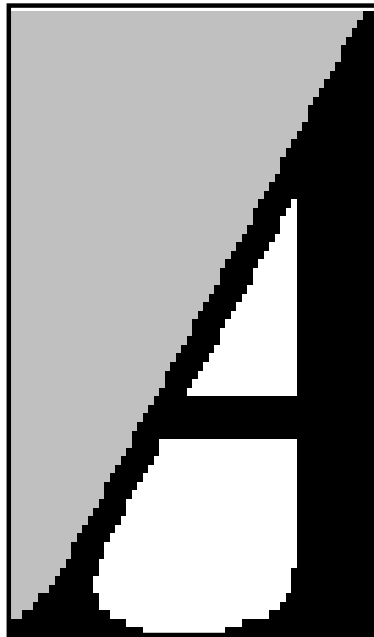


# *Supplier Rating System*



## Supplier Rating System Supplier Manual

Presented by Admiral Tool & Manufacturing  
Purchasing and Quality

# *Supplier Rating System*

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# *Supplier Rating System*

## *Introduction*

Admiral Tool & Manufacturing has become an independent supplier of automotive steering column systems by dedication to customer satisfaction through continuous improvement as well as the exceptional support and ingenuity from our valued suppliers. The supplier relationship is our key to success, and continued success will rely on effective communication with suppliers to meet and exceed our customer's expectations.

To improve our communication and performance with suppliers, Admiral Tool & Manufacturing has established the Supplier Rating System using the Report card as a vehicle to provide feedback to our suppliers on their performance. This feedback will focus on quality (rejected parts per million), delivery, service, and quality notices/written complaints. Supplier performance will be evaluated each quarter with a maximum of 100 points available. The distribution and calculations of these points are explained in detail in the pages to follow.

The Report cards will be distributed the 2nd week of each quarter evaluating the prior three month's performance. The Report cards will be printed and distributed from our manufacturing facility located in Livonia, MI.

As a current supplier to the automotive industry, Admiral Tool & Manufacturing believes you are well aware of the efforts to improve supplier performance in these areas and reduce the cost of developing and supplying parts/systems to our customers. We hope that the information provided to you will be beneficial and communicate our expectations for continuous improvements.

# *Supplier Rating System*

## Scoring Criteria - Rejected Parts Per Million (RPPM)

The RPPM category accounts for 30 points of the overall Scorecard rating. Supplier RPPM (rejected parts per million) is calculated on the basis of the amount of non-conforming materials versus the total amount of materials received in a given fiscal month. This calculation is then normalized to reflect a constant basis of one million units received.

*Example:* A Supplier ships 100,000 parts to a plant, of those 7 are found to be non-conforming.

The Scorecard calculation will be  $(7/100,000) \times 1,000,000 = 70$  RPPM's.

The Supplier's score for this example will be 12 points.

The following table outlines parts per million ranges and their respective scores:

RPPM Rating	Score
0 – 25	30
26 – 30	28
31 – 35	26
36 – 40	24
41 – 45	22
46 – 50	20
51 – 55	18
56 – 60	16
61 – 65	14
66 – 70	12
71 – 75	10
76 – 80	8
81 – 85	6
86 – 90	4
91 – 95	2
96 - 100	0

# *Supplier Rating System*

## Scoring Criteria - Quality Notices/Written Complaints

The Quality Notices/Written Complaint category accounts for 20 points of the overall Scorecard. The system rates Suppliers on the number of formal rejection notices or written complaints and the severity of each complaint with the following formula.

(The number of occurrences per classification code) x (severity index)

Level 0	Engineering issues	0.00	points per occurrence
Level 1	Minor issues	0.10	points per occurrence
Level 2	Repeat Minor issues	0.25	points per occurrence
Level 3	Major issues	0.50	points per occurrence
Level 4	Severe issues	1.00	points per occurrence

Example: A Supplier receives one written complaint in Level 1, two written complaints in level 2.

The total number of points will be calculated as  $(1 \times 0.1) + (2 \times 0.25) = 0.60$  total.

The Supplier's score in this example will be 9 points (see table on next page).

