3 High Risk Supplier Quality Management Practices and How to Overcome Them
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Agenda

• Top 3 risky behaviors
• How the best overcome them
  – Determine your suppliers’ risk profile
  – Communicate and reinforce expectations
  – Leverage modern supplier collaboration technology
Top 3 Risky Behaviors
Top 3 Risky Behaviors in Managing Suppliers

- Taking a no-risk approach to managing suppliers
- Having a nonexistent or undefined approach to supplier training
- Continuing to use outdated tools to manage Quality
3 Strategies to Overcome

- Determine your suppliers’ risk profile
- Communicate and reinforce expectations
- Leverage modern supplier collaboration technology
Strategy #1
Determine your suppliers’ risk profile
Supplier Management Process

1. Develop a product
2. Raw material need from supplier
3. Determine product and material specification & test parameters
4. Assess suppliers based on risk level
5. Establish supplier risk level
6. Understand risk and impact of material on process and product (FMEA)
7. Select qualified supplier
8. Inspect material and Certificate of Analysis as needed
9. Monitor supplier and reassess based on risk level and performance
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Using FMEA to Determine Risk

**Sample Failure Mode and Effects Analysis (FMEA)**

<table>
<thead>
<tr>
<th>Function</th>
<th>Requirements</th>
<th>Potential Failure Mode</th>
<th>Potential Effects of Failure</th>
<th>Likelihood</th>
<th>Potential Causes of Failure</th>
<th>Occurrence</th>
<th>Current Detection Method</th>
<th>Detection</th>
<th>RPN</th>
<th>Recommended Action/Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier Material Storage</td>
<td>Raw material humidity storage specification</td>
<td>Raw material improperly stored</td>
<td>Material premature degradation</td>
<td>4</td>
<td>Humidity exceeds acceptable limits</td>
<td>3</td>
<td>Receiving Inspection QC Test</td>
<td>1</td>
<td>12</td>
<td>Define storage condition for supplier</td>
</tr>
<tr>
<td>Supplier Material Availability</td>
<td>Raw material critical for manufacturing</td>
<td>Supplier unable to fulfill order</td>
<td>Stock out</td>
<td>5</td>
<td>Facility Shut-down (natural disaster)</td>
<td>2</td>
<td>None</td>
<td>5</td>
<td>50</td>
<td>Require primary and secondary vendors</td>
</tr>
<tr>
<td>Supplier Packaging</td>
<td>Food grade packaging</td>
<td>Supplier uses wrong packaging</td>
<td>Raw material is contaminated</td>
<td>5</td>
<td>Mixed up packaging material</td>
<td>3</td>
<td>None</td>
<td>5</td>
<td>75</td>
<td>Cert of Analysis/Conformance &amp; inspection</td>
</tr>
<tr>
<td>Supplier Packaging</td>
<td>Packaging integrity</td>
<td>Packaging is weak</td>
<td>Spills, contamination</td>
<td>5</td>
<td>Shipment</td>
<td>3</td>
<td>Receiving Inspection</td>
<td>2</td>
<td>30</td>
<td>Packaging strength test</td>
</tr>
</tbody>
</table>
## Determine Supplier Risk Level

<table>
<thead>
<tr>
<th>Supplier Risk Level</th>
<th>Availability</th>
<th>Process Criticality</th>
<th>Regulatory Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critical</td>
<td>Custom, Single Source</td>
<td>Mission Critical, Product Safety and/or Patient Contact</td>
<td>Highly regulated, requires rigorous testing and validation, critical to registration/approval</td>
</tr>
<tr>
<td>Moderate</td>
<td>Common, Alternatives available</td>
<td>Important to business, limited or detectable impact</td>
<td>Regulated, some testing required, part of registration/approval</td>
</tr>
<tr>
<td>Low</td>
<td>Many alternatives, well-defined</td>
<td>Minimal impact, ancillary, generalized, not specific to business</td>
<td>Limited, minimal assessment as needed</td>
</tr>
</tbody>
</table>
Effort and Energy Correlates with Risk
Enable your company to allocate energy, resources and time efficiently

- **High Risk**
  - Supplier questionnaire, onsite audit annually, regular communication

- **Moderate Risk**
  - Supplier questionnaire, annual desk audit, onsite audit every 2 years

- **Low Risk**
  - Supplier questionnaire, desk audit, reassessment every 3 years
Industry Perspective

How Uponor Evaluates, Manages Supplier Risk

• Diverse approach to managing suppliers – different commodities (ex. raw vs. finished) and classifications
• Some products designed in-house vs. off the shelf commodity, each of which carry a distinct risk level
• Higher risk suppliers may be involved with components that exceed minimum regulatory / ASTM standards
• Understanding use (or abuse) of your products to ensure supplier quality that will minimize warranty while maximizing customer satisfaction
Strategy #2
Communicate and reinforce expectations
Why Supplier Training?

- Clear and exact expectations for success
- Level set inconsistent and differing skillsets
- Improve supplier performance
- Suppliers as an extension of your business
- Peace of Mind
Areas of Focus for Supplier Training

- Foundational quality management training with continuous improvement
- Root cause analysis – fishbone, 5 whys, etc.
- Quality Management & Improvement
- Measuring Techniques & Data Accuracy
- Problem Solving Techniques
- Quality in Product and Defect Training
- Understanding and using the right tools and ensuring you have the right data
- Importance of quality in product design and throughout the manufacturing process
Industry Perspective
How Uponor Communicates, Reinforces Supplier Expectations

- Quality supplier on-boarding / refresher training
  - General quality overview
  - Design engineering: interpretation of specs and measurement techniques
  - Defect training (ex. leak paths)
  - Codes and standards
  - Establish ownership thinking

- Significant effort communicating expectations for packaging and labeling

- Initial and on-going process reviews at supplier sites

- Measuring training effectiveness
Strategy #3
Leverage modern supplier collaboration technology
How Many Companies Manage Suppliers Today

Disconnected - Inefficient - Error prone
Use Modern Technology for Direct Supplier Collaboration
Training for All Users, Functions, and Locations
Industry Perspective
How Uponor Moved SQM to the Cloud

• Cloud technology has enabled virtual work even amidst disruption
• Shift from administrative work (and possible human errors) to more time for strategic activities
• Breaking down silos and increasing speed – providing real-time visibility to other internal stakeholders who are involved with suppliers
• Seamless supplier metrics / performance monitoring
Recap

• Many companies practice risky supplier management behaviors such as:
  - Taking a no-risk approach to managing suppliers
  - Having a nonexistent or undefined approach to supplier training
  - Continuing to use outdated tools to manage Quality

• How the best overcome them:
  - Determine your suppliers’ risk profile
  - Communicate and reinforce expectations
  - Leverage modern supplier collaboration technology
Questions
Stay Connected and Learn More

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