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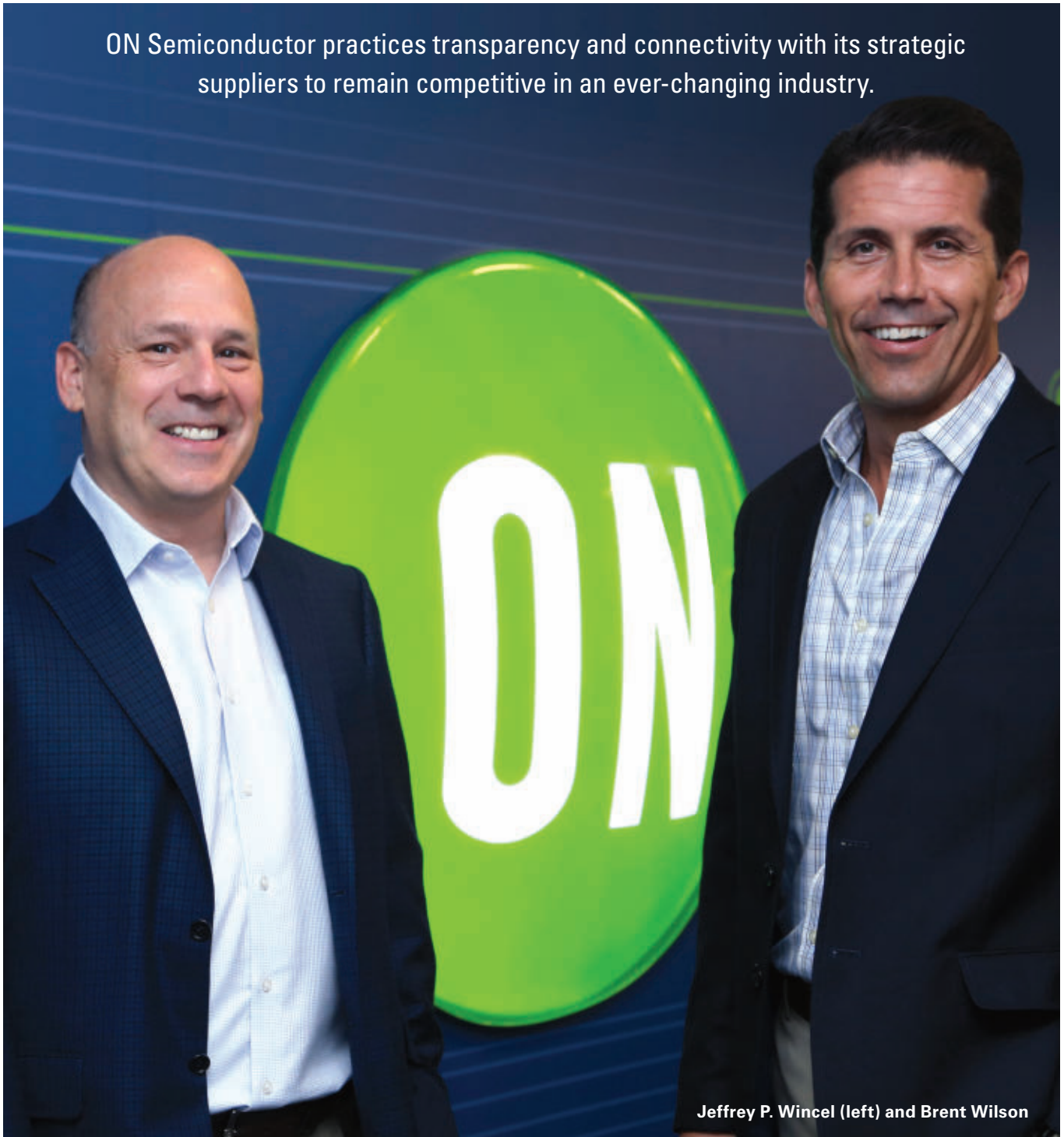
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Empowering the
FUTURE

Emp[Ⓜ]owering the Future

ON Semiconductor practices transparency and connectivity with its strategic suppliers to remain competitive in an ever-changing industry.



Jeffrey P. Wincel (left) and Brent Wilson

Photos courtesy of ON Semiconductor

By Lisa Arnseth

Without semiconductors, many technical elements of our society would not be possible. Also known as microchips, they are the fundamental building blocks within electronics that serve as the beating heart of countless modern conveniences, from high-tech aerospace and defense applications to the talking robot in a child's toy box. With such a broad reach, the semiconductor industry must be agile and cutting-edge to keep pace with the latest technology requirements of its customers. Strong supplier relationships have always been the key to making it all come to life.

