

The mission of NAPM Central Michigan, Inc. is to serve the needs of its members and the profession by providing quality learning opportunities through educational forums, career broadening and mentoring experiences. Additionally, it is our mission to promote increased recognition of NAPM and the growth opportunities offered by the organization.

**President's Toolbox** by David Taylor, C.P.M.

Terms for this month: **Risk Management, Strategic Partners and Collaborative Agreements**

**Risk Management for today's organizations:** It means much more than calling or having a meeting with the company's lawyer. It once was a form of "damage control," done after the fact, like the clean-up crew in the movies that the mobsters send in--to clean up the bodies & "the mess". If you read *Inside Supply Management* January 2005 issue, Drs. Steven Melnyk, George Zsidsin, and Gary Ragatz, professors at MSU, had a joint article on "**Supply Continuity Planning: Taking Control of Risk**". In the July 14<sup>th</sup> issue of *Purchasing by Reed Business*, the *buylines* article on page 37, is devoted to **Risk Management** and starts out with an interview with Dr. Melnyk. He was quoted repeatedly in the article along with managers from three or four other companies across the U.S., defining how to reduce risk for today's supply chain managers.

In my own work, risk can be as simple as a power outage at our facility or one of our suppliers. This past year our company-- at the insistence of some of our key customers and by newer levels of QS/ISO and TS certification, planned and implemented an emergency plan to maintain basic required business operations in the event of a massive power outage such as was experienced in the Midwest August 14, 2003. We installed a propane-driven, diesel generator, which will power our phones, limited computer servers tied to customer order entry and key manufacturing machines. This is now tested monthly and in the past six months has been triggered at least twice by area thunderstorm power outages.

Another example is the threat of strikes or shortages of major raw materials or components such as the steel shortages & price hikes we saw this past year. Since tubing is a major component of every product we ship, my own tubing supply availability is very much a "risk factor" which we all watch closer now than ever before. I am one of the top 10 consumers of certain types of steel tubing in the Midwest, and that allows for certain courtesies and strategic agreements that other companies do not enjoy. With current lead times, at any point I have orders placed and commitments made, for over 120 miles of my basic raw material. That is what it takes me to keep our day to day operations going! Any blip or hiccup in that supply is treated as a potential and severe risk. My agreements kept life relatively smooth this past year in spite of historical price increases and excessive lead-times. We improved our customer service, lowered inventories and increased sales -- partly because of those strategic relationships which were in place before steel supplies got scarce.

Another instance of managing risk: you have a reject at your customer which threatens their production capability. If you have a plan & process that is in place and followed, it goes into action at the mere hint of a potential problem. You can thereby limit or avert catastrophic reverberations if you avoid shutting down your customer and can react to provide corrective action or replacement product before it becomes a disaster. This too is managing risk in today's supply chain. It takes all types of forms and will reveal itself in simple things like running out of carton sealing tape, shipping labels or plastic bags or pallet staples. All of these seemingly insignificant MRO items can cause extreme risk if they are not available when needed. Something as simple as a printer cartridge when a student or employee has a paper or report due

the next day. All these are supply chain risk factors and yet for years we treated them as commodities that we "bought". That is one significant way in which our daily jobs have all been impacted in today's SCM culture.

Do you think in terms of any of your suppliers as *Strategic Partners*? Do you participate in regular "**collaboration**" with those *Strategic Partners* to lessen risk to both of you? Do you consider possible opportunities for cost avoidance, savings or process improvements?

After all, in today's market, we see an ever increasing transparency of business systems, procedures, financial data and what we once considered "proprietary" inventory and business data. We now share this more readily than before with our "trusted" partners and expect the same in return. Thus, as supply chain managers, we now "**collaborate**" (discuss, brainstorm, role-play and review process procedures for both partners) more and spend less time buying commodities and merely placing orders. More time is spent on supply lines, schedules and process improvements, to guarantee our schedules can be met. In addition, the opportunities for improvement and cost reduction have never been greater, but they are in areas we once would never have searched. Just this past week, I encouraged two sometime competitors, to talk about mutual benefits, because of unique core competencies of each which could benefit each of them in final assemblies.

As our summer now winds down, consider your plans for fall and next year 2006.

