

# Supplier Development

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**„An organization and its suppliers are interdependent and a mutually beneficial relationship enhances the ability of both to create value.”** (International Organization for Standardization Quality Management Principles: Principle 8: Mutually beneficial supplier relationships)

Multinational companies select their suppliers in a competitive environment based on well-defined criteria. These companies developed their own supplier appraisal and selection system, which they apply all over the world in a systematic manner, to the benefit of both parties. Their global supplier quality assurance systems reflect the company culture, in which the most important values are: quality, logistics capabilities, financial performance, environment protection, reliability and commitment. Research and development capacity is of utmost importance, followed by price level and commodity specific requirements. All these help the continuous development of the suppliers and enhance their ability to improve productivity and overall efficiency. Meanwhile the good reputation of the multinational companies is protected and improved.

As quality starts at the suppliers, multinational companies developed and apply severe purchasing procedures. One example is a twenty-step purchasing flow as follows:

1. Market Analysis
2. Potential Supplier list
3. RFQ Grip - Benchmarking
4. Selected supplier list
5. GSQA Procedure sent and supplier feedback
6. Supplier Profile - fulfilled by the supplier
7. Preliminary quality audit

DP1 - Decision to proceed

8. Drawings, Supply Specif., Q requirements
9. Supply and Quality Agreement (Preliminary)
10. Pre - Production, Quality Assessment Planning
11. Preliminary samples with test results reports
12. Fine-tune product and re-sampling
13. Supplier process audit

14. Pre - Production, Quality Assessment guided Implementation
15. Initial sample homologation
16. Industrial trial (Application homologation report)
17. Supply and Quality Agreements finalization

DP2 - Production / Delivery release

18. Ramp-up production
19. Ongoing business evaluation (Q status, QES report)
20. Follow up (Within 6 months from production)

Main focus is to actively engage pro-active suppliers who can interact multi-functionally with their customer in order to generate innovation, shorten the time-to-market, reduce total product cost, improve product quality, optimize performance/cost ratio, have early project involvement (front-loading).

The supplier criteria fall into seven categories which together give a comprehensive picture of requirements and performance / capabilities.

1. Quality / Operations - quality and process system assurance, quality performance, capacity flexibility
2. Logistics - delivery performance (errors), lead time
3. Finance - financial position
4. Environment - environmental systems and effort
5. Company profile - strategic confidence, supplier commitment
6. Technology - R&D capabilities
7. Price - price level, price risk / trend

In addition to the above commodity specific criteria are taken into consideration.

Based on the evaluation / assessment of the suppliers, multinational companies classify them into different categories.

1. Supported - fulfils customer requirements, see e.g. price, accepted quality, support customer's processes with their strategy.
2. Active - if the supplier of the previous category cannot be used, this satisfies customer's minimum quality requirements
3. Restricted - the supplier is not involved in the new projects. No commitment to the realization of common goals.
4. Excluded - minimum quality requirements are not met. No partnership in the future.
5. Potential - for the time being, not a partner, but has the potential to become a partner in the future.

Responsible multinational companies have supplier development programs, helping their suppliers to grow and improve quality and overall efficiency. They enter in strategic partnership with their suppliers, consisting of various support, such as: involvement in product development / innovation at early project stage, offering professional / technical support or common sourcing of raw materials (buying power).

**In all this procedure Communication, Consensus, Cooperation (the 3 Cs) are the key to success for both multinational companies and their suppliers.**



