Supplier Improvement Program

PIA Government Systems Meeting
Lexington, KY
6 August 2010
Outline

• Team Origin
• Rules of Conduct
• Shared objectives
• Approach
• Data analysis
• Paperwork brainstorming
• Escalation plan
  – Phased approach
  – Description of phases
• Implementation timeline
Team Origin

• Originated out of PIA meeting inputs and discussions

• Evidence of systemic non compliance to PIA/MIL specifications
  – Increased scrutiny by Government during First Articles and First Production Lots
  – Increased testing at receiving inspection
  – Common issues across supply base

• Criticality of materials warrants focus and attention

• Ability to improve communication between primes and suppliers

• Desire of Primes to become more proactive and less reactive

Suppliers execution critical to industry performance
Rules of Conduct

• Treat each other fairly and with dignity

• Keep our promises

• Encourage cooperative efforts across the team, with each member having an equal voice

• Work towards solutions that benefit both the group and your company

• Do not engage in any activity that might create a conflict of interest for our company or for ourselves individually

• Evaluations and discussion of supplier performance will be based upon factual data and audit findings
Shared Team Objectives

• Enhance the performance of the Parachute Industry supply base
  – Improve both paperwork and material compliance to the specifications

• Leverage our shared resources to address systemic or critical shared supplier issues

• Strengthen communication of supplier related issues across the Parachute Industry
  – Between Primes and between suppliers

• Identify issues proactively and work on preventive actions
Approach

- Meet regularly via teleconference

- Agree upon most significant supply chain issues facing the industry
  - Use data to guide decisions
  - Consider frequency, severity, and likelihood of detection

- Establish prioritization (pareto principle)

- Determine action plans for top one or two issues
  - Spread the actions across the team as much as possible

- Document meeting with minutes and actions
Data Analysis

- Reviewed each Prime’s rejections
- Consistently saw same defect type as #1
- Became first focus of improvement initiative
80% of rejections for paperwork
Mills Manufacturing Inputs

42% of rejections for paperwork
Aerostar Inputs

65% of rejections for paperwork
Pioneer Inputs

DEFECT TYPES FROM 11/20/09 TO PRESENT

70% of rejections for paperwork
Airborne Inputs

Defect Types (Dec '09 to Present)

- **27% of rejections for paperwork**
Paperwork Brainstorming Ideas

- Conducted brainstorming session as a team on how to improve paperwork issues
  Option 1 - Create consistent graduated escalation stages for defective paperwork lots
  Option 2 - Implement common checklists for each supplier to submit
  Option 3 - Create common shared ‘web’ application where data is entered by suppliers and accessed by primes and customer

- Team agreed on option 1
  - Option 2 complex, requiring extensive coordination between all primes and suppliers, also introduces new formats and requirements to suppliers
  - Option 3 costly, complex and timely to implement as a solution does not exist in the software industry to date
Paperwork Improvement Phases

Each defective lot leads to the next step…

1. 1st Defect
   - Phase 1 Notification

2. 2nd Defect
   - Phase 2 Corrective Actions

3. 3rd Defect
   - Phase 3 Delivery Release

4. 4th Defect
   - Phase 4 Credit Withhold ($250)

5 consecutive acceptable lots

Starting point
Paperwork Improvement Phase Details

- All direction to be given through prime’s purchasing departments
  - Formal notification will be an introduction letter sent by each prime
  - Additional clause will be added to current/new purchase orders
  - Will apply to all suppliers of each prime

- Escalation occurs at each prime independent of supplier activity at any other prime

- Progress of suppliers that move into phase 2 and beyond will be shared across all primes

- Removed from all phases once 5 consecutive lots are accepted with zero paperwork defects or 12 months (which ever comes first)
Phase Details

• Phase 1 – Notification of first paperwork offense
  – Opportunity to ensure common understanding of expectations
  – Obtain concurrence with supplier on paperwork nonconformance

• Phase 2 - Issuance of formal Corrective Action Request
  – Initiated upon second defective lot
  – Identical CAR form to be used by all primes, response requested in 14 days
  – Again confirm concurrence from supplier of paperwork nonconformance
Phase Details

- Phase 3 - Delivery release program
  - Initiated after 3rd lot submitted with paperwork issues
  - Requires paperwork for each lot to be sent (electronically preferred) before shipment
  - Shipment of material does not occur until the paperwork is accepted by the prime
  - Primes agree to review and approve/reject with 72 hours
    - should be factored into delivery schedules
Phase Details

• Phase 4 – Withhold cost of poor quality
  – Desire is to never get to this phase
  – Initiated after 4th lot submitted with paperwork issues
  – $250 to be withheld on invoice for only the rejected lot
  – Conservative estimate of $250 based upon additional labor to document the issue, communicate with the supplier, obtain approval, second review of data, segregation of material and closure of the disposition activity
    • Possibility exists for additional costs to be incurred as a result of the rejection and possibly passed along such as late shipment charges, OT required, line stoppage or difference in cost to procure replacement

Objective = eliminate systemic paperwork issues!
Summary

• Joint prime manufacturers team created to improve systemic supply base issues

• Team using data to drive decisions

• Data identified Paperwork as largest supply chain issue by frequency

• Team jointly implementing Paperwork Improvement Program that has 4 phases

SUPPLIER SUCCESS = INDUSTRY SUCCESS