

How Innovations in Supply Chain Management are Transforming Businesses



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Alex Royez, Dow Corning vice president and executive director of global supply chains (retiring Dec. 2004) and Brett Able, newly appointed executive director of global supply chains for Dow Corning Corporation, discuss how to achieve a competitive advantage by transforming business through supply chain innovation.

Q: What must companies do to innovate their supply chain strategy and approach?

Royez: Operationally, companies need to be willing to make necessary, and sometimes difficult changes. Success requires reducing cost bases through tight controls on expenses and redesigned work processes, which sometimes means a smaller but more productive workforce and re-engineered supply chains. Philosophically, you need to be partners with your customers. It's no longer good enough simply to have customer points of contact limited to your sales person and their procurement department. Companies need to work on multiple levels—engineers working together to troubleshoot process problems on their manufacturing lines and to improve productivity; marketing teams discussing new products and trends; and management working closely together to develop mutually beneficial business opportunities.

Q: How do organizational changes give you the flexibility to change sourcing, manufacturing, and distribution quickly to balance supply and demand?

Able: In an integrated supply chain, more employees actually can be involved in solving problems for customers, visiting them at their sites or working alongside commercial staff to find new solutions. For a global organization, this adds tremendous resources. For example, when one of our key personal care customers faced a production shutdown when their raw material shipment from Belgium was delayed in transit across the ocean, our plant in Korea found a way to solve the customer's problem. Although they had never made this polymer previously, within a week they had produced five tons of polymer, got it qualified by the cus-

tomers, and shipped enough product for the customer to continue production.

Q: Dramatic growth around the world is forcing many companies to pursue geographic expansion strategies. But with rising costs, increased regulation, and stiff competition, not all companies have the resources. What are their options to remain competitive?

Royez: Most companies are not in a position to go it alone when it comes to global expansion. Some require help concerning local regulations and analytical services, and assistance bringing their products into compliance. Others lack a distribution network. Partnering with a global company with existing operations in the new geography gives small and medium-sized companies large-company advantages, such as understanding the regulatory environment and laws; understanding how companies do business in that geography, having established relationships with customers and prospects; and understanding logistics—how to move product. Dow Corning can help in these areas. In addition to providing materials, technologies, and services, we offer support ranging from access to distribution networks and an equipment alliance, to process trouble shooting and contracted research and development services.

Able: For example, one global electronics company that produces airbag sensors needed to expand capacity to keep up with soaring demand. The decision was made to build a manufacturing operation in Mexico. Company executives recognized that they could speed the process and ensure a top-quality new facility by replicating their own processes and best practices at their existing U.S. plant. Dow Corning managed key elements of the project, including designing and implementing an unloading station, a bulk storage unit, and a centralized silicone delivery system. Our work extended throughout the life of the project, from the pur-

chase and design of the site, to the implementation and integration of the facility.

Q: Given the soaring demand for raw materials on a global basis, how is Dow Corning optimizing its own supply chain to address market needs?

Able: Demand for silicon-based materials is growing in virtually every geographic market due to innovation in a wide range of industries, coupled with major building initiatives and infrastructure requirements in emerging markets. We're working hard to respond to this significant increase in demand by optimizing production wherever we can. Specifically, we increased our overall volume more than 15% at the end of the first half of 2004 compared to the same time period last year. One initiative to meet demand is a manufacturing 'stretch' project at our facility at Barry, U.K., where we expect to increase production by nearly 15%. The stretch effort involves installing new equipment in critical process phases as well as reliability improvements. Longer term, Dow Corning is planning significant expansion in the manufacture of silicones for Asian markets with the construction of a world-class manufacturing facility in China by the end of the decade. Other recent Dow Corning global supply chain improvements include the addition of siloxane storage and distribution hubs at Ulsan, South Korea and Shanghai, China, to provide customers in the region with faster and more flexible delivery of high-volume materials; and a 40% capacity increase for sealants and polymers in Korea.

For more information on Dow Corning, its products, technologies and services, visit www.dowcorning.com/innovate

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