

Ten Supply Chain Changes

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Who is Greg Hutchins?

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Critical Infrastructure Protection Forensics – Assurance - Analytics



Certificate of Conformance

*This will certify that, on this date,
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*Critical Infrastructure Protection Forensics/Assurance/Analytics™ (CIP/FAA™)
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Jay M. Cohen

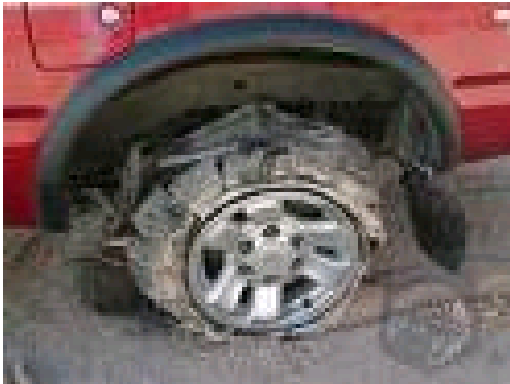
Under Secretary for Science and Technology


Date

My Mission Critical Objective Today:

- Discuss major changes in:
 - Global business
 - Sourcing
 - Supply management
 - Supplier auditing
- Discuss why risk management is critical knowledge area for All quality professionals

USA Today: Public Safety Risk



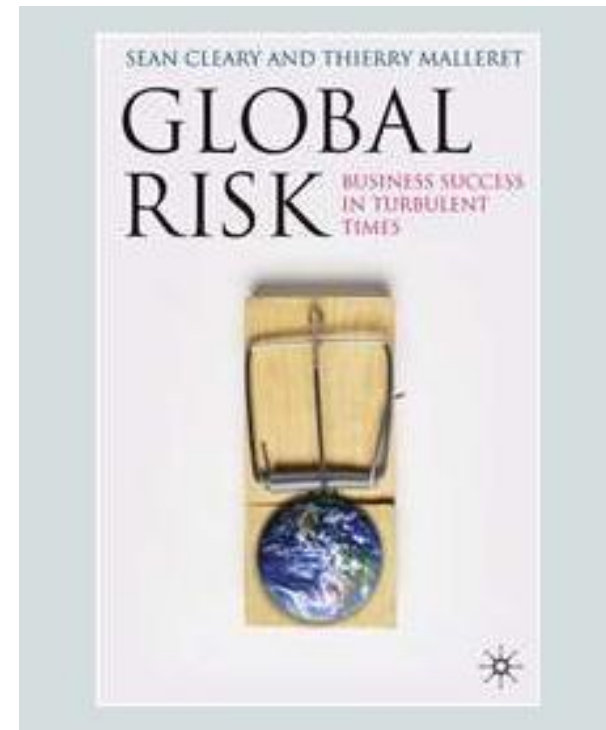
USA Today's Lead Article TODAY

- “Kellogg says it’s reviewing how it qualifies suppliers after a food-safety auditor it hired gave superior ratings in the Georgia peanut plant now at the center of one of the nation’s largest food recall.”
- “The FDA inspected the plant last month after the outbreak was detected and reported serious deficiencies.”
- “Kellogg’s auditor, the American Institute of Baking, says a superior rating doesn’t mean that the auditors didn’t find problems.”

The Rest of the Story

- “Kellogg’s auditor, the American Institute of Baking, says a superior rating doesn’t mean that auditors didn’t find problems.”
- “King Nut, which recalled PCA (Peanut Corp of America), sends employees to audit larger suppliers, but not ones as small as PCA.”
- “PCA did supply King Nut and other customers with certificates attesting to the ingredient’s quality.”
- “PCA disputes the findings. It faces a federal criminal investigation.”

#1 - From Global Stability to Global Uncertainty



Discussion

- Price of oil fluctuates
- World is flat or spiky
- Carbon emissions and global warming
- Financial crises
 - Black Monday – January 27, 2009
 - 75,000 job loss
- NY Times “Deep Cuts Suggest That Employers Expect a Long Downturn”
- Result:
 - Rethinking of basics of offshoring and benefits of outsourcing

#2 - 'Made in China' to 'Made in USA'



Discussion

- Offshoring to domestic sourcing
- Offshoring
 - Expensive
 - Risks
- Domestic sourcing
 - Lowers risk
 - Made in USA label
 - More control
 - Closer to sources

