

ISM St. Louis Inc.

# Buylines

August 2011

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## President's Message : CULTURE

“Culture” is a word often tied to ISM initiatives in areas such as diversity and affiliate involvement.

“Culture” has been described as one of the drivers of strategy execution.

Can we make this a great organization? The answer is at the intersection of strategy and culture.

It is important to understand what elements of the culture make a strategy achievable and what aspects of culture may get in the way. Identifying areas for improvement in the culture is

key to taking the organization from where we are to where we want to be.

There are many attitudes that enable success, one if them includes members involvement in ISM STL, and the desire for all us to do the right thing for our membership. There are also factors that hinder execution, such as fear of failure, which ultimately inhibits constructive risk-taking.

What does this mean to you? As we enter into the 2011-2012 season you will see different faces as the advisory

board roles have changed. A cultural shift if you will, but let me assure you we are positioned for ISM-STL to succeed. We encourage all of you to get involved! Join a committee, suggest a topic, help shape the subjects and topics that are addressed in the events, be a part of the Culture!

**President**

**Rebecca Klutho, C.P.M., A.P.P.**

President@ismstlouis.org

## Next General Meeting is September 27, 2011



### Congratulations !!!!

Judy Goestenkors completed the CSPD Certification in June 2011

James Keating completed the CSPD Certification in July 2011

## Spotlight: Solving supply chain flexibility problems

Re-Printed from: <http://www.procurementleaders.com/news/latestnews/2720-supply-chain-flexibility/>



The headlines in 2011 have frequently meant panic stations for procurement: disruptions, whether due to political, economic or even tectonic forces, have been a big problem for global supply

chains.

For a great deal of companies, risk management hasn't required a formal approach and supply chain flexibility was an aim rather than a series of metrics. But that is changing and the risk environment this year has created incentive, even for those unaffected directly, to look again at their own supply chains.

"It's about a change of mindset," explains Achilles CEO Colin Maund. "A lot of procurement departments prepared to manage risk by contract, that is, to sue suppliers for failure to deliver. What the Japan case proved is that for those that are deeply affected, for first tier suppliers, they're in no position to be sued and broadly speaking they're suffering themselves. I think there was an issue there on how to collect information."

For PRTM's director Brad Householder, the management consultancy, 2011 was the year when companies, not just procurement functions, took flexibility seriously. "Certainly at the beginning of the year's events, companies were re-evaluating the investment case for flexibility," he says.

"But a lot of the leaders already had that in place and I think this year has seen a lot of companies reacting to the 'problem-du-jour' while the leaders have had processes in place and have been rewarded in this environment."

As the effects of the Japan crisis, in particular, started to trickle down to bottom lines there are signs that large businesses are looking at their vulnerabilities. Boeing's CEO recently talked about the prospect of dual sourcing critical components - a technique that has gained credence.

"You have to look for a genuine alternative," argues Maund. "It's surprising how many companies choose alternative companies that are in fact owned by the same people, or are in roughly the same location.

"You're not going to be able to go to other supplier in a time of crisis and say, 'we want to work with you now' and that may mean

procurement has to start thinking about splitting contracts, even though that can run against a pure partnering strategy." Which isn't to say that industry is wholly unfamiliar with these concepts or that they might be a panacea for the effects of an event like the seismic activity in Japan. Automotive, for example, has spent years developing supply chain management techniques to mitigate the effects of a disruption.

That said, when reporting figures were announced for H1, there were admissions that even automotive companies had been the victims of supply chain 'bottlenecks'.

Carlos Tavares, chairman, Nissan Americas admitted in March: "Our supply chain teams in Japan and America continue to work relentlessly to resolve the bottlenecks as they appear, so that our manufacturing operations have an uninterrupted activity to support market needs."

When you consider that 72% of respondents viewed supply assurance management as a key lever for increasing supply chain flexibility in PRTM's survey, it's necessary to ask whether it isn't the implementation, rather than the theory that is making it difficult for larger companies to achieve greater flexibility.

