



OEM Leveraged Economic Development

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Agenda

1. The Extended Enterprise
2. OEM Leveraged Economic Development



The Extended Enterprise

A ***business relationship*** where:

- OEM Customers have a high reliance on their Suppliers.
 - Suppliers are performing tasks traditionally considered OEM “core business.”
 - Suppliers are **adding increased value**.
- Suppliers are regarded more as internal factory departments than separate, external entities.
 - Suppliers become ***strategic*** to an OEM’s success.
 - As a result there is a lower turnover due to resourcing among Strategic Suppliers.



The Extended Enterprise

Suppliers are considered ***strategic*** when resourcing from them is difficult.

- There are limited options.
- **OEM reliance is significant.**
 - **High cost of change.**
 - **High risk of change.**
 - **Product Development Support.**
 - **Order Fulfillment Support.**



The Extended Enterprise

A *Labor – Management* Analogy:

- The more skilled workers are- above and beyond just be able to *turn a wrench*- the more they are seen as long term assets.
 - They are valued.
 - They are rewarded for increased contributions.
 - They become *strategic* to a company's success.



The Extended Enterprise

OEM Supply Management

- The more value Suppliers can add- above and beyond just ***supplying parts***- the more they, too, are seen as long term assets, i.e. strategic.
 - They are valued.
 - They are rewarded.
 - They are further integrated into OEM operations.



