

# SHAFTS & UNIVERSAL JOINTS

## BACKGROUND

A large global Agriculture and Construction OEM engaged Tenet to strengthen and diversify their supply base for Cardan and Power Take-Off (PTO) Shafts and Universal and Double Universal Joints. The client had been engaged with numerous suppliers to provide these parts yet only **one** of these suppliers had any contract or long-term agreement in place. None of the current suppliers had an on-time delivery rate over 95%. The supply base was largely concentrated in one region thereby limiting cost competitiveness and access to global competencies in other regions.

## CHALLENGES

The largest challenges for this category were related to geopolitical risk and concern over potential tariffs impacting business. This led to an entire Global center-of-excellence (China) for Cardan Shafts to be largely excluded from any sourcing activity. Client stakeholders also requested to further de-risk supply from China resulting in a near-exit for a large global shaft supplier.



### IMPACT METRICS

OVER

**11M**

realized savings

OVER

**40%**

supplier rationalization



"The new strategy for shafts makes complete sense and it's something we should have explored before. It's clear to me that the team did a lot of work and has thought about every angle."

– Client Sr. Engineering Leader

## APPROACH

While working through the Site Visit step the team took great care to assess each supplier's capability to produce the parts within the defined requirements. The team conducted due diligence focusing on manufacturing process controls, traceability, plant cleanliness and supplier quality controls to ensure suppliers were truly able to manufacture the parts they quoted. During the Supplier Selection step, the team further segmented this category into part families to account for design types to align the parts with the supply base capabilities. Lastly, during Supplier Selection, the team focused on introducing alternate suppliers to supply lower complexity and lower volume parts to help integrate these suppliers into the global supply base and work with them on expanding their capabilities, while awarding higher complexity and higher volume parts to established competitive global suppliers.

## RESULTS

At the conclusion of the Tenet 7-step Strategic Sourcing process, the client team delivered the following results:

- \$11.1M annualized savings
- 42% supplier rationalization
- Improved payment terms from ~45 to 75 days

### ABOUT TENET

Over the last three decades, our team has delivered more than \$1B in documented client savings across industries, driving measurable value at an ROI of 6-15X.

Contact us today to start a conversation around how we can help you