #1: Change sub-suppliers
- Option #2: Increase sub-supplier margin
- **Option #3**: Change primary supplier

## **Option 1 quantitatively**

#### **FINANCIAL ANALYSIS**



## **Option 2 quantitatively**

#### **FINANCIAL ANALYSIS**



## **Option 3 quantitatively**

#### **FINANCIAL ANALYSIS**



### What will this do for us?

#### **RECOMMENDATION BENEFITS**





### But what about...

#### **POTENTIAL PROBLEMS**

Problem	Recommendation	Analysis	Risk Mitigation	Implementation
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Risk	Impact	Mitigation
Implementation time longer than 3 months	<ul> <li>Additional cost of \$146,666 / month</li> </ul>	<ul> <li>Design an integration plan</li> <li>Strong communication</li> </ul>
Poor quality from new sub-suppliers	<ul> <li>Similar quality problems downstream</li> </ul>	<ul> <li>Require TS16949 certification</li> <li>Get feedback from existing clients</li> </ul>
Agile's loss of control over sub- suppliers	<ul> <li>Higher problem resolution time</li> <li>Disruption of information channel and authoritative hierarchy</li> </ul>	<ul> <li>Encourage better communication</li> <li>Train Agile to build relationship with sub- suppliers</li> </ul>

## Supply chain synergy

**MANAGING CHANGE** 

nplementation
sub-supplier

## **Roadmap to Success**

#### **IMPLEMENTATION TIMELINE**

Problem	Recommendation	Analysis	Risk Mitigation	Implementation	
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				2	2009	
Activity	Operation	July	August	September	(	
Contain Issues	~					
Stop Supply from BIPL & ECPL	Short Term					
Negotiate with North America Suppliers	Short Term					
Lay a Foundation	~					
Define contracts for Quality & Risk	Long Term					
Find suitable sub-suppliers	Short Term					
Manage change at Agile	OCM					
Communicate with all supply chain entities	Long Term					
Transition Supply Chain	~					
Integrate new sub-suppliers into supply chain	Long Term					
Stop supply from North America	Short Term					
Facilitate relations between Agile & sub-suppliers	OCM					
Feedback from OEM to supply chain	Long Term					

# We can say that again



### • Now is the time to:

- Replace Sub-Suppliers
- Invest in Agile
- Redefine Responsibilities

### • Because this will:

- 1. Assure sustainable quality
- 2. Establish strong supply chain
- 3. Eliminate future confusion

### Your thoughts? DISCUSSION TIME



### **Backup Slides** Appendix

### **WEIGHTED DECISION MATRIX** Alternative analysis

				BENCH	MARKI	NG (Unv	weight	ed)	BENCHMARKING (Weighted)				
<b>v</b> 2 1 1 0	Veight/Importance: 10: Extremely Critical 5: Tier 1 0: Tier 2 15: Tier 3 & 4		Weight/Importance (5, 10, 12. 15)	Use Automek Global Network	Increase tiered supplier margins	arking: 5: Best North American supplier			Use Automek Global Network	Increase tiered supplier margins	North American supplier	0	0
	Stakeholder Considerations												
1	Implementation Time		15	3	2	1	0	0	45	30	15	0	0
2	Changeover Cost		15	2	1	1	0	0	30	15	15	0	0
3	Supplier Relations		15	3	3	0	0	0	45	45	0	0	0
4	Future Product Portfolio	· · · · · · · · · · · · · · · · · · ·	10	3	3	1	0	0	30	30	10	0	0
5	Turnaraound Time		10	1	2	3	0	0	10	20	30	0	0
6	Quality Assurance		20	3	2	3	0	0	60	40	60	0	0

WEIGHTED TOTAL

► **220** 180

0

0

130

# **Roadmap to Success**

#### 2009 Activity Operation July September August Contain Issues ~ Stop Supply from BIPL & ECPL Short Term Negotiate with North America Suppliers Short Term ¥ Lay a Foundation Define contracts for Quality & Risk Long Term Find suitable sub-suppliers Short Term Manage change at Agile OCM Communicate with all supply chain entities Long Term **Transition Supply Chain** ¥ Integrate new sub-suppliers into supply chain Long Term Stop supply from North America Short Term Facilitate relations between Agile & sub-suppliers OCM Feedback from OEM to supply chain Long Term

### In-depth financials

**FINANCIAL ANALYSIS** 

### Option 2 – Sub Supplier's POV – 2010 Operations

#### <u> BIPL – Status Quo</u>

Contribution = 0.77 - 0.52 = \$0.25/piece Total Contribution = \$55,000Revenue = 0.77x220,000 = \$169,400Revenue from PCB sold (%) = 0.5%Contribution of PCB(%) = 2.16%

#### ECPL – Status Quo

Contribution = 3.41 - 3.27 = \$0.14/piece Total Contribution = \$30,800Revenue = 0.77x220,000 = \$750,200Revenue from PCB sold (%) = 1.75%Contribution of PCB(%) = 0.96%

#### **BIPL – Increased Margin**

Contribution = 1.27 - 0.52 = \$0.75/pieceTotal Contribution = \$165,000Revenue = 1.27x220,000 = \$279,400Revenue from PCB sold (%) = 0.82%Contribution of PCB(%) = 6.5%

#### **ECPL** – Increased Margin

Contribution = 4.41 - 3.77 = \$0.64/piece Total Contribution = \$140,800Revenue = 4.41x220,000 = \$970,200Revenue from PCB sold (%) = 2.26%Contribution of PCB(%) = 4.4%

### **Quantitative Details** FINANCIAL ANALYSIS

#### Option 1

Number of supplies for 3 months =  $100000 \times 3/12 = 25,000$ Additional Cost of supplies =  $25,000 \times (16-8) = $200,000$ Cost of deploying additional resource = \$100,000 per year Total cost for the period from July  $2009 - 2013 = 200,000 + (100,000) \times 4.5 = $650,000$ 

#### Option 2

Additional cost for 2009 = 50,000 x1 = \$50,000 Additional cost for next 4 years = 220,000x1 = \$220,000 each year Total cost for the period from July 2009 – 2013 = 50,000 + (220,000)x4 = \$930,000

#### Option 3

Parts required for 1 year from July 2009 to June 2010 = 100000x.5 + 220000x.5 = \$160,000Additional cost for those parts = 160,000x(16-8) = \$1,280,000

### **Quantitative Details** FINANCIAL ANALYSIS

#### **Option 1 vs Option 2**

Total spending for option 2 till 2013 = \$930,000Total spending for option 1 till 2013 = \$650,000Additional Benefit = \$280,000Additional Benefit can be distributed to new sub-suppliers as extra margin Number of supplies required till 2013 after implementing Option 1 = 25,000 + 220,000x4 = 905,000 Additional benefit per piece = 280,000/905,000 = \$0.23/piece