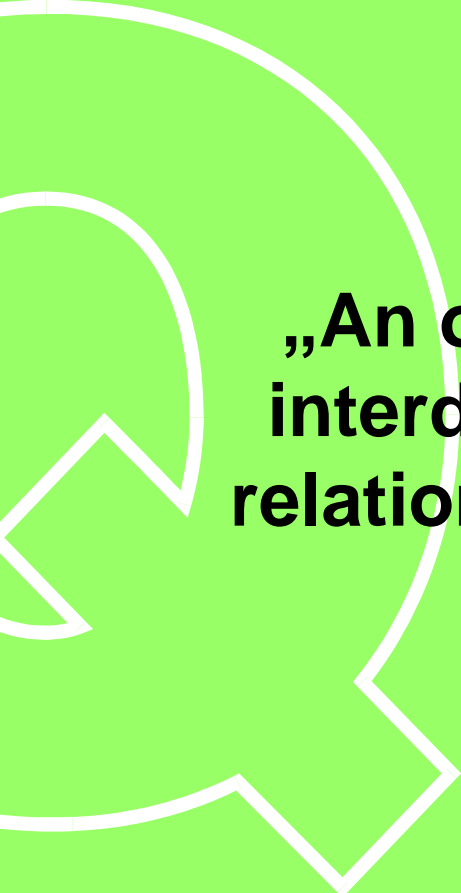
# Supplier Development

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# Supplier Relationship



**„An organization and its suppliers are interdependent and a mutually beneficial relationship enhances the ability of both to create value.”**

**(International Organization for Standardization  
Quality Management Principles: Principle 8:  
Mutually beneficial supplier relationships)**

# Our Quality starts at our Suppliers

1. Market Analysis
2. Potential Supplier list
3. RFQ Grip - Benchmarking
4. Selected supplier list
5. GSQA Procedure sent and supplier feedback
6. Profile fulfilment by the supplier
7. Preliminary quality audit

## **DP1 Decision to proceed**

8. Drawings, Supply Specif., Q requirements
9. Supply and Quality Agreement (Preliminary)
10. Pre - Production, Quality Assessment Planning

# Our Quality starts at our Suppliers

11. Preliminary samples with test results reports
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## **DP2 Production / Delivery release**

18. Ramp-up production
19. Ongoing business evaluation (Q statusing, QES report)
20. Follow up (Within 6 months from production)

# Our Quality starts at our Suppliers

**Main focus is to actively engage pro-active suppliers who can interact multi-functionally with their customer in order to:**

- **generate innovation**
- **shorten the time-to-market**
- **reduce total product cost**
- **improve product quality**
- **optimize performance/cost ratio**
- **have early project involvement  
(front-loading)**