As such, PRTM's survey highlights five imperative actions to achieving operational flexibility:

- Focus on supply assurance and proactive capacity management for critical resource
- Relentlessly engage in collaborative-end-to-end demand and supply planning
- More tightly integrate their own and their partners' supply chain architectures
- Tear down the wall between supply chain management and product development/engineering
- Relentlessly drive superior collaboration maturity

Some of these points speak to best practice supply chain management in general, but there are a few points that are worth taking a closer look at as they run up against a few barriers when it comes to implementation.

Collaboration is frequently mentioned, though there's an obvious tripping point in trying to encourage collaboration whilst also incorporate ideas such as dual sourcing and capacity

management.

One of the keys to unlocking these various levers is segmenting and building processes into the supplier relationship management strategy.

Householder sees the ability to segment suppliers and apply best practice supply chain management to complex supply chains as one of the biggest challenges to building a flexible supply chain. "Large organisations want to identify 'high flexibility' and 'low flexibility' suppliers and that's something that the leaders do very well and the laggards are still learning how to do."

Meanwhile, working with suppliers to have the processes in place to manage and track issues that might affect flexibility is a pre-requisite of building transparency into the supply chain.

"You have to monitor through the life of the contract," says Maund. But, he adds, it's not necessarily something that is currently part of a company's supply management activities. "For example, one company after signing a contract moved a factory to China and the principal in the buying organisation had no idea, so when there was an earthquake in China, it suddenly got a note from the supplier saying that production had been affected and they couldn't understand why," he says.

The survey highlights the extent of this problem - the gap between recording data and implementing strategies to increase flexibility is significant.

What's clear from the responses and from the reactions of companies after various supply chain disruptions is that there's some distance to go in bringing flexibility into many supply chains.

"The benefits shown are fairly significant," says Householder. "Those that master it will extend their advantage over others. 30% haven't initiated any kind of strategy to manage this effectively. But I was more surprised that 60-70% had - that's a significant number."

"The changes aren't easy for the broader population of companies - but there are a lot of key practices that have been ignored and I think we'll see some of these becoming more widely adopted."

**PMI  
Manufacturing**

A PMI in excess of 42.5 percent, over a period of time, generally indicates an expansion

of the overall economy. Therefore, the PMI indicates growth for the 25th consecutive

month in the overall economy, as well as expansion in the manufacturing sector

for the 23rd consecutive month. The past relation-

ship between the PMI and the overall

economy indicates that the average PMI for January through June (58.8 percent) corresponds

to a 5.7 percent increase in real gross domestic product (GDP). In addition, if the

PMI for June (55.3 percent) is annualized, it corresponds to a 4.5 percent increase in real GDP annually.

**COMMODITIES REPORTED**

**Commodities Up in Price:** Aluminum (10); Castings; Caustic Soda (4); Copper\* (11); Copper Based Products\* (8); Corn; Natural Gas; Packaging Materials (2); Plastic Products (6); Plastics (6); Polyethylene; Polypropylene (6); Resins (4); Rubber Products (5); Soybean Oil; Steel\* (10); Steel Products (7); Steel Tube; and Titanium Dioxide (3).

**Commodities Down in Price:** Copper\* (2); Copper Based Products\*; Nickel; Stainless Steel; and Steel\* (2).

**Commodities in Short Supply:** Capacitors; Electric/Electronic Components (6); and Rubber Products (2).

Note: The number of consecutive months the commodity is listed is indicated after each item. \*Reported as both up and down in price.

**NMI  
Non-  
Manufacturing**

In June, the NMI registered 53.3 percent, indicating continued growth in the nonmanufacturing

sector for the 19th consecutive month. A reading above 50 percent

indicates the non-manufacturing sector economy is generally

expanding; below 50 percent indicates the non-manufacturing sector is generally contracting.

