Supplier Management

Optimizing Life Cycle Costs

Topics

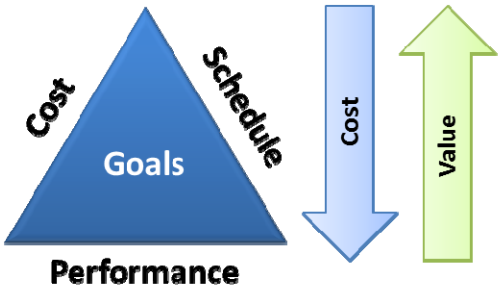
- Key Supplier Selection (Commercial)
- Supplier Performance Metrics
- Strategic Alliances

Traditional Supplier Management Functions:

1.) Selection Criteria
2.) Communications Strategies
3.) Performance Evaluations (Just Metrics)
4.) Improvement Strategies
5.) Certification, Partnerships, **Alliances**
6.) Logistics

Introduction

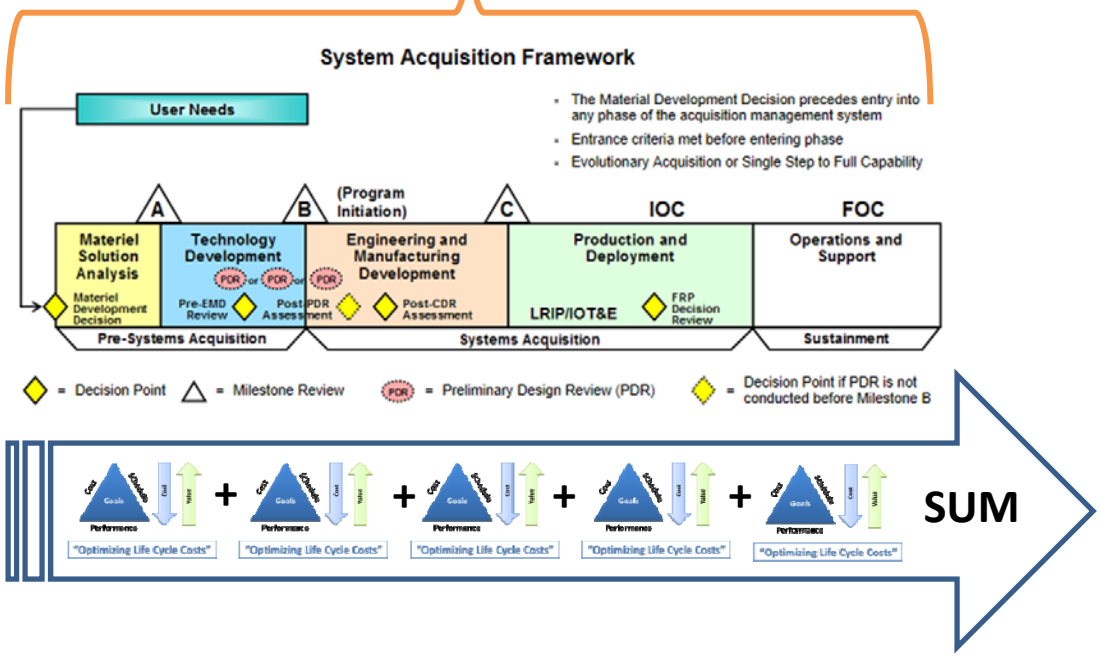
- **Supplier Management Exercises**
  - Goals:
    - Optimize Life Cycle Costs
      - Meet Program Requirements for Cost, Schedule, Performance Targets
      - Maximize Value for Your Organization



"Optimizing Life Cycle Costs"

Supplier Management Why?

Life Cycle Costs are the costs associated with all functions and activities from Cradle to Grave…



=

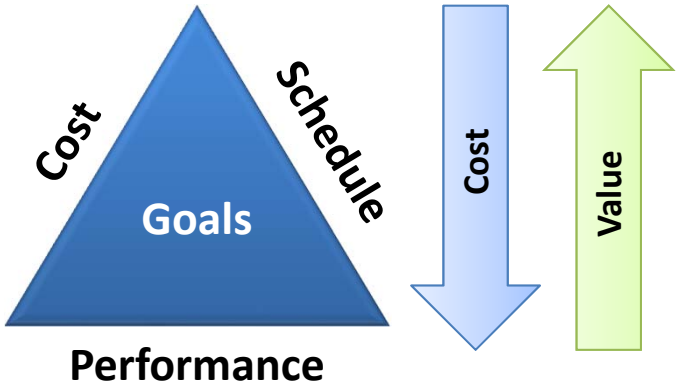
"Optimizing Life Cycle Costs"

Key Supplier Selection

- Supplier Selection Criteria for **Quality-Centered Supplier Relationships**
  - **Who?**
  - What?
  - How?

