

Business case

# Securing a New and Mono-source Supplier in China for a Leading European Medical Device Group

**PRACTICE**

Operations

**SECTOR**

Lifescience & Health

**DURATION OF THE MISSION**

4 Months

Our client, a leading European medical device group, wants to secure a new and mono-source supplier in China who is newly introduced through a M&A action of the group's competitor: supplier contingency plan.

KEPLER offers a customized approach to facilitate the communication and to build up trust between both parts, in order to conduct a two-ways risk assessment, then to deliver a risk mitigation plan.

## Context

---

- The group acquired a competitor (hearing aid device) in Europe, who has a mono-source ODM/OEM supplier in China
- The supplier shows an ambiguous attitude to keep this partnership with our client, besides of an uncertainty of their future leadership, since the CEO (founder) is approaching to retirement
- During risk identification workshop with the client, 9 aspects have been detected: relationship and interest, business continuity, cost competitiveness, capacity, supply chain & delivery, R&D, tier-N supplier management

## Objective(s)

### Securing the Business Plan

---

- Switching the supplier's mind-set and working ways according to a more standardized QMS
- Risk identification and evaluation, gap analysis and mitigation plan definition for both parts
- Fair-play spirit to gain trust and agreement to mitigate risk from the supplier

## Methodology

### 1 Project design and communication

- Collaborative workshop with the client for risk identification
- Communication strategy definition and implementation by top management from the client side

### 2 On-site Visit and Diagnostic

- Interview with all stakeholders within the supplier's organization: from the founder to the Key Account Manager
- Risk evaluation workshop launched in parallel with both the client and the supplier
- Gap analysis and communication

### 3 Mitigation Plan Definition & Follow up

- Defining and validating mitigation plan for each part
- Tier-2 supplier assessment: on-site visit and report
- Ensuring implementation of risk mitigation plan by a follow up visit to the supplier
- Global communication with both the client and the supplier

## Levers and Tools

- Risk Assessment (FMEA) & Gap Analysis
- Risk Mitigation Plan
- Project Management Office

### Risk assessment

| Risk Category              | URGO |     |     | NEWSOUND |     |     | Comments                                                                                                                                                                                                                                                                                                                                                                                            | Next steps                   |
|----------------------------|------|-----|-----|----------|-----|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
|                            | #    | 1   | 2   | #        | 1   | 2   |                                                                                                                                                                                                                                                                                                                                                                                                     |                              |
| Capacity                   | 13   | 3.0 | 4.5 | 13       | 3.0 | 4.5 | Capacity is under 100%<br>→ Risk: more orders and regular forecast for gaps                                                                                                                                                                                                                                                                                                                         | Follow up in mitigation plan |
| Supply Chain / Delivery    | 13   | 3.0 | 4.5 | 13       | 3.0 | 4.5 | Material process:<br>Need to collect R&D Data from Material and process and with data with risk of material for different material of process when forecasting which is frequent delivery change request.<br>Material is under 100% for R&D solution data availability                                                                                                                              | Follow up in mitigation plan |
| R&D                        | 13   | 3.0 | 4.5 | 13       | 3.0 | 4.5 | High quality delivery request<br>Company delivery performance from current supplier (R&D) is high and low quality (R&D) is low quality.<br>R&D data is not in the R&D data of R&D.<br>Mitigation plan being created                                                                                                                                                                                 | Follow up in mitigation plan |
| Tier 1 Supplier management | 43   | 4.0 | 5.0 | 23       | 3.0 | 7.5 | Material quality is not directly linked with the supplier, but supplier is an active player in the R&D process.<br>Supplier is not in the R&D process, but supplier is an active player in the R&D process.<br>Supplier is not in the R&D process, but supplier is an active player in the R&D process.<br>Supplier is not in the R&D process, but supplier is an active player in the R&D process. | Follow up in mitigation plan |