**COMMODITIES REPORTED**

**Commodities Up in Price:** Airfares (7); Can Liners (3); Cheese; Chemicals (2); Copy Paper; Cotton Products (10); #1 Diesel Fuel\* (9); #2 Diesel Fuel\* (12); Food & Beverage; Food Products (2); Fuel (18); Fuel Surcharges (6); Gasoline\* (9); Gloves; Latex Gloves (6); Paper (8); Petroleum Products (6); Plastic Products (4); Plastics (3); and Polyethylene Film.

**Commodities Down in Price:** Cotton; #1 Diesel Fuel\*; #2 Diesel Fuel\*; and Gasoline\*.

**Commodities in Short Supply:** Fiber Optic Products; Medical Supplies; Plastic Products; Plenum Cable; and Tires.

Note: The number of consecutive months the commodity is listed is indicated after each item. \*Reported as both up and down in price.



Have a desire to influence others?  
Feel like you can make a difference?

We are looking for members who are interested in helping our organization and our profession advance.

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- *Marketing Committee*

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Rhonda Shurtleff

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Education@ismstlouis.org

Wanted



Volunteers

Suggestions ? Idea's ?

Don't hesitate to let your Board of Directors know !







 The word "Resource" is written in a large, black, serif font. A magnifying glass with a wooden handle is positioned over the letter "R", making it appear larger and more prominent. Below "Resource" is the word "Guides" in a large, black, serif font.
 

# Resource Guides

The ISM Resource Guides are topic-specific electronic "packets of information" on a variety of supply management subjects. Each guide includes 5-10 articles from various ISM publications, suggested reading lists, valuable links to related Web sites, plus contact information for a variety of other resources and information on each topic. ISM's Resource Guides deliver specific, timely information on the topics you are most interested in — right to your computer desktop.

The ISM Resource Guides are **FREE** to members. Copy and paste this link into your internet browser :

<http://www.ism.ws/tools/Guides/index.cfm?navItemNumber=7801>

- **Best of Purchasing** — Learn about a variety of best practices in supply management.
- **Bidding Process** — This guide covers the various components in the bidding process, such as RFPs, RFQs, and Statements of Work.
- **Capital Equipment Purchasing** — This guide covers the skills and techniques needed for successful and cost-effective investments in capital equipment.
- **Contract Management** — This guide covers the ins and outs of contract management.
- **Cost Reduction Strategies** — Learn about a variety of strategies to reduce costs throughout your supply chain.
- **Electronic Commerce** — This guide covers some of the latest tools and techniques for the successful implementation of e-commerce initiatives.
- **Environmental Issues in Supply Management** — Learn about environmental initiatives and issues in supply management and their potential impacts.
- **Ethics in Purchasing** — Ethical behavior is critical to a company's integrity and relationships. Learn about potential ethical problems and solutions for dealing with them.
- **Global Sourcing** — This guide provides the tips and tools you need to thrive in a global environment.
- **Group/Consortium Purchasing** — This guide covers the hows, whats, and whys of group buying as well as the potential legal issues.
- **Healthcare** — Learn how the latest supply management trends are being applied in the healthcare industry.
- **Hospitality** — The hospitality industry is adopting supply management principles to lower costs and improve efficiencies. Learn how they do it in this industry-specific guide.
- **International Organization for Standardization (ISO) Guidelines** — Learn about ISO standards in quality and environmental systems and how to begin ISO initiatives.
- **Inventory Management** — This guide covers tools and techniques for managing inventory. Learn to reduce inventory and inventory-carrying costs to operate more efficiently.
- **Logistics and Transportation** — This guide is geared toward helping you understand the logistics and transportation needs of your organization. Learn how to maximize your internal operations and deal effectively with 3PLs and other service providers.
- **Measuring Performance/Benchmarking** — Learn ways to measure the performance of your supply management organization with a focus on improvement.
- **Minority Supplier Programs** — From creating a diversity process to developing relationships with minority suppliers, this guide gets supply managers on track with minority supplier programs.
- **MRO/Indirect Spend** — This guide explores MRO purchases and other aspects of indirect spend. Learn techniques to manage and control indirect spend for greater effectiveness.
- **Negotiation Skills** — This guide will help you improve and update your negotiation skills in order to be more successful.
- **Organizational Models for the Supply Management Function** — Learn the advantages and disadvantages of centralized, decentralized, and hybrid models and how to manage the change from one form to another.
- **Outsourcing** — Tips and tools for success in outsourcing are covered in this guide.
- **Project Management** — Learn about the planning process and how to use project management tools to achieve goals and objectives.
- **Public Sector Purchasing: Federal, State, and Local** — This guide addresses some of the challenges of public purchasing and the skills and tools needed to succeed.

