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# Purchasing<sup>®</sup>

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## Purchasing will become more involved in reducing product development cycle time

**T**he need for rapid product development is likely to be the watchword of many purchasing operations in the late 1990s.

That's a major contention of Bradford L. Goldense, president of Goldense Group Inc., a Cambridge, Mass., consulting firm that specializes in new product development. In Goldense's estimation, purchasing in many companies is in a position similar to the one it occupied in the late 1980s and early 1990s in regard to JIT and total quality improvement. Once again, it needs to bring its expertise to a nontraditional area of procurement involvement.

As Goldense sees it, there are three major forces driving the reduction of global product development cycle time. The forces and how they impact purchasing look like this:

- **Increasing competition** means more supplier leadtime pressure, greater supplier pressure, added supplier quality pressure.

- **Decreasing product life cycle** results in greater supplier content per product and more supplier products.

- **Increasing technology in products** creates a need for more supplier technology in products and more supplier involvement in strategy.

At a strategic level, notes Goldense, these driving forces affect most

businesses similarly: Businesses and their new product development functions need to figure out how to design and develop more new products in a given time period—just to maintain existing revenue and profit levels. And to get ahead requires productivity initiatives that exceed the rate of change among the driving forces.

In Goldense's estimation, that kind of leap requires a great deal of relearning and restructuring at both the company and the purchasing level. "It's nearly impossible," he says, "to get more total output from a given resource pool while keeping the same business processes and practices in place." Purchasing managers, he suggests, will once again be stretched—this time to accomplish best practices for product development. "They'll need to make their way to the front of new product development and product strategy activities to keep their companies competitive." Specifically, he sees the need for these two areas of focus in the next few years:

- **Target costing.** Up to 80% of a product's cost is determined in the very early stages of product design. If product definition is not complete, engineering changes occur and leadtimes lengthen. Engineering changes, when they are fixes and not designs, often have a negative impact on prod-

uct cost, performance, and quality. And with supplier content increasing rapidly, says Goldense, "both purchasing and supplier professionals must be contributing from the start or suppliers will miss target costs and take longer than planned." As cycle time continues to shrink, he stresses, this issue becomes more important.

- **Supply strategy.** An even bigger challenge, he feels, is the need for purchasing to become involved in product strategy—even before specific new products are approved for development. Leadtimes needed to bring in new technology can easily exceed product development cycles and must be started well before specific product efforts are authorized. If this doesn't happen, he warns, the incorporation of new technology will cause time delays in development. To do a good job of this, he points out, purchasing must navigate confidentiality barriers skillfully, giving suppliers enough leadtime to become adept at new technologies. In addition, he feels, purchasing managers need to assist suppliers in directing and investing resources and capital so they are ready when the customer is ready.