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Together suppliers generate success for ITC Transmission

By Susan Avery -- 2/15/2007

ITC Transmission knows it can count on its suppliers.

When a strong thunderstorm knocked down 16 85-ft. wooden poles in one of the regions in southeastern Michigan where it transmits high-voltage electricity, ITC Transmission was able, with the help of its suppliers, to restore service five days sooner than expected. In so doing, the suppliers helped ITC Transmission not only to reduce costs by more than \$200,000, but, more important, to enhance the reliability of its system.

Headquartered in Novi, Mich., ITC Transmission was founded and began operation in 2003 as the nation's first independent for-profit transmission business. The company uses a unique business model in that many of its functions are outsourced to suppliers so that it can concentrate on its core competency.

Steve Sceygo, director of supply chain, manages the supply base, which consists of a small number of suppliers for each of these categories of spending: engineering services, operating and maintenance services, construction services and such commodities as breakers, disconnect switches, towers and poles, and conductors. Sceygo was on hand at the Ninth Annual Indirect-MRO Buyers Group meeting held recently in Chicago to discuss ways in which he works with the supply chain to bring about efficiency and effectiveness for ITC Transmission.

"Part of the process [of managing the supply chain] is having all the suppliers talking to each other so that they understand they are working together to achieve our goal, which is making ITC Transmission successful," says Sceygo. "When those poles went down, we were able to bring together three independent suppliers to make a significant improvement in bringing that line back. There's a lot of efficiency and effectiveness that we can generate from them working in conjunction with each other."



COST IS NOT THE MAIN objective for ITC Transmission in its management of suppliers. Safety and reliability are far more important, says Sceygo. "We worry about outages on our lines and the efficiency and effectiveness of the organization. With suppliers, we focus not just on cost but on overall performance of the company in relation to their support of us."

To do this, Sceygo worked with Tim Underhill, president of Strategic Business Solutions, who helped develop a cost-management program for ITC Transmission and its supply chain. Through the program, purchasing and suppliers work together to impact the bottom line by reducing costs, increasing revenues, minimizing risk and improving performance. ITC Transmission tracks this impact through software developed by Strategic Business Solutions called SourcingStrat. To date, ITC Transmission has reduced costs through the program by about \$30 million.

Experience in the field is one way that suppliers have helped ITC Transmission improve its effectiveness. At first, it took ITC Transmission about three weeks to perform maintenance surrounding breaker exchanges, from the time the company shut down power to the time it re-energized the line. "We've come to a point where we have the same crews doing the job consistently using the same suppliers," Sceygo says. "We can do breaker change-outs now in a week. We took two thirds of the time out of the activity, reducing the time equipment is out of service. Suppliers helped us improve reliability by improving the performance of the work being done."

Another way that one maintenance supplier helped improve ITC Transmission's performance is through its work at combining several job classes into just a few. So, in effect, one person now is able to perform several functions as opposed to having one individual for each job. "We've estimated that the efficiency impact is upwards of 40% over what had been done historically," say Sceygo.

He discusses activities like these in monthly meetings with suppliers when he goes over issues related to performance and safety. In the meetings, they also plan future activities.

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In the initial supplier selection process shortly after the company was founded, Sceygo looked for companies first and foremost with good safety records and experience serving customers in the electrical power transmission business including substation and power line maintenance and power line construction and good safety records. "We want to do business with suppliers that have the technical expertise to support us in emergency situations," he says. "When we have an outage, we'd like

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them to be on hand and make us their number-one priority." He also selected suppliers that have good working relationships with labor unions.

Looking ahead, Sceygo says that his philosophy has always been to grow relationships with suppliers as the company continues to expand. "Initially, we told suppliers that if we select them and we acquire another company, they need to be in a position to support us." ITC Transmission purchased the Milwaukee Transmission Co. in September and is currently working to bring its existing suppliers on board.

Tools to measure purchasing and supplier performance

Strategic Business Solutions has developed two tools called SourcingStrat and SalesStrat that measure total cost of ownership (TCO) on both sides of a buyer/supplier relationship—purchasing and sales. What's more, the software has capability to integrate data generated by the two tools, which provide three levels of detail on activities related to purchases of MRO items, direct materials, capital goods and services. For information go to www.underhill-assoc.com.

MRO Briefs

Motion Industries has opened two branches: one in Bellingham, Wash., the other in Marietta, Ohio. "These two branches reflect our ongoing commitment to meet needs of our customers in these respective regions," says Bill Stevens, president and CEO.

Amazon.com has launched a business-to-business service through which corporate purchasers may order from more than 30 product categories such as books, magazines, software, electronics and office supplies. The new service, Amazon PunchOut, integrates with procurement systems from such providers as Ariba, SAP and Sciqest.

Applied Industrial Technologies has been named a 2006 World Class Sales Award winner and market leader in the MRO category by the HR Chally Group, a sales performance consulting corporation in Dayton, Ohio. Corporate Express also received a similar honor.

Two books of special interest to MRO purchasing professionals published by Purchasing, the MRO/Indirect Sourcing Casebook and MRO Purchasing Best Practices are available through the magazine's bookstore at www.purchasing.com.

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