- Consider What Risks exist to your supply chain and make it a discussion item with management.
- Review your contingency plans or McGuyver's "Plan B"
- Vulnerable areas need at least a plan that can kick in should an emergency happen. If a death, tornado or flood could interrupt your supply of a key raw material or component, you may be vulnerable.
- Know your strategic suppliers and make sure you are communicating regularly with them.
- Are some of your weaker suppliers in danger of economic disaster which could force you to overnight re-source 25-50 or more components unexpectedly? How would you react to an emergency like that?
- Is there mutual benefit to your strategic relationships? What does each party gain besides sales and payments? Are you allowing suppliers greater access to your records and facilities than ever before? If yes, how does that change your role to the company now? What can you learn from each other? You can "**mentor**" a supplier as well as a co-worker or a student. More about that next month.
- Determine if you really manage, control and develop your supply chain. If not, set about correcting that situation before it bites you.

Next month—we will continue exploring "mentoring", and take a sneak peak at Six Sigma.

## NEW MEMBERS

Paula M Kasprzyk, Edw C Levy Co  
Jeffrey L DeVerna

## CONGRATULATIONS!

ISM honored 6 students with scholarships, two from MSU.

On May 9<sup>th</sup>, during the 90<sup>th</sup> Annual International Conference in San Antonio, ISM Honored six students at a dinner in their honor, as recipients of the **R. Gene Richter Scholarship Awards**. One student was **Alyssa Waszczuk**, who is on our board as a student liaison this year. Another student was **Jeanne Chan**. Both are seniors in the Eli Broad School of Business at MSU. **Think about it**, two of the six recipients were from MSU! I am proud of them, proud of MSU's program and the benefit all of us in Central Michigan receive from this affiliation with students, faculty and professional supply chain managers throughout this region. Other schools represented were Penn State, Univ. of Maryland, Arizona State Univ., and **Andrea Brown** a senior from Western Michigan Univ. NAPM-Central Michigan has members from time to time from MSU, CMU, WMU, Ferris State, U of M, Eastern Michigan, LCC and Spring Arbor University and even Washtenaw Community College. What a wealth of resources and networking to draw upon! These resources impact all of our local businesses as we share our training and expertise with each other and interact with them as students and as they later join our companies. Join me and our board, in proud and hearty Congratulations to these students!

## PROGRAMS

**September 20, 2005 Lansing:** *“Applying SixSigma Methods for the Small Business or non-manufacturer”* by Dave Taylor, C.P.M. and certified Six Sigma Green Belt. Six Sigma is much talked about as a buzz word, often thought of as merely another Quality initiative. It could become one of your most powerful tools – even if your company or organization does not plan to implement it! It isn't just for the factory or manufacturing floor. Find out why and how! Location: Coyote Creek Grill, 6951 Lansing Rd., Dimondale, MI (the former Windsor Mountain Grill).

**October 18<sup>th</sup> Jackson:** *“Opportunity Knocks—what ya gonna do?”* Networking and exploring available resources. Speaker– **Bill Rayl**– Executive Director JAMA – Jackson Area Mfrs Association. Location: Gilberts or the New Tom's. This is not firm yet.

Please see <http://www.msu.edu/~napmcm/> for officer contact information.

## NAPM-Central Michigan Calendar of Events

### September 2005

Labor Day 9/05/05 (Mon)

Tues. 9/06/05 **Board Meeting**

Tues. 9/20/05 **Dinner Meeting** (Lansing) Topic:

*Opportunity for Improvement: SixSigma for the Small Business or Non-Manufacturing*

*Organization- an Overview* Dave Taylor, C.P.M, SixSigma Green Belt Location: Coyote Creek Grill, 6951 Lansing Rd., SW Lansing (Dimondale) 6:00 pm social, 6:30 dinner

Weds. 09/21/05 first MSU student SCM meeting on Campus

### October 2005

Tues. 10/04/05 **Board Meeting**

October 5,6,7, 2005 **28<sup>th</sup> Michigan Purchasing Conference - Ralph A. MacMullan Conference Center, Higgins Lake Mi.**

Tues. 10/18/05 **Dinner Meeting** (Jackson) *Opportunities for Mentoring, Networking and Resources-* tentative joint program with JAMA

Thurs. 10/20/05 **Satellite Seminar: Tools for Negotiations Success**

### November 2005

Tues. 11/01/05 **Board Meeting**

Tues. 11/15/05 **Dinner Meeting** (Lansing) *Web-Based Procurement –(web service company) speaker to be announced*

Thurs. 11/24/05 **Thanksgiving**

### December 2005

12/06/05 **Board Meeting**

Mid-December: Joint meeting/party with SW MI Chapter, or Metro Detroit & Central Michigan –TBA

### January 2006

Tues. 1/03/06 **Board Meeting**

Tues. 1/17/06 **Dinner Meeting** (Lansing) *Mentoring Opportunities Night* -SCM/JAMA/APICS/NAPM

## 28<sup>th</sup> Michigan Purchasing Conference

October 5 - 7 2005 Higgins Lake, MI.