

The Truth About Supplier Quality: Myths Exposed, Secrets Revealed



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February 10th, 2010



- What will be addressed:**
- Common Supplier Quality Management Mistakes (as 'Myths' versus 'Secrets')
 - ISO-based Quality Management System (QMS) Supplier Quality Requirements
 - Supplier Qualification and Surveys
 - Communication of Quality Expectations to Suppliers
 - Supplier Monitoring
 - Supplier Corrective Actions
 - Approved Supplier List (ASL) Management

- Common Supplier Quality Management Mistakes

Myths Exposed Secrets Revealed

- Suppliers Understand How Important Quality is For You
- Suppliers Understand How Important Quality is For Themselves

- **Common Supplier Quality Management Mistakes**

- **Myths Exposed**

- Just because you have a requirement from your Customer to have an ISO Certified Quality Management System, Doesn't mean your Supplier has to be ISO Certified

- **Secrets Revealed**

- ISO Standards require that compliance with the Quality Requirements from your Customer be achieved through your Supplier, as well
 - If you Customer requires that you flow their requirements of you down to your suppliers, and they require YOU to be ISO Certified... your supplier may also need to be ISO Certified... per the CONTRACT/Sales Order

- Common Supplier Quality Management Mistakes

Myths Exposed

- If a Supplier provides you with an ISO Quality Management System Certificate, they must be Certified

Secrets Revealed

- QMS Certificates are easily and often falsified
- Unaccredited ‘Registrars’ sell invalid ISO Certificates
- ISO Certificates may be for compliance with obsolete Standards or may have expired

- Common Supplier Quality Management Mistakes

Myths Exposed

- If a Supplier has a valid Quality Management System Certificate, they must have an adequate Quality Management System

Secrets Revealed

- Suppliers pay their QMS Registrars, just like your organization probably does, and there is a conflict of interest inherent to that relationship
- It is not in the best interest of a Registrar to ‘de-Certify’ most clients



ISO-based Quality Management System (QMS) Supplier Quality Requirements

7.4 Purchasing

- **7.4.1 Purchasing process**
 - Ensure that purchased product conforms to specified purchase requirements. The type and extent of control applied to the supplier and the purchased product is dependent upon the effect of the purchased product on subsequent product realization or the final product.

ISO-based Quality Management System (QMS) Supplier Quality Requirements

7.4 Purchasing

- **7.4.1 Purchasing process (continued)**
 - Evaluate and select suppliers based on their ability to supply product in accordance with requirements. Criteria for selection, evaluation and re-evaluation must be established. Records of the results of evaluations and any necessary actions arising from the evaluations must be maintained* .

* Specific requirements for records apply – see next page.

ISO-based Quality Management System (QMS) Supplier Quality Requirements

7.4 Purchasing

- **7.4.1 Purchasing process (continued)**
 - Requirements for Supplier Quality Management records:
 - Records providing evidence of conformity to requirements are controlled.
 - Records providing evidence of the effective operation of the quality management system are controlled.
 - There must be a documented procedure to define the controls needed for record identification; storage; protection; retrieval; retention; and disposition.
 - Records must remain legible, readily identifiable and retrievable.

ISO-based Quality Management System (QMS) Supplier Quality Requirements

7.4 Purchasing

- **7.4.2 Purchasing information**
 - Purchasing information must describe the product to be purchased, including where appropriate:
 - a.) requirements for approval of product, procedures, processes and equipment;
 - b.) requirements for qualification of personnel; and
 - c.) quality management system requirements.
 - The adequacy of specified purchase requirements must be assured prior to their communication to the supplier.

ISO-based Quality Management System (QMS) Supplier Quality Requirements

7.4 Purchasing

- **7.4.3 Verification of purchased product**
 - Inspection or other activities necessary for ensuring that purchased product meets specified purchase requirements must be established and maintained.
 - Where the buying organization or a customer intends to perform verification at a supplier's premises, the intended verification arrangements and method of product release must be stated in the purchasing information.

- Common Supplier Quality Management Mistakes

Myths Exposed

- If you cannot use an alternative Supplier, and the Supplier you have has Quality-related problems, these can always be solved through increased Incoming Inspection

Secrets Revealed

- ‘Special Processing’ cannot be verified as having been performed correctly after the fact.

