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# 5 John Deere and Complex Parts, Inc.<sup>1</sup>

## Teaching Note

The supplier evaluation team needed to recommend a course of action to their project manager next week.

### Immediate Issues

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- The supplier's quality performance was good, while its delivery performance was fair and getting worse. Several other important issues with cost management, wavelength and technical support were becoming concerns.
- The team had only one week to evaluate the supplier's performance and reach a consensus recommendation.
- The supplier had been successfully doing business with Deere for ten years.
- There were two other suppliers capable of providing the same products to Deere.

### Basic Issues

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- Deere had begun a strategic supplier partnership program and wanted to upgrade the performance of its suppliers, either through attrition or providing help to its suppliers. The issue here was somewhat complicated—Complex Parts certainly is not performing up to Deere requirements in several areas; is this enough for them to be dropped by Deere, or should Deere attempt to help them find solutions to the problems and implement them quickly?
- Decision makers need to consider the risks and rewards associated with each of the two alternatives.

### Teaching Objectives

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1. This case is suitable for undergraduate and entry-level graduate business students.
2. Students are expected to organize data and information pertinent to the problem, analyze the data provided, and provide a recommendation.
3. Students with no prior business background can do an elementary analysis, while more advanced students will be expected to apply a more strategic analysis.

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4. Students should consider what appropriate courses of action exist, and then consider the implications associated with each of these potential decisions.
5. After completing the case and discussing it, students should be able to describe the value a good relationship has to each party.

## Discussion Questions

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1. The AE program appears to be a very thorough supplier evaluation process. Some potential additions to these measures would be:
  - adding “under deliveries” as a form of defect to the Delivery rating
  - purchase price relative to competitors
  - trying to quantify the subjective ratings to get away from the potential of biased assessments in the three qualitative ratings.
2. On an annual basis, Complex Parts appears to be performing at the Key or Approved level; however, more recently, this may have slipped to Conditional, at least on the Delivery rating. Some students will argue to discontinue business with Complex Parts, based on delivery performance and customer service responsiveness. Others will argue to keep the relationship going and try to solve the pressing problems. Both decisions can be justified.
3. The alternatives are to release Complex Parts, keep the relationship intact, or possibly give some of the business to a secondary supplier. In reality, the Deere personnel actually decided to work with Complex Parts to solve these problems—they saw the long-term relationship as more important than the current problems. Complex Parts replaced its customer service representative, and is today working with Deere in other ways to improve delivery performance, communication and responsiveness.
4. The short-term implications of dissolving the relationship would be that Deere would have to find a new supplier and determine if its performance was likely to be better than that of Complex Parts. This is somewhat risky, although the other two suppliers were already doing business with Deere, but at a more minor level. Long term, it means the new supplier and Deere would need to build a relationship based on mutual trust and performance. The short-term implications of keeping the relationship intact are that Deere must overcome immediate problems that are costing Deere. Once these problems are solved, the existing relationship will once again be beneficial to both sides.