

Rebecca A. Morgan
Fulcrum Consulting Works, Inc.

Nick Rennie
PHRED Solutions, Inc.



Capturing the Outsourcing Advantage

The pendulum of business strategy has swung from vertical and horizontal integration for maximum control to core competency, outsourcing all things outside that competency. At the same time, the global economy has become very real. For many manufacturers, that combination has not only moved their cheese. It has thrown it in the ocean.

But this combination of events also creates great opportunity for organizations that understand that outsourcing is much more than finding a supplier and issuing a purchase order. Being a good supplier is more than processing and shipping an order. In this environment of numerous players geographically and culturally dispersed, the ability to recognize, address and resolve issues effectively in a way that leverages knowledge across organizations and seas is paramount to success. The world's leading silicon chip manufacturers told its supply base: "Advancing your Problem Solving capability addresses the single biggest 'Outsourcing' concern and differentiates your ability to offer higher value services." Boeing's struggles with the 787 Dreamliner have highlighted weaknesses in the ability of its supply chain to identify and resolve issues together. More and more companies are seeing that the combination of core competency strategy and a global economy requires mastering a skill set not recognized as important a few short years ago. That skill set: thinking and solving problems with your supply chain.

Becoming the Supplier and Supply Chain of Choice

Companies want confidence in their suppliers. Confidence that the supplier can communicate with them honestly and accurately, confidence that the supplier shares their concerns about problems that arise, confidence that the critical supply chain attribute of speed will not be compromised by those problems, confidence that problems are really solved and not merely camouflaged. What gives them that confidence? Demonstrating understanding and working within their thinking processes. By doing that, a significant component of outsourcing risk is eliminated and speed is enhanced.

The good news is that the same things that can make you a supplier of choice can make you more profitable, grow your markets and make you the customer of choice. By leveraging an effective problem solving system, you can identify and drive out repeat problems, you can identify systemic weaknesses and fix them, and you can retain the knowledge you create during the process to further leverage it in the future. When key experts leave your company, the knowledge can stay. You save the time and waste of resources involved in resolving the same problem again. And those things become true across the supply chain as culturally and geographically diverse organizations with different core competencies think and solve problems together.

Steps to Gaining the Outsourcing Advantage

You can't build the capacity of your supply chain to think and solve problems together until you can achieve that within your own organization. You likely already have much of what you need. Getting from where you are to where you want to be is not easy, but is very doable. If your organization is disciplined and sees the value of structured process, you've already got the hard stuff done. If it is not, and doesn't see process as valuable, your obstacles are much higher.

- **Overriding Business Need**
 Behavior and processes are difficult to change if there is no reason to do so. Some companies are happy with where they are, and see no need to change. This article is not for them. But if your company faces significant business challenges and opportunities, you have the overriding business need that will give purpose to the changes. State it clearly in a way that can get your formal and informal leaders to energize the process.
- **Standardized Processes**
 Your company has standardized business processes. At a minimum, closing the books each month-end is likely one such process. There is typically discipline and structure around that, for legal reasons if no

others. The discipline and structure is acceptable there because it is seen as non-optional. The process must produce accurate and timely results, and do so reliably.

The same is true for the other key processes in your company. You want them to produce results that are reliable, repeatable and predictable in terms of quality and timing. Problem solving is no different. It must become a standardized business process as well. Why? Because otherwise, the variation—in how problems are identified as worth attention, in the analysis and thinking used to justify the conclusions drawn from the data utilized, and in the effectiveness of any resultant change—creates unpredictable, unreliable, unrepeatable and untimely outcomes. The results vary with the interests, skills and availability of the problem solver. While perhaps not totally random, that does not – nor should it – inspire confidence.

- People, Systems and the Technology to Support Them
Problem solving and sharing knowledge are social activities. They are impacted by relationships, or the lack thereof, among people. They can be impacted

by personal preference. They will always be social activities, but the right technological underpinning to support a standardized process can minimize the potential negative impact of relationships and preferences and leverage the knowledge and capacity of your experts exponentially.

Standardized Problem Solving Thinking

There are two key aspects to effective standardized problem solving thinking. The easy one is selecting the structure you want to use. The common structures on the shop floor, at customers and suppliers, are 8D, DMAIC (Six Sigma) and A3. But even if you are not familiar with those, you interact with similar tools. A tax form has a set of steps to be addressed in order. Job applications do as well. The structure provides a set of defined steps to be followed sequentially. Common problem solving structures all include various forms, with verification at each step, of:

- Problem identification (grasping the situation)
- Putting in temporary countermeasure
- Find root cause
- Putting in permanent countermeasure
- Ensuring problem does not reoccur in other similar areas

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- Future auditing of countermeasure in place and working

The structure does not by itself include the reasoning to be used in accomplishing each of those steps, and that is where the real power lies. Socrates taught us long ago that the best way to get people to think is by asking questions. We've since learned that a conversation among individuals can be torn asunder by the mix of ego each brings. It is important to ask questions in a way that is nonthreatening, so egos are not challenged.

