

# Horton Supplier Management Program



*Engine **Cooling Solutions** Worldwide®*



## Global Supply Chain Management Program

## Introduction

The Horton Supplier Management Program is a supply chain management program based on the premise that “Value” is defined as a combination of quality, service and price. Horton works with a limited supply base to achieve the best “Value” possible.

*Note: The information in this book can also be found on the Horton Inc. website. To access, go to [www.hortonww.com](http://www.hortonww.com). In the left margin click on “Supplier Information”.*

## Objective

The objective of the Horton Supplier Management Program is to assist Horton in exceeding its customers’ expectations. Horton expects to accomplish this by maximizing the value of purchased parts and materials, and by identifying and working with suppliers who consistently and reliably perform at or above Horton’s expectations.

- **Quality** **70 Points Available (35% of total score)**
  - PPM 50 or less
    - Sum of the quantity of parts rejected divided by the quantity of parts received, multiplied by 1,000,000.
  - Failure impact
    - This element takes into account a defective supplier product shipped to Horton. The impact severity depends upon where the defective product is identified; lowest severity is at incoming inspection and increases if discovered during product assembly, customer location or field failure.
  - Number of SCAR’s issued
    - Supplier starts with 20 points and a deduction is taken for each SCAR issued based upon severity.
  - Continuous improvement in delivered quality levels
    - Improvement projects initiated by the supplier or those identified and agreed to between the Horton commodity team and supplier which result in mutually beneficial improvements to quality, delivery and cost.

# Horton Supply Chain Management

- **Supply Assurance**                      **70 Points Available (35% of total score)**
  - On-time delivery
    - On-time delivery is percentage of line items received on time measured against the delivery date specified on the purchase order.
  - Lead-time
    - Sum of supplier lead-time (including transit time) in days, divided by the number of parts purchased from the supplier.
- **Total Cost**                              **60 Points Available (30% of total score)**
  - Identified cost support goals and continuous improvement objectives
    - Annual savings expectations established between Horton and supplier.
  - Delivery flexibility
    - Inventory management programs such as consignment, Kanban, build and hold.
  - Innovation/Improvement projects
    - Example of Innovation: Supplier provides an analysis and recommendation as to how often Horton should buy parts in order to optimize buy cycles resulting in decreased costs for both companies.



# Horton Supply Chain Management



## Suppliers

Horton categorizes its suppliers into two groups: “Strategic” suppliers and “Approved” suppliers.

## Partnership

The Horton Supplier Management Program requires the commitment of both parties. This commitment is an **investment** in the ability and willingness of both parties to grow with the business. Horton’s requirements are explained later in this document and in the Horton Supplier Quality Manual.

**Strategic Suppliers** are those suppliers who meet or exceed our performance criteria and have a high unit volume, high dollar volume, and/or provide a critical part, material, or service to Horton. Based on these criteria, a Commodity Team consisting of representatives from plant and corporate staffs will review and designate Strategic Suppliers.

The rewards of the Performing Strategic Supplier status may include, but are not limited to, preferential consideration in product sourcing and consideration as a partner. With its partners, Horton works to achieve mutual goals, including cost reductions that are mutually beneficial to both sides of the partnership.

*“Horton Inc will place the majority of purchases with top performing Strategic Suppliers, thereby providing the best possible Value.”*

Recognition of Strategic Suppliers will be coordinated by the Horton Supplier Management Team. Plaques and certificates are examples of the recognition available. The best recognition, however, is the growth of the long-term business relationship and the opportunity to gain additional business with Horton Inc.

**Approved Suppliers** are the “universe” of suppliers available to Horton’s manufacturing facilities who have the potential to become Strategic Suppliers. Horton is looking for suppliers that provide maximum value. Suppliers that consistently meet expectations and increase value will be considered for promotion to Strategic Supplier status.

## How We Measure Success ...

The Horton Supplier Management Program has a total of 200 available points. There are 70 points assigned to Quality, 70 points assigned to Supply Assurance and 60 points assigned to Total Cost. The Horton Commodity Team will meet annually with each Strategic Supplier to review performance to the established Quality, Supply Assurance and Total Cost requirements. Mutually agreed upon improvement objectives will be set during the annual review for the following year. These objectives must be set no later than mid November prior to the new fiscal year which begins in January. Performance against these requirements will be tracked monthly. **At least one annual meeting** with the plants being served by the Strategic Supplier is also required, and a mid-year progress report to the Commodity Team will be due each June 15<sup>th</sup>.

To maintain its status as a Strategic Supplier, a supplier must receive a minimum score of (85%) 170 points.

Strategic Suppliers with a rating below 170 points must submit a corrective action plan approved by an executive of their company to the Horton Commodity Team.

Progress against the corrective action plan will be reviewed quarterly for a maximum of one year, by the Commodity Team. If sufficient progress against the plan by the supplier is not made within the year following the less-than 170 point rating, The Commodity Team may decide to demote the supplier from their current Strategic status.

Approved suppliers must maintain a minimum rating of (70%) 140 points. Approved suppliers who fall below this rating must submit a corrective action plan approved by an executive of their company to the Horton Commodity Team. Progress against the corrective action plan will be reviewed quarterly for a maximum of one year, by the Commodity Team. If sufficient progress against the plan by the supplier is not made within the year following the less-than 140 point rating, The Commodity Team may decide to remove the supplier from the “Approved” list, resulting in no new business awards and or elimination from the Horton supply base.

***Quality score** is based on PPM's, percentage of shipments accepted and the number of SCAR's issued against a supplier.*

***Supply Assurance rating** is based on on-time deliver and lead-time.*

***Total Cost** score is based on mutually identified improvement projects, innovation and flexibility.*

## Quality – 70 Points



The Quality portion of the Horton Supplier Management Program consists of a total of 70 points divided into four categories: PPM, Failure Impact, SCAR's and Continuous Improvement.

