

7 Supplier Development at Deere & Company¹

Teaching Note

On May 30, 2001, at one o'clock, an in-house meeting of the supplier development team for Excelsior Equipment Corporation and Deere & Company had just adjourned. Benjamin Aldrin, the project manager for the Deere group was gathering up his materials. With the supply of crucial equipment and the long-term competitiveness of an established supplier in jeopardy, he was concerned about the effectiveness of the group's decision to force Excelsior to improve its antiquated manufacturing processes by lowering its prices.

Analytical Objectives

The problem will be stated in this case with no alternative solutions provided to the students. Students will, therefore, be required to utilize all of the data provided in the case, develop possible alternatives, select one alternative, and create and initiate an implementation plan.

Theoretical Objectives

The case is designed to fine tune students' understanding of some important concepts in supply chain management and human resource management by presenting them with a situation where cycle time reduction is an important issue and group dynamics and consensus building are both important.

Discussion Questions

1. Is Deere's tactic an appropriate one?

Yes and no. In essence, Deere is putting a gun to the head of its supplier and trying to get it to do something in a roundabout way. On the other hand, a more direct approach was tried and had not produced the needed changes at Excelsior. The selected tactic does not necessarily force Excelsior to make the recommended changes. Excelsior will be faced with a make or break proposition. Failure to change, at this point will be a red flag to Deere that they need to start looking for another source.

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2. What are the implications of this tactic and the possible consequences, positive or negative?

In terms of negative consequences, it may cause a more strained relationship than currently exists. This could lead to trouble for both parties in the future since each relies on each other. The tactic, if not followed by Excelsior, does not guarantee that Deere will get its desired outcome. A positive consequence could be that the plan would work out and Excelsior would make changes, reduce cycle time and costs and realize more profits. Another positive change is the improved profitability on the product line by Deere, accompanied by increased sales.

3. If it is not an appropriate tactic, what are some alternatives?

- a. Escalate to higher levels of management. This is an extremely important project that may require the involvement of senior managers from both sides.
- b. Deere provides its services without charge in addition to sharing in the cost of the manufacturing redesign, as it will benefit in the long run.
- c. Deere may just continue to try a more direct approach with Excelsior and negotiate the issue at hand concerning manufacturing cycle time and cost. If Deere can successfully show that it will gain sales based on the changes and if Excelsior is capable of independently making the changes, this may prove to be more fruitful, win-win situation. This approach is probably the best of the three

4. Is this an ethical approach?

While this may be an uncomfortable approach, it is pragmatic and focused on what is in the best interest of both parties. It retains autonomy for both companies: Deere in deciding whether or not to continue sourcing with Excelsior in the long run since Deere's short-term cost goal was met; Excelsior since it has been provided with an improvement plan, assistance and resources should it decide to proceed with the project.

5. What are some of the implications as far as human resource management is concerned? How can the group members better manage the consensus building to present an undivided front to Excelsior?

Here is a situation where there are different managers with different agendas, and they need to come up with some kind of consensus in a very difficult situation. Each should try to consider the other's agendas in the context of this particular project and both companies. Without this understanding, the project could very easily unravel in the face of some inevitable opposition from Excelsior.