

competitiveness at the

FRONTIER

February 2009

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**Subcontractor
Management**

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editor's message

My social network includes teachers, musicians, nurses, and others whose careers don't lead them to give much thought to the concept of "competitiveness" as we define it at SENADA. So when I make small talk at parties and explain that SENADA's goal is to enhance Indonesian competitiveness, puzzled new acquaintances often ask what kind of activities we conduct that could achieve this goal.

One of my favorite and easily understood answers is to describe SENADA's efforts to help manufacturers improve the way they manage their subcontractors. It is immediately obvious how this will benefit individual manufacturing firms and by extension the light manufacturing sector in general. Relying on another firm to produce components or even finished products that your company will send downstream is obviously not a risk-free strategy. Your firm can end up paying the price when defect rates are high or socially responsible manufacturing practices are not followed. Our article "Not Your Factory, But Still Your Problem" (page 5) examines how this dynamic can play out in Indonesia, where a reliance on informal relationships can make the task of communicating and enforcing performance standards especially challenging.

Fortunately, there are well documented and time-tested approaches to tracking the work of even large numbers of subcontractors in such a way that good performers are identified and rewarded, while inadequate subcontractors can be either terminated or given the constructive feedback they need to bring their operations up to standard. "Smart Firms Keep A Watchful Eye On Subcontractors" (page 3) gives a complete rundown of the best practices that lead firms must implement to achieve this ideal.

As is so often the case in the modern business world, instituting best practices for subcontractor management means finding the right software for the job. "From ERP To SPM: Sometimes Smaller Software Solutions Fit Best" (page 6) explains that Indonesian firms have had a bigger challenge than you might think in this regard. SENADA's role in fixing that situation has made a contribution to Indonesian competitiveness — as well as giving me something to chat about at social engagements. • CSW •

About the authors

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This monthly forum is jointly published by the Masters of Management Program, Faculty of Economics, University of Indonesia and SENADA, a four-year USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major labor-intensive light manufacturing industries. The views expressed in this forum do not necessarily reflect the views of the United States Agency for International Development (USAID) or the United States Government. *Competitiveness at the Frontier* welcomes your letters and reserves the right to edit for length and clarity. We pay a modest honorarium for published articles and invite interested authors to contact us about writing opportunities. Contact the Communications Team, SENADA – Tel: (62-21) 5793 2577; Fax: (62-21) 5793 2578; e-mail: senada@dai.com. Website: www.senada.or.id

letters

EDUCATION FOR EMPLOYMENT

We and our colleagues were pleased to see that the *Competitiveness at the Frontier* articles on manpower best practices [November 2008] emphasized that ongoing training of employees is a key part of creating and maintaining a competitive workforce. This proposition dovetails nicely with a topic the World Bank is now addressing: alleviating youth unemployment by ensuring that training offered both in Indonesia's formal and non-formal vocational education and training sectors is consonant with the needs of employers.

Over the coming year, the World Bank — at the request of the GOI — is carrying out a four-component research project, "Education and Training to Improve Youth Skills, Competitiveness and Employment," that falls under its AAA (Analytic and Advisory Assistance) program on education and human development. In partnership with donor agencies and international NGOs such as The ImagineNations Group (www.ImagineNations.org), the research project is designed to ensure that it is fully attuned to the expressed priorities of the Government of Indonesia and supports the preparation of BEKERJA (Better Employment Knowledge and Entrepreneurship to Revitalize Job Access for Indonesia's Youth), a multi-partnership program with MONE [Ministry of National Education] as the lead implementing agency of the GOI.

The first three research components (which address incentives for non-formal vocational training providers, youth entrepreneurship, and the relative merits of vocational training and general secondary education) will be synthesized into the fourth component on labor market trends, which will take a pragmatic look at cross-cutting questions such as: What skills does the labor market demand? How can training institutions be moved toward a demand-driven approach? Should government strategies focus on known market demands or attempt to predict future market trends? The goal is to offer GOI specific policy recommendations. So that these recommendations have maximum relevance and impact, they will be timed to coincide with planned government efforts to reform and revitalize the educational sector.

