

Supplier Partnership

BPF 2123 – Quality Management System



Chapter Outline

- Introduction
- Principles of Supplier Partnership
- Sourcing
- Supplier Selection
- Supplier Certification
- Supplier Rating
- Relationship Development

Lesson Outcomes

- Identify the principles of customer-supplier relations for service providers as well as for manufacturers.
- Able to explain on how to develop supplier selection plan.



Introduction

- An organization spends a substantial portion of every sales money on the purchase of raw materials, components and services.
- In order to obtain high quality products / services in satisfy the end user – customer must work with suppliers for achieving the same quality level
- Better supplier's quality → Better product's quality
- A partnership between customer and supplier is one of the keys to obtaining high quality products and services.
- Customers and suppliers have the same goal – to satisfy the end user. They must work together as partners to maximize the return on investment because they have limited resources.

Principles of Customer / Supplier Relations

Importance Term:-

Customer :

- The organization / manufacture

Supplier :

- Who are supply the goods / raw materials to the manufacture

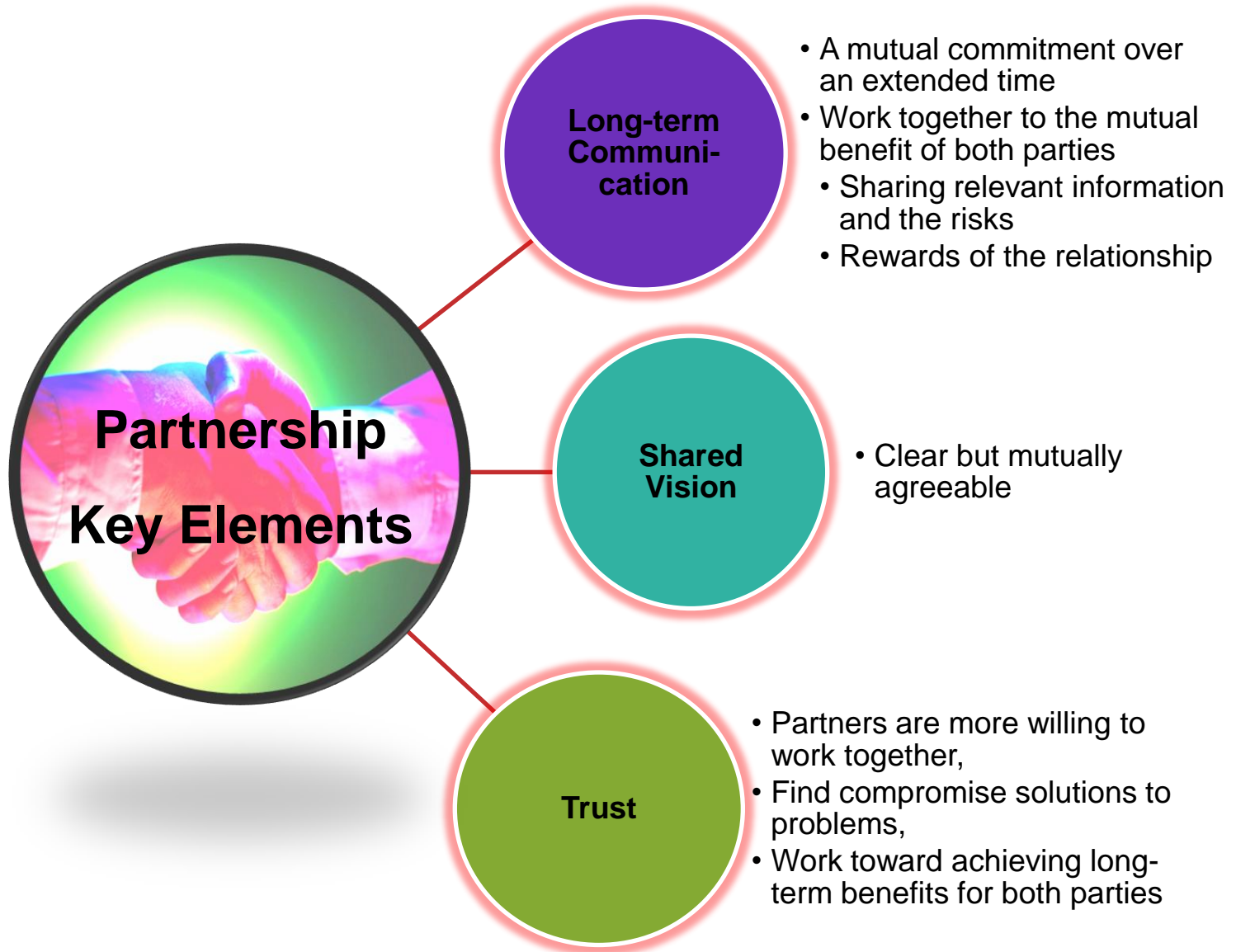
Consumer:

- End user

Partnering

- What is partnering?
 - ✓ A **long-term commitment** between two or more organizations for the purpose of achieving **specific business goals and objectives** by maximizing the effectiveness of each participant's **resources**.
- Reason for partnership
 - ✓ Quality and timely delivery
 - ✓ JIT concept
 - ✓ Practice of continuous process improvement
 - ✓ Quality assurance systems (ISO 9000, etc.)

Partnering



Role of Supplier Partnership



Sourcing

Sole

- Organization use only one supplier
- Situation is due to factors such as patents, technical, raw material location, only one organization producing the item

Multiple

- Sourcing use of two or more suppliers for an item
- Theory shows that competition will result in better quality, service and lowering costs
- Also eliminates disruption of supply

Single

- A planned decision by the organization to select one supplier for an item when several sources are available
- Organizations advantage: reduced cost, complete accountability, supplier loyalty, partnering & a better end product with less variability.
- Supplier advantage: new business from the customer, reduced cost of the business & production processes.
- It has allowed organization to reduce their supplier base.

Supplier Selection

3 criteria often considered by firms selecting new suppliers:

1. Price
2. Quality
3. Delivery



Supplier Selection

Ten Conditions For Selection & Evaluation Of Suppliers:

1. Understand and appreciates the management philosophy of the customer organization
2. Has a stable management system
3. Maintain high technical standards and has the capability of dealing with future technological innovations
4. Can provide those raw materials and parts required and also meet the quality specification
5. Has the capability to produce the amount of production needed
6. There is no danger of the supplier breaching corporate secrets

Supplier Selection (cont.)

7. The price is right and the delivery dates can be met – easily accessible in terms of transportation and communication
8. Sincere in implementing contract provisions
9. Has an effective quality system and improvement program such as ISO9000
10. Has a track record of customer satisfaction and organization credibility