Examples:

- Soldering
- Welding
- Cleaning
- Heat Treating

- Common Supplier Quality Management Mistakes

Myths Exposed Secrets Revealed

- A completed Supplier Survey is adequate evidence of Supplier Quality Management Assessment for Supplier Qualification
- Some Purchased Goods or Services are too Critical for Quality to be Approved without Seeing for Yourself
- Some Suppliers Lie

Supplier Qualification and Surveys

- **Critical to Quality (CTQ):**
 - Initial survey on-site and on-site annually thereafter
- **Major Suppliers (Cost/Volume)**
 - Initial survey on-site and on-site every third year thereafter
 - Mail survey annually between on-site surveys
- **Most Other Suppliers**
 - Initial on-site survey
 - Mail survey annually thereafter
- **Distributors**
 - For CTQ and Major Manufacturers, obtain mail copies of annual surveys via the distributor
 - For other types of Manufacturers, obtain mail copy of annual distributor survey
- **Suppliers with Critical or Ongoing Quality Problems**
 - Source Inspection or a Resident Office
 - Quarterly on-site survey to verify Corrective Action implementation and effectiveness

Supplier Qualification and Surveys

- For Outstanding, High-Performing, Supplier 'Partners'
 - Initial on-site survey
 - Ten (10) consecutive receivals for each critical good or service without issue
 - Representative statistical data provided with shipments (i.e. DPMO < 200)
- Ongoing copies of the Supplier's internal audit reports OR Quality Management Review Meeting Minutes
- Reduce 'oversight'
- Waive annual surveys if not required by your Customer(s) or by Statutory or Regulatory requirements

Supplier Qualification and Surveys

- What should be on a Supplier Survey?
 - Indications of Supplier Stability (Time in Location or Time DBA, Market/Industry, Major Customers Served, Solvency, Lead Time, etc.)
 - Essential Contact Information, including for Sales Rep, Quality Representative and Top Manager
 - Compliance Status with Critical Non-Quality Requirements (ITAR, RoHS, REACH, etc.)
 - GAP Analysis Checklist for Applicable QMS Requirements
 - Request for Copies of Current QMS Certifications
 - Information about key operating licenses
 - Affidavit of Truth from Quality Representative

- Common Supplier Quality Management Mistakes

Myths Exposed Secrets Revealed

- Quality Review of Purchase Orders is 'non-value-added'
- Quality Provision Codes, Quality Codes, Supplier Quality Handbooks, etc. are 'non-value-added'
- Failing to assure that a Supplier knows to comply with necessary Quality Provisions can be much more costly than a P.O. Review process would have been

Communication of Quality Expectations to Suppliers

- Typical ways Quality Requirements are conveyed to Suppliers include:
 - ‘Codes’ on face of P.O. that refer to details printed on the back of a Paper P.O. or are attached within an electronic file copy of the P.O.
 - Via a separate Document accompanying or referenced within the text of the P.O.
 - Via a Supplier Handbook or Manual referenced within the text of the P.O.
 - Via an Internet link referenced within the text of the P.O.

- Common Supplier Quality Management Mistakes

Myths Exposed Secrets Revealed

- Suppliers will let you know if something significant changes about their product or process before the change is implemented
- Suppliers may not realize they've changed something significant that will affect your product or process until after you have a problem

- Common Supplier Quality Management Mistakes

Myths Exposed Secrets Revealed

- Suppliers know not to change order delivery date, delivery method or quantity without a written change order
- Your employees may not know that a change order must be written to change an order delivery date, delivery method or quantity

- Common Supplier Quality Management Mistakes

Myths Exposed Secrets Revealed

- Suppliers know better than to act upon verbal direction – and especially know better than to take direction from anybody other than a buyer
- Your employees may not know better than to give verbal direction to a Supplier – especially your engineers

Communication of Quality Expectations to Suppliers

- Typical Quality Requirements conveyed to Suppliers:
 - Change Order Approval Required to Deviate from Requirements of P.O.
 - Must Notify Buyer Before Process Changes
 - Must Obtain Buyer Approval Before Material or Product Changes
 - Must Notify Buyer of Component Supplier or Subtier Supplier Changes
 - Must Maintain QMS Compliant with or Certified to Standard(s)
 - Must grant facility access to Buyer Source Inspector or Auditor
 - ESD Control
 - Certified Personnel for Special Processes
 - Traceability / Serialization
 - Record Retention for X Years or for Life of Product



Microsoft Word
Document



- Common Supplier Quality Management Mistakes

Myths Exposed Secrets Revealed

- If Quality Requirements are communicated with the Order, the Supplier will read, understand and agree to comply before accepting the order
- Sometimes the Supplier doesn't want to admit that a Quality Requirement cannot be met
- Separate Lists of Quality Requirements Get Lost or Neglected

- **Common Supplier Quality Management Mistakes**

- **Myths Exposed**

- A Certificate of Conformance (CoC) from a Supplier is adequate to prove the quality of a purchased item is acceptable

