



**CUMMINS FILTRATION SUPPLIER'S HANDBOOK  
TO SUPPLIER COLLABORATIVE PLANNING**

## **SUPPLIER COLLABORATIVE PLANNING** **SUPPLIER EXCEPTION MANAGEMENT PROCESS**

The following processes and procedures will assist Supplier in managing exceptions in Supplier Collaborative Planning (hereinafter referred to as "SCP")

### **EXCEPTION: RESPONSE REQUIRED FOR CUSTOMER PURCHASE ORDER**

#### **Description:**

This is the purchase order the buyer enters into the plant's computer system and is transmitted to SCP for the supplier to acknowledge. Suppliers will see this exception after the purchase order has been created by the plant and extracted into SCP from the plant's computer system. This is usually completed three times per day.

#### **Recommendation:**

Supplier should log into SCP on a daily basis to determine if any new purchase orders have not yet been acknowledged. If this is the case, then the following action items should be followed:

#### **Action 1:**

All purchase orders under this exception require the supplier to prepare an acknowledgement.

#### **Action 2:**

All suppliers should acknowledge purchase orders within a reasonable amount of time (normally within 3 days of receipt via SCP). Suppliers have the option in the acknowledgement process to change receipt dates, quantities, pricing, and to make additional comments. Any changes to the purchase order made by supplier in their purchase order acknowledgement will result in an additional exception being displayed.

#### **Goal:**

Keep exceptions to a manageable value or at zero and to work issues on the front end of the order cycle rather than the back end.

#### **What if Example:**

ABC Supplier was informed by the plant that acknowledgments need ***not be*** completed, whereas management, during supplier training, informed supplier that all purchase orders must be acknowledged. If ABC Supplier follows the instructions of the plant instead of management, then this exception will not reduce.

## **Why Acknowledgements:**

Acknowledgments are the foundation to making Supplier Collaborative Planning work. This informs Cummins Filtration of any changes in price, delivery dates, and quantities in advance of the shipment being received. This notification allows the Buyer to either accept or reject the changes in date, quantity or pricing. See additional exceptions to follow.

## **EXCEPTION: REPLENISHMENT TO CUSTOMER IS PAST DUE**

### **Description:**

This exception applies to purchase orders created with a receipt/due date which has already passed and the supplier has not acknowledged the purchase order or which has failed to be resolved through another exception from a previous PO Acknowledgment. ***THE 3 DAY THRESHOLD DOES NOT APPLY TO THIS EXCEPTION, AS THIS EXCEPTION IS TRIGGERED BY THE DUE DATE ON PURCHASE ORDER.***

### **Action:**

When this exception appears, immediate contact with the buyer either via e-mail or telephone should be initiated in order to determine why this purchase order has a short due date. This could be due to an expedited delivery that the plant requires.

### **Goal:**

Keep this exception value at zero and to work issues on the front end of the order cycle rather than the back end.

This exception is important because the material order is now past due and if this exception appears this tells you that the plant is in need of an expedited and the order should be processed promptly.

This exception is also difficult to resolve, based on the Oracle design.

### **What if Example:**

Plant creates a purchase order with an aggressive due date that supplier could not meet. Supplier acknowledges with a different due date, which will trigger a late exception, which will need to be worked out by the buyer and the supplier via e-mail or telephone.

## **EXCEPTION: LATE REPLENISHMENT TO CUSTOMER**

### **Description:**

This exception appears when supplier acknowledges purchase order and indicates a due date greater than what is indicated on the purchase order when received. This exception will also appear when the plant makes a change to the purchase order due date after the purchase order has been acknowledged by the supplier with no changes. This indicates to the supplier that the plant has extended the original due date for the material.

### **Action 1:**

Supplier sees this exception, and has the option, if the new due date is within the negotiated lead time, or acceptable to the supplier, to update the purchase order acknowledgement in SCP with the new due date, which will remove this exception from the list.

### **Action 2:**

If the Supplier does not agree, or plant does not agree to new due date, contact should be made with the Sourcing Manager via e-mail or telephone, to discuss an agreeable alternative due date.

- a. If the current due date is outside contract lead time, and supplier cannot meet the required due date, then buyer must update the purchase order with the agreed contract lead time. Supplier and Buyer comments on the exception show a history of communication between supplier and buyer regarding this purchase order. ***FAILURE TO UPDATE IN SCP OR LEGACY WILL RESULT IN AN INVALID DELIVERY PERFORMANCE SCORE FOR SUPPLIER WHICH REQUIRES MANUAL UPDATES TO LEGACY AND MANUAL UPDATES TO THE SUPPLIER SCORECARD.***
- b. If the due date is within the contracted lead time, the purchase order will not be updated in the plant's system. As a result, supplier will be dinged with a late delivery. Once all negotiations have been completed and the supplier still cannot meet the due date, the supplier should acknowledge the purchase order with the comments indicating why they cannot meet the date, and the reasoning behind the same.
- c. Supplier has no contract and no agreed upon lead time. As a result, supplier will be dinged with a late delivery. Once all negotiations have been completed and supplier is still unable to meet the date, the supplier should acknowledge the purchase order with the comments indicating the reason why they cannot meet the date. If the plant agrees to the supplier's best

possible delivery date, the legacy system should be updated to reflect new receipt date.