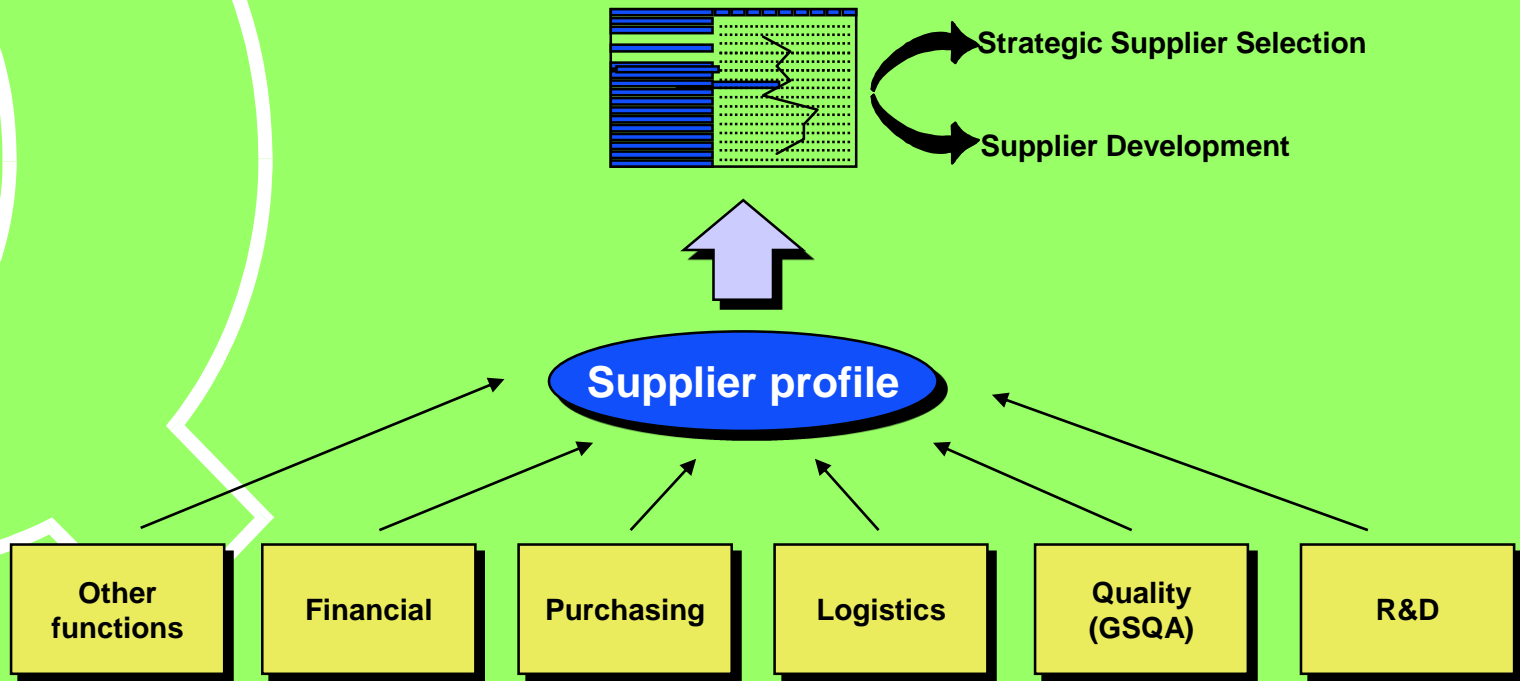
# Supplier Criteria

The supplier criteria fall into seven categories which together give a comprehensive picture of requirements and performance/capabilities.

Category	Criteria
Quality/operations	Quality and process system assurance Quality performance Capacity flexibility
Logistics	Delivery performance (errors) Lead time
Finance	Financial position
Environmental position	Environmental systems and effort
Company profile	Strategic confidence Supplier commitment
Technology	R&D capabilities
Price	Price level Price risk/trend
Commodity specific	Commodity specific criteria* Commodity specific criteria*