Supply Management Strategy Continuum

Features

Parts as Commodities

Supplier Owns Rights to Parts

Price Based Sourcing

Cost Based Sourcing

Limited Outlook

Long Term Needs

Best Price(s) Today

Best Price(s) in the Future

OEM

**Short Term
Profitability**

**Sustainable
Profitability**

Focus

Self Serving

**Mutually
Beneficial**

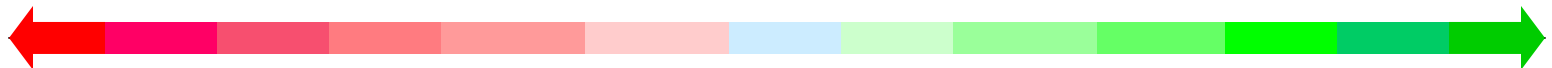
Outlook

Us vs. Them

Win-Win

non-strategic **Spot Buy**

strategic **Partnership**



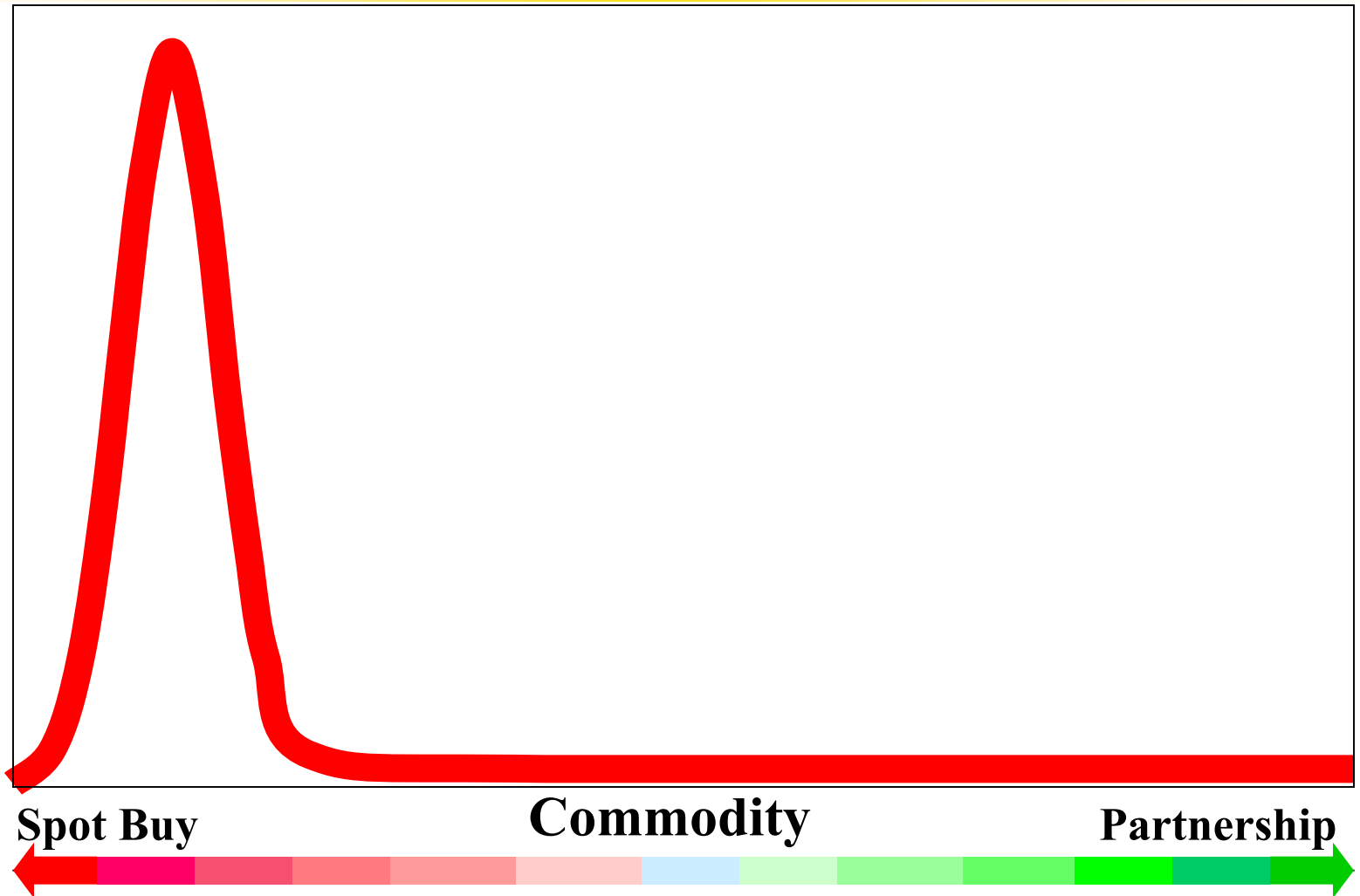


The Extended Enterprise

- Foreign sources gain business primarily based on piece price.
- Consequently, foreign sourcing is a threat primarily to businesses who operate at the “spot buy” end of the spectrum, i.e. they focus primarily on “supplying parts”.

