

## Helping Suppliers Deal with their SCARs

Duke Okes, Knowledge Architect  
APLOMET/Applied Logical Methods  
423/323-7576, dokes@earthlink.net

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**Abstract.** The abbreviation for supplier corrective action requests (SCARs) describes how suppliers often feel when they get a corrective action request from customers. Why? Because neither party is often clear as to the proper When and Why to issue a CAR, or Who or How to reach the root cause of the problem. Supply management personnel can more effectively work with suppliers in order to ensure that SCARs are a positive rather than a negative process, which requires knowing: 1) the relationship between corrective action and root cause analysis; 2) differences between physical and system causes and what level of investigation is appropriate; and 3) how to support supplier investigations.

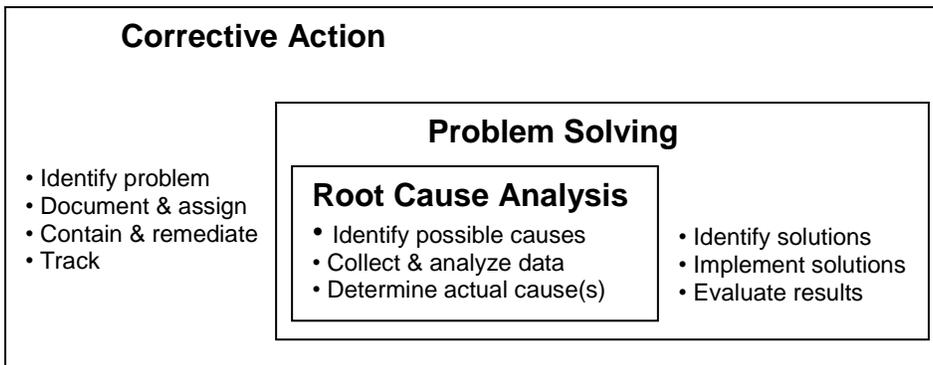
**Background.** Experience with hundreds of organizations indicates that many do not understand how to effectively carry out the corrective action process. The typical response seen is “cause = operator error” and the “solution = retraining” (Okes, 2007). The same lack of logical thinking is apparent in larger society. For example, a Chicago news broadcaster attributed an increase in bank robberies to an increase in the number of banks.

While most management system standards require corrective action they are inadequate in describing how to do it. In order to address this some industries have developed documents providing greater guidance. For example, The International Aerospace Quality Group (IAOG) has a supply chain management handbook which details the steps for root cause analysis and problem solving.

**Solutions.** Several issues must be considered in order to improve the SCAR process:

- Knowing some important terminology
  - a. Corrective action versus problem solving versus root cause analysis
  - b. Physical cause versus system cause
- When a SCAR should be raised
- Why it should be raised
- Who should be involved
- How the supplier should respond

**Corrective Action versus Problem Solving versus Root Cause Analysis.** Corrective action is an administrative process that includes: 1) Identifying problems and deciding how to respond to them, 2) Identifying the causes and taking action to prevent them in the future. Figure 1 demonstrates the interrelationships between the various components of corrective action. It is important to note that some problems may only require containment and remedial action, while others require problem solving ... finding the cause (root cause analysis) and taking action to prevent them in the future.



**Figure 1 – Relationship between Corrective Action, Problem Solving and Root Cause Analysis**

**Physical versus System Causes.** A problem is made apparent by symptoms that indicate something isn't right. The physical cause of the problem is the immediate cause which, if removed, would keep the problem from recurring in the short term. However, the physical cause is simply a symptom of a deeper, system cause. Organizations often deal only with physical causes, with the problem likely to recur due to the underlying system cause.

**When to Issue a SCAR.** The short answer is "After you have evidence that there is a problem and that it was not created within your own facility." There is a natural human tendency to deflect problems towards others. This means if a problem is found that involves a purchased part or service, people automatically assume it is the supplier's fault and issue a SCAR. Yet in many cases the problem may have been created by mishandling or misuse by the customer.

Therefore, before issuing a SCAR the customer organization should first perform an investigation to determine whether or not the problem may have been created internally. If it is found to not have been, their communication with the supplier should include details of the investigation performed, along with the findings and supporting evidence. Suppliers are then more likely to understand that the SCAR is valid, and will also have had the opportunity to learn something about how to carry out an effective investigation.

**Why a SCAR Should be Issued.** The short answer this time is "When the problem involves significant risk." All too often companies issue a SCAR when there has been only one failure out of millions, and/or when the impact of the failure is negligible. This is not to say that the supplier shouldn't be made aware of the issue, but the customer should consider whether or not it warrants a formal investigation, and if so, the depth required (Okes, 2008). One way to increase objectivity in such situations is to ask whether or not, if it were found to have been an internally created problem, a CAR would be issued.

The concept of corrective action density says divide the number of CARs by the number of employees. If this ratio is too high, then investigations will by definition not be as in-depth. It is better to focus resources, rather than treat every problem as if it were equal.

**Who Should Be Involved.** This time the answer is "The purchaser and the supplier." Note that this does not include the quality folks unless the problem involves an item purchased by the quality department. It instead means primarily the purchasing department and user department (Operations for a purchased component for a manufacturing line) from the

customer organization, and Operations and Sales folks from the supplier organization. The role of quality personnel should simply be to facilitate the communication process from a standpoint of ensuring that the resulting investigation is carried out effectively.

**How the Supplier Should Respond.** Following are some minimum recommendations for how the supplier should investigate and report the results:

- Develop a clear, concise, complete problem statement that includes what occurred, where it was found, frequency, and when it began. Note this includes going beyond information provided by the customer to see if there have been other occurrences.
- Identify possible causes, then collect & analyze data that indicates whether each was responsible for the failure. Causes should consider each step of the process that creates and delivers the purchased item.
- Consider whether the cause found is only a symptom of a deeper cause, and if so, whether the investigation should go deeper.
- Identify potential solutions, select and implement one or more for each actual cause found, then determine whether or not the solution was effective. If so, consider other areas where the solution should also be applied, and how it will be assured that the process change will be institutionalized.
- Document and report the problem statement; causes considered and causes found along with the evidence to support them; solutions implemented, rationale for them, and evidence of their effectiveness.

**Supporting the Investigation.** While issuing a SCAR only after having determined it is not an internal problem and that it is significant enough to warrant an investigation will greatly enhance the process, it is the investigation itself where personnel from quality should be involved. Many personnel will not know how to effectively carry out a good investigation to find causes of problems. Providing guidance for the steps to follow and staying in contact in order to coach them through the process is often necessary or useful.

**Summary.** Just because a purchased item is involved with a product or process failure doesn't mean that the supplier should be "blamed" for the problem (note this is the way it feels for many suppliers). Instead an objective evaluation should be done to determine whether or not the supplier is likely at fault, and if so, how in-depth a response from that supplier is required. Involving the right people will help reinforce the supplier-customer relationship by broadening the communications between them, while providing assistance to support the investigation will help ensure that the results of issuing the SCAR will be of value to both parties.

## REFERENCES

Okes, Duke., "How Correct is that Corrective Action Request?" *The Auditor*, March-April 2007, pp. 1, 12-14.

Okes, Duke., "Are Your Audit Nonconformances Nuisances or Problem Statements?" *The Auditor*, November-December 2008, pp. 7 & 13.