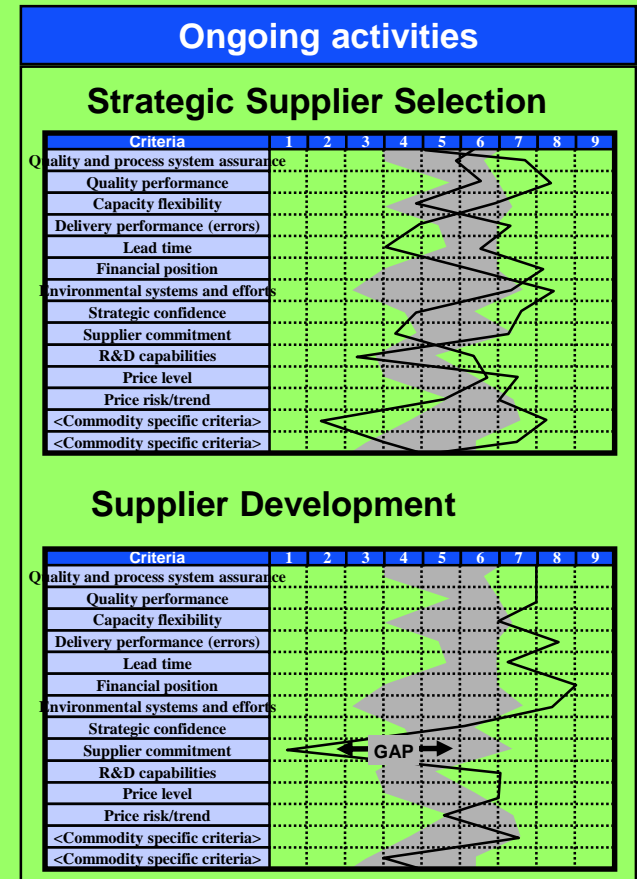
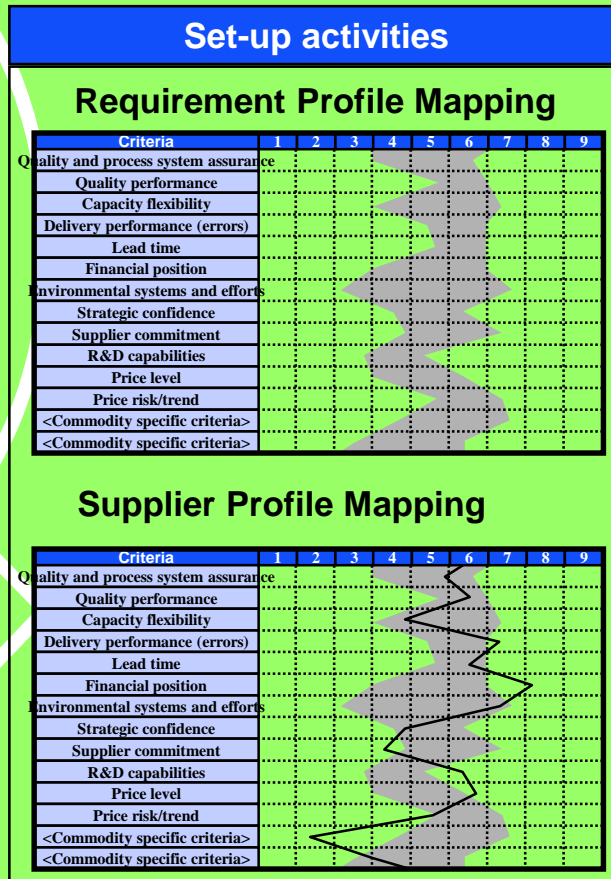


