



“Supplier failure is cascading across dozens of disparate industries far removed from the automotive sector.”

CFO Magazine – October 2009

And as industry volumes begin to increase...

Liquidity and financial positions may be too weak to secure adequate working capital.



Besides stalling your production.....

Surprise failures can be career damaging

Especially if your key supplier owns

- specialized tooling or
- intellectual property that is difficult to replicate



Traditional Evaluation Methods are **NOT** Reliable

Evaluating supply chain risk by focusing on

- **supplier quality**
- **cost**
- **timeliness**



are not nearly as effective in today's economy.

These are **trailing indicators** of past financial and operational strength...



...often irrelevant in today's economic climate.

By the time delivery or cost problems are detected...



...you may be forced into an emergency search for alternative sources

The new “normal” of doing business requires



- **A shift in focus to include up-to-date financial, strategic and operational supplier viability factors**
- **Supplier viability assessments with proactive and flexible supplier management strategies and tactics**

What industry needs is the ability to track reliable **LEADING indicators of supplier business and financial health.**



Supplier Viability Solution

- ▲ What's needed is a comprehensive, collaborative solution that helps a manufacturer answer key questions such as:
 - ▲ Which of my suppliers are at risk?
 - ▲ How vulnerable are they?
 - ▲ What actions can we take to mitigate the risk?
 - ▲ What steps can we take to support and strengthen a distressed supplier?
 - ▲ When is it time to seek alternative sourcing?

Key Requirements for Success

Rapid Deployment of Supplier Rating Process Should Include:

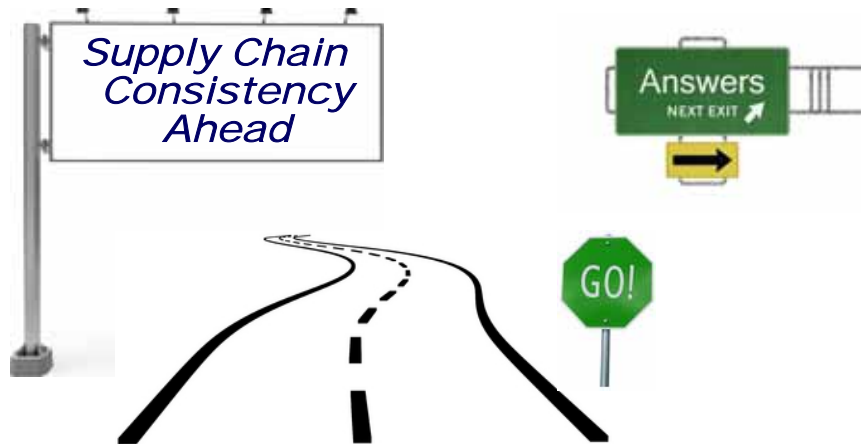
- Suppliers' ability to forecast and plan for predictable and unpredictable customer demand
- Supply risks related to any disruptions in suppliers' supply chain
- Business risks related to suppliers' financial or management stability.
- Physical risks related to the condition of suppliers' facilities
- Regulatory risks
- Environmental risks

Key Requirements for Success (cont'd)

The solution must differ from internally driven supply chain management in several ways:

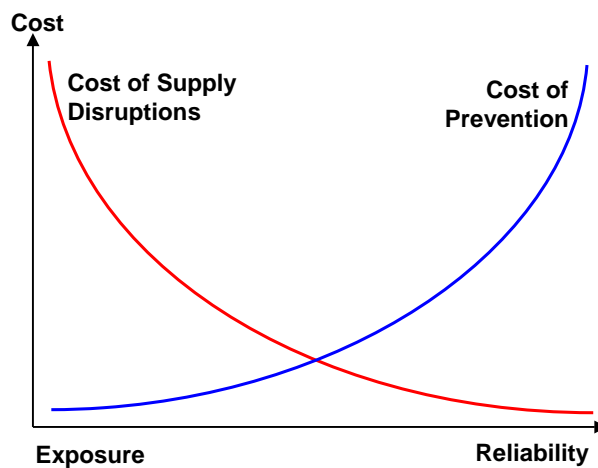
- It must rely on most current data available
- It must assure suppliers of the confidentiality of their data
- It must exhibit information in high-level metric and TREND form rather than raw data
- It must enable in-depth analysis of supplier financial and operational health
- It must suggest alternative mitigation strategies
- It must be adaptable to meet the specific needs of your diverse operations and/or mfg facilities

Crowe's Suggested Roadmap for Success



1. Alignment and Balance

- **Align and balance business goals with supplier performance**
- **Review current:**
 - Tools
 - Processes
 - Metrics
- **Plan activities to deliver measurable risk mitigation**



2. Targeting and Collection

- Identify Critical Suppliers
- Define Key Metrics
- Begin Data Capture
- Proprietary and protected information is reported in high level metric and trend form instead of raw data to insure confidentiality



3. Evaluation & Remediation Planning

- Calculation of Risk across a standardized set of financial measures and supply chain metrics, scoring methods and KPI's such as:
 - Altman Z-Score
 - APQC
 - SCOR®
 - Others
- Other Crucial Metrics Include:
 - Liquidity
 - Debt
 - Leverage
 - Financial Performance and Trends
 - Credit Rating
 - Risk Exposure
 - Diversity of Supply Chain
 - Availability to alternative funding sources



3. Evaluation & Remediation (cont'd)

- **Operational Measures pertaining to Supply Chain Reliability Include:**
 - **Delivery Trends**
 - **Response Time**
 - **Inventory Levels**
 - **Defects & Returns**
 - **Tooling & Maintenance**
 - **Labor Force Stability**
- **Collected Information is also compared to a variety of factors including:**
 - **ABC Ranking**
 - **Time to Switch**
 - **Tooling and Intellectual Property Dependencies**
 - **Relationship Strength**



4. Problem Resolution

- **Execution of Corrective Action**
- **May include vendor replacement and/or strategic acquisition of valuable suppliers that are struggling.**



5. Perpetuate Supplier Viability

- **Supplier Risk Mitigation becomes a normal, expected and routine business process**
- **Periodic re-evaluation of the current state of risk in light of changing conditions**
- **Summarized benchmark information may be shared with participating suppliers**
- **Best practices are continuously learned and incorporated**



Thank You!



Crowe Navigator™

Document Attachments

Client: **Expans 141**

Documents

Document Name	Uploaded Date	Uploaded By	Download
Contract.pdf	6/15/2018	Wendy, Sara	
Part_141.docx	7/16/2018	Wendy, Sara	
Part_141.docx	7/22/2018	Wendy, Sara	
Prop.pdf	7/26/2018	Wendy, Sara	
Expenditure.docx	8/23/2018	Wendy, Sara	
Historical Performance.xls	11/15/2018	Wendy, Sara	
Capitalization Table.doc	6/15/2018	Wendy, Sara	

Documents