The following table outlines the quality notice rating ranges and their respective scores:

# *Supplier Rating System*

Total Quality Notice Rating Points	Score
0.00 - 0.05	20
0.06 - 0.10	19
0.11 - 0.15	18
0.16 - 0.20	17
0.21 - 0.25	16
0.26 - 0.30	15
0.31 - 0.35	14
0.36 - 0.40	13
0.41 - 0.45	12
0.46 - 0.50	11
0.51 - 0.55	10
0.56 - 0.60	9
0.61 - 0.65	8
0.66 - 0.70	7
0.71 - 0.75	6
0.76 - 0.80	5
0.81 - 0.85	4
0.86 - 0.90	3
0.91 - 0.95	2
0.96 - 1.00	1
1.01 - 1.05	0

# *Supplier Rating System*

## Scoring Criteria - Delivery

The Delivery category accounts for 30 points of the overall Scorecard. Delivery ratings are calculated on the basis of the amount of shipments that have errors versus the total amount of shipments in a given fiscal month. This information is then calculated into a percentage.

Delivery ratings are determined on the occurrence of the following criteria only when it is determined to be the Supplier's responsibility:

- Late deliveries
- Premium freight occurrences
- Damaged parts
- Over shipment of the quantity ordered
- Early deliveries
- Short shipment of the quantity ordered

The potential for more than one occurrence per shipment does exist. If no shipments are received in the given month, a notation will appear on your Scorecard in the comment section.

The system automatically calculates the delivery percentage and associated points based on the following formula:

$$\text{Delivery \%} = [(\text{total shipments} - \text{number of occurrences}) / \text{total shipments}] \times 100$$

Example: A Supplier sends 36 shipments for the month, of those 36 shipments, 1 shipment is late, and 1 shipment is short of the quantity ordered. This counts as 2 occurrences.

The delivery percentage calculation will be  $[(36-2) / 36] \times 100 = 94.4 \%$ .

The Supplier's score for this example will be 18 points.

# *Supplier Rating System*

The following table outlines the delivery percentages and their respective scores:

Delivery Occurrence Percentage	Score
100	30
99.6 – 99.9	29
98.6 – 99.5	28
97.6 – 98.5	26
96.6 – 97.5	24
95.6 – 96.5	22
94.6 – 95.5	20
93.6 – 94.4	18
92.6 – 93.5	16
91.6 – 92.5	14
90.6 – 91.5	12
89.6 – 90.5	10
88.6 – 89.5	8
87.6 – 88.5	6
86.6 – 87.5	4
85.6 – 86.5	2
85.5 Or less	0

# *Supplier Rating System*

## Scoring Criteria - Service/Responsiveness

The Service/Responsiveness category accounts for 20 points of the overall Scorecard.

Service ratings are determined on the basis of the following criteria:

- On time and accurate Production Part Approval Process (PPAP), as required
- On time and accurate response to quality issues, including corrective action reports (8D)
- On time and accurate documentation, as required by each location. (Including, but not limited to; SPC, certifications, invoices, packing slips, etc.)

Example: A Supplier fails to submit on time for the latest engineering level in the Production Part Approval Process (PPAP).

The Supplier's score for this example is 16 points.

The following table outlines the service/responsiveness occurrences and their respective scores:

Service Incidences	Score
0	20
1	16
2	12
3	8
4	4
5 or greater	0

Note: This category can be used at the discretion of the manufacturing facility to cover situations of severe nature. (i.e. shutting the manufacturing or customer plant down).

# *Supplier Rating System*

## **Minimum Expectations**

In the Delivery category: The minimum expectation is 98 % (26 points out of the 30 possible.)

In the combined categories of Delivery and RPPM's: The minimum expectation is 85 %, (combined total of 51 points out of 60 possible).

## **Corrective Actions**

The following will apply to Suppliers who do not meet these minimum expectations.

First month - Notification letters will be sent to Suppliers stating the minimum score has not been met and why. A corrective action plan may be required.

Second consecutive month - A second notification letter will be sent stating that the minimum score has not been met and why. A corrective action plan will be required. You will receive a follow up phone call from STA to obtain the corrective action plan.

