

A Practical Approach to MMOG

By Alan H. Sarasohn

With careful planning, the selection of appropriate tools for implementing industry requirements such as AIAG's MMOG can provide measurable business advantage.

Maintaining strong business relationships with customers and suppliers doesn't have to squeeze the margins out of your business. The opportunity exists to implement best practices and ensure ongoing revenue streams, balanced by a sensible supplier management process for improved relationships and price advantages.

For example, consider the AIAG Materials Management Operations Guideline (MMOG) Section 4.6 – Purchasing/Supplier Management. MMOG requires companies to share business forecasts with their suppliers; granted, that in itself is nothing new. Many companies simply publish a spreadsheet of anticipated demand, which the suppliers use as a baseline. As Internet-based technology has become more pervasive in recent years, Web portals are providing an electronic means for suppliers to gain access to this forecast data.

While useful, both of these approaches are one-way communications. In fact, neither approach supports a collaborative model for true information sharing. In addition, simple sharing of the forecast via spreadsheet or portal does little, if anything, to bring about internal process improvement. The “win-win” opportunity is for the forecast information to enable the supplier to improve its planning process through increased visibility, while their customer achieves internal business process improvements by focusing on exception management and supplier relationship management.

Most companies' purchasing departments provide scarce resources for low value-added clerical tasks. The situation is compounded when these same scarce human resources spend time following up and double-checking the transactional activities for materials flow. This leaves little time for additional

value-added functions such as sourcing, supplier relationship management and material cost management.

In addressing MMOG requirements, companies want to move quickly and experience minimal disruption to the supplier business processes already in place. With this goal in mind, objectives once relegated to the future emerge as more practical and timely. These objectives include:

- Preparing for new MMOG requirements;
- Implementing carefully planned business process changes internally and externally with suppliers;
- Using the MMOG guidelines as a means for improving replenishment strategies, contract management and spend management; and
- Increasing RFP and e-sourcing activities.



Furthermore, a company striving to meet these goals will find itself better positioned to deal with the rapid shifts taking place in the automobile sector such as increased outsourcing, faster cycles times, leveraging a global supply base and the continued push for lower costs and increased quality.

Narrow Your Focus

One approach to meeting MMOG purchasing and supplier management requirements is to focus on a small set of highly visible activities. The following three activities satisfy the top MMOG requirements and get a positive reaction from suppliers as well:

1. Sharing demand forecasts;
2. Enabling suppliers to accept orders online; and
3. Providing an easy mechanism for suppliers to create advance ship notices.

The Internet provides an excellent platform for easy access to the information. In addition, simple extracts from the ERP/MRP systems can be used to populate an online spreadsheet, which contains orders and forecasts for materials. Suppliers can view this information and accept orders (with changes in quantity or date if necessary) as well as see the long-term business forecast to improve their planning—

and their ability—to meet their customer's deadline, quantity and price. Thus, the Internet replaces yesterday's frequent fax transmissions and phone calls, which for the majority of cases, are simple verifications of expected business results. These normal conditions are well managed by software running on the Internet. Exception conditions can be flagged and dealt with in the most appropriate manner to quickly solve the exception situation.

Once these basics are put in place and are established as the standard for communicating and sharing information, companies can consider new replenishment methods. For example, MMOG specifies the use of Min/Max and Kanban as ways to increase automation and achieve a lean manufacturing environment.

Without a doubt, working toward compliance to AIAG's MMOG requirements for purchasing and supplier management is a chance to increase business opportunities, while gaining significant operational and financial advantages.

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