

Supplier Partnership

Contrast In Purchasing Habits		
Expectation	<u>Traditional</u>	<u>Modern</u>
Item Purchased	Material or component	Material or component, plus designs, service, technical support, and proof of compliance.
Product Quality	Wide tolerances, variable quality	High precision, consistent quality
Specifications	Rudimentary if available	Sophisticated, quantified and qualified
Standardisation	Independent usage, no interchangeability	Interdependent usage, highly interchangeable
Quality Evaluation	Incoming inspection practical	Incoming inspection inefficient
Dispersion	Limited subcontracting, geographic proximity, short feedback loop.	Tiered sub-contracting, geographic dispersion, long feedback loop.
Communication	Secrecy paramount	Mutual disclosure essential.
Communicators	Single line of communication.	Multiple lines of communication

Changes In Purchasing

The relationships between purchasers and suppliers are changing. There is an increasing recognition that only co-operation between purchasers and suppliers will ensure that the objectives of both organisations are met. Statistics suggest that only 35% of supply quality problems are caused by the supplier: 30% are caused by the purchaser, and 35% are jointly caused! The table below shows other aspects of the changes in supply relationships.

Joint Quality Planning: Building Co-Operation

One of the most effective methods of improving the quality of supply is through developing of partnerships with suppliers, recognising the fact that suppliers have a major stake in the continued strong performance of their customers. With co-

operation between supplier and customer, the resources - both technical and other - are focused on achieving the required quality (and other) objectives, and the objectives are reached far sooner.

In a Quality Planning program, this is best initiated from the beginning, and in a climate where the supplier has confidence that his efforts will be rewarded, with, for example, a contract for supply of 80% of all material, contingent on achieving the stated objectives.

There are a number of separate strategies to achieving supplier co-operation:

☛ **Promote Teamwork:** An environment should be established in which the supplier recognises that he will gain from closer relations, and broader relations: clearly the relationship between Purchasing and Sales will remain vital, but other relationships should be fostered: between Design, Engineering, Technical or Laboratory

personnel from both organisations, between manufacturing and materials personnel, and between commercial personnel.

- ☛ **Arrange Supplier Seminars:** Meetings should be arranged with principal suppliers, to show them - in a non-confrontational environment - what is required of them, both in product terms and by way of quality management, and the steps being taken to achieve the procurement objectives: Supplier Ratings, Audits etc. Ongoing meetings can also be arranged in order to establish and monitor a program of planned improvements to supply arrangements and quality. It is also very important to recognise that your suppliers have needs of you - forecasts are a part of it, but also prompt payment, flexible goods inwards arrangements, adequate purchasing information etc. Encourage your supplier at these meetings to tell you what they need, and how well you are doing at meeting it.
- ☛ **Visit the Supplier:** This will provide an understanding of the supplier's processes, both manufacturing and commercial, and help to further develop the interpersonal relationships which will form the basis of much of the inter-organisational work that is done.
- ☛ **Supplier Rationalisation:** Bring the number of suppliers to an optimum (not minimum) number, in order to maximise purchasing power, simplify procurement negotiations, establish a more permanent relationship, minimise inventories, and

reduce everyone's workload.

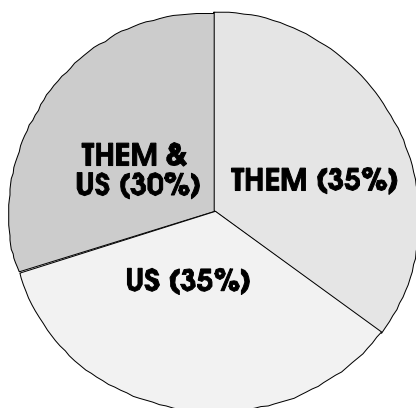
- ☛ **Demonstrate Trust:** Eliminate - as much as is safe - incoming or pre-release inspection.
- ☛ **Establish Supplier Quality Assurance:** Carry out periodic audits of suppliers; record and analyse supplier's actual quality (and other) performance, and develop a rating system to compare suppliers and identify those for whom improvement is most urgently required.
- ☛ **Provide Mutual Assistance:** Wherever possible, assist suppliers in any way they request: they are more likely to be co-operate if their customers (partners) co-operate in turn.
- ☛ **Manage Quality Improvement:** Remember that not all supplier quality problems are caused by the supplier: many are self-inflicted. Establish a program of planned quality improvement; review rejection causes and rejection rates to ensure that problems are rapidly resolved; work to reduce tolerances to minimise the frequency of parts not fitting together.

Multiple Or Single Sourcing

There are two schools of thought on the multiple v/s single sourcing debate. One says that by using multiple sourcing, the competition will ensure minimum pricing, maximum quality and best delivery. The other says that by staying with a supplier, the customer dependence will ensure the same things.

The reality is that both have their benefits, but, for long term security of supply, to ensure preferential treatment, and to ensure that you get precisely what you want, supplier loyalty is a winning strategy. However, the reality of business trading must be recognised, and transport delays (especially for imported goods), disruptions to production (such as union problems or disasters, e.g., fires), can delay a well meaning supplier, and management changes or takeovers can see a deterioration in the commitment of a

Origin of Supplier Problems



supplier to established quality goals. If no other supplier is available, serious disruptions in manufacturing would be expected. A better solution is to place around 80% of the orders with a fixed supplier, and the remaining 20% with a second supplier. This ensures that problems with the preferred supplier are covered by an existing supply relationship, and also ensures that the preferred supplier's pricing remains competitive.