



ISG Atlanta

SUPPLIER SCORECARD PROCEDURE

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Document Change Sheet

Revision	Date	Description of Change	Change Reason
A	6/25/2010	Initial Release	

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NCR SUPPLIER SCORECARD Direct Material Suppliers

OVERVIEW

The NCR Supplier Scorecard is the measuring system NCR uses to evaluate suppliers' performance. These measures link to NCR's objectives and will be used to evaluate our suppliers on their contribution to these objectives. The scores that are generated from this process will be used to measure the Supplier's performance and will be a factor in determining the relationship level with the supplier and influence the awarding of new business. Scores will also be used for Supplier Recognition Awards.

Scorecard Main Categories and Sub-Criteria

The NCR Supplier scorecard has four main performance categories including Cost, Quality, Delivery, and Innovation and Business Alignment Goals. Based on our strategic goals and objectives, NCR applies the following weights to the performance categories:

- 25% Cost
- 25% Quality
- 25% Delivery
- 25% Innovation and Business Alignment

Each category is further divided into sub-criteria each with its own weight:

- Cost – 25%
 - Annual Cost Reduction % - 100%
- Quality – 25%
 - Defects per Million: – 100%
- Delivery – 25%
 - Delivery to Commit Date – 50%
 - Lead Times – 50%
- Innovation and Business Alignment.– 25%
 - Innovation / NPI
 - Responsiveness
 - Business Processes

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- Quality Systems

SCORECARD RATINGS

For each Category, we use a 5-point system, where 5 is the highest and 1 is the lowest. Additionally, we have color coded and defined the ratings into 5 status categories – blue, green, yellow, amber and red. Our objective is for our suppliers to achieve and maintain “Excellent” or better performance.

Rating	Score	Status	Score
Superior	5.00	Blue	Supplier's performance is considered "best in-class" for this category.
Excellent	4.00	Green	The supplier's performance is meeting or exceeding NCR's performance targets.
Acceptable	3.00	Yellow	The supplier's performance, while below expectations, is not causing significant business disruption. The supplier's performance has some deficiencies and continuous improvement work is required in order to attain an improved rating.
Marginal	2.00	Amber	The supplier's performance is deficient and needs immediate performance improvement.
Unacceptable	1.00	Red	The supplier's performance has major deficiencies that are significantly impacting NCR's business. Requires immediate corrective actions to raise performance to acceptable levels.

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OVERALL SCORE

After the ratings are determined for sub-criteria, we apply weights accordingly to achieve a sub-total (weight x rating = sub total), which is then summed to obtain a main category score. This process is also applied to main category scores in order to determine the total score (\sum (main criteria scores x weight)).

The following is an example for illustrative purposes.

Main Category	Sub-Criteria	Weight	Actual Performance	Rating	Weighted Rating
Cost	Annual Cost Reduction	25%	12%	5.00	1.25
		100%		5.00	
Quality	DPM	25%	750 DPM	3.00	.75
		100%		3.00	
Delivery	On Time Delivery to Commit	25%	97%	3.00	.875
	Lead Time	50%	5 Days	4.00	
		50%		3.50	
Innovation and Business Alignment		25%			
	Innovation / NPI	12 pts	12 of 12 points		
	Responsiveness	12 pts	12 of 12 points		
	Business Processes	14 pts	11 of 14 points		
	Quality Systems	12 pts	8 of 12 points		
			43 / 10	4.30	1.075
Total					3.95

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The overall score produced from this process will be a key factor in determining the level of the relationship with the supplier (Preferred Supplier, Approved Supplier, or Unapproved Supplier) and a major factor in awarding of new business. The overall score will place the suppliers performance in one of three categories:

4.0 – 5.0: Excellent

Supplier performance meets or exceeds NCR expectations. Consistent performance at this level of will allow the Supplier to be considered for NCR's Preferred Supplier List. These suppliers are given preference on any new business awards compared to suppliers in a lower category.

3.0 – 3.9: Acceptable

Supplier performance is below expectations but still within an acceptable range. Further improvements to bring performance levels up to NCR Expectations are required. Supplier remains an NCR Approved Supplier list, but cannot be considered for the NCR Preferred Supplier list until performance improves.

1.0 – 2.9: Unacceptable

Supplier performance is below expectations and adversely impacting NCR's business. Supplier will be given 3 months to improve performance to acceptable levels. If after 3 months performance has not improved, supplier will be put on a 6 month no new business freeze. If after 9 months the performance still has not improved to acceptable levels, the supplier is at risk of being removed from the NCR Approved Supplier List.

