

CASE STUDY

Transforming A Supplier Audit Program



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Client is a Large Space Propulsion OEM

The client provides propulsion and energetics to the space, missile defense and strategic systems, tactical systems and armaments areas, in support of domestic and international markets.

- 5,000 employees
- 15 sites
- 1,200+ suppliers
- Near \$Billion direct procurement spend

“This quickly became a very complex problem that seemed insurmountable to us”

The Challenge

Like most Aerospace & Defense companies, the client’s procedures require a quality management system (QMS) audit of new suppliers being added to their approved supplier list.

The client viewed this practice as an early opportunity to:

- Identify & abate risks and QMS gaps before contracts were issued
- Early identification and resolution of issues before they could result in product or program impact

However, the client’s audit data showed:

- Audits were perpetually 6 months behind schedule
- Only ~ 13% were performed on-site at the supplier facility as desired, the rest received a basic desktop questionnaire
- Suppliers who received the on-site audits significantly outperformed those who received the desktop questionnaire

The client recognized that their systemic inability to support the highly effective on-site audits as planned resulted in the regular use of the less effective desktop questionnaires.

While acceptable for internal compliance purposes, the desktop questionnaires were wholly inadequate at identification and resolution of supplier quality issues.

As a result, the client was experiencing **significant disruption** to their business and their own upcoming AS9100 re-certification was at risk.

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Upon further investigation, the client found that a severe shortage of auditors had created a **capacity constraint** that was at the root cause of the problem.

Client Goals and Constraints

As a result of this information, the client had established **very clear goals**:

1. Increase auditor capacity to match workload demand and surges
2. Eliminate the perpetual audit backlog
3. Perform audits on-site rather than desktop questionnaires

Unfortunately, the solution was not as easy as simply adding more auditors to the payroll.

The client **faced several constraints**, including:

- ⊗ Payroll – client was unable to add more auditors to their payroll
- ⊗ Demand - Need for auditors was not constant but rather cyclical. Moreover, only partial full-time equivalents (FTE's) were needed in different parts of the country
- ⊗ Travel – client's budget could not support traveling out to suppliers from a centralized location

“At first glance, solving the underlying problem appeared to be as easy as hiring more auditors” said the Director of Supplier Quality.

“But when we factored in the business constraints, it quickly became a very complex problem that seemed insurmountable to us. We needed outside help.”

The Solution

When Unitek was called in to help, we met with the client to understand their unique challenges, constraints, and desired outcomes.

“Prior to pitching us a solution, Unitek took the time to really understand our business and what would work for us”

The client had an existing audit program in place with all the necessary training, procedures, and forms.

Unitek developed a solution that solved the client's capacity issues while utilizing their existing infrastructure and working within their constraints.

“In our experience, introducing a solution that leverages the client's existing infrastructure leads to a more natural integration, faster implementation, and superior results.”

We did this by providing the client with a solution utilizing Unitek's existing network of **regionally-based contract auditors** while leveraging the clients existing infrastructure:

- ✓ Independent - contract audit professionals who work outside client's payroll on a task-basis
- ✓ Experienced - Highly experienced auditors who were able to contribute value immediately

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- ✓ Geographically located - auditors were regionally based near client's suppliers which significantly reduced travel costs
- ✓ Plug & Play - experienced auditors executed audits per client's existing procedures & forms
- ✓ Fractional FTE's – unlike hiring salaried auditors, client could utilize auditors only when needed without the obligation to carry a full FTE
- ✓ Scalable - the client could flex the number of auditors needed (FTE's) up or down throughout the year to match demand surges

The Outcome and Results

Unitek then worked collaboratively with the client to develop an **implementation plan** that involved:

1. Forecasting demand by FTE's and location based on client's audit schedule
2. Jointly developing auditor criteria for required experience, technical skills, and certifications
3. On Boarding auditors per client's existing auditor training & certification process
4. Dispatching auditors to supplier facilities per client's audit schedule
5. Executing audits per industry best practice and client's existing audit forms and procedures

From start to finish, Unitek had the solution in place **within 45 days** of our initial meeting with the client.

This included the identification, on boarding, certification, and deployment of the first wave of five (5) auditors with plans to scale to 35 auditors within 6-9 months.

“The contract auditors were just as strong as our own in-house people. They provided us with valuable technical expertise that we just didn't have on the team”

We **prioritized implementation** to the first round of audits to clear up the client's past-due QMS audit backlog.

Then we **strategically scaled the solution** to approx. 35 contract auditors who were regionally based across the United States and would perform approximately 150 on-site audits per year across a supply base of 1,200+ suppliers.

The **contract auditors** executed the audits and any resulting corrective actions to completion using industry best practice and client's existing forms and procedures, including:

1. Pre-audit planning, coordination, and scheduling with suppliers
2. Performance of the audits on-site at supplier facilities
3. Issuing corrective actions to suppliers including post-implementation validation and closure to client's satisfaction

As a result, the **client achieved all their goals** including:

1. Increase auditor capacity
2. Clean up their perpetual audit backlog
3. Perform on-site audits as desired
4. Close QMS gaps and risks far in advance of PO issuance thus preventing product & program impact from new suppliers
5. Avoid a major finding at client's AS9100D certification audit just a few months later.

The Unitek audit team's results following this process speak for themselves:

430%

Increase in auditor capacity (est.)

Zero

Past due audits

65%

Reduction in travel costs (est.)

70%

Faster audit deployment (est.) from using contract auditors vs hiring new employees

\$540,000

Annual labor savings (est.) from using contract auditors vs hiring new employees

What's Next For The Client

The audit transformation journey for the client has just begun and couldn't have started off in a more spectacularly successful way.

“Our company was new to this approach of using contracted auditors”, said the Director of Supplier Quality. “We were truly impressed with the significant speed, flexibility, and savings that we were able to capture thanks to Unitek.”

Unitek is working with the client to expand the approach beyond QMS audits to their special process auditing needs such as heat treat, paint, welding, NDT, etc.



Find out more

NTS Unitek offers an ever expanding range of global supplier quality, supply chain management and technical support services across North America and Europe. all our services are scalable, designed to expand and contract based on the complexity, rate of growth, and volatility of your supply chain.

To find out how:

Go to www.nts-unitek.com/contact-us
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