By following through on the recommended measures, it is our hope that the Indonesian government — in partnership with employers, civil society, and training providers — will prepare a generation of youth

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Smart Firms Keep A Watchful Eye On Subcontractors

For manufacturing firms, best practices in subcontractor management mean paying attention and providing feedback.

Manufacturing companies that rely on subcontractors to produce their goods are often beset with a host of problems, mostly centering on the subcontractor's failure to deliver quality products on time and at a good price.

For manufacturers that work with a large number of subcontractors, this problem can be magnified if they do not have an effective mechanism to keep track of which subcontractors are performing well and which ones are not.

Best practices for monitoring and improving subcontractor performance involve diverse components of the subcontracting process. But what they boil down to is this: lead firms must determine and communicate what criteria they expect subcontractors to meet, create a system that allows these criteria to be measured and monitored, and plan and carry out appropriate responses when subcontractors perform well or poorly.

An important initial step toward successful subcontractor management is to build a team of staff dedicated to managing the subcontractors. These employees should be chosen based on their competence and integrity, to ensure that they pick subcontractors transparently and that they are not prone to nepotism or corruption.

Over the past year, the company PT Sumber Kreasi Fumiko (SKF), which produces a line of footwear under the brand Yongki Komaladi for the domestic market, has worked with SENADA to bring its subcontractor performance management in line with international best practices. At SKF, the task of managing subcontractors is handled by a two-person team. One person is in charge of purchase order administration, including recording the quantity of product delivered as scheduled and budgeted, while the other person supervises quality control.

For export-bound goods, training will need to cover socially responsible human resources practices and environmentally sound operations.

Teams such as this one should undergo training on the technical nature of the work to be performed by subcontractor. For Indonesian manufacturers, training on complying with buyer requirements is also crucial and involves subjects beyond just quality control. For example, for export-bound goods, the training

BEST PRACTICES IN A NUTSHELL

- Build a high-integrity team dedicated to subcontractor performance management.
- Train this team in the technical aspects of the subcontractors' production and all compliance standards, as well as contractual obligations.
- Maintain clear channels of communication with subcontractors.
- Identify KPI (key performance indicators) such as on-time deliveries, defect rates and types, and compliance with quality, social and environmental standards.
- Develop a Statement of Work for all subcontractors that clearly identifies their responsibilities and penalties for failing to meet them, and allows the lead firm to conduct independent inspection of subcontractor production processes.
- Implement a system, utilizing appropriate software, that measures KPI and allows comparison of the performance of all subcontractors.
- Conduct regular and event-driven reviews of subcontractor performance using the KPI.
- Enable subcontractors to request reviews and site inspections for purposes of improving performance.
- Sample goods for quality using statistically sound methods, if volumes are too high to permit inspection of all products.
- Provide ongoing feedback to subcontractors on their absolute and relative performance levels.
- Institute corrective action plans, individualized as appropriate, with poorly performing subcontractors, or terminate if necessary.

◀ will need to cover socially responsible human resources practices and environmentally sound operations. The team should also be well versed on the legal implications of the contracts between the lead firm and subcontractors.

Before selecting subcontractors, the lead firm must formulate a concrete set of criteria for the companies to meet, and establish standardized policies and procedures that will be implemented even-handedly. A good Statement of Work will flesh out the responsibility and authority of each subcontractor.

This Statement of Work should spell out a number of terms, among them: the subcontractor's deliverables and the required content specification, the services it is responsible for providing, the constraints imposed on the subcontractors such as schedule and budget, and the requirement for quality. It should also require the subcontractors to allow independent quality inspections of their materials and processes.