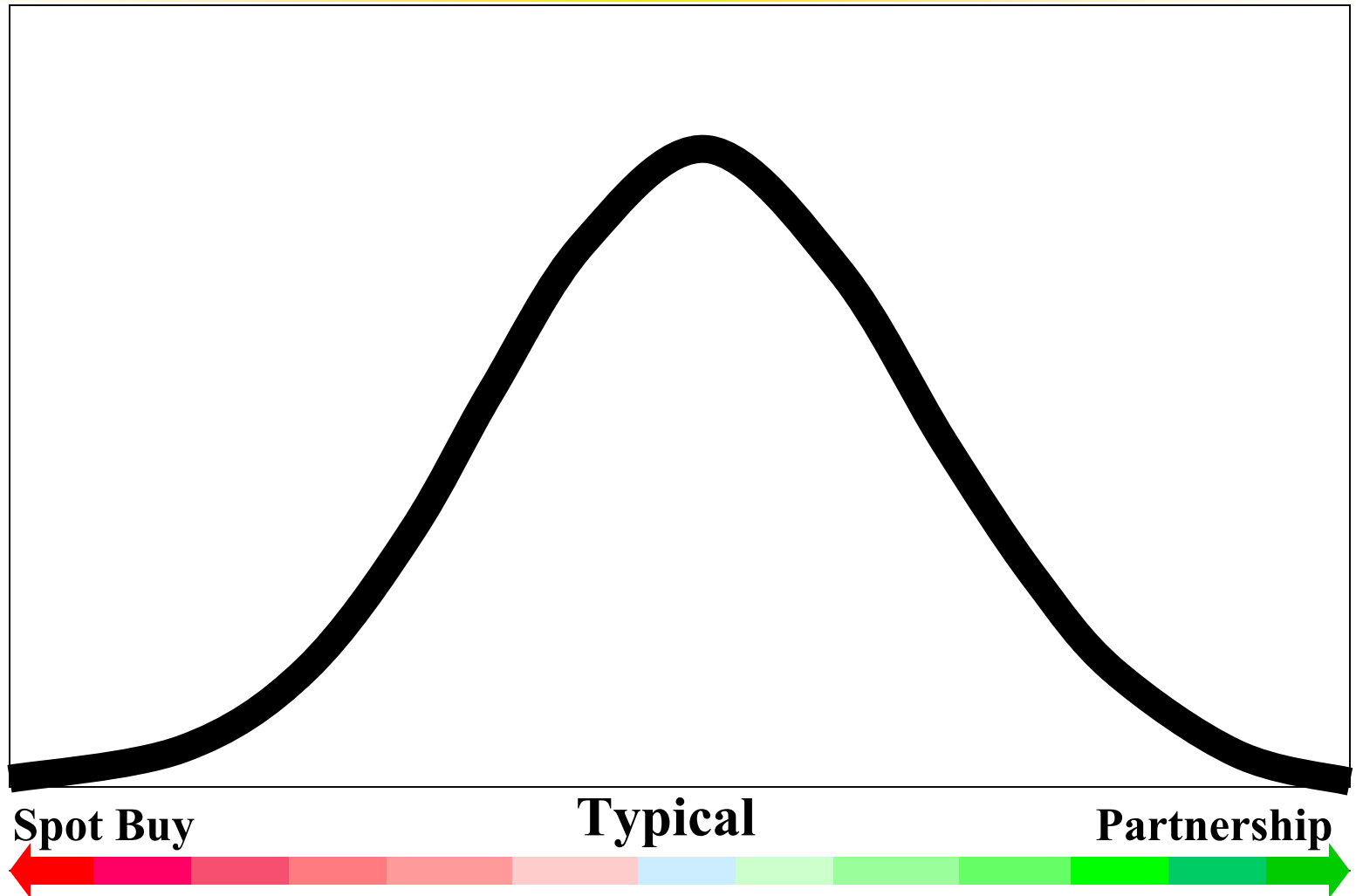


Supply Management Strategy Continuum



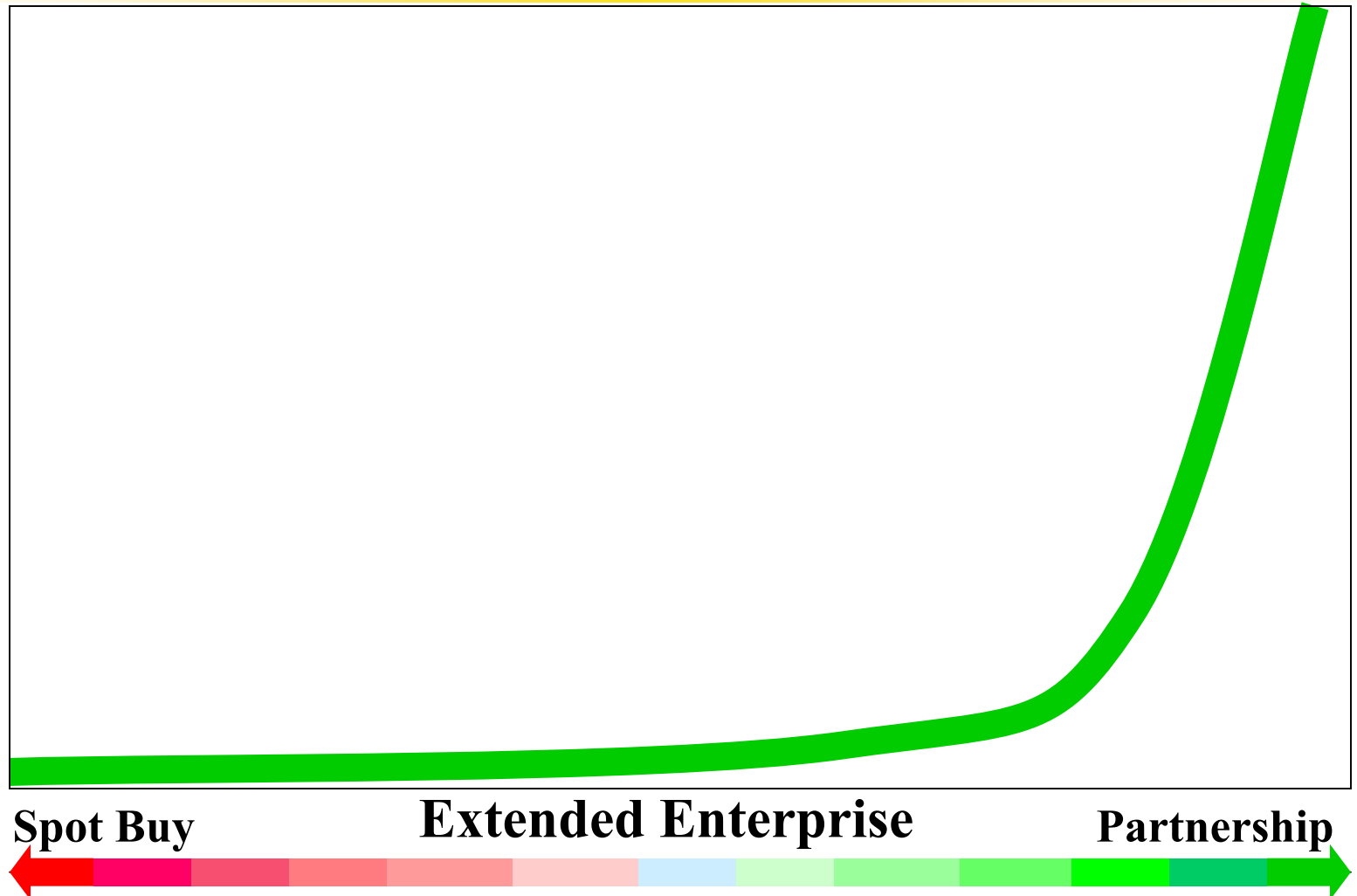


Supply Management Strategy Continuum





Supply Management Strategy Continuum





The Extended Enterprise

- In today's business environment, Supplier's should be doing everything they can to be regarded as ***strategic***.
- Suppliers who are regarded as part of their customers' ***extended enterprise*** have a tremendous competitive advantage.