Third consecutive month - The Supplier's Senior Management will either be visited or called to Admiral Tool for a meeting regarding their performance. STA may perform an on site Quality Systems Assessment. The Supplier may be placed on probation at this time.

Corrective Action plans will require the following charts: Trend, Pareto, Painter, 8-D's and an action plan matrix. (See The Corrective Action Process on the following page.)

## **In the Competitiveness Category:**

Due to the uniqueness of our supply base and the products they manufacture, Admiral Tools Purchasing Manager and Quality Manager will handle each Supplier falling below the minimum expectation on a case-by-case basis.

Falling below the minimum requirements may lead to the following actions:

- Letters indicating you are below our Competitiveness requirements
- Attendance at a Purchasing meeting with upper management to discuss steps to be taken
- Not being awarded any future or replacement business
- Current work being resourced

# *Supplier Rating System*

## *Corrective Action Process*

Anytime a supplier falls below the Minimum Performance levels or has trended toward performance degradation of a particular concern to Admiral Tool, the *Supplier Corrective Action Process* will be implemented.

- 1) The Supplier's management will be contacted by either Admiral Tool's Quality Manager or STA.
- 2) The Supplier will be expected to identify the nature of the failing performance verbally when contacted. This verbal response should be formally answered with a Disciplined Problem Solving Methods (i.e. 8-D), Open Issues Matrix and a Supplier letter of explanation. In the letter of explanation the supplier will be expected to clarify any discrepancies between the Problem Solving Form and the Open Issues Matrix and establish a level of commitment to resolving the poor performance.
- 3) The supplier will be expected to establish and maintain Management Operating System (MOS) measurable. The reporting format will consist of Trend, Pareto and Paynter charts. These charts should be maintained weekly to record positive trends from corrective or continuous improvement activity. It will be mandatory to maintain the charts covering a minimum performance history of six months to facilitate discussion with Admiral Tool. All three charts need to be placed on a single page, as in the example attached. Formatted disks are also available from Admiral Tool STA.
- 4) Trend, Pareto, and Paynter charts are expected to be kept on various levels of data as described below:

Internal Indicators - Supplier data collected at:

- a) End of line inspection
- b) Containment inspection when applicable

External Indicators - Supplier data collected from the Customer:

- a) Rejects and defects from the Admiral facility receiving product
- b) Rejects and defects by a third party containment activity

Data must not be mixed or combined from these different levels. Reject and defect data collection must exist on its own separate sheet, used for comparisons, analysis, and decision-making.

- 5) Suppliers will be expected to establish, maintain and provide a Systematic Problem Solving Form and Open Issues Matrices in addition to the Trend, Pareto, and Paynter charts to support and expedite any discussion with Admiral Tool.

## ***Supplier Rating System***

6) In early stages of the *Corrective Actions Process*, the supplier must support the immediate resolution and closure of concerns with informed middle management who is empowered to make decisions. In the event of issues requiring further attention, Senior Supplier Management will be invited to meet with Purchasing and Quality to present and address all concerns.

7) Failure to meet Minimum Performance levels, or when performance trends have shown serious degradation, the supplier may be placed on probation. While on probation, restricted sourcing may apply and the need to re-source considered.

8) Data collected from the Supplier Rating System and the Corrective Action Process will be shared with Senior Management across Admiral Tool via our *Worst Supplier Report*, published monthly.

### **Supplier Recognition**

It is the intent of Admiral Tool & Manufacturing to recognize and reward our very best Suppliers. The Supplier Rating System and the *Best Supplier Report* provides the means to analyze and identify our very best performers within a system driven by data.

Currently several recognition proposals are under review, though not available at this time of publishing. A separate addendum will follow describing in detail the Admiral Too & Manufacturing Performance Recognition Program.