**Goal:**

Keep this exception at a manageable value or at zero and to work issues on the front end of the order cycle rather than the back end.

**Why:**

This will help reduce the number of open orders and past due orders in the legacy system, and improve the resolution of errors when invoice is received in accounts payable.

**\*\*NOTE: SCP DOES NOT PROVIDE DELIVERY PERFORMANCE SCORES. IT PROVIDES THE SUPPLIER WITH VISIBILITY ON DELIVERY DATES AND CHANGES.**

**EXCEPTION: EARLY REPLENISHMENT TO CUSTOMER :**

**Description:**

This exception appears when supplier acknowledges the purchase order and indicates a due date earlier than what is indicated on the purchase order when received. This exception will also appear when the plant makes a change to the purchase order due date after the purchase order has been acknowledged by the supplier with no changes. This indicates to the supplier that the plant has reduced the original due date for the material.

**Action 1:**

Supplier sees this exception, and has the option, if the new due date is within the negotiated lead time, or acceptable to the supplier, to update the purchase order acknowledgement in SCP with the new due date, which will remove this exception from the list.

**Action 2:**

If the Supplier does not agree, or plant does not agree to new due date, contact should be made with the Sourcing Manager via e-mail or telephone, to discuss an agreeable alternative due date.

- a. If the current due date is outside contract lead time, and supplier cannot meet the required due date, then buyer must update the purchase order with the agreed contract lead time. Supplier and Buyer comments on the exception show a history of communication between supplier and buyer regarding this purchase order. ***FAILURE TO UPDATE IN SCP OR LEGACY WILL***

***RESULT IN AN INVALID DELIVERY PERFORMANCE SCORE FOR SUPPLIER WHICH REQUIRES MANUAL UPDATES TO LEGACY AND MANUAL UPDATES TO THE SUPPLIER SCORECARD.***

- b. If the due date is within the contracted lead time, the purchase order will not be updated in the plant's system. As a result, supplier will be dinged with a late delivery. Once all negotiations have been completed and the supplier still cannot meet the due date, the supplier should acknowledge the purchase order with the comments indicating why they cannot meet the date, and the reasoning behind the same.
- c. Supplier has no contract and no agreed upon lead time. As a result, supplier will be dinged with a early delivery (if earlier than 5 days). Once all negotiations have been completed and supplier is still unable to meet the date, the supplier should acknowledge the purchase order with the comments indicating the reason why they cannot meet the date. If the plant agrees to the supplier's best possible delivery date, the legacy system should be updated to reflect new receipt date.

**Goal:**

Keep this exception at a manageable value or at zero and to work issues on the front end of the order cycle rather than the back end.

**EXCEPTION: SHORT SUPPLY FOR CUSTOMER PURCHASE ORDER:**

**Description:**

This exception appears when supplier acknowledges the purchase order and indicates a different quantity which is less than what is indicated on the purchase order. This exception will also appear when the plant makes a change to the purchase order quantity after the purchase order has been acknowledged by the supplier with no changes. This indicates to the supplier that the plant has reduced the original quantity of the material.

**Action 1:**

Supplier sees this exception and should review the exception for any comments which explains the cause of the exception. After review of the comments, if the Supplier is agreeable with shortage, the PO Acknowledgment prepared by the supplier in SCP should updated with new quantity being shipped to remove the exception.

Buyer sees this exception and should review the exception for any comments which explains the cause of the exception. After review of the comments, if the buyer is agreeable with the shortage from supplier, the Buyer's legacy should be updated with the new quantity being provided by supplier to remove the exception from SCP.

### **Action 2:**

If after review and discussion with the supplier's production personnel, and the shortage will cause production issues, contact with buyer should be made, via phone or e-mail. If the buyer agrees to the shortage quantity, buyer will need to update their system to reflect the original purchase order quantity and provide explanation in comments.

### **Action 3:**

If no agreement can be reached as to quantity, Supplier should contact their Sourcing Manager to discuss corrective action.

### **Goal:**

Keep this exception at a manageable value or at zero and to work issues on the front end of the order cycle rather than the back end.

## **EXCEPTION: EXCESS REPLENISHMENT FOR CUSTOMER PURCHASE ORDER:**

### **Description:**

This exception appears when supplier acknowledges the purchase order and indicates a different quantity which is more than what is indicated on the purchase order. This exception will also appear when the plant makes a change to the purchase order quantity after the purchase order has been acknowledged by the supplier with no changes. This indicates to the supplier that the plant has increased the original quantity of the material.

**Action 1:**Supplier sees this exception and should review the Purchase Order for any comments which explains the cause of the exception. After review of the comments, if the Supplier is agreeable with the excess, the Supplier's PO Acknowledgment in SCP should be updated with new quantity being shipped.

**Action 2:**If after review and discussion with the supplier's production personnel, and the excess will cause production issues, contact with buyer should be made, via phone or e-mail. If the buyer agrees to the shortage quantity, buyer will need to update their system to reflect the original purchase order quantity and provide explanation in comments.

**Action 3:**If no agreement can be reached as to quantity, Supplier should contact their Sourcing Manager to discuss corrective action.

**Goal:**Keep this exception at a manageable value or at zero and to work issues on the front end of the order cycle rather than the back end.