OEM Leveraged Economic Development

Supply Chain Facts:

- Well over 65% of a typical OEM's ***Cost of Goods Sold*** lies in its purchased content.
- 2/3rds to 3/4ths of the product produced by small-to-medium sized manufacturers ***is sold to OEMs***, not the consuming public.
- Small-to-medium sized companies provide both **more current jobs and job growth** than OEMs.



OEM Leveraged Economic Development

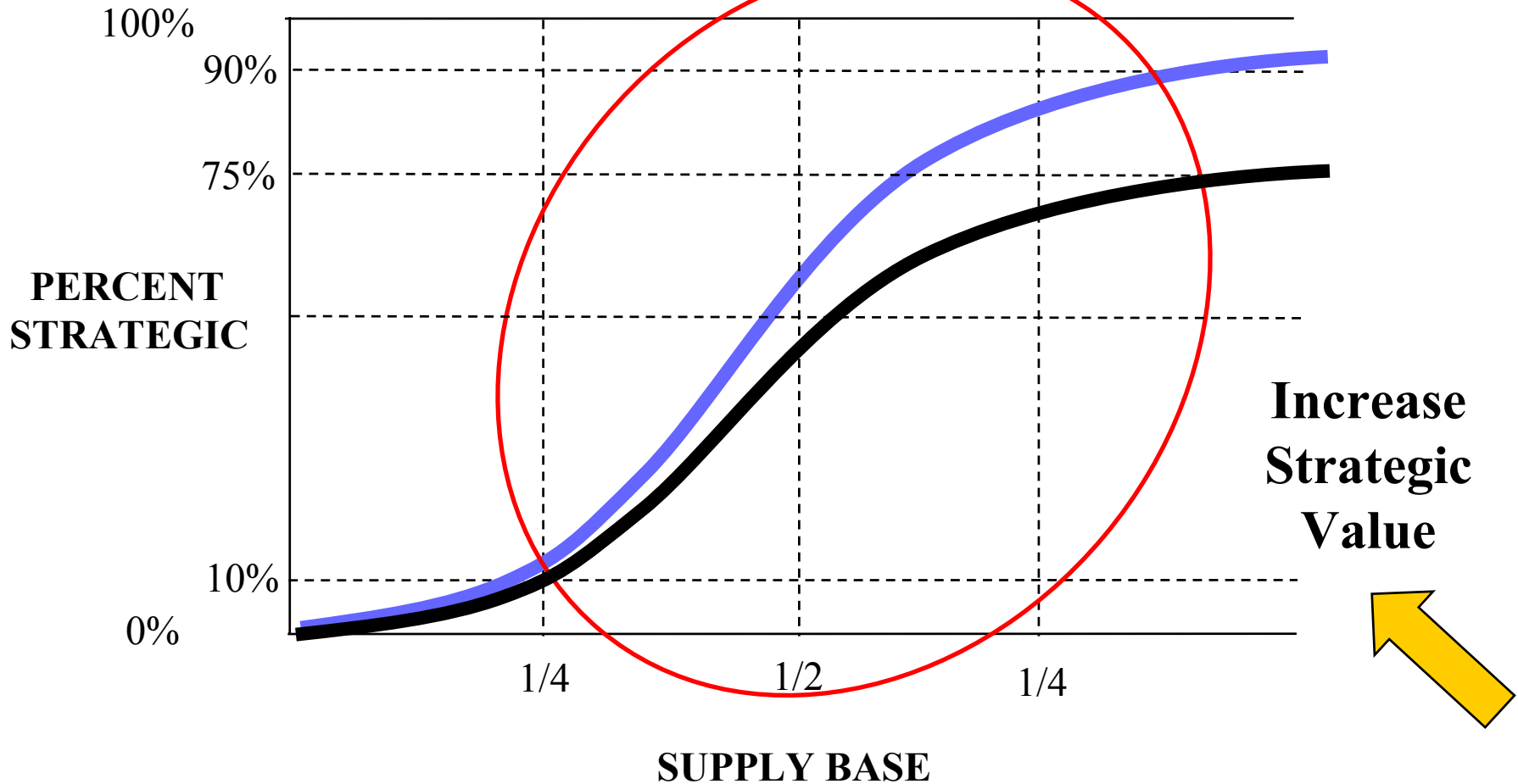
Proposal:

- Focus Wisconsin a significant portion of Wisconsin's Economic Development efforts on Supply Chain Development.
- Transform Wisconsin's small-and-medium-sized manufacturers so they are considered "strategic" in the eyes of their OEM customers.
- Position Wisconsin nationally as

The Supply Chain Support State



The Proposal





OEM Leveraged Economic Development

- Progressive OEMs understand the impact their Suppliers have on their own success, and will value such an approach.
- OEMs will increase the efficiency of state economic development efforts by facilitating access to the highest impact economic development sector.
- Small-and-medium-sized manufacturers will become more strategic to their present customers and better positioned to attract new business.



