



ALASKAN PURCHASER

www.napmalaska.org



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Vendor-Benders: How to Assure Your Supplier Relations Are Collision Proof

By: Jim Limperis, C.P.M., CFPIM

Supplier relationships are laden with vendor (fender)-benders, traffic lights and potholes. There will be times when the relationship is under construction. The alliance must, at times, bump along the break-down lane as both partners assess their respective needs. The challenge is to keep it in the fast lane as much as possible. In order to assure that your supplier relationships are collision-proof, you must be prepared to weather the aforementioned obstacles. Each one will permeate a supplier relationship to some degree. Lets take a look at how each of these obstacles can impact a supplier relationship.

Vendor-Benders

In order to minimize the frequency of vendor-benders, a supplier optimization plan must be developed. During the last several years at Motorola, the active supplier base has been reduced by over 50%. With the amount of “traffic” reduced due to “less cars on the road,” a closer relationship will develop with those remaining suppliers.

Once the supplier base has been reduced to an optimal level, unexpected vendor-benders can be minimized by careful attention to Early Supplier Involvement through joint product development. Our suppliers are in the “driver’s seat” when it comes to knowing what is around the bend in their industry. We

need to “share the road” with our suppliers regarding early supplier involvement in order to successfully develop the highest quality products and services.

Even though you’ve optimized the supplier base and implemented a successful ESI program, vendor-benders can still occur if buyer and supplier have different priorities on Supply Management initiatives. For example, one of the initiatives is to deploy an Electronic Funds Transfer (EFT) program with our supplier base. We will concentrate on implementing EFT with approximately 150 of our suppliers who constitute over 95% of our procurement activity. From the buyer’s perspective, accounts payable can eliminate writing checks as EFT will electronically deposit funds in the supplier’s designated account on the terms agreed to in the contract. By doing so, the costly expense of writing checks and mailing them is no longer necessary. From the supplier’s vantage point, they receive the funds automatically, eliminating the need for mailing invoices. They also know that they will consistently receive their funds on the exact terms negotiated.

Most vendor-benders can be repaired! The key is to maintain flexibility. If you have successfully developed a highly responsive supplier base which reflects the flexibility demanded by your customer, then it is mutually advantageous to jointly repair the vendor-bender and “get back on the road.”

Please join us for the 2014

PACIFIC NORTHWEST PURCHASING CONFERENCE

See Page 6 For More Information

**OCTOBER 6-8, 2014
Hotel Captain Cook, Anchorage**

**Educational Sessions,
Keynote Addresses,
Networking, Trade Show**

Vendor-Benders: How to Assure Your Supplier Relationships Are Collision Proof

continued from page 1

Under Construction

There will be times when your Supply Management organization, and thus, your supplier relationships, will be under construction, i.e. undergoing change due to organizational, long-term strategy or short-term tactical procurement changes. If your organization is not constantly under construction, then you are not managing change with the "velocity" necessary to satisfy the demands of tomorrow's customer!

If your organization routinely conducts benchmarking studies on various facets of Supply Management initiatives, then the best time to act on findings from these studies is when your organization is "under construction." For example, when we were "under construction" due to short-term tactical procurement changes, we were reviewing how best to unveil our barcoding requirements with our supply base.

When your organization is under construction due to the initiation of a new product or service requiring sourcing needs, a comprehensive assessment tool to evaluate the processes and quality systems of prospective suppliers can curtail the amount of time you are under construction. You can develop your own audit tool as long as it is utilized consistently and your sourcing professionals have been trained to perform this auditing function. The audit should examine objective evidence that quality systems have been developed, documented and implemented. The intent is to assure that the quality systems of suppliers are effective in achieving Total Customer Satisfaction and that continuous improvement is achieved.

Another means to assure that your suppliers do not idle long while you're under construction is continuous training. If you are in a constant mode of change to maintain flexibility to satisfy increasingly demanding customers, training your suppliers is critical.

Traffic Lights

Traffic lights may appear to be a deterrent between going from Point A to Point B but traffic lights in a supplier relationship offer excellent opportunities to assess "where we're at." We conduct supplier reviews on a regularly scheduled basis to review the prior

period's quality and delivery performances as well as the numerous initiatives that we are jointly working on as supplier partners. We utilize a Supplier Corrective Action (SCA) procedure to assure that suppliers are moving in the right direction. If there are concerns such as delays in supplier response time or less-than-expected performance over the last period of time, advance with caution through the yellow light once these issues are brought to "light." If there are major concerns with the relationship for a variety of reasons, then the red traffic light signal offers you the opportunity to carefully assess the future nature of the relationship. If corrective actions can turn the situation around, now is the time to "drive" the point forward.

