AUTOMAKER ISN'T SQUEEZING SUPPLIERS FOR SAVINGS LIKE BEFORE, **TOM WALSH** FINDS

GM supply chief softens approach to parts firms

General Motors had lousy relations with its suppliers dating to 1992 when the mercurial Jose Ignacio Lopez became the company's purchasing czar and ripped up supplier contracts. The bad blood flowed into the summer of 2009 when purchasing boss Bo Andersson resigned and GM filed for bankruptcy.

In an annual industry survey of auto company relations with suppliers, GM ranked dead last every year from 2002 to 2006 and ran neck-and-neck with Chrysler for the bottom rung the past three years. GM was a bully, relentlessly strong-arming parts-makers for lower prices — that was the common refrain.

Bob Socia took command of this swamp last July when he was named GM vice president of global purchasing and supply chain. And unusual things started happening.

GM VP Bob Socia

Socia did a lot of listening to suppliers. He brought GM's engineering bosses into the conversations. Soon, he started acting on what he'd heard.

Suppliers had cash-flow problems. Socia cooked up a plan to pay them weekly instead of monthly.

Suppliers griped that GM asked for ideas about how to cut costs, but then kept almost all the savings for itself. Socia changed the formula to share savings on a 50-50 basis.

And now, Socia is including GM's scores on independent supplier surveys as part of performance reviews for his purchasing staff.

"There's a lot of talk in the industry about improving relations with suppliers, but few companies make it a part of employee goals and metrics," says John Henke, president of Planning Perspectives of Birmingham, which conducts the annual auto industry supplier survey.

'Aligned to do the right thing'

Henke's 2010 survey is under way. It may be too soon to tell whether supplier attitudes toward GM are changing markedly, but Henke says Socia "is in a position where all the stars are aligned to do the right thing." In other words, GM's debt load was eased greatly via bankruptcy and it's not under such desperate pressure to squeeze suppliers for every penny.

Socia, a 35-year GM veteran whose most-recent jobs were running units in China and Europe, says he's impressed by how resilient the supply base has been during the industry shakeout of the past two years.

Asked about the health of GM suppliers, he says, "I thought that was going to be a lot worse than what it is. That doesn't mean we're out of it. We monitor closely. Last July, we were focusing on 150 to 160 suppliers in financially critical situations. Now that number is under 100. It's dissipated a bit."

A lingering concern is that as car and truck sales rebound, suppliers need more working capital. "There's a danger that their banks may say 'No, they don't want further exposure to the auto industry,' " Socia says. "We'll continue to watch that closely."

Although some admit to being wary after so many years of combat, suppliers are encouraged by the GM approach under Socia, says Lee Manduzzi, a Robert Bosch executive and head of GM's supplier council.

"At first I thought, 'What's the hook? How's this going to cost me money?' " Manduzzi says of Socia's outreach. "Last year wasn't the greatest for the supply base, either. We don't have a lot to give away."

Today's auto market is still no picnic for GM or its suppliers, but at least they're not brawling so much over the table scraps.

CONTACT TOM WALSH: 313-223-4430 OR TWALSH@FREEPRESS.COM