## We're Looking for Corporate Sponsors!



As an organization of supply chain professionals in the St. Louis metropolitan area with approximately 300 professional members and over 160 companies represented. By becoming a Corporate Sponsor, your company will gain exposure to supply management decision makers and provide them easy access to your website. ISM-St. Louis is part of a network of over 40,000 members of the Institute of Supply Management ([www.ism.ws](http://www.ism.ws)) sharing supply management information and best practices.

\$200.00 per year

This rate includes your logo on the ISM-St. Louis website ([www.ismstlouis.org](http://www.ismstlouis.org)) sponsor page with a hyperlink to your website. It also includes your company logo on a special sponsor page in our monthly newsletter the : Buylines!

*Advertising space is on a first-come, first served basis. ISM-St. Louis reserves the right of placement based on space limitations.*

Corporate Sponsor is responsible for submitting advertisement via electronic file.

### **So how do you become a Corporate Sponsor?**

Interested persons or companies should contact J. Mark Bean by email at [corporatesponsor@ismstlouis.org](mailto:corporatesponsor@ismstlouis.org) or by calling 314-646-7442. Fax: 314-646-7442.

You may also contact the ISM-St. Louis Marketing Director at [marketing@ismstlouis.org](mailto:marketing@ismstlouis.org)

ANSWERS LOCATED ON LAST PAGE OF BUYLINES

Questions from ISM-Knowledge Center -Online Study Course for CSPM

A supply professional is seeking competitive bids on 700 standard parts. Comparing bids on a part-by-part basis will be very time-consuming, and the supply professional feels the effort would not be a good use of time. Which of the following would be the LEAST appropriate method to utilize?

- (A) Conduct a reverse auction
- (B) Solicit Bids via e-commerce
- (C) Implement a lotting strategy
- (D) Solicit pricing for 150 random parts and base decision on that data

Which of the following is generally acceptable reason for limiting competition by soliciting a bid from only one supplier?

- (A) A lack of historical benchmark data on bids from other suppliers
- (B) A lack of competition in the immediate geographical area
- (C) Occupational Safety and Health Administration (OSHA) regulations
- (D) The supplier holds a patent on the target product

Which of the following correctly characterizes a pre-bid meeting?

- (A) A pre-bid conference is essentially a one-way communication of buyer information to attending suppliers
- (B) Only suppliers with which the buying organization would do business should be invited to attend a pre-bid meeting
- (C) Bid packages should be distributed and discussed as the first order of business at a pre-bid conference
- (D) The primary purpose of a pre-bid conference is to gather information on attending supplier capabilities so that the buying organization can make decisions about future supplier relationships

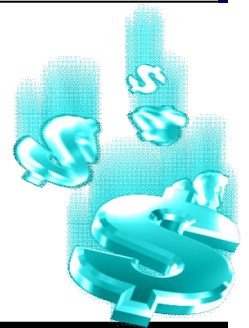
A supply management professional requested proposals from four suppliers. Before any proposal was received, the project engineering department changed the project scope, which resulted in a change of specifications. What should the supply professional do FIRST?