The Statement of Work contributes to establishing and maintaining an effective channel of communication with their subcontractors, a goal that the lead firm should strive for from the beginning of the relationship.

MEASURING PERFORMANCE

Indonesian manufacturing companies should develop the capacity to evaluate and improve subcontractor performance, as this will have significant impact on production quality and costs.

letters

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who are ready to meet the needs of employers for a flexible, savvy workforce that has the necessary educational background to learn company-specific skills. Once these youth are employment-ready, it will fall to the private sector to provide training and advancement opportunities in keeping with the best practices recommended by the *Frontier*. With the commitment of all parties, Indonesia's youth can embark on a life-long education and training process that will benefit them as individuals at the same time it contributes to Indonesian competitiveness.

— Pawan Patil

Senior Economist, Task Team Leader, World Bank

— Mia Hyun

Consultant, Human Development, World Bank

An automated system to collect key performance indicators (KPI) is vital to this effort. Good software will assist the lead firm to measure the variance between the quantity of goods ordered and delivered; the number of goods found to be defective as well as the pattern of defects; price; compliance with standards for quality, social and environmental responsibility; and other KPI important to the lead firm such as security (for the purpose of keeping trade secrets confidential).

Manufacturers should use the KPI during regular cycles of subcontractor selection and performance evaluation. For example, SKF installed and utilized a prototype subcontractor management application that generates KPI. These are monitored on a monthly basis to determine subcontractor compliance with delivery schedules, the number of unit defects, the reject percentage rate, and the types of defects.

Every three months the firm conducts an internal quarterly subcontractor review meeting, and those with good reviews are selected for the next round, while those that do not are eliminated. Alternatively, if a subcontractor's performance is inadequate but Sumber Kreasi Fumiko deems it capable of improving, the company will establish an individualized corrective action plan and provide the feedback needed so the subcontractor can boost its performance.

Orders can be shifted away from poor subcontractors to the top performers, which offers immediate benefits to SKF at the same time it offers an incentive to subcontractors to achieve and maintain high standards.

What of companies that work with such a large volume of goods and/or subcontractors that they cannot give a close inspection to all of them at all times? For them, the best practice is to design a statistically sound sampling procedure to locate problems with goods.

Aside from conducting regularly scheduled KPI reviews, companies must also be prepared to conduct event-driven performance reviews. Subcontractors should be able to request a performance review at any time, and lead firms should be sure that subcontractors are aware of this option.

As firms like Sumber Kreasi Fumiko have discovered, instituting sound subcontractor performance management strategies can have a positive impact. With best practices employed, the inconvenience and costly impact of working with unreliable subcontractors will hopefully be a thing of the past.

— Devi Asmarani

Not Your Factory, But Still Your Problem

Domestic firms that produce for the Indonesian market manufacture different products but share similar frustrations with their subcontractors.

The reliability of subcontractors is crucial to a manufacturer's ability to produce quality goods in a timely fashion. Some manufacturing SMEs in Indonesia outsource a large fraction, or even all, of their production to subcontractors. What are the challenges faced by these SMEs in the subcontracting process?

The common wisdom about subcontracting emphasizes the need for paper trails, whether written or electronic — beginning with formal agreements between lead firms and their subcontractors. The standard to emulate is set by ISO 9000, which offers a means for subcontractors to become certified by documenting that they follow certain procedures. However, establishing written procedures and even ensuring that subcontractors receive training on them are not enough to guarantee these procedures will be implemented. Other factors are vital as well: owners of SMEs often use words like “commitment” and “motivation” to describe characteristics they seek in subcontractors.

IT TAKES MORE THAN PURCHASE ORDERS

In Indonesia, as elsewhere, trust is a key component in one's social network and a foundation of business relationships. The cultural preference here is for face-to-face contact, with minimal reliance on written agreements. Indeed, the ‘contract’ between an SME and its subcontractor often is nothing more than a purchase order: a statement of the quantity of goods that meet specified quality standards, to be delivered at a fixed price by a fixed date. Beyond that ad hoc, case-by-case type of business deal, there may be no documentation.

