

Supplier Auditing:

Focused Audit vs QMS Audit:

The majority of the supplier audits we perform are not QMS audits. QMS audits make sense when a supplier is small, and it has become apparent they do not have a fully developed QMS system. Then, it is good to understand where there are gaps in their QMS, and how these gaps may influence our business. This allows one's business to implement the proper controls and monitors to minimize impact within your facility.

However, if the company has a fully developed QMS, and is most likely certified by a third party, we see little value in performing a QMS audit. First, if they are registered by a third-party auditor, you can have some assurance their overall QMS is in good condition. Second, and more importantly, if they are registered by a third party, you can bet they know the ropes of how to pass an audit, and it is unlikely you are going to find gaps critical to your business with a full QMS audit.

We stress focused audits – performing audits for specific reasons and goals – these may be:

- Evaluation of a new suppliers overall fit for your company
- Evaluation of a new supplier's quality and fulfillment processes to ensure they will meet On Time Delivery and Quality requirements
- Investigation into overall deterioration of quality or delivery metrics
- Root Cause/Forensic evaluation of a specific failure
- Yes, and even evaluation of superior existing suppliers to understand why they are so successful.

Some Generic Supplier Auditing observations:

- There is a reason first impressions matter – because often they are indicative of what's to come:
 - Number of cars in the lot / number of bodies on the floor – if a company indicates they are one size, but the visible factors indicate otherwise – that is a flag.
 - Clutter - First thing any good auditor does is look for overall upkeep. If there is clutter in the production area that could be an indicator of disorganization.
- Work In Process – WIP
 - If there is a lot of WIP (which can be subjective) in front of process steps, that may be an indicator the company has fulfillment issues.
 - Many companies have paper travelers with the work orders, often indicating start dates and target completion dates – how do these compare to today's current date?
- Process for fulfillment
 - Small companies typically rely on the overall plant manager to monitor schedules and status of jobs on the shop floor. We have seen this work best when there are two or three individuals that are all on top of this activity, and/or everyone at their operational steps knows what is due and when.
 - Medium companies may or may not have a fully developed MRP system that schedules jobs and monitors status. Typically, these companies are most successful when there is

a dedicated planner/expediter that is fanatical on tracking everything, has daily morning in-briefs and end of day out-briefs. The main exposure here is backup for this person.

- Larger companies rely on their MRP systems. They may still have morning in-brief and end of day out-briefs to keep everyone on the same page. Typically, there is some visualization tools on the shop floor at the various work cells to identify to the team, and planner/expeditors how things are progressing through the day.
 - Warning sign – if top management, as a normal course of activity, is involved in more than a 15–30-minute Gemba walk in the morning, then something is wrong. Either the factory MRP system is not working correctly, or the factory is micro-managed – neither of which is a good sign.
- Metrics – critical items we look for during a supplier audit:
 - How frequently does the company collect these metrics?
 - How frequently and by whom are these metrics reviewed?
 - Are the metrics posted and are they current – we have walked into companies that have metrics that are quarters behind. This not only tells you something about their emphasis on their team knowing the metrics, but also the thoroughness of their internal audits.
- Product fit and controls on operations - Typically the size of your company's spend relative to the supplier's revenue can have an impact on your 'place in line'. However, we have found that when we observe that your product is an easy fit into a suppliers well controlled processes, with high yields, there is a high degree of success in quality and on time delivery from these suppliers. Basically, it is like falling off a log to them to get you your product – your just gravy/profit margin in an already highly utilized/controlled process line.
- Preplanning – before we go into an audit, we pull the following information together, and ensure all members of our audit team are updated:
 - Supplier's performance metrics – current and historical.
 - Complexity of your product and where this fits within supplier's range of product
 - Your company's spend (or expected spend) with this supplier and estimated % of supplier's revenue.
 - Supplier's D&B performance
 - Suppliers self-identified players and capabilities from pre-audit information and from their website
 - Suppliers self-identified QMS system - again from pre-audit gathered information or from their website

Conclusion: Performing a supplier audit is not rocket science. However, having clear objectives and a well-trained eye with experience will help to ensure it is optimally effective in achieving the goals of the audit, and aides in using audits as an effective tool in your supplier development program.