



MMOG/LE

AUTOMOTIVE SUPPLY CHAIN STANDARDS: COMPLY OR DIE

In today's fast-changing automotive industry, original equipment manufacturers (OEMs) like GM, Ford, Volvo, Renault, Fiat Chrysler and many others, and some Tier 1 suppliers, increasingly insist that their suppliers meet global standards that help ensure excellent material delivery performance. Such standards put considerable pressure on tier suppliers because they must comply with standards while continuing to achieve growth and profitability.

The difficulty of maintaining this balancing act for tier suppliers, if anything, will increase during the explosive disruption taking place now in the automotive industry due to electrification, ride sharing, autonomous driving, geopolitics and ever-increasing customer expectations. In addition, tier suppliers need to take advantage of rapidly

advancing technologies to remain competitive, such as robotics, digital twins, digital printing, machine learning, the Industrial Internet of Things, and several others. Many of these disruptions and technologies have been or will be addressed by supply chain standards.

How should an automotive supplier deal with this situation? The initial steps include answering the following questions:

- Which automotive supply chain standard should suppliers care about?
- What does the MMOG/LE standard cover?
- What does the MMOG/LE assessment look like?
- How can a tier supplier most effectively meet the standard, now and in the future?

WHICH AUTOMOTIVE SUPPLY CHAIN STANDARD SHOULD SUPPLIERS CARE ABOUT?

While there are several supply chain management standards in the automotive industry, the Materials Management Operations Guideline/Logistics Evaluation (MMOG/LE) is a comprehensive self-assessment required by many OEMs and Tier 1 suppliers. MMOG/LE is widely recognized as a key standard for automotive supply chain excellence. Many suppliers around-the-world use MMOG/LE to evaluate production, parts, service and warehousing processes. The Automotive Industry Action Group ([AIAG](#)), which is the North American automotive standards association, and its European counterpart, [Odette](#), introduced MMOG/LE in 2002 to improve global supply chain management. AIAG and Odette continue to oversee the ongoing development of MMOG/LE.

The MMOG/LE assessment is not static. As the automotive industry evolves, AIAG and Odette revise the standard. This means that tier suppliers need to adjust their processes and information accordingly. For example, MMOG/LE version 5 was introduced in 2019 and leading suppliers are already working on meeting the requirements stipulated in this latest evaluation. Meeting the MMOG/LE standard, therefore, is not a one-time event on the part of tier suppliers; OEMs and Tier 1 suppliers require periodic proof of commitment and compliance from suppliers.

Can an automotive supplier succeed without complying with MMOG/LE? Any supplier that provides parts that flow up the supply chain to any of the OEMs that ask their suppliers to adhere to MMOG/LE should meet MMOG/LE's requirements. Even those few automotive suppliers that operate in narrow supply chains not requiring the MMOG/LE assessment should consider using MMOG/LE as a map and test of good business processes and practices.

MMOG/LE MEANS GOOD BUSINESS

Automotive suppliers use the MMOG/LE assessment to improve their materials management operations and logistics. Companies adopting MMOG/LE practices report many financial and business improvements, such as:

- Lower inventory carrying costs up to 60%
- Lower premium freight costs by 85%
- Lower obsolescence costs by 80%
- Better delivery or service ratings by up to 15%
- Reduce employee training costs by 50%
- Acquire new business

MMOG/LE also highlights areas where technology can help automate processes to eliminate error-prone manual processes. History has shown that companies achieve the best results from MMOG/LE when executive management actively participates in the assessment and when continuous improvement is a discipline rooted in the organization's culture.

WHAT DOES MMOG/LE COVER?

MMOG/LE focuses on critical supply chain management issues, including customer requirements, capacity constraints, contingency planning, supplier capability, resource allocation and employee skills. MMOG/LE establishes a common definition of supply chain management processes to help supplier organizations in areas such as:

- Determining the robustness of existing internal processes
- Benchmarking supply chain operations
- Facilitating continuous improvement
- Increasing customer satisfaction
- Streamlining information flows throughout all tiers of the supply chain

WHAT DOES THE MMOG/LE ASSESSMENT LOOK LIKE?

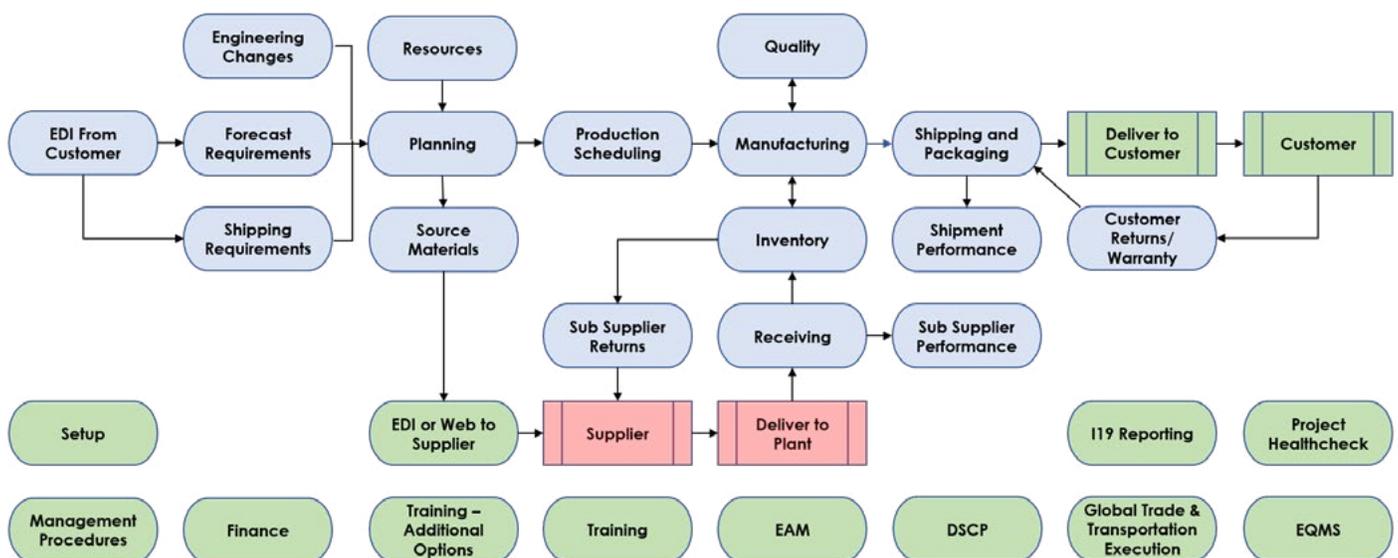
The MMOG/LE assessment is available in a modern browser-based application called MMOG.np (np is short for "New Platform") located at www.mmogle.com. MMOG/LE consists of the following parts:

- Two assessments: Full and Basic
- Six chapters that outline the components of supply chain
- A gap analysis for recording action plans
- Criteria to assess an organization's supply chain processes and capabilities
- An automated scoring and classification system with the categories of A, B, and C in the Full version and ZA, ZB and ZC in the Basic version (A and ZA are the best classifications)
- Integrated tools for analyzing gaps, building action plans and tracking progress
- Charts to graphically summarize and communicate assessment results
- Background information and recommendations on how to use MMOG/LE

With MMOG/LE version 5, the basic structure of the assessment remains essentially intact. Other aspects of the new version have changed considerably, including:

- New scoring and criteria:** While there are fewer criteria, achieving top scores have become more difficult, for example:
 - The “F3” criteria are the most important measures of a supplier’s operations and supply chain management capabilities. In version 5, if supplier misses a single F3 criterion the resulting score can be no higher than a C or ZC. In addition
 - The number of F3 criteria increased from 34 to 43. The 43 F3 criteria center on the use of ERP, EDI, bar coding and complementary quality processes across the supply chain.
 - A supplier must now meet 95 percent of the criteria to achieve Level A classification versus 90% in the previous version.
- More focus on alignment, risk, integration and metrics:** Suppliers must also exhibit a deeper alignment between strategies, objectives, and continuous improvement. The assessment now demands additional proof of risk management including contingency plans and cybersecurity policies and practices. The assessment adds emphasis on reducing the skills gap, showing improved end-to-end systems integration and better supplier management capabilities including the use of metrics for sub-supplier measurement.
- Digital Criteria:** The assessment now looks for full electronic data exchange with sub-suppliers, and wants suppliers to show progress in the adoption of advanced technologies often associated with terms like Industry 4.0, smart manufacturing, China 2020 and digital transformation, as proof of a commitment to increase performance and efficiency.
- Submission:** MMOG/LE is entering the cloud era! Version 4 will be the last version that can be submitted via Excel. Starting with version 5, the MMOG/LE assessment can only be accessed in MMOG.np.

QAD Adaptive ERP MMOG/LE Process Map



HOW CAN A TIER SUPPLIER MOST EFFECTIVELY MEET THE STANDARD, NOW AND INTO THE FUTURE?

QAD Adaptive ERP: Built-in MMOG/LE Support

A few ERP providers offer the business process flows, information capture and reporting to help suppliers readily conduct and report on the MMOG/LE assessment. For example, QAD Adaptive ERP embeds all the business process maps, work instructions and compliance points associated with MMOG/LE (see the QAD process maps for MMOG/LE). QAD also updates process maps, work instructions and compliance points and incorporates it into the next product release each time the MMOG/LE standard changes, as it has done recently with version 5. The QAD solution includes the mapping of all 187 MMOG/LE criteria which directs suppliers on the steps required in QAD Adaptive ERP to become fully compliant.

QAD has provided ERP to automotive suppliers for four decades and actively participates in AIAG and Odette. For suppliers requiring a new ERP or needing to replace a legacy ERP, using QAD Adaptive ERP deployed in the QAD Cloud may be the fastest path to MMOG/LE compliance. Some suppliers, however, need an introduction to MMOG/LE, which is quite an in-depth assessment, to understand how to approach MMOG/LE specifically for their supply chain operations and strategy.

QAD MMOG/LE Q-Scan Assessment

The QAD MMOG/LE Q-Scan Assessment is a two-day consultation performed by QAD automotive and MMOG/LE experts for organizations who want to increase operational performance, benchmark operations against best practices or meet a specific customer requirement. The consultation prepares the supplier for internal or external audits and helps benchmark operations against industry best practices. The MMOG/LE Q-Scan also identifies operational gaps and recommends process improvements in order to attain MMOG/LE Level A classification. The Q-Scan provides many benefits, such as:

- Save time in preparing for and achieving Level A classification
- Uncover critical gaps that could result in a Level C score
- Fully automate and integrate the planning and scheduling process to ensure customer and supplier orders are processed efficiently
- Customer requirements are accurately addressed
- Ensure that work instructions and assessment comments are properly documented
- Management understands the score, gaps and relevant action plans

With QAD Adaptive ERP and the QAD MMOG/LE Assessment Q-Scan, QAD has helped many organizations achieve Level A classification and improve business processes.

To learn more about how QAD can help you with MMOG/LE, please contact QAD at +1-805-566-6100 or email info@qad.com.



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