- (A) Call and email each supplier to advise of a change in specification, advising how long it would take the suppliers to receive new specifications, and asking each supplier to respond immediately if additional time would be required to respond.
- (B) Ensure that the process is properly documented by writing a letter to each supplier advising of a change in specification, advising how long it would take for the suppliers to receive new specifications, and asking each supplier to respond immediately if additional time would be required to respond.
- (C) Call an interim pre-bid meeting to discuss and clarify new specifications
- (D) Ensure that all involved clearly understand the project by preparing and distributing another complete request for proposal (RFP) package to each supplier.

## *Glossary of Key Supply Management Terms*

### Term of the Day: GNP (Gross National Product)

A measure of a nation's total output, which is the total value of all finished goods and services produced anywhere in the world by its agencies and firms during a certain time period (typically one calendar year).



Seminars	Dates	Location
Outsourcing - Competitive Bidding and Contracting: Developing Critical Process Competencies #4205	Aug. 3-5, 2010	San Francisco, CA
Resisting Price Increases and Implementing Cost Improvement Initiatives: How to Make a Major Impact into Today's Volatile Marketplace #4270	Aug. 11-12, 2011	Philadelphia, PA
Leading and Managing Supply Relationships #4544	Aug. 15-17, 2011	Minneapolis, MN
Fundamentals of Purchasing: The Building Blocks of World-Class Professionalism # 4529	Aug. 22-24, 2011	Denver, CO
Contracting Basics: What All the Ts and Cs Mean #4497	Aug. 25-26, 2011	Minneapolis, MN
The Supply Manager's Guide to Doing Business in China # 4363	Aug. 29-30, 2011	San Francisco, CA





# #3974 THE ISM GUIDE TO SUSTAINABILITY AND SOCIAL RESPONSIBILITY

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### Knowledge Check:

1. Option (D) is correct answer because this approach does not provide the buyer with ample, empirical data on which to make a decisions. (Options A, B and C are all valid strategies for bidding a large number of items. Note that e-commerce is not illogical because e-commerce is a delivery method and can be used in conjunction with lotting.
2. Option (D) is the correct answer because the supplier holds the patent for the item specified which might restrict competition. Option A is incorrect because lack of historical benchmark data is not a reason to restrict competition. It typically provides a reason to broaden competition. Option B is incorrect because in today's environment of electronic communication and rapid transit, a supplier does not have to be in the immediate geographical area to be acceptable. Option C is incorrect because, while OSHA regulations do tend to restrict business and industry to the use of OSHA approved products, these regulations are now old and well-known to the supplier community. Accordingly, suppliers have generally aligned with second tier sources that can meet such requirements.
3. Option (B) correct because it is unethical to invite a potential supplier to spend time at our pre-bid conference when you know that the supplier would not qualify to supply the service or product. Option A is incorrect because a pre-bid meeting is intended as a two-way exchange of information. Option D is incorrect because a pre-bid meeting is focused on an already exiting bid process, not on future supplier relationships.
4. Option (A) is correct because preparing a proposal consumes supplier resources. Accordingly, there is a cost attached. Sound practice dictates that a supplier is notified, as soon as practical, if specifications are changed. Otherwise, the supplier may continue to consume resources on a proposal that would not be useful. All changes in a formal bid should be put in writing at some point. Option (B) is incorrect because, while a change in specifications should definitely be documented through writing, a letter delivered through the US Mail takes time and the supplier may still be working on the original proposal. Accordingly, the most immediate response would be to call each supplier. Option (C) is incorrect because there is nothing in this case to indicate that specifications are vague. Rather, indications are that specifications are firm. Accordingly, there is no need for an interim pre-bid meeting. Option (D) is incorrect because there may not be a need to prepare another complete package. Advice on changes in project scope and specifications are generally accepted as sufficient, unless the changes are significant enough to warrant a new RFP. Because the new specs are not yet known, the buyer cannot yet make this determination.