OEM Leveraged Economic Development

- This proposal would result in benefit to the economy beyond targeted OEMs.
- This proposal would distinguish Wisconsin in the eyes of OEMs nationally.
- This proposal would enhance the ability of small-and-medium-sized firms- hence Wisconsin- to keep current and attract new customers.



OEM Leveraged Economic Development

Factors which Differentiate Supplier Support

1. Technology

- Knowledge
- Resources
- Process Efficiency

2. Attitude

- Business Practices
- Customer Appreciation



Strategic Sourcing Supplier Evaluation

Supplier Evaluation Guidelines

_____ Steady State Production _____

Unit Specific

Product Development Process

C & CE Industry Knowledge
Early Supplier Involvement
Cost/ Feature Knowledge
On-Site Support
Pro-E Capability
Tooling Technology Expertise
Tooling Lead Times
Prototype Lead Times
Statistical Process Evaluation

Not Unit Specific

Manufacturing Capability
Process Control
Technology
Capacity
Cost Structure
Price Competitiveness
Financial Condition
Competition

Unit Specific

Order Fulfillment Process

Manufacturing Effectiveness
Schedule Responsiveness
Electronic Data Interchange
Returnable Containers
Daily Deliveries
Triggering
Tactical Support
Service Part Support
Value Improvement/JDCROP



Agenda

A example of how OEMs were leveraged to develop a successful Wisconsin economic development program



OEM Leveraged Economic Development -A Wisconsin Example-

John Deere Horicon Works

The largest producer of premium consumer ride-on lawn and ground's care equipment in the world.



**John
Deere**



OEM Leveraged Economic Development -A Wisconsin Example-

Wisconsin Manufacturer's Development Consortium

- Comprised of Ariens; Case New Holland; Deere & Company; Harley Davidson; Mercury Marine; Trane
- Mission: To improve the competitiveness of Wisconsin's small-and-medium-sized Suppliers
- Vision: Collaborative continuous improvement programs which benefit both OEM customers and their Suppliers



WI MDC

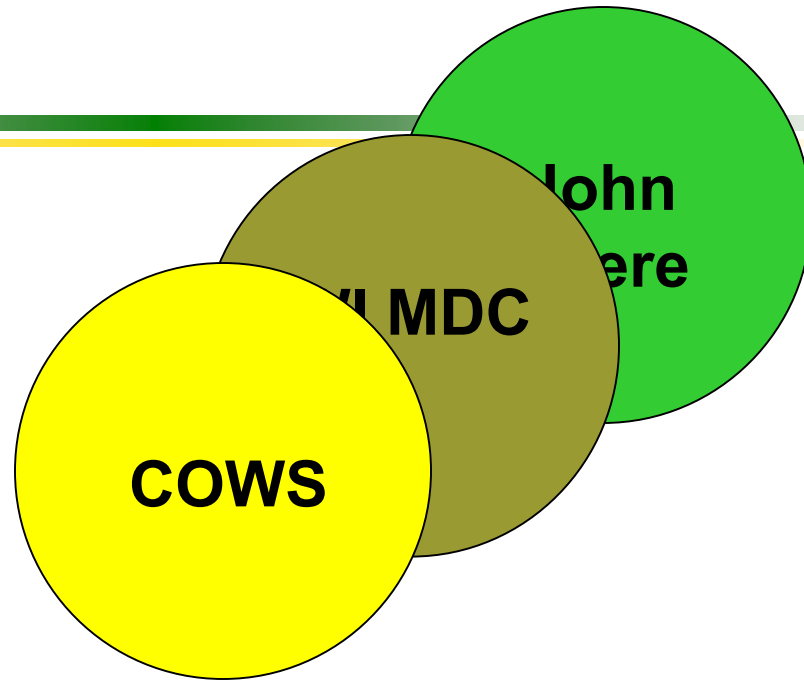
**John
ere**



OEM Leveraged Economic Development -A Wisconsin Example-

Center on Wisconsin Strategy

- U.W. Madison research and policy center
- Mission: To raise Wisconsin's industrial competitiveness and living standards
- Associated with founding of Wisconsin Regional Training Partnership (WRTP) and the Milwaukee Jobs Initiative
- A **THINK-DO** Tank focused on the Wisconsin *Idea in Action*
- Understands importance of Supply Base Modernization

