

SEA SUPPLY CHAIN SUMMIT

NOVEMBER 16, 2011
2-5PM



PANEL DISCUSSION

Summit Panel

Moderator:



Michael G. Beason

Chairman, CEO
SEA

Panelists:



Patrick H. Bye

President
Energy Dynamics, Inc.



Kenneth A. Heifner

Senior Director of Quality Management
Cal-Comp USA



Mario Robles

CEO
MPC Industries



Hal Buddenbohm

Supply Chain Director
Exelis Force Protection Systems



Dwight Moore

COO
NTS



Daniel Boyd

Supplier Program Manager
Boeing Defense, Space & Security



John Kraynak

Director, Strategic Sourcing
BAE Systems

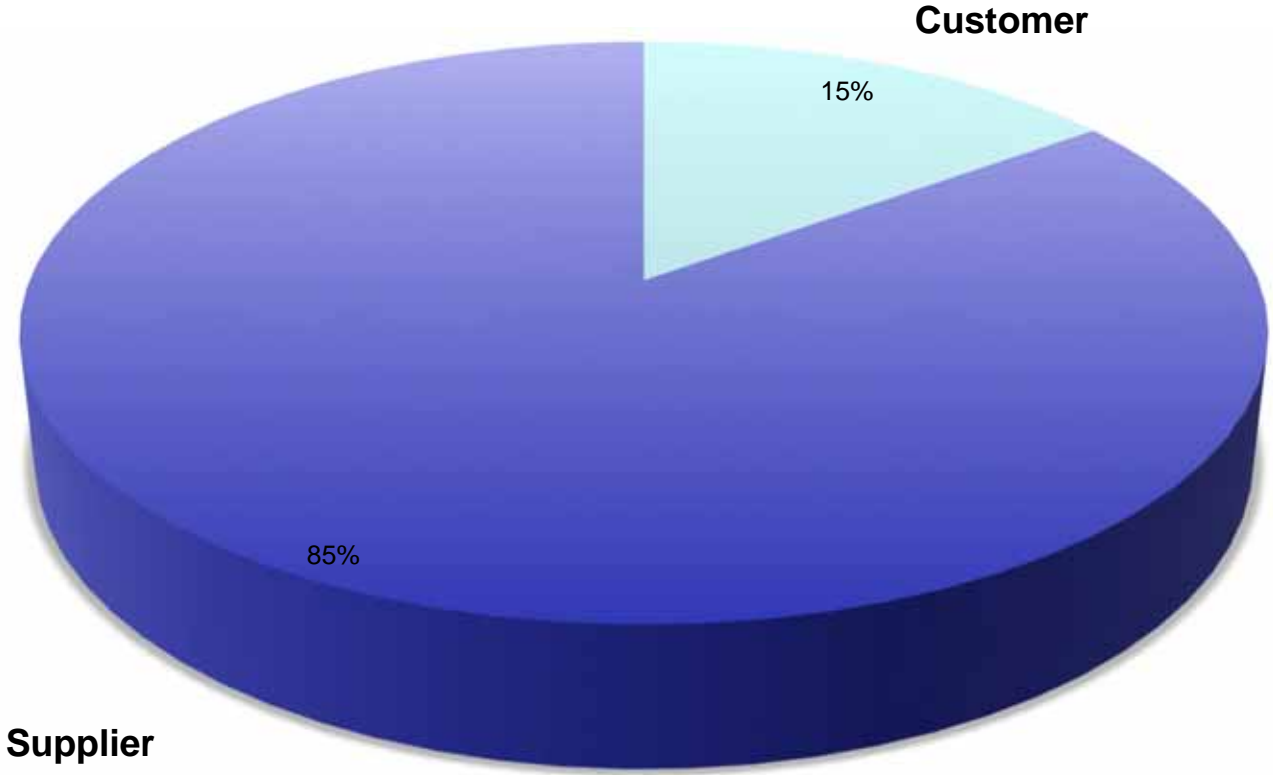


Frederick Young

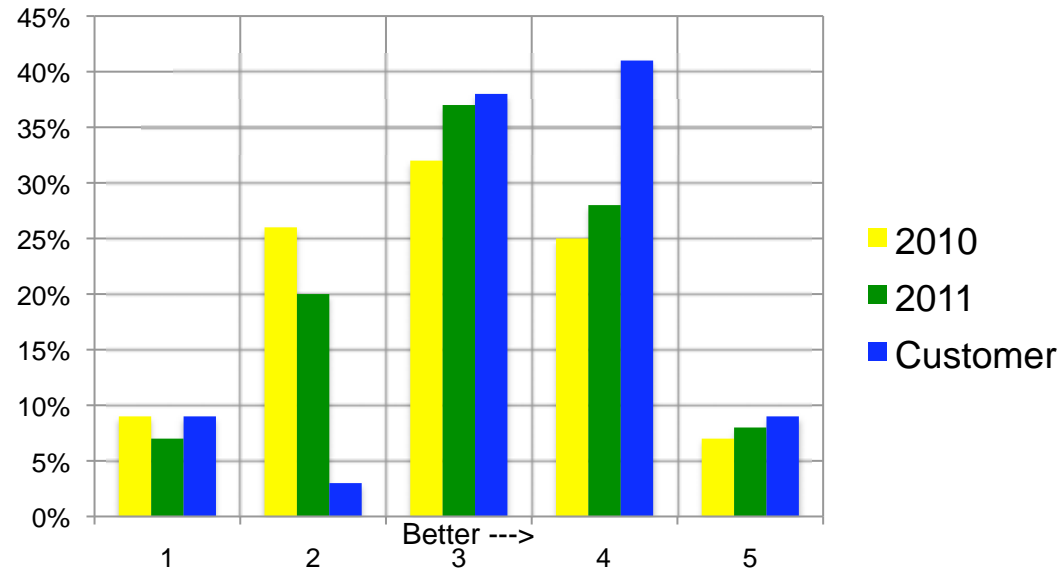
CEO
Forest City Gear

SEA 4th Annual Supply Chain Survey

2011 A&D Relationship Survey: Please select the option that best describes your company's position in the supply chain.