As Ronald Coase wrote in *The Nature of the Firm*, a company is a means to reduce the cost of transactions. Specifically, forming a company means eliminating the need to negotiate continuously, as one would do if functioning solely as a middleman that buys products on the free market instead of manufacturing them. In other words, having employees who come to work regularly and perform consistently reduces the need to train new people; similarly, having suppliers who sell raw materials of consistent quality reduces the ‘information cost’ of seeking the best price/quality ratio available.

To a very real extent, subcontractors represent a kind of halfway point between the control of production possible in a company and the flexibility of purchasing on the open market. The experiences of four Indonesian SMEs (two

footwear, one garment, one handicraft) who were surveyed for this article illustrate this.

The companies interviewed were PT Sumber Kreasi Fumiko and Golfer, both footwear firms, CV Mendong Jaya (which produces home accessories), and CV Orca (a garment company).

A key advantage of subcontracting is reduction of overhead costs such as machinery and labor, while key disadvantages are lack of control and inconsistent quality and/or delivery.

PERSONAL CONNECTIONS, INCONSISTENT RESULTS

Managers at all of the companies, each of which sells over 90 percent of its products domestically, agreed that a key advantage of subcontracting is reduction of overhead costs such as machinery and labor, while key disadvantages are lack of control and inconsistent quality and/or delivery.

All four SMEs said they found subcontractors by word of mouth and/or personal connections. The two footwear companies also mentioned that they screened prospects by inviting them for a discussion at their office, but only one mentioned going out to visit actual production facilities.

The use of networking to find subcontractors certainly saves the cost of advertising and/or hiring a third party to serve as an agent. However, it allows another form of transaction to emerge: the absence of a defined and rigorous screening process can result in more resources being required to bring selected contractors up to speed. Golfer, headquartered in Bandung and directly employing only 13 staff, produces entirely by means of 75 subcontractors. Owner Koesman Taufik Akbar spoke repeatedly of the need to “motivate” subcontractors and “give feedback.” Even so,

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From ERP to SPM: Sometimes Smaller Software Solutions Fit Best

Until recently, Indonesian manufacturers had difficulty finding appropriate technology to track the performance of subcontractors, but this is changing.

With software available to meet every conceivable business need, it stands to reason that applications exist, suited to any manufacturing company, to help these companies manage their subcontractors. After all, many of the key performance indicators (KPI) that lead firms are likely to care about — price, timeliness of product delivery, and defect rate, to name a few — are ideally suited to being measured and monitored with technological tools.

Surprisingly, this assumption is not necessarily the case. Software that can help firms to measure KPI is indeed widely available, but typically as part of ERP (Enterprise Resource Planning), which is a much more ambitious tool. Today's ERP software has its roots in tools developed in the early 1990s to manage manufacturing processes, but as it is currently available in international markets it is intended to take an integrated approach to managing virtually every aspect of a business's functions, including but not limited to supply chain management, customer relationship management, human resources, facilities construction and management, and budgeting and accounting.

A compelling case can be made for the intelligent implementation of ERP, but its scope is vast. Successful implementation may take half a year or much longer. The cost can run to millions of dollars, and involves not just the purchase of software but substantial other expenses as well, such as associated consulting services, new hardware, and internal staff costs (staffing up and training).

A company that undertakes ERP without sufficient forethought may find itself not only footing a major expense, but also surrendering core competencies to outside consultants, alienating employees, and limiting its future organizational flexibility.

For many of Indonesia's light manufacturers, factors such as these argue against adopting large-scale ERP. Not only are the costs infeasible, many modules that come with internationally marketed ERPs will be complex and unnecessary for a small to mid-sized local firm. Throw possible language and cultural differences into the mix, and it is unlikely many of the ERP tools available will be a good fit.