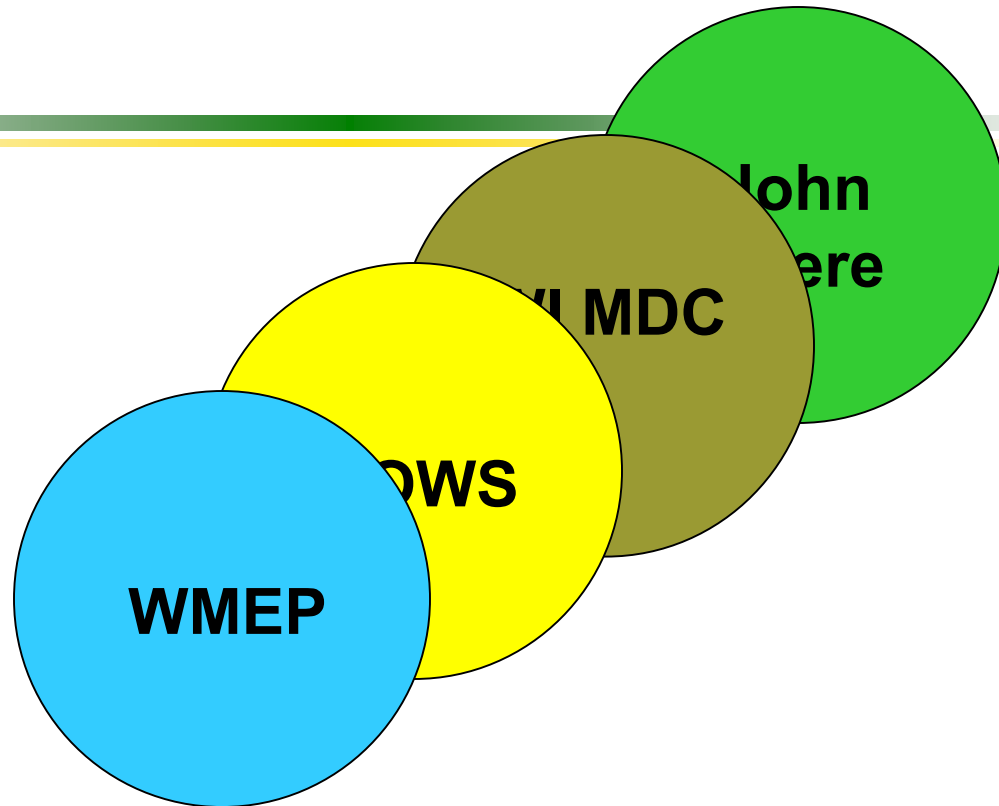




OEM Leveraged Economic Development -A Wisconsin Example-

Wisconsin Manufacturing Extension Partnership

- Statewide not-for-profit organization of manufacturing specialists
 - Established in 1994
 - Similar in concept to the Agricultural Extension Program started up in the 1800's
- Mission: To improve the competitiveness of Wisconsin's small and medium-sized manufacturer's