Key Supplier Selection

- Supplier Selection Criteria
  - Who?
  - **What? (EXERCISE)**
  - How?



What is the impact on Cost, Schedule, Performance… and Value?

Key Supplier Selection

- Supplier Selection Criteria
  - Who?
  - What?
  - **How? (EXERCISE)**

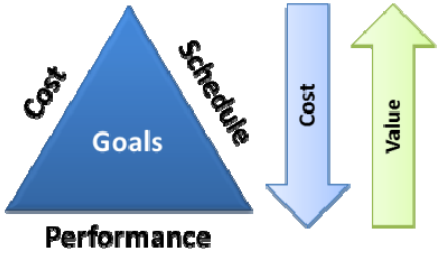
Supplier Performance Metrics

- **What? (EXERCISE)**
- Where?
- How?

Industry Metrics vs. CPARS

Industry

- Quality
- Service
- Cost
- Delivery
- Technology



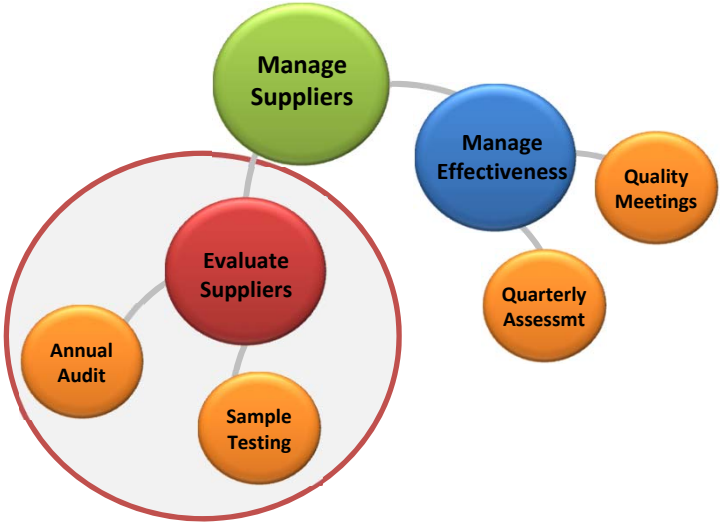
"Optimizing Life Cycle Costs"

CPARS

- **Quality**
- *Logistics Support*
- *Product Assurance*
- **Other Technical Performance**
- **Contract Performance**
- **Schedule**
- **Cost Control**
- Management
- **Management Responsiveness**
- Management of Sub-contractors
- Program management and other management
- Management of Key Personnel
- Utilization of Small Business
- Regulatory Compliance

Supplier Performance Metrics

- **What? (EXERCISE)**
- Where?
- How?



Supplier Performance Metrics

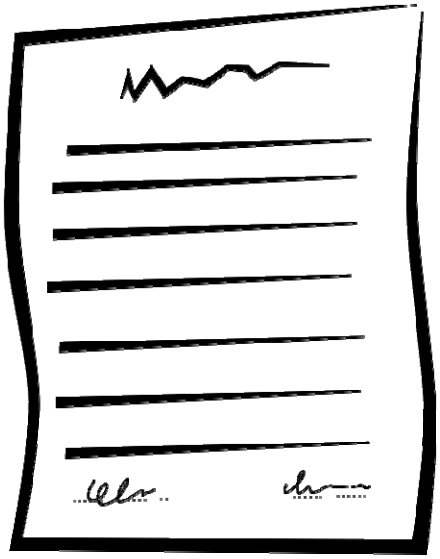
- What?
- **Where?**
- How?