- Parts Per Million (PPM) defective      Earn up to 10 points
- Failure Impact      Start with 30 points but each infraction is a deduction
- SCAR's      Start with 20 points but each infraction is a deduction
- Continuous Improvement      Earn up to 10 points

# Horton Supply Chain Management

## Parts per Million (PPM) – 10 points

Points for Parts per Million (PPM) defects are pro-rated as shown in the table below. A maximum of 10 points will be awarded for a PPM score of 50 or less. Points will be awarded according to PPM achievement for the Horton fiscal year in which the rating is being made.

Supplier PPM	Points Awarded
0-50	10
51-100	08
101-250	06
251-500	04
>500	0

PPM is calculated by taking the number of units rejected as recorded by a Horton Plant each time a Non-Conformance Report (NCR) is issued for a purchased part defect. The result (total units rejected) is divided by the total number of units received (as recorded at the time of Horton dock receipt) and then is multiplied by 1,000,000 to arrive at a PPM value.

## Failure Impact – 30 Points

Failure Impact is the result of defective product shipped to a Horton facility. The supplier begins with 30 points and loses points for each infraction according to the scale listed below.

Failure Impact Location	Points Deducted
Horton incoming inspection	-5
Horton manufacturing floor	-10
Horton customer location	-20
Field failure	-30



# Horton Supply Chain Management

## SCAR's – Supplier Corrective Action Request – 20 Points

SCAR's will be issued for a variety of reasons, but primarily for rejected product received by Horton and/or Horton customers. SCAR's will be assigned a severity level depending upon the impact or potential impact. Factors that Horton considers when assigning SCAR severity may include but is not limited to;

- Parts requiring sorting
- Repeat occurrences of a problem
- Rejected quantity such that a suppliers PPM score is 0 (zero)
- Horton production interruption
- Previous corrective action did not solve the problem
- Customer request for corrective action
- Safety issue

SCAR's Issued	Points deducted per SCAR
Red – High Severity	-20
Orange – Medium Severity	-10
Yellow – Low Severity	-5

## Continuous Improvement – 10 Points

Continuous improvement initiatives fall into two general categories; those identified by the supplier and those identified and agreed upon between Horton and the supplier which result in improvements to quality, delivery and cost. These points are determined by the Horton Commodity Team based upon achievement of defined goals.

Horton will use a variety of tools including data bases, spreadsheets and its manufacturing systems to record data. This data will be available for review with the supplier. Each year the point distribution and scale will be reviewed and may be adjusted to reflect a continuous improvement philosophy.



## Supply Assurance – 70 Points

### On-Time Delivery

Points for the On-Time Delivery are pro-rated as shown in Table 4. On-time delivery is percentage of line items received on time measured against the delivery date specified on the purchase order. The window for an order line to be received and be considered **on-time is five days early, zero days late** of the request date found on the purchase order. Performance is based on Horton’s fiscal year.

See table below for complete breakdown of On-Time Delivery points

Supplier On-Time Delivery Percentage Score	Points awarded based upon delivery percentage
100%	35
≥ 99%	34
≥ 98%	32
≥ 97%	30
≥ 96%	20
≥ 95%	15
≥ 94%	10
≥ 90%	0

### Lead-Time

Points for Lead-Time are assigned per the table below. Performance is based on Horton’s fiscal year. Lead-Time is measured by adding the sum of the supplier lead-time (including transit time) in days, divided by the number of parts purchased from the supplier. Example, supplier provides 4 part numbers to Horton, of the 4 part numbers the lead time in number of days defined in Oracle by part is as follows; 10 days + 15 days + 20 days + 30 days = 75 days/4 part numbers supplied = 18.75 days. This calculation results in the supplier receiving 20 points.

Lead-time measured in business days	Points awarded based upon days lead-time
0-10	35
11-15	30
16-20	20
21-25	10
26 >	0

## Total Cost – 60 Points



## Cost Support / Continuous Improvement Objectives

Continuous improvement project(s) opportunities are those project(s) identified and agreed to by mid-November of each year. The Commodity Team and supplier representatives agree on projects that address specific product and/or process improvements. Emphasis must be placed on mutual consent and documentation of project objectives, milestones, and benchmark points for reporting achievement. A maximum of 20 points are awarded per the table below based upon meeting the agreed upon objectives.

Cost Support / Improvement Initiative % met	Points Awarded
Above Target	+ 5 Bonus Points
On Target	20
Below Target	10
No Participation/Progress	0

## Innovation / Flexibility

The Innovation / Flexibility rating consists of a total 40 points divided into two categories: Innovation, and Delivery Flexibility. These points are awarded per the tables below.

- **Innovation - 20 points**

- Example: Supplier provides an analysis and recommendation as to how often Horton should buy parts in order to optimize buy cycles resulting in decreased costs for both companies.

<b>Innovations per year</b>	<b>Points Awarded</b>
4-5	20
2-3	15
1	10
0	0

- **Flexibility 20 points**

- Example: Supplier is willing to offer inventory management programs such as consignment, Kanban, build and hold or warehouse management programs.

<b>Delivery Flexibility</b>	<b>Points Awarded</b>
Above Target	+ 5 Bonus Points
On Target	20
Below Target	10
No Participation/Progress	0





Engine **Cooling Solutions** Worldwide®

---



Horton, Inc.  
2565 Walnut Street  
Roseville, MN 55113  
(651)361-6400  
(800)621-1320  
[www.hortonww.com](http://www.hortonww.com)