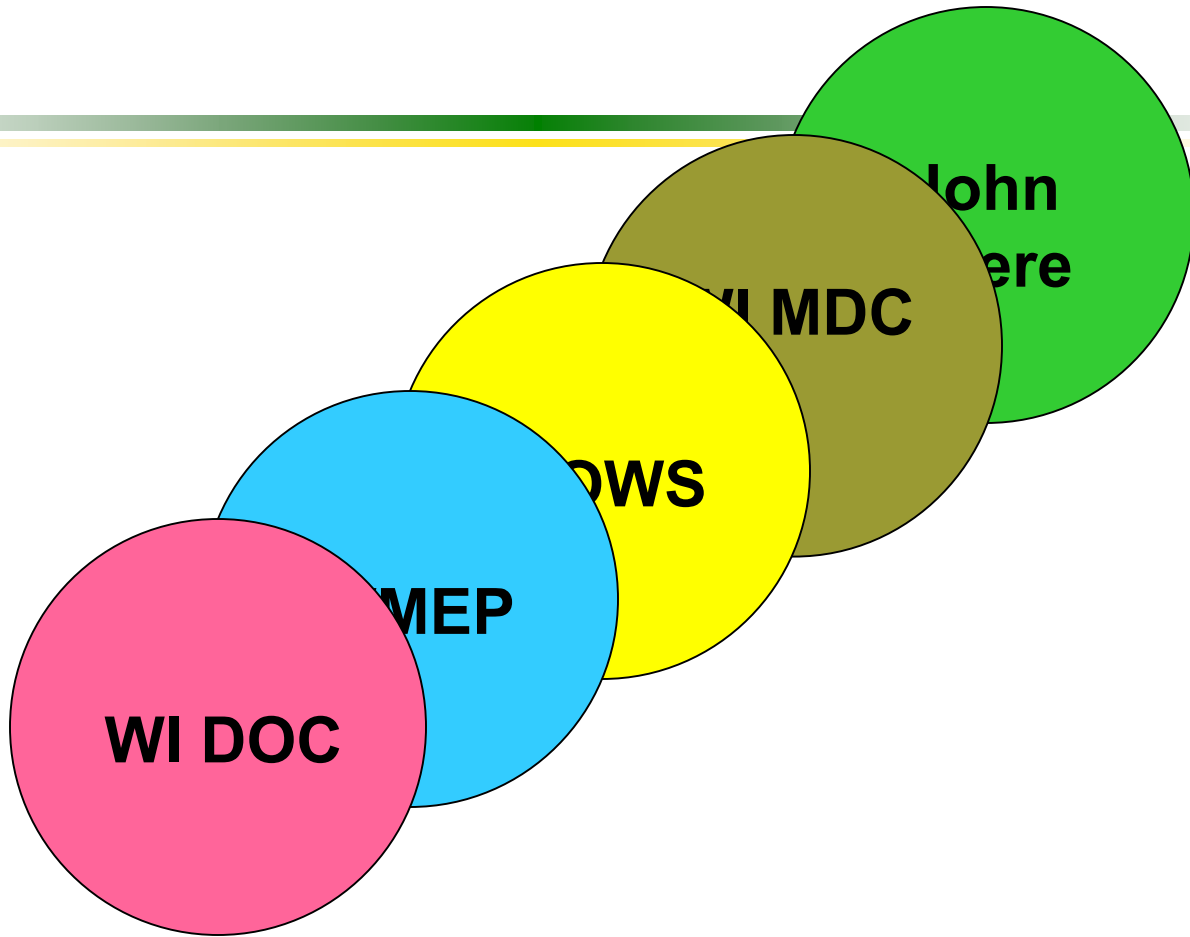




OEM Leveraged Economic Development -A Wisconsin Example-

Wisconsin Department of Commerce

Primary economic development agency for the State of Wisconsin

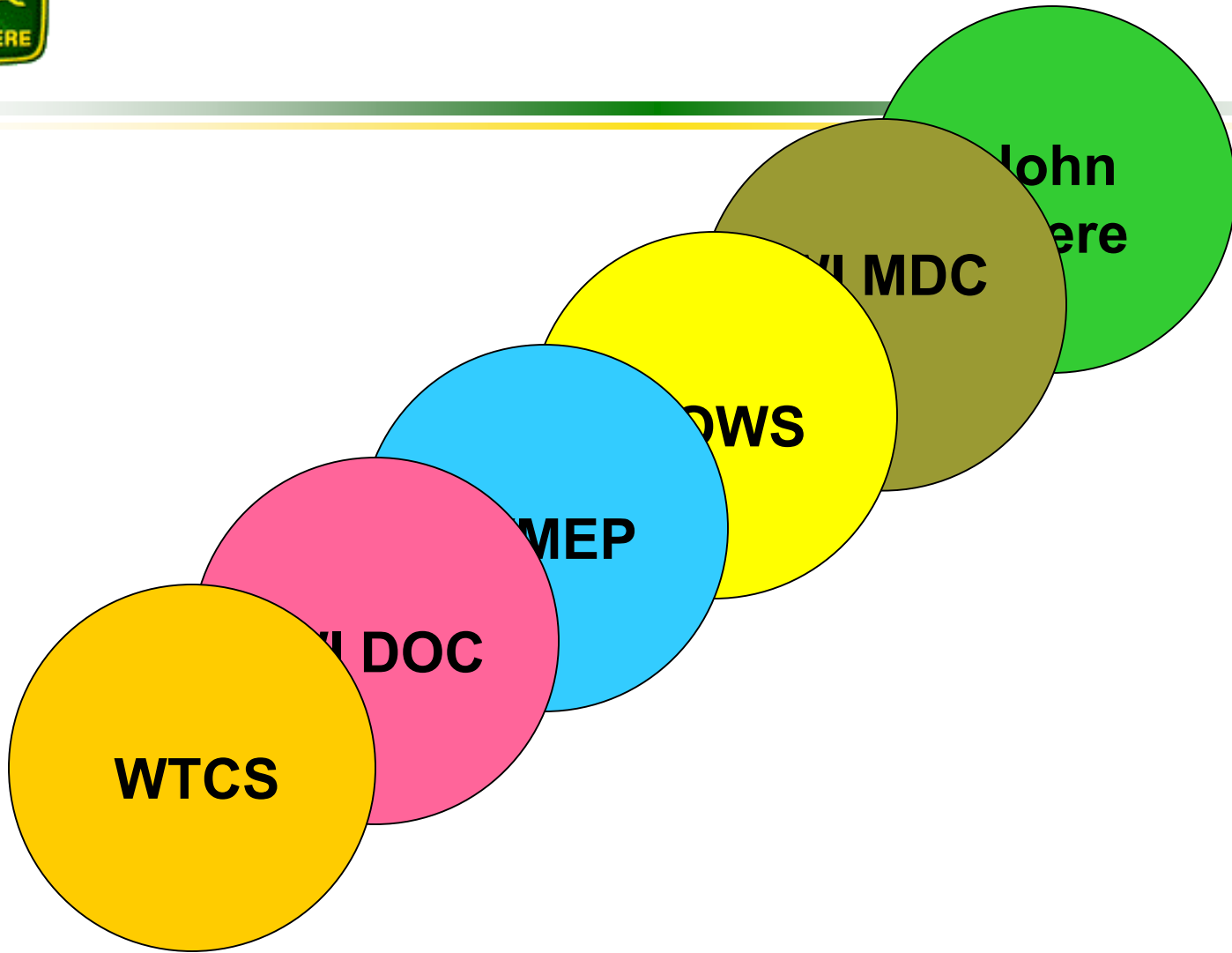


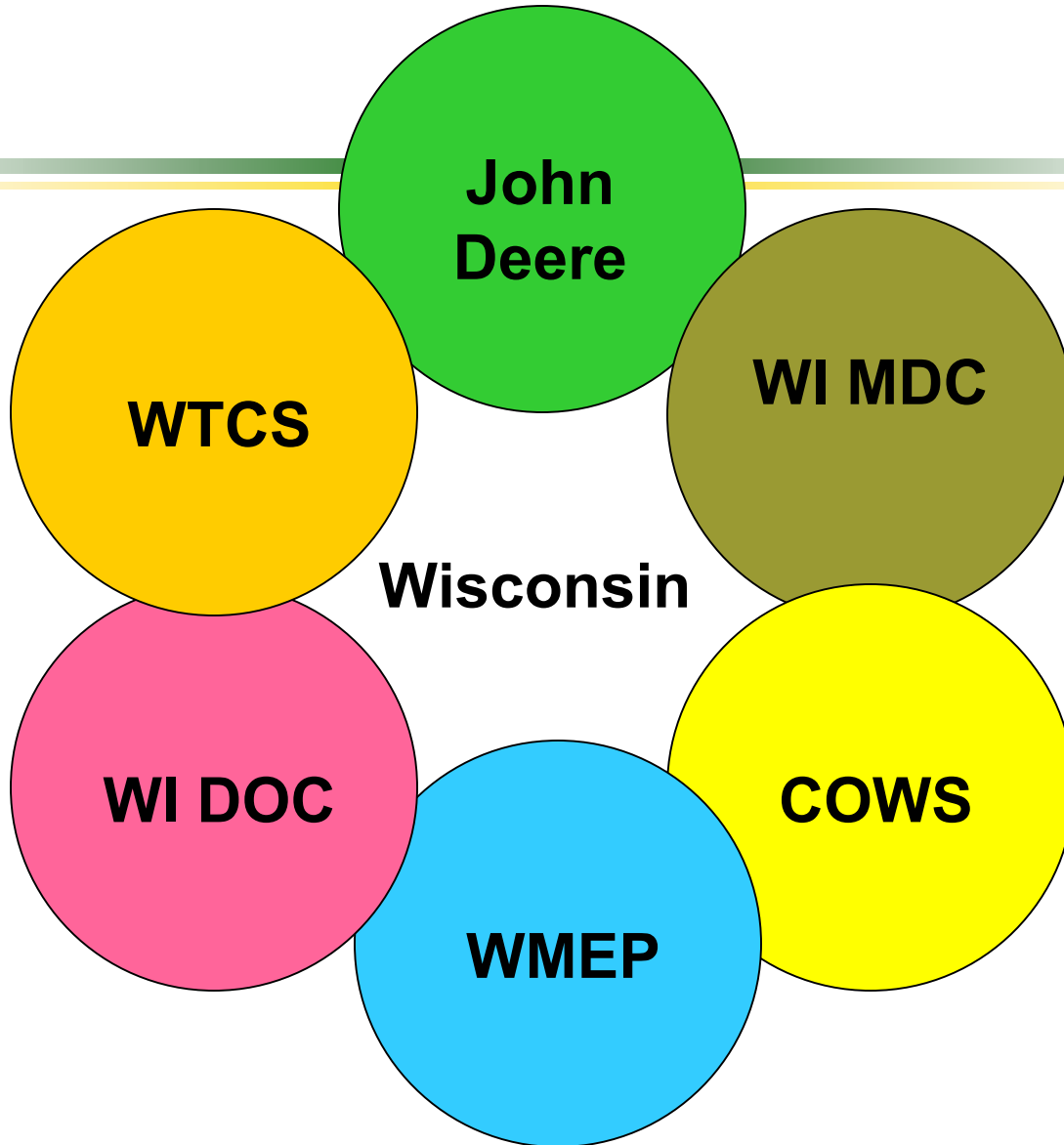


OEM Leveraged Economic Development -A Wisconsin Example-

Wisconsin Technical College System

Primary industrial training institution in the State of Wisconsin comprised of 16 Technical College Institutions







Wisconsin Supplier Training Program

	Year 1	Year 2	Year 3	Totals
Classes	87	137	144	
Students	1591	1586	2157	
Companies	72	50	89	
WI DOC	\$236K	\$138K	\$106K	\$480K
User Fees	\$170K	\$123K	\$209K	\$503K
NIST	\$134K	\$86K	\$126K	\$347K

- 87% of Year 3 training dollars went to WTCS
- NIST “match” money available through WMEP



OEM Leveraged Economic Development

Wisconsin Supplier Training Program Impact Summary

- No new agencies or bureaucracy.
- Significant benefit to participating Suppliers and OEMs.
- “New” money brought into the state.
- No new state money required, i.e. WDF funds.



OEM Leveraged Economic Development

Questions?