Does this mean Indonesian firms cannot benefit from a technological approach to subcontractor management? No, but it does necessitate looking beyond large-scale ERP for a more locally appropriate strategy. In many cases, enhanc-

ing Indonesian competitiveness means bridging the gap between technologies designed for large firms established in developed countries and the needs of smaller domestic firms. How this gap is now being bridged through locally refined Subcontractor Performance Management (SPM) software is illuminating, suggesting future approaches for both IT companies and the Indonesian businesses that are their customers.

Software that can help firms to measure key performance indicators is widely available, but typically as part of ERP, which is a much more ambitious tool.

As recently as a year ago, the options of Indonesian manufacturers looking to manage subcontractor performance with the help of software were limited. Off-the-shelf software of appropriate cost and scope focused on supply chain management but lacked the ability to produce reports on KPI. What might seem to be an obvious solution — to develop a stand-alone product exclusively for SPM — has efficiency drawbacks, since companies would duplicate effort, entering some of the same data needed for SPM into other programs for related purposes such as invoicing.

In short, missing from the market was a scaled-down ERP offering complete tools for SPM tied to the ability to record and manage essential accounting data. To jump-start the commercial process, knowledge development and IT experts from SENADA developed preliminary KPI and related tools for analysis into a Business Area Requirement (BAR), presented the BAR to several manufacturing firms for refinement, and then developed an RFP (Request for Proposal) around the BAR. The RFP solicited proposals from local IT firms with accounting/ERP products designed for the local market who could successfully work with a group of manufacturing firms to ascertain their needs and modify an existing product to feature an SPM module. ▶

Not Your Factory,...

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four of Golfer's subcontractors had reject rates ranging from 23 to 40 percent during March 2008.

PROBLEMS AT THE SOURCE

One reason for the lack of consistency is that Golfer gives the subcontractor full responsibility for sourcing raw materials, a not uncommon practice among Indonesian SMEs. There is a learning curve for new subcontractors, while experienced ones might be tempted to cut corners from time to time. Mr. Akbar frankly admitted that "inability to control quality standards directly" was a disadvantage of using subcontractors.

What happens to rejected items? Internationally, substandard items are often dumped into the consumer markets of poorer countries. In Indonesia's domestic market, where the surveyed SMEs are players, rejects are returned to the subcontractor and re-enter the production cycle. Subcontractors are motivated to make repairs quickly, because some SMEs will make full payment within 30 days of the original purchase order if the required quantity of items pass inspection before payment is actually issued.

Jakarta-based PT Sumber Kreasi Fumiko relies entirely on 70 subcontractors to produce Yongki brand footwear, which is sold in 250 depart-

ment stores throughout the country. Unlike Golfer, they direct their subcontractors to buy all raw materials from designated suppliers, thereby ensuring consistency. General Manager Stefanus Jimmy explained that he seeks subcontractors who can "commit to timely delivery" as well as complying with quality standards. For his part, Mr. Jimmy tries to satisfy subcontractors by giving each of them enough orders, which reinforces their loyalty.

Garment maker CV Orca of Bandung uses 20 subcontractors, all of whom must source cloth and other materials on their own. Owner Ade Muslim complained that his subcontractors sometimes switch materials after getting a prototype approved. Due to their cottage industry nature, many subcontractors do not keep a large inventory of supplies and cannot afford to buy raw materials until the sample has been approved and a down payment of 30 percent of the purchase order received. By that time, the original materials might not be available in sufficient quantity to produce the whole order.

In contrast to the other three SMEs surveyed, Mendong Jaya has its own production facilities, which are located in Tasikmalaya (east of Bandung in West Java province). They supplement the work of their 19 employees with 18 subcontractors in nearby villages to produce woven handicrafts such as place mats and boxes. Owner Zaenal Mutaqien provides raw materials and

training to the villagers to ensure consistent quality and timely production. He prefers subcontractors that employ young adults because they are energetic, eager to learn, and unburdened by family commitments.