Supplier Performance Metrics

Priority	Category	Weight (1-5)	Score (1-10)	Weighted Score
1	**Delivery/Reliability**	**5**		
	Timely deliveries		6	
	Complete deliveries		4	
	Proper PHS&T		7	
	Average Score		**6**	**30**
2	**Quality**	**4**		
	Product durability		8	
	Product construction		7	
	Design efficiency		9	
	Average Score		**8**	**32**
3	**Pricing**	**4**		
	Price compared to competitors		6	
	Price compared to market		7	
	Average Score		**7**	**28**
4	**Customer Service**	**3**		
	Communications with functionals		8	
	Develop timely solutions		9	
	Average Score		**9**	**27**
	Total Score (160 possible)			**117 (73%)**

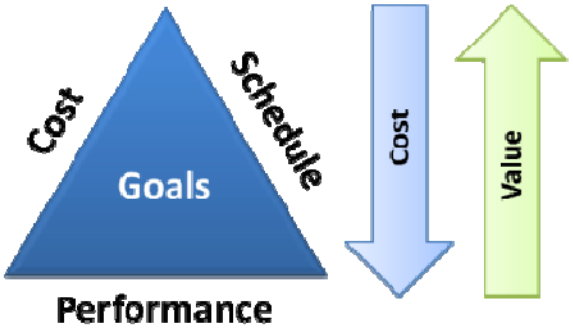
Supplier Performance Metrics

- What?
- Where?
- **How?**



Strategic Alliances

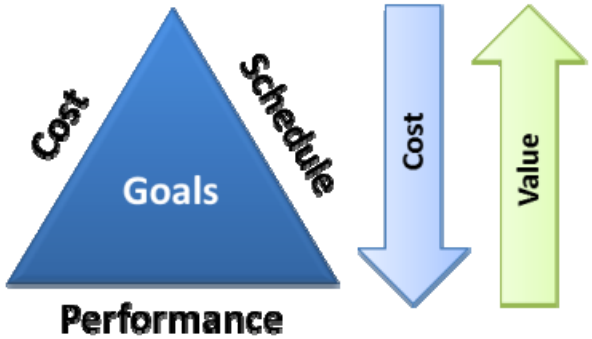
- What?
  - **Transactional Relationship** vs. Strategic Alliance
  - Differences…
- Barriers within the DoD
- How?



"Optimizing Life Cycle Costs"

Strategic Alliances

- What?
  - Transactional Relationship vs. **Strategic Alliance**
  - Differences…
- Barriers within the DoD
- How?



"Optimizing Life Cycle Costs"

Strategic Alliances

- What?
  - Transactional Relationship vs. Strategic Alliance
  - **Differences…**
  - Advantages…
- Barriers within the DoD
- How?

"Optimizing Life Cycle Costs"

Strategic Alliances

- What?
  - Transactional Relationship vs. Strategic Alliance
  - **Differences…**
  - Advantages…
- Barriers within the DoD
- How?

"Optimizing Life Cycle Costs"

Strategic Alliances

- What?
  - Transactional Relationship vs. Strategic Alliance
  - Differences…
  - **Advantages…**
- Barriers within the DoD
- How?

Strategic Alliances

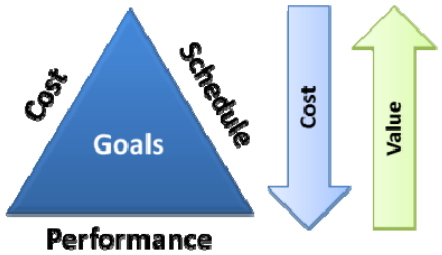
- What?
  - Transactional Relationship vs. Strategic Alliance
  - Differences…
  - **Advantages…**
- Barriers within the DoD
- How?

Strategic Alliances

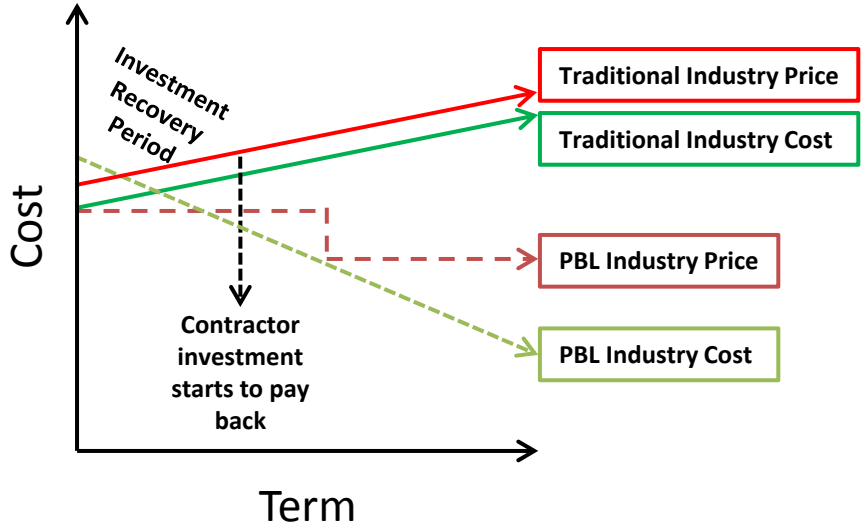
- What?
  - Transactional Relationship vs. Strategic Alliance
  - Differences…
- **Barriers within the DoD**
- How?

