

## **09 Procurement, Purchasing, and Out-sourcing**

### **01 Organization and system**

#### **01 Policy and procurement plan**

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###### **01 Is the policy of procurement, purchasing and out-sourcing firmly established, and are the schemes to exercise each year decided?**

Y Confirm that each scheme has the middle-term action plans (for about coming three years) and the priority specified.

N Explain the necessity of creating the middle-term business policy and planning, which will provide to the suppliers the base for their own business planning.

###### **02 By informing your action schemes to the top management of your suppliers, are you successful in motivating them and in acquiring their full support to your business?**

Y Confirm that the mutual role allocation to achieve action schemes is firmly set, after the policy and major action schemes are fully discussed and mutually agreed.

N Make following comments, " Impossible to realize the action schemes without cooperation from your suppliers. Just explain patiently to your suppliers the policy and schemes to reach understanding of co-existence and mutual prosperity. This cooperation will eventually make the best use of their management resources."

###### **03 Is your ordering system designed so that the supplier's total cost could be minimized, after considering the supplier's conditions of procurement, production and delivery?**

Y Check to what extent you understand the conditions of supplier's business activities of procurement, production and delivery.

N Explain that the long-term business relations cannot be realized without considering the supplier's business conditions and their capability level, and that your cost reduction may not be realized without successful cost reduction at your suppliers.

###### **04 The quality of supplied parts, materials, fabricated-assembled goods is as specified, and the supplied quantity is as ordered?**

Y Check whether a system to make random examinations of supplied goods is prepared.

N Explain that it will be necessary to send the specialists of production control to the suppliers, or to start selecting any alternative suppliers, when mistakes come out frequently.

###### **05 Is the supply of major materials and parts monopolized?**

Y Argue that the basic purchasing policy should be reviewed, as the monopolized supply is not favorable nor desirable in the long run.

N Confirm that major materials and parts should be ordered to plural suppliers. Argue the monopolized supply will damage the purchasing capability.

###### **06 At plural factories, any factory supplies be purchased from different vendors?**

Y Explain the fact that a collective purchasing of factory supplies such as lamps may realize a large cost reduction.

N Argue that some balance be needed, as too much collective purchasing would damage the support of local suppliers and local development.

#### **02 Securing delivery time, quality, quantity, and cost management**

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###### **01 Due to your imperfect drawing and specification, and defected material supply, are there any delivery delay or quantity shortage?**

Y Suggest that a drastic review be needed, as the scheme of supplying specification and procuring supply materials is often imperfect.

N Confirm if there exists any scheme or rule so as to quickly cope with the troubles of this kind.

###### **02 Are any accepted material inspected at the time of receipt rejected by the following process of fabrication or assembly?**

Y Analyze the reason of imperfect material, and feedback the fact to the parts inspection section and parts production section.

N Let them review whether the material has excessive quality than required.

###### **03 Do you negotiate the purchasing price, not by forcing your own estimate, but by**

**comparing the estimates submitted by your suppliers and the estimate of your own?**

Y Make sure that the documents for estimation, cost-table, IE factors of suppliers are equipped and the manpower in charge are well prepared in your company.

N Explain that your own estimate is effective for a temporary product of big quantity, and that the estimate competition of multiple suppliers is needed for continuous product of big quantity.

**04 As for the new materials and parts to be produced under new specifications, do you test the prototype product and properly evaluate the ability of the supplier's production process?**

Y Check whether there were any cases of quality troubles of the new materials and parts, which were carefully tested at the initial stage.

N Suggest that the initial check of the newly introduced materials and parts is so important that the careful tests should be repeated until both production and purchasing departments show OK sign.

**05 Are there any materials and parts whose prices are not changed over 3 years, though the quality specification and supply conditions are unchanged?**

Y Recommend to negotiate with the suppliers to reduce the prices of their materials and parts, because the cost-down must have been realized at supplier's side as a results of learning effects.

N Explain the necessity of your getting the knowledge of break even-point of profit and loss of your suppliers.

**06 Do you regularly check the prices of top 10 purchasing goods, in value terms?**

Y Check whether the cost down strategy of major goods is clearly defined.

