

# John deere case study assignment



## UNIVERSITY SUPPLY CHAIN MANAGEMENT Assignment One Executive

Summary John Deere is an American based company out of Moline, Illinois currently trying to assess one of its supplier company's performance. The company in question is Complex Parts Inc. who has been a supplier for Deere for the past ten years with annual sales to its Moline unit of approximately \$3.5 million. The issue in question comes after five members of an evaluation team discussed Complex Parts' performance over the past year.

Although Complex Parts has been a long term supplier providing Deere with a key manufactured part requiring significant engineering and input testing, they have been noticed to have fallen behind with customer satisfaction. Deere's AEP program has served as a grading base for the supplier and it seems they have fallen behind this past quarter. It is the team's intent to analyze the situation and to determine whether there is a need for a new supplier.

Despite Complex Parts' drop in its delivery rating this past quarter, it has also come to the attention of the evaluation group that the company is not fully responsible for the data. There seem to be issues with Deere's inability to return important phone calls from Complex Parts' customer service group. Upon further evaluation, Complex Parts needs some adjustments, however their recent downfalls do not merit their replacement.

Table of Contents  
 Issue Statement..... 3  
 Analysis ..... 5  
 Alternatives & Decision ..... 5

Recommendation & Conclusion.. ..

8 Issue Statement Introduction John Deere is an agricultural, construction, commercial and consumer equipment producing

company. Founded in 1837 in Moline, Illinois, and now conducting business in over 160 countries with 43 000 employees worldwide, it reached net sales of over \$11 billion in 2000. Situation For the past quarter Deere's long term partner and supplier of ten years, Complex Parts Inc. has not been achieving great results according to Deere's supplier evaluation team.

This has become an issue and the team must now determine if there is a need to replace the supplier. Complex Parts has sold \$3. 5 million worth of product to Deere within the past year and is the preferred supplier since they are normally able to meet all of Deere's needs at one time and they take a proactive approach to its dealings with the company. Based on Deere's Achieving Excellence Program (AEP) which is aimed at giving suppliers a competitive advantage to help them do their job as well as developing a long term relationship, Complex Parts was evaluated under five key areas.

The AEP focuses on classifying suppliers based on their scoring on quality, delivery, cost management, wavelength and technical support. These areas are further divided and analyzed in closer detail by a corresponding evaluator. The program also aims to recognize supplier performance by rewarding those suppliers who earn the best scores in the supplier classification criteria. There are training benefits and a banquet awarded to the top supplier due to their outstanding work. Also, each supplier is given a performance report quarterly and performance cut-offs are revised annually.

Upon closer evaluation, Complex Parts scored 666 under the quality rating, which is well below the 1000 mark required; and the delivery rating had an even better score of 8 650 which was way below being under a minimum 30

000. Once the member in charge of the technical evaluation was consulted, it has been found that the delivery rating dropped to 155 000 for the quarter. Hayley Marie, the manufacturing planner, is concerned that Deere has not been returning Complex Parts' customer service calls and in return Deere has had to expedite many deliveries which cost the company a lot of money and may be the reason for the dismal delivery rating.

Overall, there has been a continuous improvement from the company as a whole, yet each member of the evaluation team has a point in which Complex Parts could improve if they are to keep them as their main supplier. Due to the AEP currently in place, it is worth determining if one supplier is best at this time or if Deere is at a point where some change could be beneficial and perhaps strategic sourcing may be the answer. Analysis Quantitative Complex Parts provides Deere with a special part, and has had great sales figures in the past.

This company is looking forward to expanding its business with Deere, and must therefore improve the delivery rating to what it has previously been. The issue of not having Deere personnel return their phone calls is also quite pressing, as this is affecting their rating and in turn their business. Yet not being on time with price quotes is an issue they must also look to. Another issue is Complex Parts' products have not met their required cost targets; in turn they are reducing Deere profit.

This problem also relates to their inability to suggest methods for cost reductions. However, they have been developing their R&D department and because of it Deere has been able to take suggestions and make the

necessary changes. Qualitative Upon review of this information, according to the evaluation team's members, Complex Parts has been doing a good job in following through with suggestions for quality improvement. They have also taken a proactive business approach and an active role in keeping up with specific changes made by Deere.

Complex Parts has also been able to internalize quality plan elements and has had improved quality performance; this might be thanks to their recent ISO 9000 certification. It seems as though Complex Parts is having more difficulty with their quantitative factors, as numbers are not being favourable to them in the supplier classification criteria. Alternatives 1. Have a meeting with Complex Parts' executives and list issues With the amount of money that has been invested into the partnership with this company, it is better to try to work things out.

First Deere's team must address their own issues to ensure that they are not putting undeserved blame on Complex Parts' customer service group. The Deere team must address all current issues including cost reductions, eliminating problems related to late deliveries, being on time with price quotes, implementing Deere quality plans at new facility and meeting cost reduction targets. 2. Re-analyze the current supplier list; maybe get a new partner This would involve analyzing all statistics and research and simply finding another supplier.

Once the market is aware that Deere is looking for a better supplier, the other companies are sure to step up their game and create competition for the AEP. If Deere can emphasize the long-term aspect and all of the benefits

offered by the AEP to suppliers, there should be enough interest and motivation for current suppliers to bid for Deere's business. 3. Turn to outsourcing and find multiple suppliers Deere already has more than one supplier, it may be worthwhile to look at outsourcing to save money.

Since the company does business world wide and has offices in many countries, it could be more efficient to produce the needed parts elsewhere. If multiple suppliers are used, then they will have the ability to continuously improve and have a backup in case it is needed. This might discourage the AEP as it would not be a long-term commitment rather a simpler solution to a current problem. Decision By evaluating option one, yes meeting with Complex Parts might be the easiest solution for Deere; however this does not guarantee that Complex Parts will be willing to take blame.

It was clear that they were making an effort to get a hold of Deere but they were not cooperating, in turn costing them a great downfall in ratings. There are a lot of issues currently pressing but it seems fair to give Complex Parts a chance to explain themselves as to why so many factors are not in sync; perhaps it is simply a communication issue. The second alternative would provide another option. The fact that Complex Parts is not meeting their targets and has been disregarding their effectiveness could lead Deere to go in search of another long-term supplier.

It could also prove to be a good change for the company to have some competition for their business. The third option is also viable however, it would jeopardize the AEP since it strives for a long lasting partner rather than multiple sources, but it might be a good way to push innovation and

development of their product since the bidders would have to provide great quality and precision to meet Deere's high standards. They might also offer a better product for a lower price. Recommendation

Deere strives on its AEP and has put forth a lot of time and effort in the development of this program. Complex Parts has also invested time, money and effort into this program and into its ten year business partnership with Deere. They are very much looking forward to expanding their sales with Deere, hence they have improved their company and are trying to make sure they work with Deere so that both parties have the same expectations with regards to product specifications and quality.

Due to their history and commitment to each other, the best option is alternative one. Conclusion Overall, Complex Parts has shown great interest in adapting to Deere's requirements and they have done very well in the past under the supplier classification criteria. Deere should therefore talk to Complex Parts and elaborate on their concerns and address the shortfalls they seem to be having. Complex Parts would not want to lose Deere's business so they will more than likely be all ears; and after all, the customer is always right.