However, the future of semiconductors is beginning to change for companies like ON Semiconductor in Phoenix. "This is not your father's semiconductor business anymore," says Jeffrey P. Wincel, vice president and chief procurement officer of ON Semiconductor. "We've been accustomed to very short life-cycle products in areas like computing, communications and networking. But the biggest growth for us is in automotive, industrial and medical industries, which have a different kind of product profile."

These products often require longer development times and longer life cycles, with components that are expected to work for anywhere from two to even 10 years — a far cry from the six-month to 18-month life cycle common in other industries. Wincel says a primary challenge for his organization is working with material suppliers and external manufacturing partners to recognize this industry shift: "We need to ensure our suppliers understand and adapt to these new needs."

To that end, ON Semiconductor's global supply chain organization is committed to transparency and continuous improvement. "In dialogues with our suppliers, we are not just saying things are changing, we're demonstrating how and why they are changing," explains Wincel. "We're committed to a straightforward communication approach within the whole organization and with our supply base. What we say to our suppliers is what we really mean."

The Transparency Factor

With more than 3,000 suppliers worldwide and a global supply management team of approximately 450 people, communication is an ongoing challenge. But it's one ON

Semiconductor is dedicated to improving all the time, says Brent Wilson, senior vice president, global supply chain operations and procurement. "We try to make sure everyone hears the same story and moves toward the same objectives, despite different languages, cultures and time zones," he says. "We hold cascading levels of alignment meetings, from corporate KPIs to departmental meetings, down to where each member of my staff has individual team meetings with their people." Supply chain at ON Semiconductor is considered an integrated member of the entire company, and Wilson says supply chain is "continuously asked to solve complex challenges and create value."

Because supply management team members depend heavily on their tier-one and partner suppliers to efficiently accomplish these goals, clear directives are necessary. To encourage transparency, in June, Wilson and Wincel organized a supplier executive conference to directly communicate as much information about ON Semiconductor's goals and primary initiatives to key suppliers as possible.

Over the course of one day, senior-level executives from about 50 of ON Semiconductor's top suppliers heard in-depth detail from eight senior ON Semiconductor leaders, including the CEO, CFO and chief technology officers, about the company's financial outlook, technology drivers and the role of suppliers in these areas. Wilson and Wincel also outlined the major pillars of the company's procurement strategy and targets to achieve best-in-class performance in areas of on-time delivery, quality and cost.

In addition to ON Semiconductor's own leaders, a guest executive from one of the company's largest aerospace customers



Empowering the Future

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A silicon wafer is inspected at one of ON Semiconductor's wafer fabrication facilities, as part of the manufacturing process for its semiconductor products.



shared a "voice of the customer" presentation explaining how suppliers are ultimately connected to ON Semiconductor's success, sharing insights into its corporate goals to reduce cycle times, improve on-time delivery and more.

Supplier awards were also presented at the end of the day. According to Wilson, awards are usually delivered during in-person visits to suppliers, but his team felt a formal presentation fit well with the conference. Wilson says, "Not only was it an excellent way to conclude the event, but we hope that some suppliers saw their peers and competitors receiving awards, and it gave them something to target so next year, they too might receive an award."

Overall, says Wincel, the conference was beneficial for the attendees and his team. "It allowed us to communicate both formally and informally in a relatively neutral environment about the direction of our business, and the directions of all our businesses, together. We sometimes assume that because we work with these suppliers every day, they know what's on our minds. That's not always the case," says Wincel. "I think it was beneficial for them to hear firsthand, from executives across all functions of our organization, the precise reasons why we're driving in certain directions."

Trust Necessary for Strong Relationships

Achieving this kind of transparency and remaining in good communication with suppliers isn't always easy for procurement executives, says Wincel. To build strong relationships, it's important to recognize that a company and its suppliers are dependent on one another for mutual success. "We have to accept that, yes, we may have competing objectives with one another going forward, but at the same time, we need one another. We want to build that trust while accepting our fundamental differences by taking on the attitude that we say what we really

mean," he says.

