IATF 16949: Important Considerations for Purchasing Leaders

Presented by
Denis J. Devos P.Eng
the luminous group LLC

Copyright © 2017 by The Luminous Group LLC. All rights reserved. No part of this manual may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by an information storage and retrieval system, without permission in writing from The Luminous Group. For information, please contact The Luminous Group at 248.538.8677.

The Luminous Group LLC
West Bloomfield, MI 48325
248.538.8677
www.luminousgroup.com
Agenda

Introduction
Supplier Selection
Purchasing Information
Supplier Control and Evaluation
Supplier Development
Supplier Auditing
Introduction

• Several Themes in IATF 16949 including tighter controls to reduce warranty and recalls
• Risk Based Thinking
• As Tier 1 suppliers get more sophisticated, risk gets pushed down the supply chain to suppliers
• Tighter controls to deploy statutory/regulatory requirements and special characteristics to suppliers
• Track performance, develop suppliers in a spirit of partnership
Introduction

Select and Qualify Suppliers

Purchase Order, Contracts

Evaluate Performance

Supplier Development if Required
Supplier Selection

Define Appropriate Controls

- Products/Services are incorporated into your products (direct materials)
- Products/Services supplied directly to your Customer on your behalf
- Outsourced processes

Determine criteria for selection, evaluation, performance monitoring, etc. Keep records
Supplier Selection

Products and Services that affect quality and customer requirements such as:

- Subassembly, Sequencing
- Sorting, Rework, Calibration
- Outsourced processes

(The organization can decide if suppliers like tooling need to be subject to these controls)
Supplier Selection

Have a documented supplier selection *process* which shall include:

• Risk assessment – quality and delivery
• Current quality and delivery performance
• Evaluation of their QMS
• Team decision making
• Assessment of software dev't capabilities (if app.)
Supplier Selection

Other consideration that should be considered:

- Volume of automotive business
- Financial stability
- Product/service complexity
- Required levels of technology
- Project Mgt, product design capability
- Manufacturing capability
- Business continuity planning
- Logistics and customer service processes
Directed Buy

Use suppliers the customer tells you to

• All requirements but supplier selection apply
  • Responsible for their quality
  • Put them in your scorecards etc.

• Unless another contractual arrangement with your customer has been made
Purchasing Information

Purchase Orders, contracts etc.
- Clear requirements for products/services
- Personnel qualification (if applicable)
- Methods for approval of products/services
- Interactions (points of contact etc.)
- Methods for evaluating their performance
- Verification activities that you or your customer intend to perform

(Don't forget rights to audit)
Purchasing Information

Additional Requirements

• Flow down statutory & regulatory requirements and Special Characteristics to suppliers and ensure they are cascaded down to their suppliers to the point of manufacture

• If you buy products with embedded software (control modules etc.), ensure that they have a software development and QA process. They must retain a software capability self-assessment.
Supplier Control and Evaluation

Control suppliers' performance under your QMS

• Define Controls for their products & performance
• Consider the impact (risk) of suppliers’ performance on your ability to perform well
• Determine needs for product inspections etc.
Supplier Control and Evaluation

Have a documented process for make-buy decisions

• Determine type and level of supplier controls
  • Include criteria and actions to escalate or reduce the extent of controls and development activities based on performance
Supplier Control and Evaluation

Have a documented process to ensure that purchased products/services conform to applicable statutory/regulatory requirements in the country of shipment, receipt and customer-identified country of destination if known.

All statutory and regulatory requirements must be adhered to, including at the supplier level.
Supplier Evaluation

Have a documented process and criteria to evaluate performance. At least:

- Delivered product quality
- On-time delivery
- Number of occurrences of premium freight
- Your customer disruptions including yard holds and stop ships
- Customer special status related to suppliers (if known)
- Dealer returns, warranty, recalls etc. (if known)
Supplier Development

Require suppliers to be at least certified to ISO 9001. The goal is get everyone certified to IATF 16949.

Recommended path:

• Second Party Audits to ISO 9001
• Third Party Audits to ISO 9001
• ISO 9001 plus automotive "small supplier" add ons.
• Compliance to IATF 16949 via second party audits
• Certification to IATF 16949 via third party audits
Supplier Development

Determine the priority, type, extent, timing of required supplier development. Inputs shall include:

- Issues identified through supplier monitoring
- Second or Third party audit results
- Risk analysis

Implement actions necessary to resolve unsatisfactory performance issues or pursue opportunities for continual improvement
Supplier Auditing

Shall have a capability to audit suppliers and include that in supplier management

- Auditors must be qualified as per Internal QMS Auditors
  - Supplier risk assessment
  - Supplier monitoring
  - Supplier QMS development
  - Product and manufacturing process audits

Document the criteria for determining the need, scope of supplier audits. Consider risk, current performance etc.
Conclusion

- The automotive industry lives and dies by the performance of its suppliers at all levels
- Cast a wider net – all suppliers that impact on quality, not just raw materials and components
- Selection and Development are based on risk
- Give clear requirements, evaluate them fairly
- Ensure that they understand and follow all of the rules
- Track performance, develop suppliers in a spirit of partnership
The Luminous Group

Provides consulting and training services in the areas of quality planning and process improvement.

Clients bring us in when they are:

• Frustrated by unexpected or repeat quality issues
• Under pressure to be more productive and reduce costs in their P&L
• Looking for clarification or auditing to ensure a smooth transition to IATF 16949, ISO 9001:2015, and ISO 14001; or
• Concerned that their organization could be more effective in improving processes and reaching KPI goals
For more information, please contact us:

Telephone: 248.538.8677
Email: results@luminousgroup.com

For more information on this presentation, Denis Devos

Telephone: 519.476.8951
Email: DenisDevos@sympatico.ca

Or explore our web site:
www.luminousgroup.com
Advanced Purchasing Dynamics

**Execution**
- Implementing projects that improve the bottom line
- Savings roadmaps with specific cost savings actions for each commodity
- Should-be cost model development
- Strategic sourcing implementations for sustainable savings

**Technology**
- Unlocking savings with big data analytics for purchasing
- E-sourcing tool simplifies quoting and supplier management
- Develop should-be cost models for side-by-side quote comparison
- Identify opportunities for savings based on variance analysis of supplier quotes and benchmarking

**People**
- Enhancing the capabilities of your purchasing team
- Purchasing Placement (direct hire or contract)
- Buyer skill development training:
  - Strategic negotiations
  - Commodity leadership
  - Understanding and managing costs

Copyright © 2017 The Luminous Group