N Explain that it is the first step of cost-down activity to check major purchasing goods.

**03 To cope with the diversified small lots production**

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**01 At the supplier's fabricating or assembly process, is the production lead time, (which is the necessary time from materials procurement till production completed), squeezed?**

Y Check, in time series, how much the lead time has been squeezed. Add that your inventory cut will be realized by synchronizing the supplier's process to your own production cycle.

N Explain the necessity to coach your suppliers by regularly visiting their factory, and by checking the capacity of production facilities, materials inventory, process inventory and so on.

**02 At your major suppliers, is the systemization towards the diversified small lots production well progressed?**

Y Confirm what kind of measures, (single set-up, standardization of materials, systemization of production information, or JIT,) has been taken by each supplier.

N Explain that it is important for you to get the knowledge of each supplier's production control system. Recommend to study, together with your suppliers, the possibility to realize cost-down by increasing the timing of production set-up and by reducing inventories.

**03 Are there not any requests of price increase raised from your suppliers, as a result of absorbing cost increase by productivity increase and rationalization?**

Y Not necessary to easily accept the price increase request. Explain the necessity to press to the suppliers to decrease the prices and to let them increase their cost saving capability by sending your own IE team or by suggesting to introduce the third party's support.

N No request is not always a result of rationalization. Recommend to watch and check the business achievement and statement of accounts of the suppliers.

**04 Do you procure your materials and parts by the JIT scheme, which is to procure necessary quantity at adequate timing?**

Y Check that the weekly or monthly production schedule is notified to the suppliers well in advance.

N In order to introduce JIT scheme, it is necessary for you to explain the reasons to introduce JIT scheme clearly and to make the conditions of both sides well prepared.

**05 In case of the flow production, delivery scheme of specified quantity at specified time, does it lead the results of significant reduce of your inventory volume and value?**

Y By introducing JIT scheme, it is natural that the material inventory is reduced significantly. Check the cost necessary to pre-notify the production information and the irregularity between actual demand and pre-notified information, if any.

N Recommend that you should drastically review the scheme of pre-notification, as the scheme is not accurate.

**06 The time needed to arrange materials and the lead time to procure fabricated goods and assembled goods be squeezed?**

Y Suggest that they should evaluate by themselves how much time and cost be reduced, compared with in the past.

N Explain that the in-house procedure time will be significantly reduced by employing IT engineering to the production of commodities and original goods. Strongly recommend to try IT application.

**04 Purchasing price management and purchasing development**

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**01 Are the purchasing prices decreased, as the results of instructing your suppliers the method of quality improvement and cost down activities, and of giving advices in the field of procurement, production and physical distribution (management in general, if necessary) ?**

Y As these activities are apt to become unpopular unless motivated autonomously, it is necessary to build up the activities systematically in their daily operation.

N Recommend to challenge such activities so as to improve management skill, as any fruits would not be born in short period.

**02 As for purchase price reduction activities, can you expect every cooperation from any other departments as well as from the departments of procurement, purchasing and outsourcing?**

Y Confirm that the designing and production departments of the same division, who are your customers, are seriously pay attention to these activities.

N The users tend not to challenge to use lower quality but cheaper materials, but to stick to their daily "bread and butter". In this case, recommend to ask for the top management to promote the activities directly.

**03 Are any proposals of cost reduction handled promptly as VE engineering by development and designing departments?**

Y Check the expected effect percentage of VE proposals. Hopefully two figures.

N Same as above. Recommend to utilize the top management.

**04 At the stage of drawing publication, do you execute DR (=Drawing Review) to check whether purchasing price is at the target level?**

Y Confirm that the target price designated in the designing policy is well built in from the beginning of the designing, by obtaining every information of purchasing prices at all designing stages.

N Explain the importance to check the purchasing price at every stage of designing, and that the only way to reduce the price is by "competitive tender", once the drawings are published.

**05 In case the target of cost reduction is high enough, do you organize any project team besides the daily operation group ?**

Y Confirm the engineers from development and designing departments participate in the project team.

N Recommend that a project team is organized, as the members of daily operation would become depressed due to heavy pressure of high target.