# *Supplier Rating System*

## **Admiral Tool & Manufacturing Supplier Scorecard**

**Nuts & Bolts  
Camp, USA**

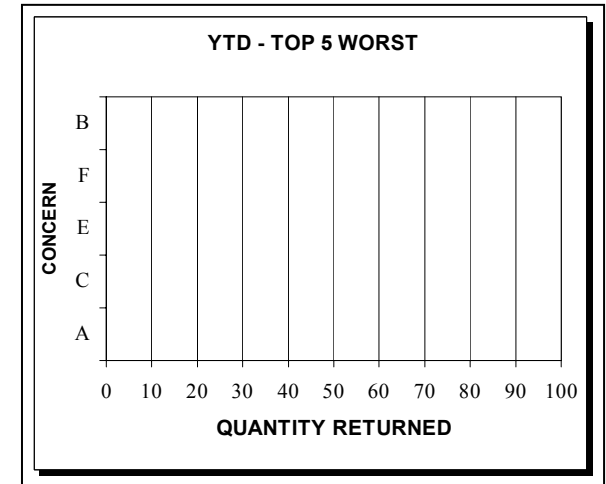
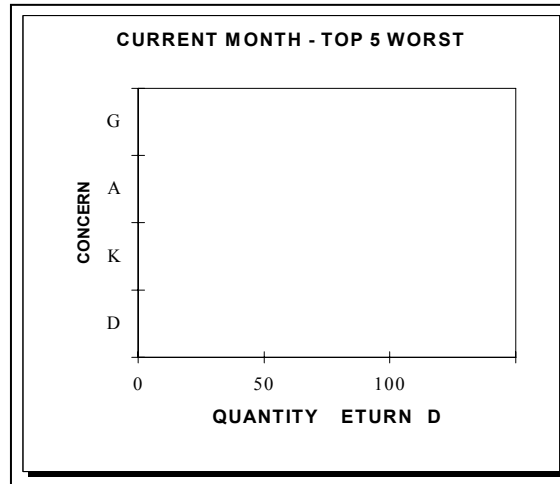
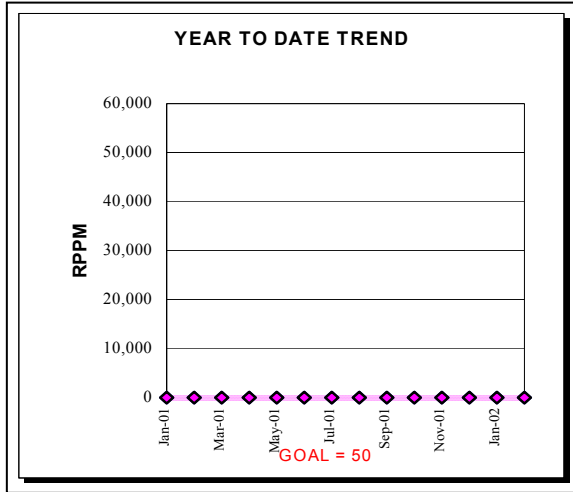
**Total  
Score 41**

RPPM Goal = 0		Max Score 30		<b>Quality Notices</b>				(Written Complaints) Max Score 20								
		RPPM	Score					Minor	Major	Severe	Repeat	Score				
		322	0	<u>Occurrences</u>				1			2	9				
Totals		322	0	Totals				1	0	0	2	9				
<b>Delivery</b>							Max Score 30					<b>Service</b>			Max Score 20	
		Early	Late	Damaged	Prm. Fgt.	Over/Shp	Shortage	Total	Score			PPAP	Quality	Doc.	Score	
		1							18			1		1	14	
Totals		0	1	0	0	0	0	18			1	0	1	14		
<b>Comments</b>							<b>Historical Scores</b>									
Late shipment of M6 bolts. PPAP late 1 week.									PPM	Written	Delivery	Service	<b>Totals</b>			
							January		19	9	14	12	54			
							February		15	15	20	15	65			
							March		20	15	18	15	68			
							April		0	9	18	14	41			
							May							0		
							June							0		
							July							0		
							August							0		
							September							0		
							October							0		
							November							0		
							December							0		
<b>YTD</b>		13	12	18	14	63										



# Supplier Rating System

## CUSTOMER REJECTS/RETURNS



	CONCERN DESCRIPTION	PAYNTER CHART														YTD TOTALS
		May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02	
A																0
B																0
C																0
D																0
E																0
TOTAL RETURNS		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL NUMBER OF PARTS SHIPPED																0
RPPM		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
RPPM TARGET		50	50	50	50	50	50	50	50	50	50	50	50	50	50	<b>ACTUALS</b>

# *Supplier Rating System*