None of the four surveyed firms engages in quality assurance at the production facilities of their subcontractors; all assess quality when finished goods are brought to their office for approval. Mr. Muslim noted that he terminated a subcontractor that repeatedly failed to respond to feedback given by Orca's quality control supervisor. Mr. Jimmy and Mr. Akbar also referred to feedback given to subcontractors "in the office."

However, Mr. Mutaqien realized that quality control is more efficient at the source of production. He has begun to send Mendong Jaya production staff to under-performing subcontractors to monitor their production and give on-site feedback. This procedure is in line with his company's direct role in training subcontractors, but is implemented ad hoc — only after a problem has been detected. A better procedure, which can and should become a key element of every SME's strategy, would be: don't wait for them to bring you poorly made goods; visit each subcontractor regularly to help them upgrade and maintain their quality and efficiency.

— Martin Schell

◀ The final result is a new version of Bonastoco, software created by the local firm Inforsys and targeted to the Indonesian market. In addition to the newly added SPM tool, Bonastoco offers general ledger, accounts payable, accounts receivable, fixed assets and cash management modules that can be implemented a la carte, allowing companies to tailor the product to their needs and avoid excess costs. For the purposes of SPM, the application tracks KPI over time, permitting lead firms to observe not just the current relative performance of subcontractors but also historical trends, allowing them to offer

ongoing feedback and pinpoint firms that need to take corrective actions.

Bonastoco may not have the Indonesian market for SPM to itself for very long. Even internationally, providers of ERP are scrutinizing how they can better serve the needs of smaller firms, as the market for large-scale ERP is becoming saturated. Greater attention to these needs can only be a plus for Indonesian competitiveness.

— Carol Walker

INNOVATION

Innovating THROUGH a Downturn, Not Just IN a Downturn

Thinking and acting differently in troubled times

Who would have thought that the bursting of the US housing bubble last July would put a brake on economic growth in Indonesia? The Rupiah has weakened and there is a liquidity crunch in Indonesia. Companies, customers and banks have become conservative and are hunkering down to survive this new reality. Cost-cutting and conserving cash are first on the mind of every CEO in Indonesia. However, these actions, albeit necessary, are not sufficient to help companies survive through the downturn *and* come out even stronger afterwards. During the dot-com bust of 2000, the financial crisis of 1998, and the stock market crash of 1987, the companies that emerged as leaders were those that made innovation a strategic imperative. We have compiled five ways in which these leaders thought and acted differently in troubled times through a downturn:

Beyond cash conservation to also accelerating cash generation and building future assets: During downturns, companies focus on generating or conserving cash and abandon all longer-term investments. Leading innovators accelerate cash generation and protect longer term investments. They accelerate cash generation through rapid rollout of new low-cost processes and offerings, and they modify their business models to adapt to the new market conditions. They also build for tomorrow by tying today's innovations together in a way that helps protect and strengthen assets to help drive bigger, bolder innovations and new growth platforms for tomorrow.

Beyond battening down the hatches to also looking around and planning for new escapes: During downturns, many companies batten down the hatches so tightly that they are ill-prepared to take advantage of new opportunities as market conditions improve or as distressed assets become available. Leading innovators look around for options and focus on keeping options open – even by bootstrapping if necessary – so that they are prepared to move when the time is right.

Beyond saving yourself to also protecting your friends and building win-win partnerships: During downturns, many companies abandon or turn on their partners as they hunker down in a survival mode. Leading innovators focus on driving win-win innovations to prevent churn, and switching in their biggest and best channels and customers. They also continue to nurture their key innovation sources and suppliers, seeking ways to leverage more limited internal resources. During downturns, leading innovators reduce the risk of their overall portfolio while pursuing higher risk initiatives through partnerships and alliances. As a result they grease the skids for rapid recovery on the other side.