**06 Do you present any VE proposals to your customers, before they raise any requests on cost down?**

Y Check how many cost down proposals are stocked. After investigating and studying the customer's products and production processes, how many proposals do you keep in hand?

N Recommend to adopt a "transaction through proposal". Not wise to start studying cost down after receiving requests from the customers. When well prepared, there is no worry.

**02 Business operation of procurement, purchasing and outsourcing,**

**01 Procurement of materials and parts, and progress control**

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**01 Do you conclude each contract of detailed business terms, based on the basic contract for transaction with your suppliers?**

Y Confirm that they correctly understand the capability of each supplier, and that all the purchasing conditions (delivery time, quality required, quantity ordered and payment terms) are mutually agreed and concluded.

N Explain that the business relations would not last long, or some problems may be created, if your own business terms be forced to apply to all the suppliers.

**02 Do you publish and send an order sheet to the suppliers later, in case any business is concluded on verbal basis?**

Y Confirm it is understood the contract is in written form in principle.

N Instruct that any unforeseen troubles should be avoided in advance by confirming in written form, although any verbal contract is still legally effective.

**03 Do you distinguish the contracts between the continuous order to be ordered every month and the spot order to be ordered when needed?**

Y Just confirm whether they are executed in the right way or not.

N Recommend to handle the continuous order and the spot order separately, as the delivery terms at least are different.

**04 Do you prepare any system to cope with delayed delivery, quality defect and quantity shortage?**

Y Make sure that material stock for safety, supplier's inventory control and history record of defects are maintained.

N Explain some measures to cope with the emergency cases are needed to prepare.

**05 In case of emergency, can you expect every assistance from the related departments such as quality control, production technology, designing department and so on?**

Y Confirm that headquarters for countermeasure is immediately formed in case of emergency.

N Explain that it is necessary to build up a system to form headquarters for countermeasure under the leadership of president, whenever necessary.

**02 Acceptance check and shipment**

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**01 On the appointed delivery date, is the goods of requested quality and of required quantity delivered correctly?**

Y Check the number of inspectors and their ability. And check whether they adopt a flexible inspection method in accordance with each supplier's reliability.

N Recommend to take an immediate measure against the suppliers making frequent mistakes either they improve their job operation drastically or they leave from the present job immediately.

**02 Is the acceptance check exercised as scheduled, and is the payment done without delay?**

Y Make sure whether the acceptance principle is as per delivered date to your factory.

N Recommend to strengthen the internal system, as any delay of acceptance check and payment delay would damage the reliable relations with the suppliers.

**03 Are the materials and parts shipped and supplied in accordance with JIT method?**

Y Just listen to the explanation of the system and method of JIT.

N Preach "Customer is King". After hearing the voices of customers, they should review the system.

**03 Logistics**

**01 Logistics**

**01 By determining the minimum inventory volume of each major material and part, do you exercise "Visual Control"?**

Y Check how they do in the warehouse. Minimum required inventory volume is determined in accordance with the length of procurement.

N Explain that the in-house customers would be troubled by out of stock, if the criteria of ordering are not set clearly. And check the cases of out of stock in the past.

**02 In case the inventory of materials and parts being increased, do you take a quick action of any countermeasures by clarifying its causes and reasons?**

Y Check whether they confirm in written form with the section responsible to the inventory increase, as the inventory should not be dead.

N If any investigation of finding the section responsible to the bad inventory is not

carried out, your section should pay the loss on your own account, and any measure to prevent the second trouble can not be taken. Quick action to investigate and to take necessary measures is required.

**03 Do you let everybody pay a keen attention to the inventory, not only by controlling the quantity but also by evaluating the costs to keep inventory and the amount of inventory?**

Y Confirm that the report on inventory quantity and amount is sent to the production side.

N Explain that to control and reduce the inventory contributes not only to the profit increase but also to the cash flow.

**04 Do you not have any dead stock caused by design modification or model change?**

Y Check any bad inventory, once caused unfortunately, should be disposed immediately.

N Recommend to investigate the inventory more in detail, as the zero bad inventory is not realistic. Especially any bad inventory of finished or processed at the suppliers is a big problem, which should be discussed carefully and be handled in a fair manner.

