



SUPPLIER PARTNERSHIP

TOPICS OF TODAY'S DISCUSSION



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INTRODUCTION



Organization and suppliers have the same goal – to satisfy the end user.

- Working with supplier in a partnering atmosphere will yield high quality product and services.
- In the 1980s procurement decisions were based on price, awarding contracts to the lowest bidder, sacrificing the quality and timely delivery
- Deming suggested that long term relationship of loyalty and trust should be developed with the supplier to ensure improved products & services.
- Just-in-Time (JIT) concept calls for raw materials and components to be delivered in small quantities only when they are required and not before.



PARTNERING

Partnering is a long-term commitment between two or more organizations for the purpose of achieving specific business goals & objectives.

- The relationship is based upon trust, dedication to common goals and objectives.
- Benefits include:
 - o Improved Quality,
 - o Increased efficiency,
 - o Lower cost,
 - o Increased opportunity for innovation, &
 - o Continuous improvement of products and services
- The three key elements of partnering are:
 - o Long-term commitment.
 - o Trust.
 - o Shared vision.

Long-term commitment



- Long-term commitment provides the needed environment for both parties to work toward continuous improvement.
- Total organization involvement is necessary, CEO to the workers.
- Each party contributes its unique strengths to the process.
- A supplier may only take risks in a long-term commitment.
- Dependency appears as a natural consequence in a long term commitment, it is not a sign of weakness, but a sign of strength of the relationship and is necessary for competitive advantage.

Trust



- The strength of Partnering is based on fairness and parity.
- Trust enables the resources and knowledge of each partner to be combined to eliminate an adversarial relationship.
- Mutual trust forms the basis for a strong working relationship.
- Open and frequent communication avoids misdirection, disputes and strengthens the relationship.
- The parties may share or integrate resources such as training activities, administrative systems and equipment.



Shared Vision

- Each of the partnering organizations must understand the need to satisfy the final customer.
- There should be an open and candid exchange of needs and expectations.
- Shared objectives and goals ensure a common direction aligned with each parties' mission.
- Partners must understand each other's business so that equitable decisions are made.
- These decisions must be formulated and implemented as a team.

SOURCING



There are three types of sourcing:

❖ Sole sourcing

- Organization is forced to use only one supplier.
- Technical specifications, patents, raw material location, etc. cause this kind of sourcing.
- Partnering is a natural consequence, to benefit the end user.

❖ Multiple sourcing

- Two or more suppliers for an item are used.
- Competition will result in better quality, lower costs and better service.
- It eliminates disruption of supply due to strikes etc.

SOURCING cont'd...



❖ Single sourcing

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



SUPPLIER SELECTION

Following are the conditions for the selection and evaluation of suppliers:

1. Supplier knows management policy of the organization.
2. Stable management system of supplier , respected by others.
3. Supplier has the capability of dealing with technological innovations.
4. Supplier can supply material meeting quality specifications.
5. Supplier has capability to meet the amount of production.
6. Supplier can breach corporate secrets.

SUPPLIER SELECTION cont'd....



7. The supplier is easily accessible in terms of transpiration and communication.
8. The supplier is sincere in implementing the contract provisions.
9. The supplier has an effective quality system and improvement program.
10. The supplier has a track record of customer satisfaction and organization credibility.

These conditions go beyond evaluating a supplier on the basis of quality, price and delivery.

PRINCIPLES OF CUSTOMER/SUPPLIER RELATIONS



Dr. Kaoru Ishikawa has suggested ten principles:

1. Customer and supplier are fully responsible for Quality control.
2. Customer and supplier should respect each others independence.
3. Supplier is entitled to complete information from the customer.
4. Non-adversarial contract between customer and supplier is needed for quality, quantity, price, delivery method & payments.
5. Supplier should provide quality to meet customers satisfaction.

PRINCIPLES OF CUSTOMER/SUPPLIER RELATIONS



6. Product quality evaluation methods should be decided by the mutual consent of both the parties.
7. Amicable settlement of disputes between customer and supplier should be established in the contract.
8. Continuous information exchange will improve the product or service quality.
9. To maintain an amicable relationship, both the parties should do procurement, production, and inventory planning.
10. Best interest of the end user should be considered while doing business transactions.

SUPPLIER CERTIFICATION



ASQC has developed the following certification criteria:

1. Customer and supplier shall have agreed on specifications which are mutually developed, justifiable, and not ambiguous.
2. Supplier shall have no product-related lot rejection for a significant period of time.
3. Supplier shall have no non-product related rejections for a stated period of time.
4. Supplier shall have no negative non-product related incidents for a stated period of time.
5. Supplier shall have a fully documented quality system. (ISO 9000)

SUPPLIER CERTIFICATION



6. Supplier shall have successfully passed an on-site system evaluation.
7. Supplier must make inspections and tests. (Laboratory results & SPC are used)
8. Supplier shall have the ability to timely provide inspection and test data.

Occasionally it may be necessary to decertify a supplier as a result of a major problem.

Benefits of certification include customer/supplier partnership, direct shipment to stock and reduction of supplier numbers to a manageable level.

SUPPLIER RATING



Supplier rating system is based on quality, delivery and other added services.

The objectives of a rating system are:

- To obtain an overall rating of supplier performance.
- To ensure communication with suppliers in the areas of quality, service, delivery and other desired measures.
- To provide supplier with a detailed and factual record of problems for corrective action.
- To enhance the relationship between the customer and the supplier.



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:

- o 100% inspection,
- o Sampling,
- o Audit, and
- o Identity check.

RELATIONSHIP DEVELOPMENT



2. Training

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

❖ 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.



QUESTIONS