The traffic light can also be a "reflector" of sorts. At each of these milestones or whatever checkpoints suit your relationships, it is wise to reflect on what each party has done well or not so well so that history does not repeat itself. You may learn that difficulties are often encountered at certain stages of the product life cycle (i.e., the concept stage, the development stage, the production stage, the sunset stage, etc.) regardless of which supplier or which product line is utilized. Likewise, you may also learn that certain stages go quite well. It would be wise to capture or ultimately procedurize, if applicable, the processes followed for future sourcing opportunities.

Fast Lane

If you're cruising in the fast lane with your supplier, you had better have a good roadmap to deal with the many curves in the road. We have developed a comprehensive, multi-year Supply Management roadmap. The primary objective of this roadmap is to develop a highly responsive supplier base to effectively and efficiently meet or exceed the quality, delivery, flexibility, compliance, cost and inventory turn requirements of the Model Manufacturing Operation to meet customer needs. Several roadmap initiatives are being driven by Supply Management individuals leading cross-functional teams. These initiatives support the aforementioned metrics derived from customer needs. For example, to meet our aggressive flexibility metric, several teaming efforts were deployed to achieve these results including teams to address EDI, cycle time reduction, supplier optimization, flexibility, cost reduction, etc.

Vendor-Benders: How to Assure Your Supplier Relationships Are Collision Proof

continued from page 2

In order to stay in the fast lane, you need good “visibility.” When the roadmap provides you long term guidance to help you arrive at your destination point, good visibility helps you see the road ahead. Suppliers were eager to work with Supply Management to reduce lead-times to support the flexibility metric provided we sent them weekly forecasts. Historically our forecasts have been 70% accurate which is a bit of an oxymoron. However this was acceptable to our suppliers since they were mainly interested in the overall consistency of the forecast vs. the specific accuracy. Feedback is essential to assure that you stay in the fast lane.

Potholes

Every spring brings a new round of potholes from the harsh winter season. Supplier relationships will have to weather storms and potholes that will develop even in the best of relationships. The strength of the relationship is based, to an extent, on how well you steer and veer clear of these potholes. As well, proper maintenance will minimize the magnitude of these potholes. For example, problems will intensify if poorly managed. However, if there is a pending list of formal requests for supplier corrective actions or detailed action items from ongoing supplier review sessions, or at the minimum, open dialogue between functional disciplines in both companies, the road can be restored so there will be less veering time and more “fifth gearing.”

Another signal that potholes are not being repaired is when priorities change by either party. This can be a subtle signal as time to market continues to decrease and the buyer’s priorities change from one product launch to the next. Likewise, a suppliers priorities are also closely aligned with customer needs and their mix of customer requirements can shift.

If a relationship is sound, it will rise above changing priorities of product launch offerings. However, proper attention must be spent on relationships even if the product or service which the supplier supports has cooled in significance. It is much easier to maintain the relationship on an ongoing basis rather than filling potholes in order to proceed forward.

Breakdown Lane

Just as you would want to have a back-up plan should you find your vehicle in the breakdown lane, the same holds true in a supplier relationship. Despite best intentions, we need to assure that the end-customer is insulated from any shortfall in the relationship between buyer and supplier. One way to do so is to agree up front in the sourcing/contract negotiating stage to a data escrow arrangement.

The supplier would agree to place in escrow specific documents or specifications (for hardware products) and source code (for software products) and assure that the latest revisions or releases of the above are updated in the escrow file. The intent is that should the supplier no longer be a viable supplier in the future (liquidation, bankruptcy) or its charter change so that the product is no longer available (merger/buyout), the buyer can transfer the contents of the escrow file to a qualified third-party subcontractor so that the flow of products or services to the end-customer can continue.

Another prudent up-front sourcing discipline is to draft a Business Interruption Plan. The Business Interruption Plan should identify potential alternate sources whenever a sole source is selected. Depending on the scope of the product or service, several factors should be reviewed including strategic importance of the product, technological capabilities, non-recurring engineering costs, homologation issues, regulatory approvals, product life cycle, compatibility issues, etc.

If an “overhaul” is warranted to move the relationship out of the breakdown lane, then the proper steps should be taken to do so. If the relationship is “totaled,” then it -is time to exercise the data escrow file and develop a qualified sub-contractor to maintain the flow of products/services and deploy the Business Interruption Plan.