**05 Is the dead stock increased as the results of product change or process change ?**

Y Check whether "input output control " is duly exercised, and check who has the authority to decide product change or process change.

N Recommend to exercise "input output control" rigidly, as it is a usual tendency under the normal production operation that dead stock is likely to increase.

**06 Do you find any difference between the ordered quantity and the used quantity of spare parts and maintenance parts?**

Y Recommend to exercise the actual inventory check at least once in 6 months, and to modify the record on the inventory book, as it is normal that the two figures are always different. It is necessary to get an approval from the senior officer, if the difference is over certain %.

N Ask whether periodical actual inventory check is exercised. If not, persuade them to exercise the check, as the inventory control is very important in terms of both financial accounting and tax declaration.

**04 Integration of materials and parts, and reduction of inventory keep-up cost**

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**01 Do you not find that the kinds and numbers of materials and parts are increasing year after year?**

Y As this increasing tendency is so dominant in fabricating and assembling industries that it is recommended for the top management to take the leadership of campaign making multipurpose parts and reducing the number of parts used.

N Investigate the reasons in detail why not increasing.

**02 At the stage of designing, are all the engineers unanimously conscious of standardizing and making multipurpose parts?**

Y Check the details of designing target, as they should have set up a clear target.

N Explain it is worth while to avoid uneven consciousness among design engineers, by building up "target parts numbers" or "target ratio of multipurpose parts" as one of the designing targets.

**03 Have you ever checked how many kinds and numbers of materials and parts are used for major products?**

Y & N Check the "input-output table" of materials and parts, which is self-explanatory.

**04 Do you evaluate how much the standardization and multipurpose is progressed and improved, and report it to the people concerned to motivate them?**

Y Check whether too much time be consumed only for evaluation of improved effects.

N Recommend to try to estimate and simulate the effects of improvement.

**05 Do you clearly understand and evaluate the costs of warehousing, interest, stocktaking and so on spent for the inventory keep-up?**

Y Confirm that the managerial accounting is employed for evaluation, as the financial accounting method is not expressive.

N Instruct how to use managerial accounting method. For instance, if the space for material inventory is saved, the outdoor inventory costs used for products will be saved.

**06 Do you exercise a company-wide campaign of cost reduction by setting the target of inventory reduction?**

Y Make sure the campaign is connected with management strategy, cooperating with squeezing

production lead-time, improving distribution channels and so on.

N Recommend to exercise a company-wide campaign, which is a use of the principle of competition.

### **03 Activities of procurement, purchasing and out-sourcing**

#### **01 To keep the specified delivery time**

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###### **01 Do you specify the delivery time by considering both your suppliers' ability of procuring materials and parts and of their production capacity?**

Y Just ask how to manage the case when the specified delivery time mutually agreed after considering the supplier's conditions is not fit to your requirement. Then check by what criteria the delivery agreement is reviewed.

N Just ask what would be the results if you force your own required delivery time to your suppliers. If not answered, then ask who would take the responsibility, if your supplier increases the machinery and manpower more than necessary.

###### **02 Do you take any countermeasures to prevent another trouble, after checking the major production processes of the supplier who made delayed delivery?**

Y Check whether the process control of the supplier is well monitored.

N Explain the necessity to coach your suppliers by visiting their factories, which are responsible to your major materials and parts.

###### **03 Do you prevent any delayed delivery by utilizing "Come-up"(=to check completion of every process) method?**

Y Check whether the level of the supplier's process control is improved.

N Ask whether they have started to find out a new supplier.

###### **04 As for the second and third tier suppliers' delayed delivery, do you have any agreement who shall take responsibility and what kind of countermeasures shall be taken?**

Y Make sure whether there is any agreed manual.

N The first tier supplier should take the responsibility to any troubles caused by the second or third tier suppliers. Therefore, the first should prepare any management system to control the second and third, which should be reviewed whether effective.

###### **05 In case the delivery conditions of a supplier are not acceptable, do you reduce the order volume to that supplier?**

Y Check what they do. Also check how to evaluate the delivery conditions of the suppliers and how to make the results open to the public.

N Explain that it is so important to keep the specified delivery time that you should let your suppliers compete each other and revitalize.

