IATF 16949:
Important Considerations for Purchasing Leaders

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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

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Purchase Order, Contracts

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Evaluate Performance

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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

The Luminous Group

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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