GradeCard® – CASE STUDY: GlaxoSmithKline

Reducing Costs by Managing Supplier Effectiveness

Lyons Information Systems, Inc. provides **GradeCard®**, a supplier performance management software product, along with supplier performance management process implementation services to mid-sized and large manufacturing companies.

Case Study

This Case Study describes the results of the Supplier Performance Measurement System at GlaxoSmithKline (GSK) in Research Triangle Park, North Carolina, which was the precursor to **GradeCard®**. The GSK experience illustrates the cost and expense savings that **GradeCard®** delivers.

Situation

GSK is a pharmaceutical manufacturing company ranked second in the world. In the spring of 1997, Ed Lyons, an expert software design engineer was hired to create a supplier performance measurement system that would address grave problems of poor supplier delivery, quality, and service performance. A decentralized manufacturing operation and corporate sales structure compounded the problem of creating an integrated enterprise solution.

Approach

The first step was to define the objectives and requirements of the QA, Manufacturing, Purchasing, Production Control, Warehouse, and Planning departments. These stakeholders defined the following supplier performance criteria:

- Quality – incoming and work-in-process defective products
- Delivery – timeliness and quantity variances of product shipments
- Service – responsiveness, quality team deployment, and internal shop floor improvement plans.

The new system was automatically fed invoice, procurement and product information from GSK information systems. Reports provided valuable performance and status information to all departments. The procurement department funded the project and assumed project leadership. Upon completion, a management process was put in place that provided a way for GSK management to monitor and quickly respond to supplier issues. The entire team was trained on the use of the system which has now been in use for the last five years.

Results

Results:
- Cost savings per year is approximately $500,000.
- 120 suppliers for multiple components have been reduced to 25 critical suppliers.
- Supplier overall performance improved from 68% at inception to 92% at the end of the third year.
- Staff growth was eliminated and a buyer-planner concept was implemented.
- Suppliers and GSK share best practices to fuel continuous improvement.
- GSK shares planning data with suppliers with an 18 month horizon.

Ed Lyons founded Lyons Information Systems, Inc. in 2001; he and his development team incorporated the experience and knowledge learned at GSK to develop the **GradeCard®** product as it is known today. With substantial improvements over the original GSK project, **GradeCard®** delivers information that is critical to measuring and bringing discipline to supplier performance management, resulting in greater profitability for any manufacturing organization.