###### **06 Do you evaluate the loss value of the delayed delivery, and report to your suppliers so as to let them improve themselves?**

Y Recommend to penalize the suppliers who commit the delivery troubles more than 3 times.

N Comment that three delivery troubles would automatically make the supplier stop delivery. Also comment some other appropriate measures should be considered.

###### **07 Have you started talking to your suppliers to build up the production system to cope with the "small lot "production and quick delivery?**

Y Check what and how they talk to their suppliers.

N Explain it is important to show your leadership to your suppliers by actual action, not by verbal explanation.

###### **08 Are the cases of delayed delivery and total delayed time decreased year after year ? Is the loss caused by the delay decreasing as well ?**

Y Just check the facts.

N Explain that the delayed delivery is one of the important evaluation points of the person in charge of outsourcing.

#### **02 To secure delivered quality**

##### **01 To secure delivered quality**

###### **01 Do you explain to your suppliers what is required and specified in the detailed drawings and specifications, and instruct what the important quality items are?**

Y Make sure whether the important quality items are reconfirmed when ordering, even in case the drawings and specifications are prepared by the suppliers.

N Instruct to check the important quality items very carefully, particularly when you

modify a small part of specification, because any human beings are inclined to follow what they have been doing,

**02 Do you discuss and agree with your suppliers the procedure of inspecting required quality items, and exchange the necessary documents specifying in the QC chart?**

Y Check the inspection system and QC chart.

N Explain the importance to have reached agreement with your suppliers, especially on the very important parts items.

**03 Do you distribute, before production start, a limit sample or a standard sample necessary for visual inspection?**

Y Confirm when these samples are distributed.

N Instruct them to distribute the samples well in advance of production start.

**04 Do you guarantee the perfect quality of materials and parts which you provide to your suppliers?**

Y Check the quality assurance agreement with the suppliers on provided materials and parts.

N It is preferable to agree well in advance how to handle the case when you can not guarantee 100% quality of the materials and parts which you provide to your suppliers.

**05 Besides checking the quality at the stage of final process inspection of supplier's shipment, have you tried to make the suppliers establish the philosophy and system to build in the quality in their own production process?**

Y As it is difficult to instruct all the suppliers how to build-up in-process quality, check the criteria to select the suppliers.

N Explain the importance to let the major suppliers, who cover more than 70% of total procurement, follow to adopt this in-production quality scheme.

**06 Is the number of defects of supplied goods decreasing, thanks to TQC activities and Target management? Or are any other countermeasures to prevent the troubles already set?**

Y Confirm that the principle of competition is utilized, providing a commendation ceremony for a good result in transaction at the meeting with the subcontractors and so on.

N Recommend to introduce the merits of Japanese production management.

**07 Do the inspectors of suppliers have similar understanding on quality, and have high consciousness to keep the quality?**

Y Question how to check and evaluate whether the supplier's inspectors have the even ability and high consciousness on quality.

N Explain the importance to take the measures of "mutual prosperity through co-existence" by sending your staff to the suppliers as instructors. To make the suppliers' employees well trained will result in assuring the high quality of your own products.

**08 Do you respond quickly to any complaints and proposals from your suppliers, by modifying the design in the drawings and specifications?**

Y Just check the examples and the facts.

N Make a strong stress that the prosperity of parent company will not be realized without respecting the complaints and proposals of the suppliers.

**09 Have you established a system to give the first priority to cope with any quality trouble?**

Y Check within how many hours you get the real fact of the claim from the customers. It is said you have to fly to the claiming customers within 24 hours.

N Suggest flying to the customers as soon as you receive a claim. It is the customers' usual practice to stop buying, when you make troubles at most three times.

**10 Does your acceptance check system of supplied goods rely on more to check the data submitted rather than to check the actual goods delivered?**

Y Confirm that the data of quality submitted by the suppliers are recorded by the testing machine and method mutually agreed, and you have already got enough knowledge of their production quality by way of technical audit.

N Emphasize the importance of the accuracy and productivity of inspection information.

**11 Do you reflect the results of your quality evaluation on materials, parts, fabricated goods and assembled goods to your coming purchasing policy?**

Y Confirm what they do.