Building on that knowledge, the process of thinking together is best accomplished with the use of neutral question-based reasoning. You need to know not only the question and the answer, but how you reached that conclusion. Data alone is insufficient, and data obtained through a process that is not question-based and neutral is likely biased.

The use of a structure to guide thinking is helpful and a good first step. Building a series of questions behind it is the critical next step. The famous "5 Whys?" is a good place to start, with a few "Why Nots?" involved as well.

Clear Roles within the Social System


You have people who are aware of problems. They work on the shop floor, they work in quality, they work in a variety of arenas. But does the social system in which they operate encourage them to report those problems? Does it allow them to be heard? Does it ask them for help in learning more about the problems even if the problem solver doesn't like the person who reported the problem, or even more importantly, his manager?

Do your experts get yanked around gathering basic data? Do they get yanked from problem to problem and never seem to get any of them truly resolved? Can you name the persons responsible for every problem within each area of your organization (one person per area)?


If you want the marketplace to have confidence in your listening to them, your commitment to the elimination of repeat problems, and your thoroughness and follow through, you must have clear roles and responsibilities that work effectively within your current social structure. Key roles include:

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- The person who identifies the problem
- The person who captures basic data important to evaluating and resolving the issue
- The person responsible for all problems in his/her area
- The experts who receive appropriate information to leverage their expertise in solving technical problems
- The managers responsible for leveraging learning across the organization
- The person responsible for making sure the data and the logic used in reaching a conclusion are easily visible for future use

Your organization has these people; they simply may not understand their responsibility, much less how they fit into the overall picture.

Knowledge Capture, Retention and Sharing

Each question answered creates knowledge. Is that knowledge captured in any way other than in the heads of the people in the conversation? If not, when those people leave, so does the knowledge. If not, you rely on the completeness and accurate-

ness of their memories and their coincidental awareness of other situations that can benefit from their knowledge to leverage that knowledge. That's counting on an awful lot of luck that may not make your supply chain partners sleep well at night.

Many companies have a problem tracking system. Often in an Excel or Access database, it typically includes a brief problem description, identified solution and the name of the technical expert involved. It may also include status and due date, as these tracking systems are as much for knowing where we are when customers call as they are for learning or leveraging. They do not include the logic that was used in defining "that" as the real problem (what else did they consider and reject, and why?), the solution (what root cause analysis did they undergo and why was the root cause the solution is aimed at identified over all the other possibilities?), nor typically, follow up confirmation of effectiveness. Silence is assumed as success.

To actually capture, retain and share knowledge so that it can be effectively leveraged across your organization and your

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supply chain, a technological underpinning consistent with the social system and the problem solving structure and questions must exist. File cabinets, memories that fade with time, and chance discussions in the hallway are insufficient to be effective, or to inspire the confidence of your supply chain. The process you use internally and with your supply chain must be controlled, compliant and collaborative. Controlled means actively managed. Someone has to care and accept responsibility for knowing all problems in his area. If no one is looking, workers will quit taking the time to provide information to the black hole. Compliant means not optional. You have accounting systems that are not optional. You likely have safety systems that are not optional. Your system for capturing, retaining and sharing knowledge cannot be optional. Collaborative means the technical expert doesn't collect data and retire to his office to become the Wizard of Oz's "man behind the curtain." Regardless of who respects and likes whom, the use of visibly open neutral question-based reasoning must be integral to the process.

The technological underpinning cannot enforce what the social system does not support. It is, however, the tool that enables the capturing, retention, sharing and leveraging of information to become real. And that is what your supply chain wants to know you are doing. Not because you tell them so, but because you can show them the data and the reasoning used in addressing relevant issues, should you choose to do so.

Conclusion

People buy from people they trust. No one else will trust your organization if you can't have confidence in it yourself. But once you have developed the internal ability, and then the ability to think and solve problems with your supply chain, you will have captured the ultimate outsourcing advantage.

Rebecca A. Morgan, President of Fulcrum ConsultingWorks, Inc., is a manufacturing strategy consultant who works with organizations to leverage their operations for profitable growth. She served in senior management positions for Stouffers, TRW (subsequently Precision Castparts Corp.) and others prior to founding her operations consulting business in 1990. Her strategic thinking and operational expertise have helped manufacturers large and small. Email Morgan at morgan@fulcrumcwi.com, call 216-486-9570 or visit www.fulcrumcwi.com.

Fulcrum ConsultingWorks, Inc.
17204 Dorchester Drive
Cleveland, OH 44119
USA
216-486-9570 (phone)

Since 1991, Nick Rennie, CEO of PHRED Solutions, Inc., has worked with Toyota, Shell, Hewlett-Packard, Agilent, Delphi, Key Safety Systems, Vale Inco, Honeywell and other corporations, as well as smaller manufacturers and service organizations, on the design, creation and implementation of problem solving business processes, supply chain excellence and safety investigation. Rennie brings renowned expertise on neutral question-based reasoning in the development of business systems. Email Rennie at Nick@PHREDSolutions.com, call 970-453-5235 or visit www.phredsolutions.com.

PHRED Solutions, Inc.
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