Supplier Certification

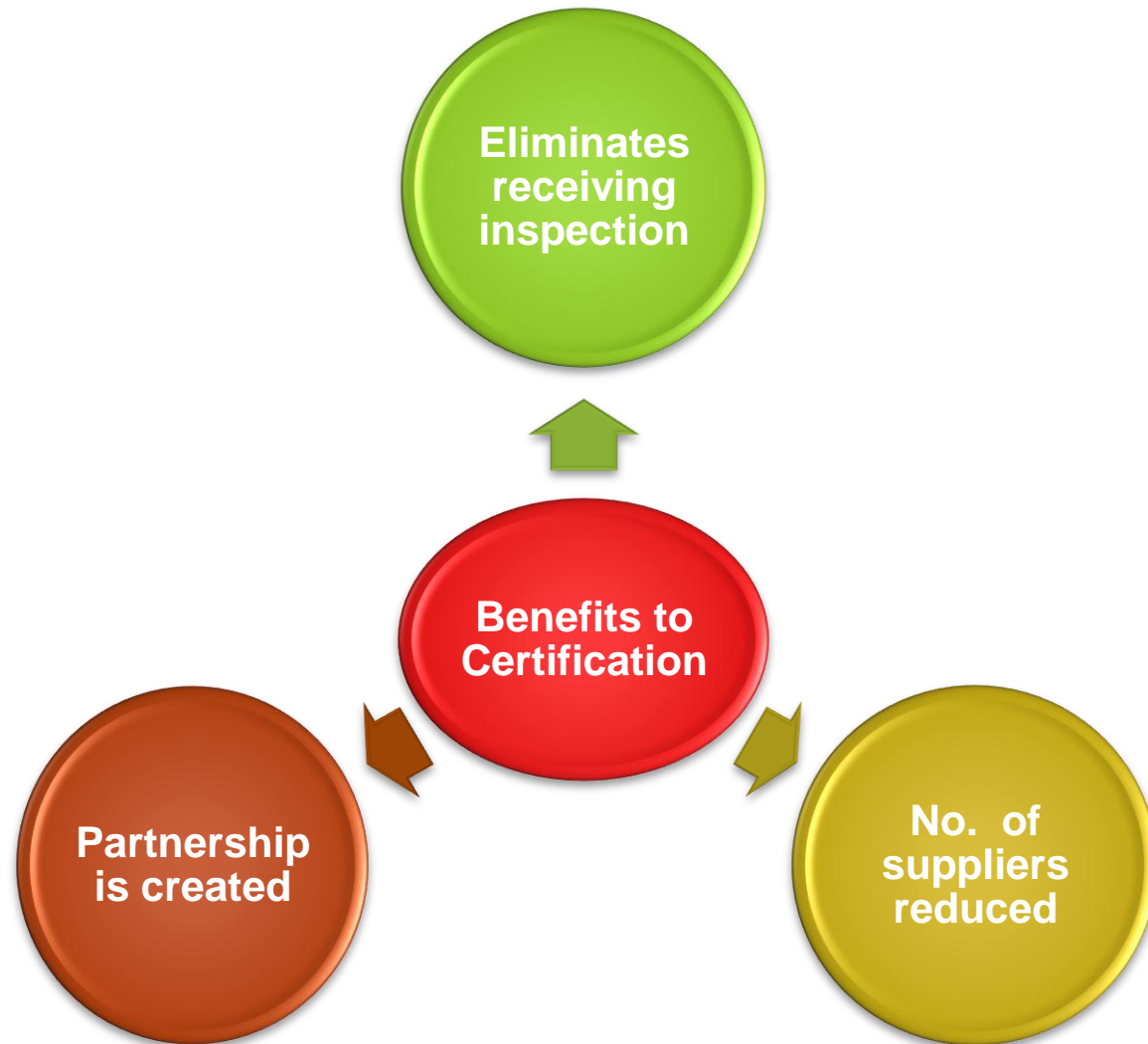
Certification

- Programs verify that potential suppliers have the capability to provide the services or materials the buying firm requires

Eight Certification Criteria:

1. Agreed specifications that are mutually developed, justifiable and not ambiguous
2. No product-related rejection for a significant period of time
3. No non-product-related (wrong count / billing error) rejections for a stated period of time
4. No negative non-product-related (problems that occur even though inspection and tests showed conformance to specifications) incidents for a stated period
5. Fully-documented quality system
6. Successfully passed an on-site system evaluation
7. Conduct inspections and tests
8. Ability to provide timely inspection and test data

Supplier Certification



Supplier Rating

The Customer Rates Supplier to:

- ✓ Obtain an overall rating of supplier performance
- ✓ Ensure complete communications with suppliers concerning their performance
- ✓ Provide each supplier with a detailed and factual record of problems for corrective action
- ✓ Enhance the relationship between the customer and the supplier

Requires 3 Key Factors:

1. An internal structure to implement and sustain the rating program
2. A regular and formal review process
3. A standard measurement system for all the suppliers

Relationship Development

All the previously discussed issues contribute to the development of the relationship. It includes:

1. Inspection

The goal is to eliminate or automate the inspection process. It has four phases:

- 100% inspection
- Sampling
- Audit
- Identity check

2. Training

All personnel should receive quality awareness and problem solving, technical and safety training.

Relationship Development

3. Team Approach

Customer / supplier teams are established in areas such as product design, process design and quality system.

4. Recognition and Award

Incentives / recognition in the form of newsletters, letter of accommodation, ensures that suppliers remain committed to a quality improvement strategy

