
Supplier Quality - A Management Approach to Quality at Suppliers



Global Executive Solutions
Improving your Business is our Business

What is Supplier Quality Management?



Global Executive Solutions (GES) is an Advisory Group specializing in defense and aerospace. The GES Leadership Team has 125+ years of combined experience in all aspects of the aerospace and defense sectors with diverse Subject Matter Experts (SME's) and a scalable "Boots on the Ground" implementation team that provides customized and comprehensive turn-key solutions.

Supplier Quality

A Management Approach

Which of your suppliers are helping meet your quality and customer requirements and which are not? Having tools in place to understand impacts, both positive and negative, from the supply base is critical to ensuring you meet your customer requirements. Translating key metrics that drive your business to the supply base and ensuring each supplier is providing metrics and data to monitor their performance will enable a higher level of performance and be a guide to understand which suppliers are generating quality or other issues and need support.

Quality Metrics from all suppliers enable regular and timely management reviews to prevent supplier quality from impacting end product quality.

A high performing Supplier Quality Management System has key attributes that provide vision to supply chain and business management leadership to ensure the supply base is healthy and supporting the company meeting and exceeding customer requirements. Poor quality at suppliers creates a domino effect of problems and issues that impact many areas of the business and need to be identified and resolved as soon as possible. Having a comprehensive system for supplier quality management requires several key attributes to be in place.

- Supplier Selection and Evaluation Process
- Source and/or Incoming Inspection
- Detailed Supplier Audits with Process Inspection
- Corrective and Preventive Action System
- Supplier Scorecard

All suppliers go through cycles like any business and sometimes need more attention, while sometimes that attention is to harvest best practices from high performing suppliers that can be shared to improve others that need support.

Supplier Selection

Selecting suppliers needs to be a core process that is much more than soliciting proposals through the Supply Chain department and awarding purchase orders based on low price. The process needs to have a robust audit function to qualify new suppliers by examining the supplier's process, quality system, manufacturing process and process controls, and the risk profile of the manufacturer based on the process, safety, and other variables. Additionally, examining the corrective and preventive action system and the continuous improvement processes will provide valuable insight into the culture of the supplier and how they approach issues when they arise.

Source/Incoming Inspections

Establishing inspection at the source of supply provides early identification of any quality issues and enables corrective actions to be taken that minimize impact to the process once received. Ensure a process is in place to have adequate sampling and inspection frequency to minimize the risks that non-conforming product from a supplier can have on final product quality or schedule. In addition, a statistical sampling plan for incoming inspection provides confirmation of quality and assures material introduced to the production line is ready for use.

Supplier Audits/Process Inspections

Systematic and regular audits of a supplier's process ensures that quality is being built into the product and not just caught during end inspections. These audits must focus on the review of the production process and not just a paperwork review of records. Evaluating and observing production processes, in-process inspections, and other processes at suppliers provides verification of the ability to consistently meet requirements.

Corrective and Preventive Action System

Issues with supplier non-conformance can cause crippling impacts to your operation. Line stoppage, end-product quality issues and financial impacts are all results of non-conforming material reaching your operation. Strong corrective & preventive action programs provide clear and timely feedback to suppliers and hold them accountable for thorough and detailed solutions to non-conforming processes and product.

Supplier Scorecard

Having a full picture of how each supplier in your supply base is performing is a difficult management challenge. Development of a supplier scorecard with a full array of attributes will provide a great overview of supplier performance. Attributes to monitor should include quality, on-time delivery, corrective and preventive action, source and incoming inspection results, and supplier audit results. Review by supply chain leadership as well as executive leadership on a quarterly basis will provide a strong focus on ensuring supply chain support of the full operational mission.

The Opportunity – Measure & Track the Cost of Poor Supplier Quality

Many businesses attempt to measure the Cost of Poor Quality (COPQ) to understand how costs are allocated across all quality functions and which areas are driving out-of-scope costs. These include monitoring standard quality assurance activity (Policy & Procedure driven costs, quality engineering), preventive costs (internal audit and compliance programs), and failure costs (direct product quality issues, including inspection and screening costs). Many times, these programs show that the standard quality functions and the preventive costs are small relative to the failure costs, with many of the failure costs being traced back to supplier quality issues. Unfortunately, in many cases the company bears the cost of this poor-quality issue, even those driven by issues in the supply base due to lack of systems to clearly demonstrate accountability to the source of the issue at a supplier. The COPQ driven by supplier issues may also lead to damaged reputation with your customer as they see these quality problems escape to finished product.

Utilizing the scorecard and the systems for measuring and tracking supplier performance, these costs can be allocated back to the supplier and used as a program accountability tool by having the documentation with audits, inspection results and corrective actions to document the problem and solution. Partnering with these suppliers to implement and utilize these systems keeps the relationship productive and reduces the risk of needing legal solutions that cause adversarial relationships with suppliers. The **investment in the resources to implement and monitor the systems to measure COPQ**, especially in the supply base, **will drive improvement and lower costs**, reduce or eliminate disruption, and improve overall product quality.

Risk Based Approach to Maximize Supplier Quality Initiatives

Companies with large or complex supply chains should develop and utilize a risk-based system to drive the evaluation. It is unrealistic to evaluate every supplier in detail, especially those that do not have significant impact on the end product or drive a large value in product or company sales/earnings. By developing a Risk Based approach, suppliers can be evaluated on the risk that they present to the final product and the amount of value they drive. In addition, any sole source suppliers need special attention since no alternatives will be readily available if the sole source has emergent issues. Once a risk model is developed, a focused audit plan concentrating more heavily on at-risk suppliers and those with the highest risk to product or value will enable a resource utilization plan in line with company objectives and budgets. This should be a part of the scorecard and the suppliers should know how their risk is viewed by the company to grow a collaborative environment.

Summary

Strong supplier relationships result in improved performance across the value chain of a company. Supplier quality management is not just about avoiding costly product screening, recalls, penalties or lawsuits. When done well, it is a strong contributor to business value by strengthening overall product quality and on-time delivery, while enhancing your company's reputation and credibility, all while lowering overall costs to drive improved earnings.

The key to achieving these objectives is to remember that suppliers are an extension of your company's business and manufacturing operations. Quality standards, audits, and other process controls must be enforced with the same rigor and commitment in the supply chain as in the rest of your organization to assure performance meets expectations. When your supplier quality program is a core business function that is integrated with broader supplier governance and relationship management, you will be well positioned to drive superior performance and results throughout your business while growing credibility with your customers.

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