

MAG45

■ industrial supply solutions
a solar group company

REFERENCE
CASE

stryker

WWW.MAG45.COM

The company

Stryker Corporation is a world-leading designer, developer and manufacturer of clinical devices and equipment for use in orthopaedics, medicine & surgery, and neurotechnology. Founded in the 1940s and headquartered in Kalamazoo, Michigan, Stryker is a Fortune 500 company with a \$12.4 billion turnover (2017). It continues to grow rapidly, both organically and via acquisition, and currently has some 40 manufacturing facilities across the US, Europe, and Asia.

The challenge

One of Stryker's goals is to be the leanest manufacturer in its sector in order to increase margins, support strong growth, and improve its offering and service to clinicians. Manufacturing excellence and continuous improvement programmes are front and centre at every site, with the aim of standardising practices and deploying efficient systems and partnerships.

Guillaume Finck is Vice President Operations for the European and Chinese factories, reporting directly to the US. "I'm a guy who believes we need to focus our energy and resources on the core design, development and manufacturing that we're good at. There are other, linked processes that are not our specialisation but core business for others. So I'm very open to developing real partnerships with companies who can support our business operations, help us get better at what we do, and bring value to product management. At the same time, such companies must be capable of growing, developing, and benefitting from our business over the long term."

The introduction

Four years ago, Guillaume was introduced to MAG45 by one of its clients, Johnson & Johnson – a competitor to Stryker that was located in the same neighbourhood in Switzerland. This recommendation suggested two things: MAG45 had the competence and experience required, and there might be opportunities for some serious integrated supply synergies.

Together they initially explored outsourcing the complete supply management of cutting tools (later extending this to consumables, factory supplies and all other MRO). Cutting tools is a complex area involving direct relationships – often at a highly technical level – and Stryker was working with nearly 80 different suppliers for such tools. According to Guillaume, "We needed MAG45 to directly manage all the supply chain activity, effectively reducing all these supplier accounts to one. But it was crucial for us that we maintained our technical access to the tool providers as well as our relationship with them." Discussions followed with dealers and manufacturers, many of whom were happy to move to this new arrangement.



The implementation

A Swiss facility was chosen to test the new relationship, initially with three MAG45 staff embedded on site. After three months, results were sufficiently promising to extend the relationship to a French plant with similar processes and requirements. After twelve months, the arrangement had been successfully extended across a full range of MRO and production support items from consumables to machine spares, covering pretty well everything needed for production, except for actual raw materials.

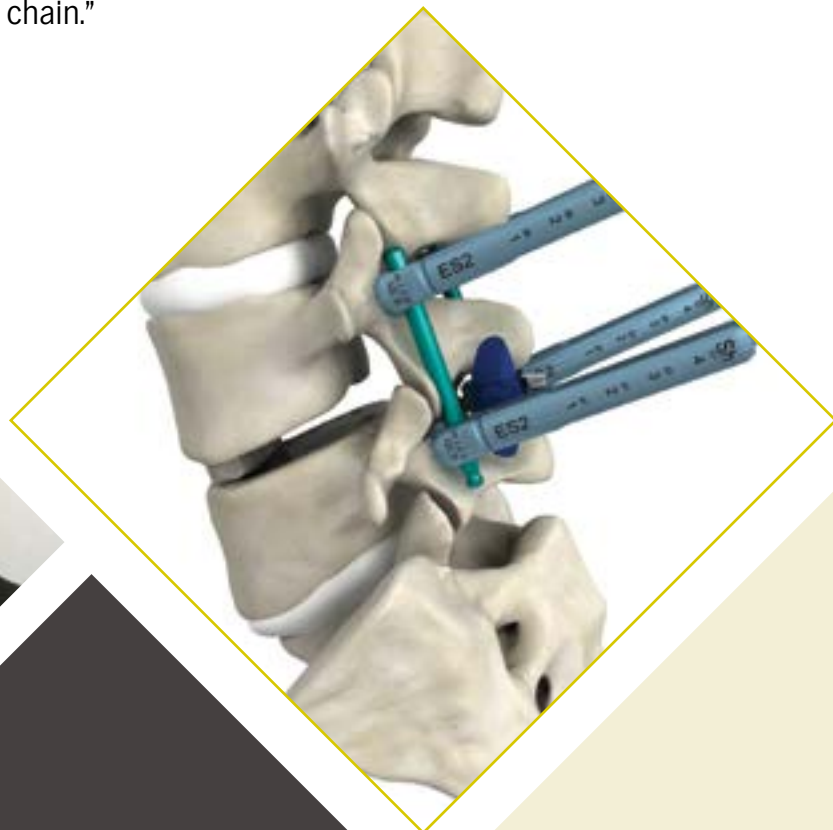
The partnership was working so well, and feedback from sites so positive, it was decided to roll things out to the other European manufacturing sites and China. MAG45 is now also building relations with US manufacturing sites who don't report to Guillaume but expect to echo the European successes.

The relationship

Key to this rapid and continuing roll-out has been the creation of a global, high-level Master Service Agreement. This was, Guillaume concedes, "challenging". It took roughly six months for Stryker Corp and MAG45 to clearly define what a 'win-win' agreement would look like – lots of people, lots of lawyers. But they were setting things up for the long term. "We don't plan to change this sort of supplier every two or three years. So, rather like a marriage, we needed to define at the very beginning what we expected from each other as partners."

Guillaume says that for Stryker this is a very different way of using suppliers. But now any facility worldwide can 'buy into' the Master Service Agreement quickly and simply, with at most minor amendments to reflect local conditions and practices.

The Agreement defines a completely open-book relationship. "MAG45 have full access to our ERP and inventory, and can locate their storage inside our factories. This isn't just a supplier who receives Purchase Orders and sends products to the factory. MAG45 is a partner completely integrated with our own operations and supply chain."



The benefits

First-year cost reductions on implementation have been between 5% and 10%. But crucially, further savings have continued to accrue year on year at each site. First-year savings at the pilot site in Switzerland were €100,000 (around 10% of spend under management), with a further €70,000 in the second year and €13,000 in the third. Similar incremental improvements are expected in the future.

Paid prices aren't everything, though. Every time you buy something you must find the information; issue the order; receive, inspect and store the product; check and pay the invoice – it's a long, costly process.

“Our partnership has 'leaned' that process,” says Guillaume, “significantly reducing the number of manual tasks, for example by using technology to automatically detect demand, relate directly with our ERP and buy electronically. This significantly reduces the lead time and cost of our products, and prevents issues that would affect our ability to sell to and support our customers. We've been able to redeploy all those people previously documenting, accounting, receiving and paying into more effective core activities in manufacturing excellence and business development.”

The future

The goal for Stryker is to deploy this relationship throughout the organisation while also pushing and supporting MAG45 to develop further innovative solutions to create an even less costly, more efficient supply chain.

Guillaume explains, “Technology is important. We've already introduced Vendor Managed Inventory for tooling, based on a Kanban system with dispensers that automatically report usage overnight, using agreed metrics to trigger reorders. And we're looking, for example, at drones to move products between factory areas and data systems to share inventory between locations. We expect a lot from our partners, working closely on continuous improvement, exactly as we do with our own activities. Our basic assumption is that what we do in the future will be better than what we do now.”



Guillaume is happy to recommend MAG45, but it comes with a warning, “If you want to work with a company like MAG45 you need to be ready to do so. It's a new way of working with partners. It's not just a customer/supplier relationship, you have to open your doors. Not everyone can do that. But if you do, this company is very capable of bringing strong added value to your supply chain.



Guillaume Finck

Vice President Operations - Stryker





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The reference for integrated supply

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