

Supplier Risk Management: Confidential Client

Client & Project Background

This client is one of North America's largest heavy truck manufacturers. The client had a need to address unplanned supplier events such as shortages, quality problems, or in some cases even supplier bankruptcies. As part of a larger organizational improvement project the client engaged Percipio to conduct a supplier risk assessment and to support the mitigation of risks at identified critical suppliers.

Challenge

The challenge was three-fold: First to assess all criteria that contribute to supplier risks at the detailed level required for identifying critical suppliers and analyzing root causes associated with the risk; second to implement mitigation steps at identified suppliers; and third to support on-going supplier development programs.

If I had known what Percipio is capable of I would have hired them earlier.

Client

Director Supply and Logistics

Solution

Percipio applied a proprietary risk assessment model that was developed by our partner organization Supply Chain Redesign (SCRD). Based on years of research, SCRD's approach enables organizations to assess supplier risks holistically against factors that are not immediately revealed through typical quality and delivery metrics. Risks were assessed across six categories: Relationship, Performance, HR, Supply Chain Disruption, Financial Health, and Environmental Indicators. The assessment is conducted as a combination of interviews and an on-line survey that allows organizations to assess a large group of suppliers within a short time frame. Additionally, each supplier is assessed based on its potential impact to revenue, not on the typical spend metrics. This fully brings to light the revenue exposure of disruptions. Results of the assessment were presented in a supplier portfolio including supplier risk probability and revenue impact of each supplier. Critical suppliers were identified and analyzed in more depth to determine areas of detailed focus. Based on the risk assessment, critical suppliers and the client were brought together to work on solutions through a series of facilitated workshops that included root-cause analysis through Ishikawa diagrams. The joint team identified a clear action plan for risk mitigation and issue resolution based on the joint sessions.

Results

As result of the assessment, the client was able to make informed decisions regarding supplier development as well as potential supply base optimizations including diversifications and consolidations. As result of mitigation actions at critical suppliers, the client was able to improve performance and mitigate future risks. A training manual Percipio developed as part of this set of deliverables will reduce time to integrate this approach across future business units and commodity groups, ensuring rapid realization of benefits in the future.

Service Line	Core Competencies	Key Deliverables
▶ Operations Improvement	▶ Project Management ▶ Process Design ▶ Change Management ▶ Facilitation	▶ Supplier Risk Assessment: ▶ Holistic Supplier Portfolio ▶ Supply Base Optimization ▶ Supplier Development ▶ Organizational Integration