

Solving the Offshore Quality Management Puzzle

Managing product quality for strategic buys is challenging in offshore supply chain programs. In contrast, domestic supply chain management is simplified by communication during normal business hours and rapid travel to resolve issues. Additionally, common language, culture, and business sophistication smooth supply chain management. In offshore supply chains, the differences in distance, language, culture, time zones, and process maturity make managing quality daunting. Sourcing from less developed countries is a fact of competitive life in many industries. Navigating the challenges requires creative solutions and disciplined interaction with suppliers.

Based on 25+ years directly managing global supply chains and advising clients, we believe quality problems usually happen from a combination of four common mistakes made by Western buyers managing offshore suppliers. The good news is there are solutions to each:

1. **Incomplete or Ambiguous Specifications**: Whether the product is the design of the buying company or the supplier's stock products, consistent quality is not possible without complete physical, performance, certification, and compliance specifications. If the product is your design, you have control. If the product is the supplier's design, quality results are impacted by the supplier's engineering discipline. When sourcing supplier-designed products, it is advisable to perform a detailed assessment of the supplier's engineering specification process, including the Engineering Change Order (ECO) discipline. Specifications are the foundation of quality. If specifications are not complete, clear, and managed rigorously, quality performance is not possible.
2. **Unclear Quality Definition**: What is quality? No production process is perfect. Managing quality is about identifying "*acceptable imperfections*." It includes defining specific "*accept/reject*" limits during product testing. The most widely used approach to defining quality and determining production lot acceptability is the ISO 2859-1 standard. Simplified, the process has three steps:
 - Step #1: From product specifications, select the attributes that are critical to determining desired quality. These are termed Critical Quality Attributes ("CQA") – also known as Critical-to-Quality – and they must be measurable attributes.
 - Step #2: Define measurable "*accept/reject*" thresholds for each CQA for testing during production, pre-shipment lot inspection and at product receipt.
 - Step #3: Categorize each CQA as "*Critical, Major or Minor*" to prioritize and sensitize actual lot testing of CQA's – not all are requirements are created equal.
3. **Faulty or Unclear Testing Requirements**: It's not enough to just define quality; it is essential to specify how the supplier must test the product. This includes test protocols and reporting documentation. Production QA testing and any required pre-shipment AQL sample testing

(Acceptable Quality Level protocols defined in ISO 2959-1) must utilize the same testing of CQA values at all stages to assure closed loop quality management integrity.

4. **Failure to Require Supplier Quality Confirmation:** *“Trust but verify!”* When sourcing a strategically important product, a high price is paid for quality problems. Corrective action from halfway around the world is costly and time-consuming. Confirming quality before the container embarks is the best quality insurance. This can be achieved one of two ways: the first is requiring the supplier to provide documented AQL test results before release to shipment; the second is engaging a 3rd party quality audit service to perform pre-shipment AQL testing.

The opening challenge of any offshore sourcing program is finding high-quality suppliers who are committed to quality management practices. While world-class suppliers exist in many developing countries, there are also many who could not succeed in the West, because their basic quality standards fall short of Western expectations. Supplier qualification starts with formal auditing and assessment of the prospect supplier’s production, technical, and quality management capabilities and processes to assure performance sustainability.

Once a supplier is selected, execute a formal supply contract defining all commercial, financial, and operating (including quality) *“rules of engagement”*. There is no substitute to synchronizing expectations between supplier and buyer to establish mutual alignment of interests.

Quality discipline is established by implementing the structured activities described above, and it is confirmed over time by scheduled re-assessment of each supplier’s practices.

Offshore sourcing is a necessity and a critical success factor in many industries. Situational comparative cost advantage and resource availability vary around the world, creating national advantages that companies cannot ignore. However, cost advantage without consistent high-quality delivered products is useless. Achieving sustained quality in offshore sourcing is not difficult, but it requires committing to structured quality management practices with targeted suppliers.

WMC Consulting is a project management and advisory firm assisting North American companies and private equity groups to identify and solve cross-border business challenges primarily in SE Asia. Over the past 17 years, the WMC team has worked on 500+ international projects for 250 North American companies and 50+ private equity groups.

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