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## Supplier Selection at Casturn Systems (B): Strategic Implementation of Electronic Reverse Auctions

### Introduction

Despite two unsuccessful attempts to implement electronic reverse auctions as a standard approach within the Transmission Division's Global Supply Management group, Miguel Haro, director of Control Systems was determined to give auctions a final but strong push. Two University of Michigan Master's students, part of the Tauber Institute for Global Operations, had been in residency at Casturn and were going to be back from their diagnostic study of the supply chain the next day. Haro asked them to set up and pilot a process that would answer all the questions that he and his team had about successful implementation of electronic reverse auctions.

Haro noted that GCM Jeff Blake had recently started to market test a screw machine commodity part, and had collected quotes from numerous screw machine suppliers. Could this be the set of parts that the Tauber team used to finally prove that auctions could be successful at Casturn?

Blake was open to the idea, but had concerns that auctions were not appropriate for his commodity group, noting, "The screw machine commodity itself has a diverse range of parts with varying levels of complexity and value addition. For some of these complex parts (strategic materials), I'm not even sure that we even have more than one capable supplier to make an auction applicable. And some of my more commoditized parts (standard materials) with many capable suppliers are for legacy programs that have been around for over a decade. Is it even worthwhile to run all of these long-standing suppliers through an auction?"

Blake was worried that another unsuccessful application of auctions could permanently strain relations with his supply base: "If we run another set of auctions where Casturn does not move forward with part re-sourcing to the auction winner, it will certainly be a hit to my credibility with the suppliers and make it very challenging to maintain auctions as a sustainable re-sourcing tool."

Despite these concerns, Haro decided that he was going to put all his weight behind the initiative and ensure it succeeded even if it was only to answer all the questions about how to run auctions.

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