# Supplier Profile



# Supplier Profile Tool

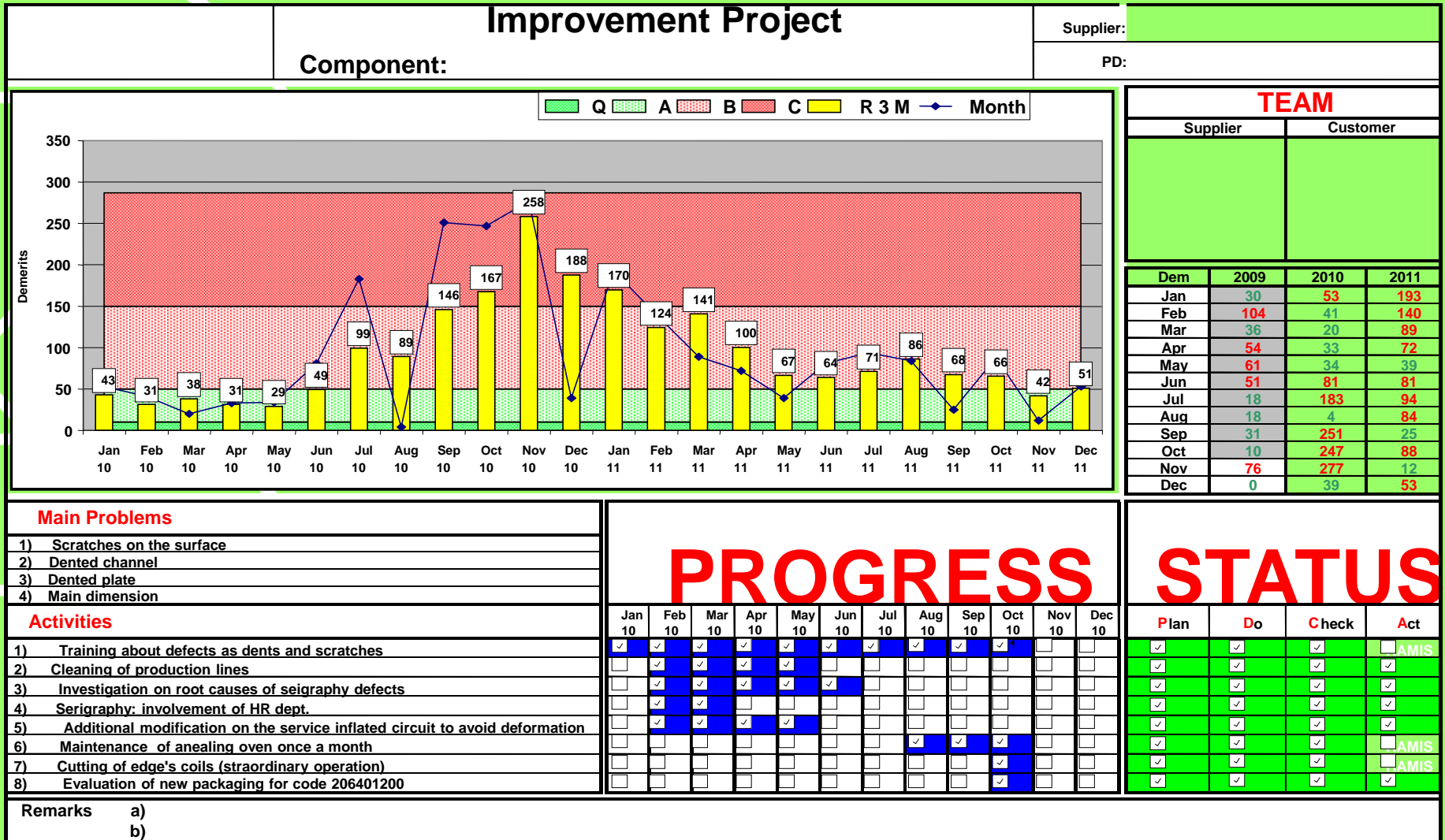
After an initial set-up of mapping requirement profiles and supplier performance profiles, Supplier profile tool will support various ongoing activities.



# Supplier Classification

Supplier classification	Description
Supported	Fulfils customer requirements, see e.g. price, accepted quality, support customer's processes with their strategy.
Active	If the supplier of the previous category cannot be used, this satisfies customer's minimum quality requirements
Restricted (hold)	The supplier is not involved in the new projects. No commitment to the realization of common goals.
Excluded	Minimum quality requirements are not met. No partnership in the future.
Potential	For the time being, not a partner, but has the potential to become a partner in the future.

# Supplier performance, follow-up and actions



# An approach to quality problems

## R&D - Prevention

- The procurement is part of the IPDP (Integrated Product Development Process)
- Joint setting of clear goals
- Early engagement of suppliers in the development projects

## Annual development programs

- Primary input is the Service Call Rate (SCR)
- Systematic approach involving the assigned team leaders and setting clear goals

## „On-hold” process

- Primary input is the continuous assessment

# Supplier quality development program

**1. Selection of proper parts and suppliers**

**2. Classification – factory working group**

**3. Supplier Assessment**

**4. Meeting with the selected supplier**

**5. Supplier Audit**

**6. First follow-up meeting (after 3 months)**

**7. Second follow-up meeting (after 6 months)**



# Supplier Strategic Partnership

- 1. Involvement in product development / Innovation at early project stage**
- 2. Professional / technical support**
- 3. Common sourcing of raw materials (buying power)**

# Innovation

**„Innovation - in the long run - is the ability of an individual or a group of individuals to think a thought that no one else has thought before and than successfully turn that idea into reality that separate the best from the rest.”**

**Jonas Ridderstråle, Kjell A Nordström – Karaoke Capitalism**



## The „3 C” Principle

***„Communication, Consensus, Cooperation  
(the 3 Cs) are the key to success both on  
company, national economy and world  
economy level.”***