N Explain the importance to rotate the PDCA circle by making the quality evaluation feed-back to the suppliers.

**12 Do you have any agreement with your customers how to handle and compensate a**

**claim whenever happens. ?**

Y Recommend there exists a custom to check the fact first together and to start negotiating the compensation allowance later.

N Emphasize that any troubles on claim handling and guarantee would badly influence the future transactions.

**13 Do you conclude a quality assurance agreement with your customers, based on the basic contract for transaction?**

Y Confirm that the basic understanding and agreed points are in the basic agreement, though the details would be written in the memorandum.

N Emphasize the importance to exchange the agreement on quality assurance.

**03 To secure the ordered quantity**

**01 To secure the ordered quantity**

**01 Are there any cases that you alter the ordered quantity and delivery time, after you issue an order sheet?**

Y Explain that there is a possibility to damage your suppliers, if you alter the contents of issued order sheet without supplier's consent.

N Confirm that the highly precise demand survey is reflected in the production schedule.

**02 Do you decide the ordered quantity to your suppliers after considering their production ability and procurement ability?**

Y Confirm that any information relating to the production is distributed in advance to the suppliers, who are able to adjust their production by shift change or overtime.

N Explain that troubles may happen, if you place an order, neglecting the production capacity of the suppliers.

**03 Do any quality troubles and quantity shortage of the materials and parts that you provide to the suppliers cause the delayed delivery of your suppliers?**

Y Recommend to introduce a business consultant to review their basic practice of the out-sourcing management.

N Recommend whether the finished goods are too heavily stocked at the suppliers' warehouse.

**04 Are the maintenance management of facility and machinery, and measurement apparatus at your suppliers in good condition?**

Y Confirm how they check the suppliers, who are one of their group firms.

N Recommend to visit the suppliers periodically to make sure their maintenance be in a proper condition.

**05 Do your major suppliers manage the operation rate of their facility and machinery, and grasp the exact volume of finished goods and of in-process goods?**

Y Confirm if the figures of production grasped by the suppliers be immediately transferred to you.

N Explain the necessity to maintain the major suppliers' production conditions at the same level as your own production management.

**06 In case of quantity shortage, do your suppliers prepare any mechanism and system to cope with the trouble?**

Y Make sure whether any manual is prepared.

N As a trouble shooting may not be always successful, recommend to instruct the suppliers thoroughly, or to find another smart supplier.

**07 In case of quantity shortage, is it possible for your suppliers to fill up from their finished goods and in-process inventory?**

Y Just question that to fill up supply shortage by more shift work and over time may be better than by keeping inventories.

N Recommend to instruct the suppliers to prevent another trouble by keeping the inventory level at an appropriate position and by preparing a possible condition of more shift work and over time.

**08 Do your suppliers control the excess capacity of facility and manpower, by means of machine hour rate and man hour?**

Y Just check what they do.

N Recommend it imperatively to exercise the excess capacity control, so as to know actual production ability.

**09 Do you adjust the ordered quantity to your suppliers, reviewing their quality improvement and decrease of defects?**

Y Check how they do. Sometimes it may be better to order the same quantity every month.  
N It is necessary to check the policy for suppliers, as the ordered quantity to a worse supplier may not be decreased temporarily under the firm policy of bringing-up suppliers.

**10 Does the inventory amount at your suppliers decrease significantly, by non-stock production and by squeezing lead-time?**

Y Check whether it has decreased or not.

N As the reduction of inventory amount results not only better financial conditions but also better cash-flow, recommend them to promote the inventory reduction by introducing the outside consultants.

**04 Purchase price management**

**01 Purchase price management**

**01 Upon asking to the suppliers to submit an estimate, do you clearly show the necessary terms and conditions, such as quantity to order, payment terms, packing style and so on?**

Y Confirm other important terms and conditions such as delivery time, delivery unit, quality specification, provided materials and so on are clearly stated.

N Explain it is necessary to clarify all the terms and conditions when ordering, in order to avoid any misunderstandings. Verbal ordering is apt to create a big mistake of neglecting an important point changed.