In conclusion, the time spent up front to explain our Supply Management Roadmap and supplier expectations to potential new suppliers is a solid investment in the ultimate length and strength of the supplier relationship. By doing so, we avoid a lot of unnecessary vendor-benders down the road!

PRESIDENT MARIANNE BECKHAM

Our affiliate of ISM is hosting the 2014 Northwest Purchase Education Committee (NPEC) Conference, October 6, 7, and 8 at the Hotel Captain Cook in Anchorage, AK. “Prospecting for Gold Nuggets of Knowledge” is the theme and attendees are sure to find many of our education seminars planned. For more details and registration forms, check out the link on our website napmalaska.org. I look forward to seeing you there!

We’re working on a site visit for the November 6 Pro-D meeting, however, at the time of this writing no definite location has been secured. Look for those details in the next newsletter, on the website and LinkedIn page. These visits give us a chance to see first hand how a local company handles supply chain issues and questions are welcome. Recent site/plant visits included the State of Alaska Crime Lab and Midnight Sun Brewery.

NAPM-AK members are encouraged and always welcome at the board meetings held on the Wednesday following our Thursday Pro-D meeting. Board meetings are generously hosted by Cook Inlet Housing Authority (CIHA), 3510 Spenard Road, corner of 36th Avenue and Spenard from 5:30—7:30 p.m. Please come share your ideas, suggestions, complaints, compliments, etc. Next meeting is October 15th. Can’t make the meeting but have a topic you want addressed? Just send it to me at Marianne.beckham@alaska-pipeline.com or call me at the office (907) 787-8015, home (907) 245-9646, or mobile (907) 632-5358 (texts are great!)

In September Kurt Parkan, Manager of External Affairs with Donlin Creek LLC, educated us about the Donlin Gold project. We watched a video about the proposed mine and the process for extracting the microscopic gold ore. Currently working with various regulatory agencies to secure all the appropriate permits, the project is about 2 years into the permitting approval process and has a couple more years before the Final Environmental Impact Statement is completed. Dave Marshall, Logistics and Procurement Manager, was there too with insight into materials management, labor supply, fuel delivery, hazardous materials mitigation and facility development. This

Project will bring long term economic development to the region and employment for at least 600 base personnel. After the mine is fully developed, the base camp and facilities will be removed and the landscape revegetated.

Are you on LinkedIn? NAPM Alaska has its own LinkedIn group page. We have been successfully using our LinkedIn group as an additional tool to help promote excellence through Supply Management information and discussions, affiliate updates and more. Its good to be LinkedIn!

Respectfully,
Marianne Beckham, President

Volunteers Needed for Pacific Northwest Purchasing Conference October 6-8, 2014 Anchorage Hotel Captain Cook

Are you planning on attending the Pacific Northwest Purchasing Conference? If you are, and you wouldn’t mind lending a hand on some small tasks, it would be greatly appreciated!

Examples of tasks are:

Room Monitor—introduce speaker, distribute handouts and evaluation forms, collect evaluation forms, be a timekeeper for the speaker, and give the speaker their appreciation gifts at the conclusion of the session.

Technical Expert—needs to be a tech savvy individual to help ensure that the speaker gets their presentation to work successfully with the computer and projector. This can also be performed by someone who is attending that educational session.

Other Technology Needs—We also need tech-savvy individuals to assist with setting up the computers and projectors in the educational session rooms in the mornings and to ensure that they get taken out of the rooms in the afternoons and safely stored for the night.

If you are attending the conference and can help out, please contact Marlys Hagen at 269-8666 or via e-mail at marlys.hagen@alaska.gov. Any help would be greatly appreciated. Thank you in advance.

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DIRECTOR OF MEMBERSHIP WARD W. WELLS, C.P.M.

The change of color of the trees and cooler temperatures sends a clear warning from mother nature that winter is just around the corner. I hope you are all ready for the transition into Alaska's beautiful and sometimes challenging winter months.

As a transition into the season, NAPM Alaska is hosting the Pacific Northwest Purchasing Conference in Anchorage on October 6, 7 and 8th. While most of us have been enjoying the fall, there has been a dedicated group of NAPM volunteers organizing this event to provide the opportunity for all in our profession to gain first class training and knowledge at a very reasonable rate, while being able to meet others in our profession from all corners of the state and the Pacific Northwest.

Opportunities such as this highlight the value of membership in NAPM Alaska. If you are currently a member and know of others in our profession that would like to become a member of our organization, please contact me at flatheadward@yahoo.com for a current membership application.

