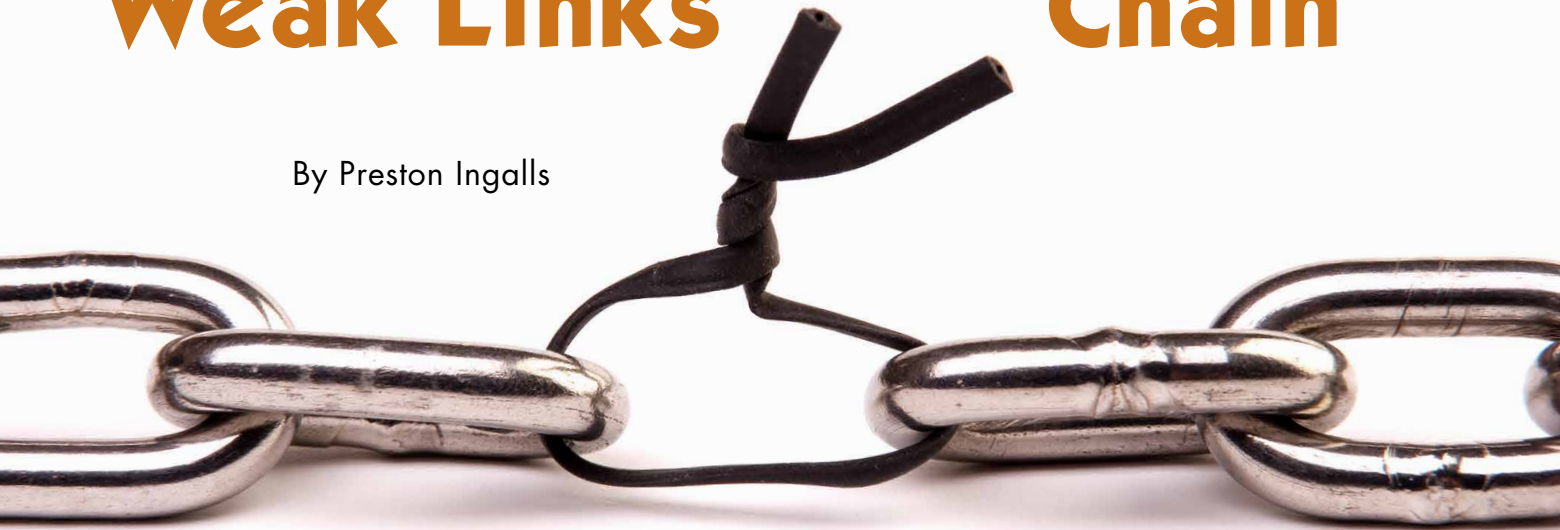


# Avoiding Weak Links in the Supply Chain

By Preston Ingalls



Supply chains are not dissimilar from actual chains in terms of their strength and vulnerabilities. For example, the service temperature range and tensile strength of chains are dependent on the alloys used in their construction. They may have been in excellent shape when we put them in service, but they are subject to conditions of use, wear, neglect, abuse, and age over time.

Wear condition may indicate weakness and therefore, vulnerabilities. If you don't examine each link, the chain may weaken and fail. You can't assume that just because the chain sling worked well before that it is predestined to always provide reliable service.

Each link is an integral part of our overall chain, so the entire chain can only hold what the weakest link is capable of holding. Each vendor or supplier in our supply chain is an integral part of our chain. And, like the required inspections to ensure quality of service, we must periodically examine our links as well.

## EXAMINING THE SUPPLY CHAIN

A good definition of Supply Chain comes from John Wiley & Sons: *All facilities, functions, activities, associated with flow and transformation of goods and services from raw materials to customer, as well as the associated information flows; an integrated group of processes to "source," "make," and "deliver" products and services.*

This same source went on to state: Working with outside CONTRACTORS or VENDORS is a strategy that moves functions, processes, or activities to external providers; a negotiated contract or agreement exists between the two parties to establish: expectations, roles and responsibilities,

and methods of determining if the relationship is mutually beneficial.

## VETTING VENDORS

The first step in selecting a vendor is similar to the one we use for selecting the chain sling. It needs to meet our needs. Does it have the capacity to meet the demands? Is it rated accordingly? When selecting a vendor supplier, you want to screen various candidates against each other, if possible, and rate them against selection criteria. Here is a good set to help vet vendors, modified from Carter's 10 C's.

- **Competency:** Ability, staff skill, and knowledge; how other customers view them from reference
- **Capacity:** Have the means and capability of handling demand; have adequate resources
- **Commitment:** To what extent are they committed to quality; any formal quality efforts
- **Control:** Level of control supplier has over its policies, processes, procedures, and supply chain
- **Cash:** Does supplier have plenty of cash at hand, or is it overextended financially; credit history
- **Cost:** How does cost compare with the other firms being considered
- **Consistency:** Have processes or procedures in place to ensure consistency and reliability
- **Customer Service:** Are values in synch; what does relationship look like compared to others
- **Clean:** Organized and orderly, environmentally friendly
- **Communication:** Will proposed communication approaches align with your preferred methods

## ABOUT THE AUTHOR

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## COMMON GOALS & VISION

Like any relationship, there has to be an element of confidence between the parties. There must be trust. With trust, both parties are willing to work together towards achieving the common goal. Trust sets the stage for more easily attainable compromise in the pursuit of solutions to any problems.

There must also be a shared vision and goal. An agreed upon vision that is clearly defined will focus all parties towards a common goal of corporate success. The resulting alliance should be a win-win situation for all parties. If we don't share trust exemplified by common goals and a vision of the end state, the paths may not converge and problems will arise. Here are some pointers to build those relationships.

**Balance Obligation and Competition:** It's a co-venture. One of the objectives in vendor management is to gain the commitment of your vendors to assist and support the operations of your business. Reciprocally, the vendor is expecting a certain level of assurance from you. Always get competitive bids. It keeps them honest and it is a good check in the system.

**Share information and priorities:** An important element to success for vendor management is the sharing of information and priorities with vendors. There are limits, of course, but good vendor management practices provide the needed information at the right time that will allow a vendor to better service your needs. Examples would include changes in demand, forecast information, new services offered, and changes in equipment, or anything that would affect them.

**Build partnerships:** Vendor management seeks long-term relationships over short-term gains and marginal cost savings. The more we see each other's goals and future tied to mutual success, the higher the level of cooperation. Constantly changing vendors in order to save a dollar here and there will cost more money in the long run and will impact quality. Other benefits of a long-term partnership include trust, preferential treatment, and access to insider or expert knowledge not provided to all.

**Strategize with certain vendors:** If a particular vendor supplies a key product or service to your operation, invite that vendor to strategic meetings. Remember, you brought in the vendor because they could make the product or service better and/or cheaper than you could. They likely have ideas that you can leverage, which may give you a competitive edge.

**Use a win-win negotiation strategy:** Always negotiate in good faith. Seek to find commonality and compromises where we can apply Win-Win strategies versus a "gotcha" strategy. Search for negotiation points that can help both sides accomplish their goals.

**Value management:** Cheaper is not always the best objective as it can also net the lowest quality. Look for best value for the money. Understand budget limits and where compromises are available and where they are not. If quality is important, as it should be, state the specifications in the contract. ■



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