Mitigating Supplier Risk through Cloud-Based Quality Management Portals

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Objectives

• Challenges in the Supply Chain
• Mitigation Strategies
• Technology
Challenges in the Supply Chain

More complex organizations
- Design and production facilities are worldwide
- Legislation varies worldwide
- Mergers and acquisitions introduce cultural differences
- Suppliers are providing more of the product

More intense competition
- Competition leads to shorter product lifecycles
- New technology increases product complexity
- Globalization introduces local differences
- Better marketing data expands product selection
Challenges in the Supply Chain

Outsourcing on the rise

- Greater flexibility in the Supply Chain
- Specialized knowledge and skills in Suppliers
- Leverage new technology faster
- Focus on brand owner core competencies
- Transfer risk
- Reduce Costs
- Time to Market

Core competencies
Challenges in the Supply Chain

Risks Associated with the Supply Chain

- Loss of Critical Skills
- Counterfeiting
- Dependence on Suppliers
- Different Visions
- Cultural Differences
- Impact of Natural Disasters/Mitigating Economic Factors
  - Delivery Delays mean missed customer expectations and higher shipping costs
  - Supplier Financial Issues put the entire business at risk
  - Visibility into Supplier Quality is limited – until an issue is found!
- Product Contamination: 2007 Heparin contamination in China
- Warehouse and Pest Control: dead mice found in pallet of antiseptic
- Temperature Control: Improper cooling/heating during transport
- Fraudulent Supply Chain: Suppliers outsourcing manufacturing from an unapproved supplier without consent
- Lack of formal Contracts: No defined roles, processes between supplier and customer
Challenges in the Supply Chain

How can we mitigate Risk?

- Disaster recovery plan for supply chain interruptions
- Contingencies in the Supply Chain
- Supplier selection based on more than specs and cost
- Move from Supply Chain to Supplier Network
- Promote industry groups and standards adoption
- Invest in Track-and-Trace technologies
- Integrate business systems
- Risk management plan to protect IP
- What skills should we retain?
- What are the core activities?
- Implement a Supplier Quality Agreement

- Loss of Critical Skills
- Loss of IP & Counterfeiting
- Different Visions
- Lower Visibility in performance/quality
- More on Suppliers
Challenges in the Supply Chain

Top risk mitigating strategies

- Performance-based contract w/Suppliers: 44%
- Increase of IT investment to improve visibility: 42%
- Collaborative Strategies: 33%
- Optimization and modeling tools: 31%
- Dual, Multi-sourcing strategies and using redundant suppliers: 27%

Source: Aberdeen Group
Mitigation Strategies

Goals

• Improve communication and transparency between your organization and your supply chain
• Extend your processes to your external resources
Mitigation Strategies

Communication and Transparency

1. Publish – provide controlled, secure self-serve access to select documentation
2. Report – Supplier Report Cards, Audit Results, Comparisons
3. Collect – SCARs, External Testing Results
Mitigation Strategies

Extend your processes
1. Streamline quality assurance practices
2. Create efficiencies in supplier oversight
3. Reduce the overall cost of quality initiatives
Mitigation Strategies

What’s needed?
1. Need to improve communication and transparency
2. Need to streamline processes and the flow of information with external parties
3. Need to reduce costs
4. Need to address security concerns over external access
Technology
What’s needed?
• Highly secure
• High availability
• Redundant
• Scalable
• Data segregation
• Future proof
• Cost effective

In-house or outsource?
Technology
What is Cloud Computing
• IT deployment model
• Large Web Service firms have created large virtual environments to store applications and data
Technology

System Deployment Evolution

Level of IT Flexibility

PCs—Each client had its own solution—“Fat Client”

Web Based Solutions—“thin client”—Still within Internal IT

Externally Housed Cloud Applications, accessed on virtual environments in a managed hosted environment

Pre-90’s

90’s -- 2000

2000 and beyond
Technology

Benefits of the Cloud

Cost
• Pay as you go
• Save $$$ on hardware

World Wide Access
• Leverage the Web
• Accessible anywhere

Focus on Business Process
• Less IT overhead
• Usage versus Admin

Scalable for Growth
• Ability to expand use
• Grows with your business

Security and Recovery
• Top cloud security
• Basics
  • SOC 1 Type II
  • US/EU Safeharbor
  • TrustE
  • ISO 27001

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Technology

Why move Supplier Management to the Cloud?

• Flexibility – Process-based QMS relies on flexibility
• Scalability – Ability to impact multiple departments, go from site to site and beyond
• Security – Cloud based portal allows supplier login to external systems which are integrated to internal systems
• Having a cloud deployment can provide a greater degree of flexibility and touch points to operational areas, in a cost-effective manner
• Cost-effective for the business
  • Trend: IT consolidation and Integration
  • Ability to remove IT overhead from the equation
Technology

What Processes work in the cloud?

- No limitation on accessing data
- Immediate alerts on Quality events
- Company-wide reporting and mgmt review

- Potential for company-wide access
- Links to Document Control
- Integration with other systems

- Centralized Location
- Multi-Dept. Access
- Visible Access methods

- Central location affects multiple departments
- Security in the process
- Potential for Secure, external touches (SCAR)

Audits

Document Control

Corrective Action

Training

Reporting / Reviews
Technology

How can it work?

External User Access

Secure data transfer

Corporate User Access

EtQ