

Global Restructuring and Supply Chain Governance: Challenges to Firms and Regions

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Midwest Component Suppliers: Creating an Advanced Manufacturing Sector

Advanced Manufacturing Project (AMP)

- Research Consortium
(COWS, CWRU, MMTTC, U of Chicago)
- Funded by Sloan Foundation, WMEP, WAGE
- Focus on changing OEM-supplier relations and public policy in Great Lakes Region, with comparisons to other regions/countries

The goal:

- Understanding how firm strategies, production recipes, and customer/supplier relations interact to shape diverse outcomes
- Determining what sorts of industrial practices and public policies can help improve the performance of the sector for all stakeholders

Outsourcing and the Growing Importance of Suppliers

- OEMs focus on “core competencies”
 - Meet global competition
 - Respond flexibly to volatile markets
 - Accelerated pace of technological innovation
 - Increased complexity of production
- Outsourcing and decentralization of production
 - More and more value is added *outside* the OEMs
 - OEMS increasingly seek to partner with independent suppliers
 - Suppliers more likely to be responsible for *all* aspects of key components, including technology and design
 - But SMEs often lack the capabilities to meet resulting new demands

From Capacity to Specialized Subcontracting

- *A relative shift*
 - *Capacity subcontracting*: the OEM retains substantial internal capacity, sources to meet demand peaks
 - *Specialized subcontracting*: the OEM becomes reliant – at least in the short and medium term – on the subcontractors' specialized technology, expertise, and/or skills.

OEM Procurement Strategies: Common Goals, but How to Get There?

- Goals: enhance flexibility and reduce cost for rapid market response
 - Increased reliance on (fewer) suppliers to perform operations formerly done in-house
 - Improved supplier performance:
 - price, quality, delivery, lead times
- Competing pathways
 - Modularization vs. the persistence of integrated design
 - Collaboration, open information sharing and joint exploration of goals, backed up by new training services to suppliers
 - “Build-to-print”, old school arms-length relationships
 - Supplier segmentation or hedging strategies?

Increasing Interdependence, Increased Risks

- Suppliers expected to:
 - Meet higher quality and delivery benchmarks
 - Increase productivity and improve technology
 - Coordinate and exchange information with OEMs
 - Design for manufacturability, drive out costs
- But this may require enhanced capabilities and closer mutual cooperation
- Risks to OEMs, suppliers, and regional economies

Emerging Supplier Strategies: Risk and Reward in a Changing World

- “Mega suppliers”
 - Module makers and wannabes
 - Scope economies and one-stop shopping
 - Risk of capabilities outrunning sales
- SME quality producers
 - Product vs. process specialization
 - Diversification
 - Horizontal (across supply chains)
 - Vertical (within supply chains: subassembly production)
 - Design and development capacity
- Low cost and rapid turnaround by any means necessary

OEM Procurement Practices as a Possible Source of Supplier Performance Problems

- Unrelenting pressures for price reductions
- Shifting costs to suppliers
- Abusing trust and confidential information
- Organizational obstacles to collaborative relationships
 - High staff turnover
 - Tangled internal communications
 - Cross-functional conflicts
 - Corporate-plant disjunction

Governing Decentralized Production: Challenges and Models

- Providing access to development capacity
 - Intra-corporate “federal” model
 - Extra-firm decentralized model
 - Baden-Württemberg (technical universities/public research labs)
 - Piedmont (automotive technology district)
 - WI (proposed cluster tech centers)
- Promoting continuous improvement
 - Within *and* between firms
 - Covering all the bases at once
 - Service, quality, flexibility, cost
 - “Lean” concepts have mitigated the old “tradeoffs”, but knowing it can be done doesn’t make it easy

Supply Chain Governance and Regional Development in the Global Economy

What's out there?

- OEM-led supplier training consortia, public and private
 - Wisconsin, Pennsylvania, Piedmont
- Public support for supplier training through associations and OEMs
 - Illinois
- Unions as outsourcing regulators and restructuring agents
 - Germany, Italy, Wisconsin

Schedule

OEM-led supplier training consortia, public and private

Mike Schmitt (Harley-Davidson/Wisconsin Manufacturers' Development Consortium); Rob McIlvaine (Mantec, Pennsylvania); CONSAF (Northern Italy): Amedeo Vercelli (Regione Piemonte), Aldo Enrietti (University of Turin/Regione Piemonte)

Public support for supplier training through associations and OEMs

Carol Kulek (Illinois Department of Commerce and Community Affairs); Judy Whalen (Valley Industrial Association); Don DeDobbelaere (Deere Supplier Training)

The role of unions in outsourcing and supplier restructuring

Fritz Janitz (IG Metall, Wuppertal); Serafino Negrelli (University of Brescia); Rhandi Berth (Wisconsin Regional Training Partnership)

Policy directions and future strategy

Paul Ericksen (Deere); Mike Klonsinski (Wisconsin Manufacturing Extension Partnership); Joel Rogers (COWS)

Goals of the Workshop

- Compare and discuss competing interpretations of sectoral developments
- Benchmark organizational models and practices
- Learn from each other's successes and failures
- Lay the foundations for improved public policies and firm strategies