**02 Have you reached an agreement with your suppliers how to calculate and make an estimate of materials cost, parts cost, fabrication and assembly costs, respectively?**

Y Check the details of agreement reached with their suppliers.

N Explain that to pre-decide mutually how to estimate is the way to keep transaction for a long period.

**03 Do you prepare a "form-sheet" for the estimate, for the purpose of avoiding any intentional estimate pricing?**

Y Check the form-sheet.

N The form-sheet does not always prevent an intentional pricing, but is better and convenient for mutual understanding.

**04 Is it an obligation for your suppliers to attach cost details to the estimate (for the goods other than commodity or standardized goods)?**

Y If the calculation formula is decided and form-sheet is prepared, the cost details must be clearly expressed.

N In case neither calculation formula nor form-sheet are prepared, recommend to let them submit cost details.

**05 Do you promptly study any proposals presented from your suppliers on the improvement (including VE) of production method and process, and then review the terms and conditions of trade, drawings and specifications?**

Y Check the fact.

N Explain that the quick response is the most important thing to keep good reliable relations with the suppliers. If not possible to accept any proposals soon, let them keep in a file of improvement candidates.

**06 Do you propose to your suppliers to improve the problems regarding fabrication and assembly?**

Y Check the fact, and question what the reaction of the suppliers is.

N Explain that to propose each other would deepen the mutual understanding and meet with the spirit of mutual prosperity through co-existence.

**07 Do you not request too much cost reduction to your suppliers?**

Y Explain that, in cost reduction, it is better to cooperate with the suppliers rather than to request them too much.

N Nevertheless, it is meaningful to give a constant cost reduction pressure to the suppliers to some extent.

**08 In case there are any discrepancy between your own estimate and your suppliers', do you try to cooperate with mutual effort to solve the discrepancy?**

Y Let them make a presentation of the cases.

N Suggest them to solve the problems by setting the improvement target per each cost element, as an estimate is the aggregation of various cost elements.

**05 Market development and securing most appropriate suppliers**

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**01 Regarding the sensitive materials and parts, do you always prepare a list of candidates for the possible new transaction?**

Y Check the list of new suppliers, whether the creditability has already been surveyed, and whether factory visit has been done.

N Emphasize that it is the responsibility for the person in charge of purchasing both to bring up the present suppliers with the spirit of mutual prosperity through co-existence, and to search for new suppliers.

**02 Are you collecting any new information by actively attending presentations and exhibitions of new materials, new parts, and new technology?**

Y Let them list up the presentations and exhibitions attended recently, and let them present what they were impressed.

N Explain the importance to study hard, as the business world is changing very rapidly.

**03 Do you collect information from machine and equipment manufacturers, trading firms, and molding and jig manufacturers, in order to utilize them for your improvement?**

Y After checking the source of information, advise the news source they do not cover, if any.

N Strongly express "to be sensitive", as there exists information everywhere.

**04 Is it possible for you to alter your supplier, if you find a better one?**

Y Check whether they follow the necessary process for altering a supplier.

N Make a lecture that the usual practice is to start business with small share at the beginning, if the new supplier's career, creditability, customer's reputation and the test of prototype model are acceptable.

**05 When you find out a candidate for new transaction, do you pay a visit to the production site to check its actual management?**

Y Recommend to keep following the same routine, which is very important.

N As an old man says, "seeing is believing". It is a key for selection.

**06 Comparing the estimate periodically collected with the in-house production cost, do you study whether to make fabrication and assembly production outsourcing or not?**

Y Check what they do, and advise what they do not cover.

N Make a comment that this kind of study should be stimulation to the in-house sections, though the study would not be realized due to employment relations.

**07 Do you provide a chance for your suppliers to periodically meet and to exchange opinions to improve and rationalize their production management?**

Y Check what they do actually.

N Make a strong stress that to prepare and provide such chance is to build up reliability and friendship, as partners in manufacturing.

**08 Do you motivate your excellent suppliers by applying bonus system such as better payment terms or increasing order volume?**

Y Check what their motivation system is like. And comment to be careful not to spoil the suppliers by giving benefits too much.

N Explain the necessity of giving some benefits to the good suppliers.