Please welcome new NAPM Alaska Members:

Andrew D Morton, Contracting Officer
 State of Alaska AIDEA

Kristina Bentler, Contracts Officer
 State of Alaska AIDEA

And please welcome new NAPM Alaska student members.

Matthew D Williams
 Jennifer R Lindsay
 Ricardo L Castillo
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Ward

**DIRECTOR OF EDUCATION
BEN MILAM, CPPM, C.P.M.**



Last month we received a fantastic briefing on gold mining and how gold will be extracted at the new Donlin mine being developed in the middle of nowhere, 280 miles northwest of Anchorage. Apparently I missed an upgrade in technology somewhere along the way.

The last time I looked at gold mining, the old miner carried a shovel and a gold pan and rode a donkey. Those 69 trucks at Donlin, hauling 400 tons each way would sure look out of place in those western movies.

Each of those trucks could probably haul 100 old miners and their donkeys. All of the statistics were absolutely amazing; 118 million pounds of ore processed daily, extracting 40 tons of gold annually; a power plant on site the size of the Anchorage Chugach plant and 3 large barges a day on the Kuskokwim River to provide fuel and other supplies.

It was an amazing introduction to modern gold mining. There is enough work there to keep a dozen procurement professionals with large checkbooks busy for a long time. Many thanks to Kurt Parkan and his associates from Donlin Gold for a great presentation.

**71st ANNUAL PACIFIC NORTHWEST
PURCHASING CONFERENCE**

Please remember the Pro-D meeting and dinner for October is replaced by the 71st Annual Pacific Northwest Purchasing Conference. Please join us at the conference October 6, 7, and 8th as we search for “Golden Nuggets of Knowledge”. It should be a great conference with 25 trade show vendors, 28 different speakers, great food and great entertainment. **TIME IS PASSING FAST BUT IT IS NOT TOO LATE TO REGISTER.** Current information is also available on our website at napmalaska.org

VOLUNTEERS NEEDED

We still have a few volunteers that are needed to help with the upcoming conference. This is a great opportunity for members and non-members and it can be a lot of fun. Call Marlys Hagen, 269-8666 for additional information.

CPSM CERTIFICATION BOOT CAMP

We hope you are registered for this CPSM Boot Camp as the registration for that event is closed. We will try to hold another event next year if there is enough interest.

Ben

**PAST PRESIDENT
MARLYS HAGEN, C.P.M., CPPB, CPPO**

Happy Fall! I don't like the fact that we are going in to winter, but I do like the fall colors and crisp mornings.

Northwest Purchasing Education Council

It is not too late to register for the 2014 Pacific Northwest Purchasing Conference. The conference is right around the corner! The dates are October 6-8, 2014. Please check <http://napmalaska.org> for the latest conference information. Please get those registrations in. It is shaping up to be a really good conference. We have some great topics and speakers lined up.

The NPEC board met in August. The main topic was finding a host for the 2015 conference. We have a couple of possibilities in the works. More on that next month.

Have a happy and safe Halloween!

Marlys

**WANT TO ENHANCE YOUR SUPPLY MANAGEMENT SKILLS?
It's not too late to register!**

**2014 PACIFIC NORTHWEST PURCHASING CONFERENCE
OCTOBER 6TH THROUGH OCTOBER 8TH 2014
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Educational Sessions, Keynote Addresses, Networking, Trade Show

INTERESTED?

For additional information see the full conference brochure on our website at napmalaska.org

Or contact:

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October 2014



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WHAT'S HAPPENING!

OCTOBER 6-8, 2014

**PACIFIC NORTHWEST
PURCHASING CONFERENCE**

**CAPTAIN COOK HOTEL
ANCHORAGE, ALASKA**

WHAT'S INSIDE

<i>PAGE 1-3</i>	<i>VENDOR-BENDERS: HOW TO ASSURE SUPPLIER RELATIONS ARE COLLISION PROOF</i>
<i>PAGE 4</i>	<i>PRESIDENT'S MESSAGE</i>
<i>PAGE 5</i>	<i>DIRECTOR OF MEMBERSHIP</i>
<i>PAGE 6</i>	<i>EDUCATION NEWS</i>
<i>PAGE 7</i>	<i>PAST PRESIDENT</i>

The Alaskan Purchaser is published monthly (September to May) by NAPM-Alaska, Inc., an educational organization committed to providing purchasing and material management practitioners the opportunity to enhance their professional skills and knowledge. If you have an item you would like to contribute to the newsletter, please contact:

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