Strategic Alliances

- What?
  - Transactional Relationship vs. Strategic Alliance
  - Differences…
- Barriers within the DoD
- **How?**

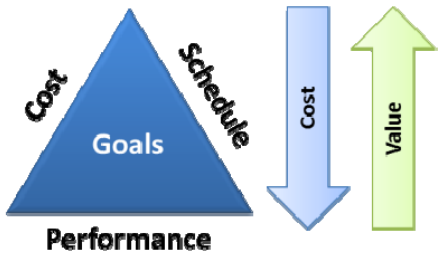


"Optimizing Life Cycle Costs"



Putting it all Together

"Best Value Proposition"



"Optimizing Life Cycle Costs"

Supplier Selection Criteria

RFP With IPT Selection Criteria

Source Selection With Strategic Criteria

Strategic Supplier Metrics

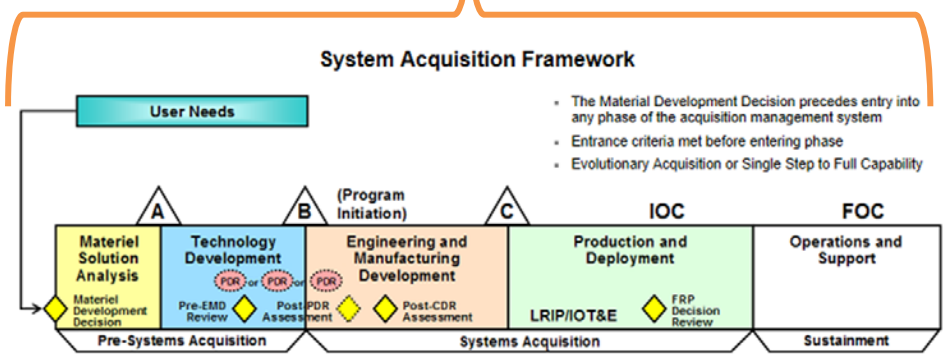
Strategic & Mutually Beneficial Contract

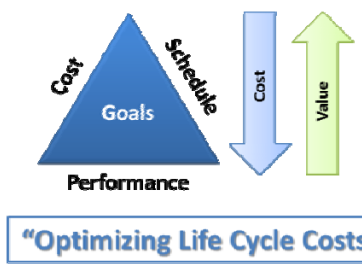
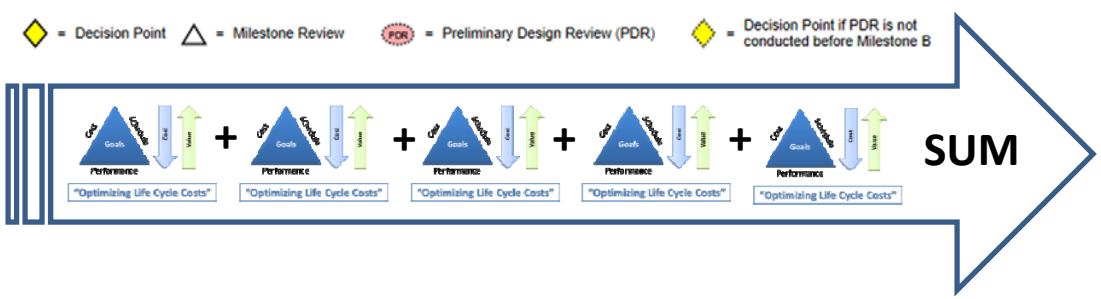
Supplier Performance Measurement

RESTULTS: Program Goals & Maximum Value!!

Questions?

Life Cycle Costs are the costs associated with all functions and activities from Cradle to Grave…





=