Beyond slimming down to also optimizing your portfolio and adding emerging adjacent opportunities: During downturns, many companies severely cut back on activities that are not income-generating and focus entirely on lean operations. Leading innovators know how to slim down and rationalize their innovation portfolios and pipelines, but they do this while also looking into

attractive adjacent markets or parts of the supply chain where the weakness of others can be turned to advantage. In driving lean innovation, leaders are able to accomplish more with less and faster. They conduct the last experiment first and have a bias for action. Streamlining their innovation operations and value chain enables accelerated innovation and time to cash.

Beyond being pulled into in-fighting to being a leading customer and driving teaming: During downturns, many companies devolve into internal infighting and balkanization which creates major barriers to rapid innovation. Leading innovators position themselves as lead manufacturing plants for new processes or as lead customers for new products or services in order to attract the best innovations to win in the market. This positioning is reinforced by stretch targets and rewards for innovating that drive teaming across the organization and help leading companies through the downturn to come out as number one on the other side.

Survival is essential and there is clearly no future without a present. But growth is also essential and there is no present without a future! Lead innovators recognize this and their leadership teams are adept at managing both agendas simultaneously. This is not easy for most firms. Are you ready to lead your company through a downturn?

— Ronald Jonash and Hitendra Patel

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EVENTS

Integrated Technologies Indonesia

Balai Sidang Jakarta Convention Center
5–8 March

Integrated Technologies Indonesia (ITI) is a new trade exhibition aimed at integrating the worlds of entertainment and installation technology products and solutions. AV integration, broadcast and post production, DJ and MI technologies, entertainment lighting, multimedia and staging equipment will all come together under one roof.

www.biztradeshows.com/trade-events/integrated-indonesia.html

Renovation Expo

Jakarta International Expo (JIExpo)
20–22 March

Renovation Expo is the largest annual building materials and architectural exhibition in Indonesia. It features the latest trends, developments and services of leading local and international companies engaged in the fields of building materials, interior design, exterior furnishings and architectural design. www.biztradeshows.com/trade-events/renovation-expo.html

Propak Indonesia

Jakarta International Expo (JIExpo)
15–18 April

The 22nd international series of exhibitions for the processing and packaging industries. www.biztradeshows.com/trade-events/propak-indonesia.html

ICT-Indo

Jakarta International Expo (JIExpo)
May 2009 (Exact dates TBD)

Indonesia's international information technology, networking systems, wireless communication and telecommunication technology, equipment and supplies exhibition and conference.

www.eventseye.com/fairs/trade_fair_event_9240.html

Machine Tool & Manufacturing Indonesia

Surabaya Conventional Hall, Surabaya
3–6 June

Machine Tool & Manufacturing Indonesia is designed to present the entire spectrum of developments in the machine tool sector and serve as the year's most crucial meeting place for buyers and sellers.

www.pamerindo.com/event/eventdetails/14

Interiors Indonesia 2009

Jakarta International Expo (JIExpo)
14–17 October 2009

The 9th international interior design, lighting, air conditioning, kitchen and bathroom, textile and flooring exhibition. www.pamerindo.com/main/stat-ics/2

Furnitek China

SNIEC (Shanghai New International Expo Centre)
17–20 February

The 10th international exhibition of machinery and accessories for furniture production, upholstery and furnishings. Companion shows are: **Wood-build China**, the 8th international exhibition of timber and wood products for furniture and building industries; and **WoodMac China**, the 10th international forestry and woodworking machinery and supplies exhibition.

www.furnitekchina.net/en/main1.html

TO LEARN MORE

www.floridait.com/SEMP/Files/PDF_Report/ApxQ.pdf

The Subcontract Management Plan template used by Florida Engineering Systems. It offers a simple outline for developing systems for managing subcontractors, including staffing, work distribution, quality control, performance assessment and problem resolution.

www.ncmahq.org/events/gc.cfm?ItemNumber=4023

Click on the second presentation listed on this web page to download a succinct, informative document entitled "Ten Common Issues in Subcontract Management (and How to Resolve Them)." It stresses the need for executives to buy in to the importance of good subcontractor management, for personnel in charge to receive appropriate training, and for companies to establish policies and procedures and then consistently implement them.