SCORECARD CRITERIA and MEASUREMENT***COST (25%)***

Sub-Criteria	Unacceptable	Marginal	Acceptable	Excellent	Superior	Formula
<i>Purchase Price Variance (PPV) (100% of total COST Score)</i>						
Measures supplier's cost deflation year over year.	Supplier's total year over year cost deflation is a <u>reduction of less than 2.5%</u> .	Supplier's total year over year cost deflation is a <u>reduction of 2.5% to less than 5%</u> .	Supplier's total year over year cost deflation is a <u>reduction of 5% to less than 7.5%</u> .	Supplier's total year over year cost deflation is a <u>reduction of 7.5% to less than 10%</u> .	Supplier's total year over year cost deflation is a <u>reduction of 10% or more</u> .	Current Year Weighted Average Cost Reduction = (Current Year Price – Last Price Paid Prior Year) * (Current Year Receipts Actual + Forecast)
Data Collection: Price and forecast information is collected from Receipts and Pricing NCR Global Sourcing database						
Frequency of Data: Will be measured monthly.						
Notes:						

QUALITY (25%)

Sub-Criteria	Unacceptable	Marginal	Acceptable	Excellent	Superior	Formula
Quality—Defective Parts Per Million (DPPM) (100% of total QUALITY Score)						
Measures the number of individual units that are defective as identified either at the point of assembly or as a Out of Box or Early Lifer Failures by NCR's Services organization in relation to the total number of units shipped in the month.	Supplier achieved >1500 DPM	Supplier achieved between 1001 - 1500 DPM	Supplier achieved between 699 - 1000 DPM	Supplier achieved between 300- 700 DPM	Supplier achieved DPM <300	$DPM = (\text{Total Failed} / \text{Total Supplier Units Shipped}) * 1,000,000$
<p>Data Collection: Currently data is collected on key suppliers by Manufacturing Site. The NCR Supplier Quality organization will provide this score.</p> <p>Frequency of Data: Data is summarized in monthly periods. Provided by the Supplier Quality Team on a monthly basis.</p> <p>Notes: n/a</p>						

DELIVERY (25%)

<u>Sub-Criteria</u>	Unacceptable	Marginal	Acceptable	Excellent	Superior	Formula
Delivery to Commit Date (50% of total DELIVERY Score)						
The supplier's ability to deliver product on-time to the NCR designated location. On-time delivery is based on the original commit date by the supplier.	<94% on OTD metrics.	94-95% OTD from the supplier.	96-97% OTD from the supplier.	98% OTD from the supplier.	99+% OTD from the supplier.	PO line items received on commit date/total committed receipt line items
Data Collection: Buyer receipts data for direct purchases						
Frequency of Data: Data is summarized in monthly periods. Provided by the buyers on a on a monthly basis.						
Notes:						

<u>Sub-Criteria</u>	Unacceptable	Marginal	Acceptable	Excellent	Superior	Formula
Lead-Time to Delivery (50% of total DELIVERY Score)						
The supplier's ability to deliver product after order is placed.	> 6 weeks	4-6 weeks	2-4 weeks	2-10 business days	< or = 1 business day	Committed lead-times from Supplier from Order Receipt to Delivered Product
Data Collection: From Supply Line Management Team						
Frequency of Data: Data is summarized on a monthly basis						
Notes: Lead Time is from order to receipt at NCR dock.						

Innovation and Business Alignment (25%)

Sub Criteria: Innovation and NPI – 12 Points Possible			
Response Provided by – Commodity Director			
	YES	NO	Comments
1. Does Supplier initiate Technology discussions to assure alignment with NCR Product Roadmap? (3 points)			
2. Is Supplier meeting NCR's NPI timeline requirements? (3 points)			
3. Is Supplier providing adequate support for CRVE Initiatives? (3points)			
4. Is Supplier proactive in bringing new and innovative ideas on improving processes? (3 points)			

Sub Criteria: Responsiveness – 12 Points Possible			
Response Provided by – Site SLM / Buyer Manager			
	YES	NO	Comments
1. Does Supplier provide appropriate level of Executive engagement? (4 points)			
2. Does Supplier provide open communication about potential & actual risks? (4 points)			
3. Is supplier responsive and exert all efforts to meet changes in material requirements? (4 points)			

Innovation and Business Alignment (Continued)

Sub Criteria: Business Processes – 14 Points Possible			
Response Provided by – Site SLM / Buyer Manager			
	YES	NO	Comments
1. Is supplier set up and using the NCR iSupplier Portal? (4 points)			
2. Does supplier labeling conform to NCR specifications? (3 points)			
3. Is Supplier providing PO acknowledgements and commit dates in a timely manner? (4 points)			
4. Does the supplier invoice and packing slips meet NCR requirements? (3 points)			

Sub Criteria: Quality Systems – 12 Points Possible			
Response Provided by – Quality Manager / Site Supplier Quality Engineer			
	YES	NO	Comments
1. Does supplier provide timely CLCA responses? (4 points)			
2. Has supplier passed the NCR Supplier Quality Audit with > 70% score? (4 points)			
3. Does the supplier have an active Continuous Improvement program? (4 points)			