- **Secrets Revealed**

- Certificates of Conformance are often pre-printed on Shippers or Invoices
 - Some CoC's are pre-printed with signatures of people who no longer work with the Supplier's Company
 - Some Suppliers May Not Realize The Product Accompanying a Certificate is Nonconforming
 - Some Suppliers Lie

Supplier Performance Monitoring (Metrics)

- Trends and Trend Drivers (run charts and Pareto charts)
 - Damaged Upon Receipt
 - Missing Certifications or Data
 - Rejections by Source Inspection or at Incoming Inspection
 - Wrong Item Received
 - Stock Purges Caused by Supplier
 - Line Rejections
 - On Time Delivery/Receipt
 - Count Errors (Missing Items, Over Allowed Variance in Count)
 - Supplier Corrective Action Requests
- Percentage of Units Received and/or cost of item(s) received



Microsoft Excel
Worksheet

Supplier Corrective Actions

- Many, if not most, Supplier-related Quality Problems seem to begin with the Purchase Order
- The Root Cause of about 40 to 70% of Supplier Non-conformances is failure by the Customer to specify or effectively assure the Supplier has the correct revision level of a Customer-controlled requirement document
- About 10-20% of Supplier-related Quality Problems are due to Supplier Incompetence or Ignorance
- About 10-20% of Supplier-related Quality Problems are due to undocumented Customer Expectations
- Between 5 and 10% of Supplier-related Quality Problems are due to willful malice

- **Common Supplier Quality Management Mistakes**

Myths Exposed

- If something goes wrong, Suppliers know how to perform Root Cause Analysis, How to Prepare a CAPA Report and how to Verify the Effectiveness of the Action(s) taken
- Suppliers have adequate Resources to assure every Corrective Action Request is addressed in a timely and effective manner

Secrets Revealed

- Some Suppliers have never received RCA or CAPA training
- Some Suppliers have no documented procedure for Corrective Action
- Some Suppliers have significant CAPA backlogs

Supplier Corrective Actions

- Be prepared to facilitate Supplier Root Cause Analysis, Remedial Action and Recurrence Control
- Most common term for a Supplier Corrective Action Request is “SCAR”
- Specify ‘5-Why’, ‘8-D’ or any other preferred approach to SCAR response preparation in the Quality Provision Clauses/Codes for each P.O.
- Clearly communicate SCAR response due dates to Suppliers
- Follow-up to assure that plans specified to correct and prevent recurrence of Supplier Quality Problems have been implemented and are effective
- Include Supplier SCAR responsiveness and effectiveness thereof in the supplier rating system



Microsoft
PowerPoint Presentati

- **Common Supplier Quality Management Mistakes**

Myths Exposed

- Maintaining the Approved Source List is Something Just QA Does
- The ASL is 'Window Dressing' and is 'Non-Value-Added'

Secrets Revealed

- Only Buyers can Assess Supplier 'Responsiveness' and certain other important Performance Characteristics for Supplier Selection and Approval
- Using an unapproved Source can lead to massive Safety or Regulatory Compliance issues

- Common Supplier Quality Management Mistakes
 - **Myths Exposed**
 - Other Divisions of your Company do NOT need to be monitored as any other Supplier when you purchase from them
 - It is often cheaper to buy from another Division within your Company
 - **Secrets Revealed**
 - Other Divisions know Managers think this way and abuse that knowledge, by often being among the worst performers in your Supply Chain
 - This kind of thinking can cost your Company a FORTUNE

- Common Supplier Quality Management Mistakes

Myths Exposed

- Your OWN organization does not need to treat itself as it would any other Supplier, when acting as a Supplier to itself (i.e. 'Make' decisions)
- It is almost always cheaper to do things within your own facility, especially if you have unused capacity

Secrets Revealed

- If you want to keep more 'make' decisions within your own facility, realize you have competition
- Consider the ENTIRE cost of doing business with yourself... the reason you have unused capacity may be that nobody else can afford to pay for it



Approved Supplier List (ASL) Management

- Business Reasons for Creating, Maintaining and Using an Approved Source List
 - Supports compliance with many QMS standards
 - Captures and provides actionable information about Supplier Performance and Acceptability
 - Heightens Supplier accountability for assuring personnel competence and for responsiveness to other Buyer Quality concerns
 - Provides information for use to continually improve the capability of the Supply Chain
- As a minimum, track Supplier quality performance, performance to schedule and responsiveness

Free Templates:

- Available for download via www.capatrak.com
 - MS Word Supplier Survey
 - MS Word Supplier Quality Provision Codes List
 - MS Word Template for an Approved Supplier List (ASL)
 - MS Excel Template for Supplier Quality Performance Rating

Thank you.
May I answer your questions?



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