<http://it.toolbox.com/blogs/enterprise-solutions/a-sample-subcontractor-management-plan-25699>

This site offers an extremely detailed sample subcontractor management plan for use as part of overall ERP (enterprise resource planning). Related documents that can be accessed include tools such as fault report logs.

<http://it.toolbox.com/blogs/enterprise-solutions/seicmm-software-subcontract-management-checklist-8135>

A checklist for software subcontractor management that reminds companies of key best practices such as documenting procedures, obtaining mutual agreement to changes in deliverables, tracking performance against contracted commitments, and conducting both periodic and event-driven reviews.

www.y12.doe.gov/business/socioeconomic/pdf/013STR.pdf

An overview of the Subcontract Management System utilized by Babcock & Wilcox Technical Services Group. It explains their approach to the use of dedicated personnel for subcontract management and how evaluations of subcontractors are conducted and used in selection cycles.

HIGHLIGHTS

SENADA Seeks Stakeholder Input on Wood Certification Module

To heighten the effectiveness of its newly developed Wood Certification Module, SENADA is soliciting feedback from wood certification consulting firms, training institutions, certification bodies, environmental NGOs, and furniture companies. The module is designed to be a user-friendly, comprehensive training and skill-building manual that guides furniture companies on implementing the standards and systems they need to pass an independent third party audit certifying that they use legal, sustainably harvested wood. Since November, SENADA has conducted a series of events to obtain suggestions for the module's final version. Most recent events were held on 15 and 20 January to introduce the module to the Center for Furniture Design and Development (CEFED), PIKA (a woodworking and furniture design center in Semarang), the certification body Smartwood, and environmental NGOs WWF, CIFOR and ACIAR.

SENADA Event Shares International Perspectives on Port Reforms

A 16 December workshop hosted by SENADA featured presentations, panel discussion, and a Q&A session for over 80 participants including the team from the Ministry of Transport that is responsible for drafting port regulations; representatives from the Coordinating Ministry for Economics; port and shipping sector associations, experts, and academics; and port operators and shipping companies. The goal of the workshop, at Le Meridien Hotel in Jakarta, was to illuminate international best practices on port regulation and offer input into Indonesia's draft regulations for the Shipping Law. Three international experts presented keynote addresses on best practices in port authority management and pilot and tugboat service regulation, as well as recommendations for the draft regulations.

GPI Commences Road Shows to Build Long-Term Stability

On 23 January, Garment Partnership Indonesia (GPI) hosted the first of a series of five road shows intended to enhance the competitiveness of Indonesia's garment sector and build the credibility of GPI. At the event, held at Hotel Santika in Bandung, SENADA consultant Saldias Pozo presented an "End Market Update." He reminded participants of the need to stay abreast of trends in the international garment marketplace, especially during the current economic downturn. GPI is a private-sector initiative that networks Indonesian garment industry stakeholders including brand representatives and retailers, garment producers, associations, business service providers, and international development institutions. The road shows introduce GPI programs (which include training modules, software, and publications targeted at the garment sector's needs) to a wider audience in hopes of securing their participation in future GPI activities.

FROM TOP TO BOTTOM: Participants in a 4 January EDP workshop on fabric sourcing learn from Pak Sunaryo, senior lecturer from ST3 • A demonstration of paper-making with recycled material by BIF grantee UNLA. • Panelists at a 4 December workshop to address long-standing difficulties at the Lini 2 Port of Tanjung Priok. • Students participating in the Industry Attachment Program pose with sponsors at the launch of the activity.

PHOTO GALLERY

