



From 65 Providers to 12 Providers

The following case study is based on our experiences in a Fortune 100 hi-tech company.

Problem Statement

The company continued to sell a wide variety of computer equipment to its Customers. It was not the OEM for all the equipment, just a portion of it. The rest was manufactured by other OEM's who supported that equipment while in warranty. In the service organization, the amount of products and Providers (Providers include OEMs and 3rd Party Repair Vendors) continued to grow. Managing all of these Providers during the warranty and repair processes required the Provider Management to grow dramatically. It took as much time to manage a major Provider as it did a small Provider. With continued projected growth in this area, the prospect of continuing to build infrastructure to support all of these Providers was not supported by Management. A new solution had to be found.

Current vs. Desired State

<u>Current</u>	<u>Desired</u>
Manage many Providers	Manage a select few Providers
Grow the Provider Mgmt headcount	Minimize the Provider Mgmt Headcount
Process multiple purchase orders	Process minimal purchase orders
Set future strategy with many Providers	Set future strategy with a few Providers

Measured Objectives

<u>Starting Point</u>	<u>Big Hard Aggressive Goals</u>
Manage 65 Providers	Manage 15 Providers
Process >60 Purchase Orders a month	Process <20 Purchase Orders a month
12 Provider Mgmt team members	8 Provider Mgmt team members
Minimal inventory movement visibility	Major inventory movement visibility

Approach Taken

Met with the key Executives from a select number of Providers. This session was called a Key Alliance Conference. Brainstormed a solution where a select few of the best Providers would manage the multitude of other Providers. They would in fact act as the company, managing the movement of material, quality of repair, accounts payable, escalation management, inventory management and performance of the Providers. In order to make this function, there needed to be a common system in use across these key Providers. This was co-developed with the company and its 3rd Party Logistics Provider. The concept was introduced during a Provider Conference which all of the Providers attended. While resistance was encountered, from some of the Providers who were not selected as key Providers and even some of the Company's Supply Chain personnel, this future vision had the support of the top Executives from the company and key Providers.



ASIL, Inc.



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Results Achieved

1. Changed from managing 65 Providers to 12 Providers (81% reduction)
2. Changed from processing ~ 60 purchase orders to 12 (80% reduction)
3. Maintained a staff of 10 Provider Management team members and moved the other 6 to other critical positions within the organization
4. Implemented an inventory tracking system which provided inventory visibility at all 12 key Provider locations

Lessons Learned

You need a vision of what the future should look like. It is beneficial to gain the insights of the Provider executives to help set that vision. By establishing the vision together, you have ensured that you will have the support of those Provider's personnel before you introduce the future vision.

Consolidation requires streamlining your IT requirements and standardizing them to support your program. Leveraging the IT functions of your Providers ensures their commitment to your program because they are now investing in your future success. Their IT organizations may also have more flexibility than your company's IT organization.

Change Management plays a huge role in the success of a major business transformation as this one. Change is occurring within your company and within your Providers. Joint communications must be crisp. Project plans must be coordinated. Key milestone attainment must be recognized and where appropriate, celebrated. Without an effective Change Management program in place, rumors and the unknown will affect productivity and progress toward the Vision.

Once this program was implemented, if a new OEM or Repair Provider came on board, it was simply a matter of assigning them to a Key Provider. Then the Key Provider would have the responsibility to indoctrinate the new Provider on how they would be managed, and what they were required to deliver.