### Gap analysis



### Mitigation plan & RACI

| Major risk targeted        | Mitigation plan # | Mitigation strategy                          | Action # | Document / Date to be collected / Details                                                                                                    | Person in charge                   | Timeline   |
|----------------------------|-------------------|----------------------------------------------|----------|----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|------------|
| Relationship and interest  | 2                 | Improve communication                        | 2.1      | Regular meeting with 2 people contact in a fixed frequency (every 2 weeks or 1 month)                                                        | Jane                               | 23/07/2018 |
|                            |                   |                                              | 2.2      | Instant messaging (WhatsApp/WeChat)                                                                                                          | Jane                               | 23/07/2018 |
|                            |                   |                                              | 2.3      | Buy conference for future meeting                                                                                                            | Jane + David                       | 23/07/2018 |
| Business continuity        | 11                | Qualify back up facility                     | 24.1     | Review contract with list of top 5 suppliers<br>Review contract with list of top 5 suppliers<br>Review contract with list of top 5 suppliers | Jane + David                       | 23/07/2018 |
| CSR                        | 21                | Social audit                                 | 21.1     | Source another external products<br>Source another external products<br>Source another external products                                     | Ms. Long for Purchasing supervisor | 23/07/2018 |
| Supply chain / Delivery    | 8                 | Material process                             | 4.1      | Update R&D Data Material                                                                                                                     | Jane + David                       | 23/07/2018 |
| R&D                        | 16                | Re design transition to alternative material | 26.1     | Material performance test results report from 2 suppliers                                                                                    | Mr. Li Chang, R&D vice manager     | 23/07/2018 |
| Tier 1 Supplier management | 28                | Compliance auditing                          | 28.1     | Business and contract compliance from Material and process for their commercial agency                                                       | Ms. Long for Purchasing supervisor | 23/07/2018 |
|                            |                   |                                              | 28.2     | Define action plan for alternative supplier qualification                                                                                    | Jane + David                       | 23/07/2018 |

### Tier-2 supplier assessment



9

**risky aspects assessed with both parts,** transparent communication on gap analysis and results sharing

1

**dedicated mitigation plan** for each part

1

**key tier-2 supplier** assessed with action plan recommendation



**Cost structure analysis** for 1 star product



**Partnership** enhancement

“

*This project successfully enhanced the trust and partnership and secured the business plan for the future between our client and its mono-source supplier.*

*We customized our tools: FEMA, Risk mitigation plan, PMO etc, to adapt to this specific business environment which eventually showed a significant impact on re-connecting the partnership between our client and the supplier. Meanwhile, our mix-cultured project team ensured a smooth communication while facing the cultural difference, which was also a key success factor.*

---

**Mingmin Zhou**  
General Manager - KEPLER China

## Our Offices



**Visit Us** | [Kepler-consulting.com](https://www.kepler-consulting.com)



### ■ USA

159 N. Sangamon Street, Suite 200  
Chicago, IL 60607-2201 - USA

[usa@kepler-consulting.com](mailto:usa@kepler-consulting.com)

**Tél : + 1 (708) 969 1963**

### ■ EUROPE

32 boulevard Haussmann  
75009 Paris – France

[info@kepler-consulting.com](mailto:info@kepler-consulting.com)

**Tel.: + 33 (0)1 44 75 05 35**

### ■ INDIA

#312, DBS Center, 31A, Cathedral Road  
Nungambakkam, Chennai  
600034 - India

[india@kepler-consulting.com](mailto:india@kepler-consulting.com)

**Tel.: + 91 (0) 44 40 50 92 00**

### ■ CHINA

Room 351, 3F, No.135 Yanping Road,  
Jing'An District,  
Shanghai, 200042, China

[china@kepler-consulting.cn](mailto:china@kepler-consulting.cn)

**Tel.: +86 (0)21 - 6117 0311**

## Contact the Authors



**Edouard Alquié**

[edouard.alquie@kepler-consulting.com](mailto:edouard.alquie@kepler-consulting.com)



**Mingmin Zhou**

[mingmin.zhou@kepler-consulting.com](mailto:mingmin.zhou@kepler-consulting.com)