

Bal case study

Business



As BAL grew, it faced difficult decisions how to improve or upgrade its procurement system and process to meet its customers' requirement, especially its major customer the Australian Defense Force (UDF). Comparing to the option of upgrading the whole procurement system, my commendation aligns with Russell Mere (National Procurement Manager of AL)'s idea, which is to implement short term improvements based on current procurement system in view of budget constraints.

The main idea of this short-term Improvement includes, achieving supplier consolidation by 2006, with a total of 600 suppliers approximately; 10% cost deduction in two years by implementing supplier feedback system and managing supplier relationship; and introduction of new system or function such as Credit-card Purchasing and materials Management Process council to benefit BAL in cost saving and productivity enhancement. Issue Identification Immediate Issue In 2002, with new opportunities available through e-business technology, BAL needed to decide what company's next step should be.

One of the biggest challenges would be how to find an appropriate procurement system that could provide mutual benefits to BAL and its suppliers within budget constraints.

Systemic Issue 1, Four Isolated Divisions and Ball's Though BAL relocated its four divisions under one roof which enabled BAL to achieve some synergies, those functions were still autonomous in many ways. They found and executed their own work, and reported the same measuring criteria in uncial

dollars, project performance and product quality term, as well as a range of other measures required by Ball's balanced scorecard.

At each of its sites, BAL had a combination of "touch Labor" consisting of engineering staff and administrative people. As a result, BAL needed to provide a standard suite of business applications, engineering applications and desktop applications, working as a source of information for decision-making and business performance management. To buy-in applications became Ball's strategy in building its systems architecture.

Procurement system upgrade should consider Ball's IT capability and the limitation of integration across all the divisions. , Requirement of Ball's major customer Ball's major customer, the UDF, always needed timely information in support of military readiness and the national security of Australia. Military operations had unique legacy systems and required BAL to populate these systems with the necessary data to enable the military to monitor the status of aircrafts or submarines. UDF also required BAL to continually update its military readiness system. 3, Ball's Legacy System in Procurement Process In 1999, procurement system was very manual, including manual purchase order, invoice, and payment, etc.

Thus, the whole process was very time-consuming and creating room for error.

Facing the pressure from competitors, Russell Mere started a program of short-term improvements. If the program ran successfully, it Mould benefit BAL in staying ahead of its competitors and meeting the requirements of its major customer, the UDF. 4, Unrecognized Suppliers Base and manual
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process involved Before BAL classified all the suppliers into four areas, supplier profiles were mixed and BAL wasn't able to have a clear picture of the purchase history and details.

BAL led a big supplier base and it was difficult to manage the performance as well as cost. Meanwhile, a lot manual work was still involved which Environmental & Root Cause Analysis 1, US Government's Export Procedures Anything associated with military use required an export license that was obtained from either the US Commerce Department or the US State Department, depending on the nature of the item. As an end user, BAL had to first verify it was eligible for a license.

A list of documents was needed to smooth the whole process for obtaining the export licenses.

As a result, the complicated process leveraged off the bargaining power of the Boeing Group. 2, Management of Suppliers Applying the new policy to rationalist Ball's supplier base over six years, BAL achieved direct cost savings by decrease the base of supplier, and the next target was 600. In order to verify whether Ball's suppliers were authorized and qualified to produce the necessary parts, BAL needed to ensure any "flyaway" items purchased or manufactured had complete traceability.

Also, without an effective supplier monitoring and feedback system, it was difficult for BAL to find consistent ways to measure the levels of service.

3, Drawbacks of Existing Purchasing System the process efficiency of purchasing order release was also restricted by Ball's existing IT system.

Though BAL had capability to electronically cut purchase orders to larger suppliers via web-based online tools developed by these suppliers, Ball's current legacy system was not supporting its interfaces connected to suppliers' web browsers and thus resulted extra manual work to feed ERP system. , Budget Constraints and Size of the Company With limited budget to spend for upgrade, BAL had to consider a more rational way to improve current system. In addition, regarding the company size, there Nullity be economy of scale at this point of time, and thus the return of investment Mould be unsatisfying if BAL invested a lot of capital for an entire upgrade. Alternatives 1, BAL could invest in a new system that would simplify the procurement process deterrent divisions and support complex interfaces Witt suppliers.

Pros: New across system would be working with best efficiency and BAL would be very competitive in term of productivity.

Standardization would also benefit in a long-run. Cons; Cost Mould be very high and returns would be low at this point of time due to relatively small company size. Applications sometimes may also have overlap functions with each other. 2, Alternatively, BAL continues to sit on the fence and seek short-term Improvement tools for integration with its existing legacy systems.

Pro: This is a cost effective option and BAL has the capability to programmer interfacing between applications where necessary.

They had multi-systems already well in use, such as Province, POP, and COBRA, etc. Cons: If competitors enhance their IT infrastructures at a much faster speed and if this is what customers favor in the near future, BAL Mould <https://assignbuster.com/bal-case-study/>

risk losing market share due to lack of IT competitiveness, which directly relates to cost savings, effectiveness or economy of scale, etc.

Recommendations Considering the constraints of budget, the company size of BAL and the tight business relationship with the UDF, I recommend that BAL should go ahead with the short-term improvement plans instead of upgrading the entire procurement system.

Implementation Plan	Item Type	Term	Implementation Duration	Current Status
Classify Suppliers based on Commodity Group	Tactical	Short	Procurement	One month Finished
Continue to Consolidate Suppliers	Tactical, Strategic	Long	Procurement, Supply Chain	Six years