Saying what they really mean entails providing suppliers with direct details and information about what ON Semiconductor actually needs, usually based on information the company receives from its own customers. The idea is to create a better "flow-down of contractual requirements and performance expectations," says Wincel. "Thus, if we say we need something, it's not because we hope to get it, it's because it is an essential part of what we need to be successful. We will not purposely mislead anyone."

In addition, supplier business reviews are performed twice a year with key suppliers, in which ON Semiconductor shares its sales profile, the company's profitability, its challenges and any other pertinent information — and the supplier does likewise. "Continuing that open dialogue helps create true transparency, and it fosters the trusting type of relationships we want with our supply base," says Wincel.

Integrating New Relationships Through Acquisitions

There's another area where transparency is a primary target for ON Semiconductor's supply management team: mergers and acquisitions. Over the course of a decade, Wilson says, ON Semiconductor has done about 12 acquisitions. In that time, he and his organization have learned how to best handle the complex process of bringing another company into the ON Semiconductor fold.

"In each acquisition, we document the integration process, and at the end, we review what we did objectively and apply any lessons learned so we always improve our processes," says Wilson. In a recent acquisition, for example, the plan was to move one of the manufacturing locations of the new company. The idea looked good on paper, as the factory was running at about 75 percent capacity.

However, the acquired company

benefited greatly from joining the ON Semiconductor group and saw rapidly increasing sales and production rates. This made the process of transitioning the factory from one location to another difficult to manage because that factory was suddenly running at full capacity.

“The lesson learned there was that we need to do sensitivity analyses around demands, to make sure that any moving parts we have during integration are not only functioning at the average level, but at a potential high point and a potential low point,” he explains.

At the moment, ON Semiconductor is in the final stages of acquiring another large semiconductor company. Like other acquisitions, Wilson approaches the integration not only from a business analysis perspective, but on the processes and people levels. “When we first purchase a company, all the systems are not yet integrated,” says Wilson. “So for a time, we run in parallel. But eventually, we will incrementally meld and integrate. We retain improved processes as well as people from those companies with mindsets that align with our culture and bring them into our organization.”

The company maps all new employees so they know who their supervisors are, what their assignments are, and what the future holds for them. “A lack of communication usually creates nervousness during acquisitions, so we remain as transparent as possible,” says Wilson.

Overall, Wincel and Wilson have an eye on the future at all times. “Supply management can get caught up in the transactional and tactical parts of the business,” says Wincel. “It’s important to look up and out, thinking of where we want to be. Look at the supply management landscape and see what the best companies are doing in terms of supplier relationships. Encourage strategic thinking, because there is always room for improvement, and always room for stronger partnerships with the supply base.” **ISM**

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Lessons in Lean Supply Management



Jeffrey P. Wincel,
vice president and chief
procurement officer
ON Semiconductor

When it comes to lean business practices, Jeffrey P. Wincel, vice president and chief procurement officer at ON Semiconductor, says the best policy is to communicate openly with suppliers to make sure everyone is on the same page.

Wincel has written five books, with two books on the subject of lean. His first, *Lean Supply Chain Management: A Handbook for Strategic Procurement*, was published in 2004. His most recent book was published in 2013: *People, Process and Culture: Lean Manufacturing in the Real World*. With more than 30 years

of supply management experience in different industries, Wincel has much to say on the subject, but says there’s a primary lesson that supply management practitioners need to remember. “When you’re implementing lean strategies, either in supply chain or manufacturing, it’s important to always be clear and never assume that others are as well-versed in this practice as you might be,” says Wincel.

At a recent supplier executive conference in Phoenix, Wincel and the executive team discovered this reality when they asked attendees to raise a hand if they were familiar with kaizen techniques, and many hands went up around the room. However, when Wincel and the team drilled down by asking questions regarding differences between point kaizen and flow kaizen, virtually no hands went up. “It was interesting that we had executive leaders of large suppliers who weren’t yet familiar with key strategies we’ve been using for longer than a decade,” says Wincel.

Thus, Wincel recommends always “going back to the basics” during any opportunity to deploy or implement a lean strategy. “Make sure everyone understands the language you are speaking. Not everyone may have a foundation in lean concepts,” he explains. “Everyone needs to be reading off of the same page, so you all have a common framework on which to build.”

Admittedly, bringing everyone up to the same speed can be a challenge in a fast-moving business world. “I tend to be eager and want to implement things quickly and gain as much traction as possible, but I’ve learned to be patient,” says Wincel. “Allowing others to understand lean at their own capability and speed pays off in the long run, especially in strategic relationships.”