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A GUIDE TO EQMS FOR AUTOMOTIVE SUPPLIERS

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A GUIDE TO EQMS FOR AUTOMOTIVE SUPPLIERS QUALITY AS A COMPETITIVE DIFFERENTIATOR.

Quality is more than a department within your organization; it is a necessity to thrive in a globalized supply chain that stretches from Tokyo to Detroit. Without end-to-end quality management at every point of contact in the automotive supply chain, your company may continue to struggle to achieve real-time visibility into key quality metrics and performance indicators.

To overcome these challenges, you can implement enterprise quality management software to fuse critical business intelligence with operational metrics and quality benchmarks. Read on for an introductory guide to EQMS and its benefits for OEMs and suppliers alike, backed by insights from the experts at LNS Research.

STATE OF THE U.S. AUTOMOTIVE INDUSTRY.

Consider how far the automotive industry has come since its low point amid the global economic downturn several years ago. Without doubt, the situation for U.S. automotive

manufacturers continues to improve substantially.

If you operate as a supplier to an OEM or major manufacturer, on the other hand, your perspective may be slightly less optimistic. Looking at the facts is a good way to keep sight of what to expect moving forward.

Among other reliable sources, you can point to a recent article in Forbes, “Forecasters need a bigger yardstick for June U.S. auto sales,” for a peek at the state of the U.S. automotive industry in 2015. “If auto sales break 17 million this year, it would be the highest total since 2005. The all-time U.S. sales record was 17.4 million in 2000,” Forbes automotive writer Jim Henry said.

At the time of this writing, on the cusp of the holiday selling season, U.S. automotive production remains at a record pace. Still, you have to wonder: What does this success mean for subsequent demand on OEMs and suppliers? Yes, sales figures continue to rise, but what pain points can you expect to see from a supplier’s point of view?

DEMANDS WITHIN THE AUTOMOTIVE INDUSTRY: SUPPLIER’S PERSPECTIVE

Like major manufacturers, OEMs and suppliers continue to look to drive growth alongside innovation and smart risk management. As you know, recalls make international headlines, and the trend shows no sign of abating any

time soon. As recently as late October 2015, Toyota recalled 6.5 million vehicles to replace modules in the power window master switches of several models. More than 2 million of these recalled vehicles are in North America.

Given these high stakes, being able to demonstrate improved quality and production capabilities to OEMs is one way suppliers can earn business and differentiate themselves from competitors. Automotive suppliers that go beyond traditional advanced product quality planning and adhere to robust audit schedules will stand apart.

When you can provide real-time visibility of production and quality performance, you separate yourself from competitors that have yet to build this capability. You also can improve internal operations and bolster the operations of customers by taking this approach. The key is deploying the right technology, such as EQMS, to keep pace with the automotive industry at large.

LNS RESEARCH BENCHMARKS

You may have encountered a number of different definitions of overall equipment effectiveness. In short, OEE is “a composite of metrics based on three different areas of a particular asset’s performance,” said Matthew Littlefield, president and principal analyst at LNS Research.

Quality, efficiency and availability are three parameters of OEE that LNS Research identified. Your varied experience with OEE most likely relates to how your company chooses to measure each of these parameters. “Based on prior experience, companies using different OEE formulas can have widely different OEE scores even though actual performance may be very similar,” Littlefield added. LNS Research’s benchmark data provides the context you need to frame OEE with respect to your own pain points. Companies that are able to show real-time visibility of supplier performance actually have improved OEE of internal operations. If you look into median OEE performance data for manufacturers, compiled by LNS Research, there

is an interesting correlation between companies that have implemented real-time visibility and increased OEE.



Companies that have standardized escalation processes for supplier quality and non-compliance show higher OEE. The same is true for companies that have developed supplier scorecards to monitor performance and real-time quality metrics. OEE for these companies has improved from 70 percent median OEE to 80 percent median OEE, a full 10 percent difference.

Similarly, median OEE for companies that have developed real-time visibility of quality metrics for supplier performance was found to be 81 percent versus 76 percent median OEE for companies that do not have true real-time visibility.

Likewise, supplier quality data collected via cloud-based Web portals can improve your company’s OEE as well. LNS Research’s benchmark data shows that by taking this approach to leveraging technology you can improve OEE from 76 percent to 85 percent. That said, how exactly do you enable all of these capabilities? EQMS Works for OEMs and Suppliers, too.

“EQMS Solution Selection Best Practices for Global

Enterprises,” a guide recently published by LNS Research, can give you the background you need to make a sound decision. EQMS “consolidates disparate IT systems and data sources into a singular, holistic solution,” according to LNS Research.

The good news is that the EQMS space has matured over the last few years. Today, you have a number of EQMS vendors from which to choose. “EQMS Solution Selection Best Practices for Global Enterprises” contains a number of insights worth mentioning with respect to OEMs and suppliers.

At a high level, suppliers share many of the same pain points as OEMs. Ensuring consistent quality of products, improving responsiveness to customer demands and raising production capacity remain high priorities. Drilling down a step, however, reveals operational challenges that you have to address first, such as a disjointed, ad-hoc software portfolio.

In the ideal situation, EQMS acts as the central hub of all of your quality-related systems. From an IT point of view, EQMS integrates with your company’s enterprise resource planning software. Some ERP vendors have developed quality modules to address the demand for a holistic, real-time view of quality, but stand-alone EQMS solutions are distinct.

EQMS vendors have specifically developed their products to integrate with ERP software as well as other enterprise systems. EQMS typically integrates data from other major enterprise software systems, such as:

- Product life cycle management
- Customer relations management
- Manufacturing operations management
- Environmental health and safety

If you choose to begin the EQMS selection process recommended by LNS Research, take note of the different deployment models EQMS vendors offer.

Today, EQMS is available via hosted offerings and on-premise deployments. The good news for suppliers hindered by financial constraints is that cloud-based EQMS is available as well, generally offering the same functionality as an on-premise deployment.

The difference is that cloud providers, which have made great strides over the last few years, take ownership of all underlying hardware infrastructure, maintenance scheduling and performance reliability. For some, these truths make an on-premise deployment a more viable option due to regulatory constraints.

At a glance, major manufacturers, OEMs and suppliers have different pain points that require different technologies to address adequately. As the U.S. automotive industry at large continues to build momentum, each link in the global supply chain is becoming more intertwined. EQMS may be the one enterprise software that has been missing for OEMs and suppliers to collaborate seamlessly with major manufacturers.





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