

Sanmina raises the quality bar for suppliers

The EMS provider measures product quality, but also how quickly suppliers respond to quality issues

By James Carbone

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At electronics manufacturing services (EMS) provider Sanmina, suppliers need to do more than build high quality parts if they expect to win more of Sanmina's business in the future.

Sanmina also expects suppliers to deliver parts on the day the components are due, respond quickly and thoroughly to any quality problems that may occur, and support Sanmina's various supply chain programs, which include supplier managed inventory, corporate social and environmental responsibility, and conflict minerals, among others.

Suppliers are rated quarterly on that criteria, and those that score the highest are given "preferred supplier" status and have a chance of winning new business from Sanmina.

"More than one third of our total spend is with preferred suppliers," says Craig Hebrink, vice president of global supply chain programs for the San Jose, Calif.-based EMS provider.

Suppliers that don't perform as well usually won't be considered for new business and may lose business if they don't show improvement.

Though Sanmina's quality scorecard has evolved over the years, it's still imperative that suppliers build high-quality parts and work quickly to resolve any quality issues, says Hebrink.

Like most major electronics companies, Sanmina evaluates the quality of suppliers' semiconductors, passives, connectors and other components.

"We measure parts per million (PPM) defect levels," says Hebrink. "Obviously, the lower the PPM, the higher the score for the supplier, but it's not just about ppm. It's also about responsiveness to corrective action."

Hebrink says Sanmina issues corrective actions based on the scores that suppliers get.

"If they perform poorly in one area or another, whether it is quality or one of the other categories on the scorecard, they could get a corrective action request," he says.

The supplier is asked to complete a corrective action process and is measured on how quickly it implements a corrective action plan to fix the problem.

Quality improvement

Hebrink says quality has improved over the years, especially for parts that are based on mature technologies.

"In general, parts per million defect rates have continued to decline," he says. Some parts have PPM levels below 100.

He attributes the improvement to electronics industry quality standards becoming much more prevalent.

"Implementation of standards and associated quality improvement tools has become widespread," he says. Leading OEMs have worked with their suppliers and trained them on quality methods.

He adds that while quality has improved, Sanmina's expectations about quality "have increased, and the acceptable quality levels have become more strict."

While product quality, delivery and responsiveness will also always be important, there is growing emphasis on how well suppliers support Sanmina's supply chain programs, including supplier managed inventory, corporate social and environmental responsibility and conflict minerals.

Supplier support of such programs is factored into scorecards.

"The main requirement today is that they share with us data on CSR type initiatives" and environmental initiatives such as the Restriction on Hazardous Substances (RoHS) and Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), says Hebrink.

"Conflict minerals is also a big area. The main thing we are looking for with suppliers is transparency and sharing of data on what they are doing and what their second- and third-tier supply chain partners are doing," he says. CSR will become "more of a well-defined set of criteria within the scorecard," says Hebrink.

It is important for suppliers to continuously improve product quality, delivery and responsiveness because it affects Sanmina's and Sanmina's customers' total cost of ownership, according to Hebrink.

He says Sanmina does not calculate total cost of ownership as part of the scorecard, but criteria in the scorecard help determine total cost of ownership.

"On-time delivery, quality, and supporting supply chain programs are all factors that go into calculating total cost of ownership," says Hebrink.

Suppliers are measured on cost relative to other suppliers of the same components.

"For instance, we measure a resistor supplier's cost against the cost of other resistor suppliers," says Hebrink.

He adds that if cost is measured "only in terms of price, then there will always be opportunities to purchase lower quality material at a low price."

This doesn't mean, however, that "you can't find very good prices on high quality material if you partner with the right suppliers," he says. If suppliers use TCO, then they will be able to be "very competitive while maintaining high quality standards."



"It's not just about parts per million defect levels. It's also about responsiveness to corrective action," says Craig Hebrink, vice president of global supply chain programs for Sanmina.

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