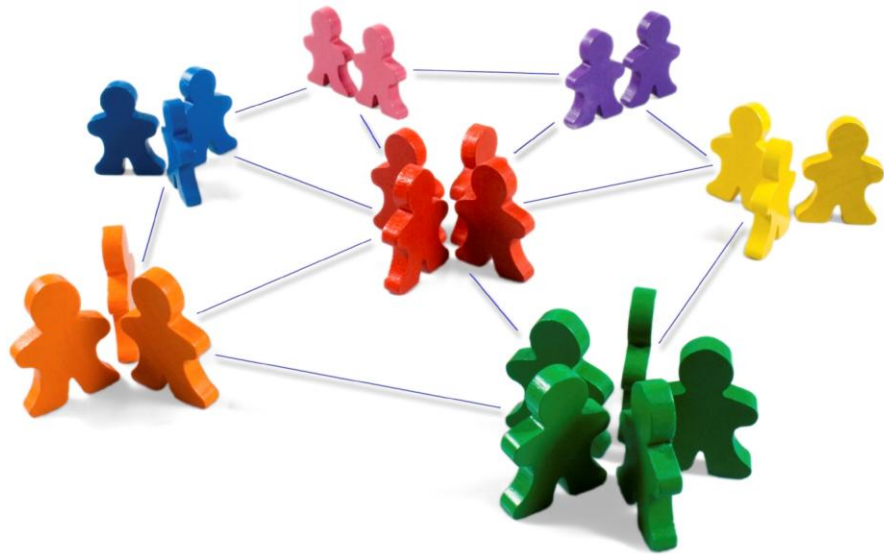
#3 - Just in Time to Just in Case



Discussion

- Just in Time
 - Lean supply chain
 - No buffer inventories
- Just in Case
 - What if
 - Risk analysis
 - Buffer inventories

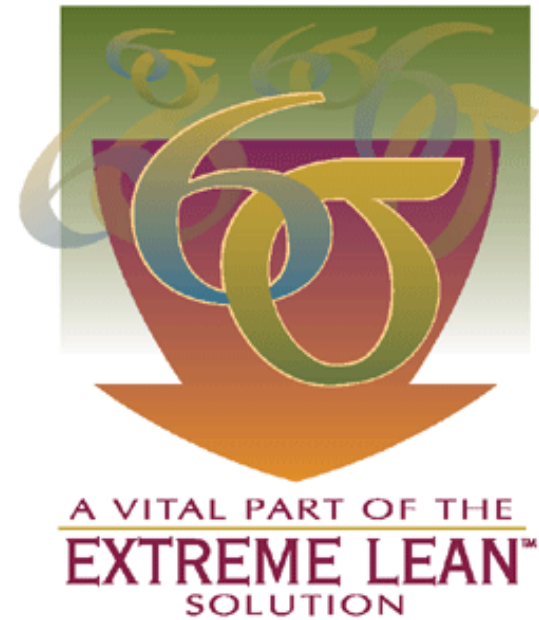
#4 - Single Source to Multiple Sources



Discussion

- Single sourcing makes a lot of sense and offer value
- However, single source can result in supply risks
 - Earthquake in China
- All eggs in one basket
- No diversification of risk

#5 - Stable Supplier Capability to World Class Capabilities



Discussion

- Old supplier selection model was:
 - Make part within spec and meet business requirements
 - Transactional relationship
- New Model
 - Six sigma capability
 - World class risk management
 - Self certification
 - Risk based performance

#6 - From Product Price to Risk/Reliability Decision Making



Discussion

- Price or cost has been traditional method of selecting suppliers
- Now, risk is becoming critical component of selecting suppliers

#7 - Looking Backward to Looking Forward



Discussion

- Quality has compliance flavor
 - Historical focus
 - Past performance
- Risk management
 - Future focus
 - ‘What if’ analyses

#8 - Supplier Trust to Supply Verification



Discussion

- Supplier trust is based on:
 - Long term, mutually beneficial relationship
 - Good products supplied
- Supplier verification
 - More audits
 - Trust but verify

#9 - Quality Audits to Risk Audits



Discussion

- Quality Audits
 - ISO 9000
 - Compliance based (still)
- Risk Audits
 - ‘What if’ audits
 - White space gaps and risks in supply chain

#10 - Business as Usual To Business Continuity Management



Discussion

- Supply chain disruption was not considered because of just in time philosophy of no buffer inventories
- Now, there are a lot more disruptions
- Solution is Business Continuity Planning

Future of Supply Chain Management

- Risk is the primary filter for supply chain decision making
- Supplier auditing will mean more risk auditing
- Clients will want certification (assurance) suppliers comply with requirements
- Supplier auditors will need more training in risk management
- Focus on business continuity management
- Emphasis on being proactive, predictive, preemptive, and preemptive on supply risks

QUESTIONS?

**THANK YOU FOR THE
INVITATION!**

Greg Hutchins