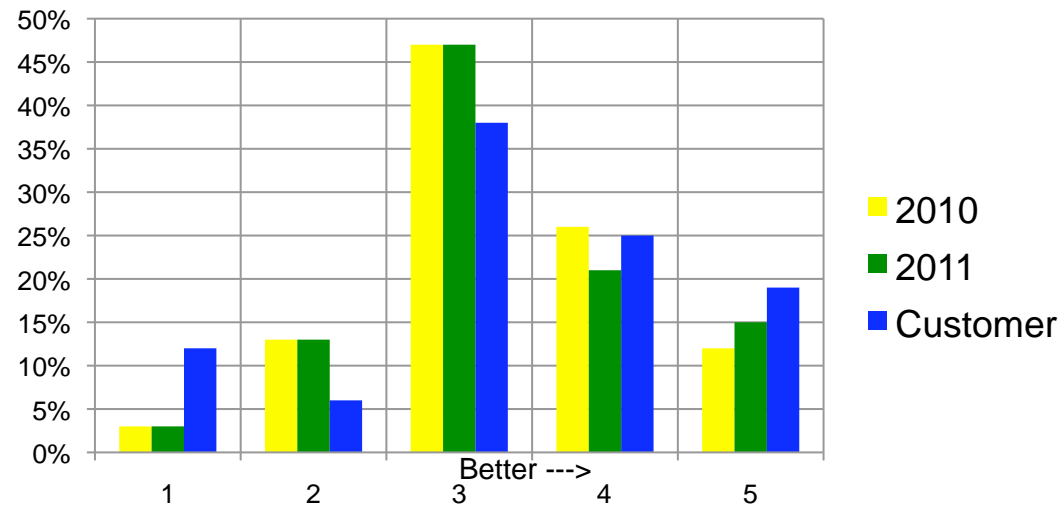


2011 A&D Relationship Survey: Communications Planning



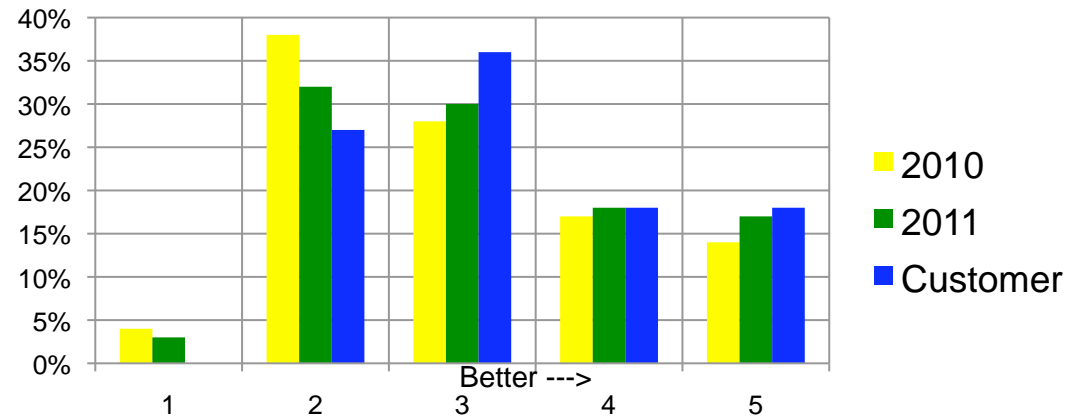
- 1 No/limited meetings or communications structure with no defined points of contact
- 2 One way (transactional) communication. No agreed points of contact. Meetings focus on addressing problems/issues
- 3 Regular meetings & communication structure with clear and consistent points of contact, Contact maps documented
- 4 Frequent communication. Points of contact are known and mapped. Meetings focus on both short-term actions & long term planning
- 5 Joint strategic governance focused on communication, relationship and performance planning. Integrated stakeholder maps define roles & responsibilities

2011 A&D Relationship Survey: Information Exchange



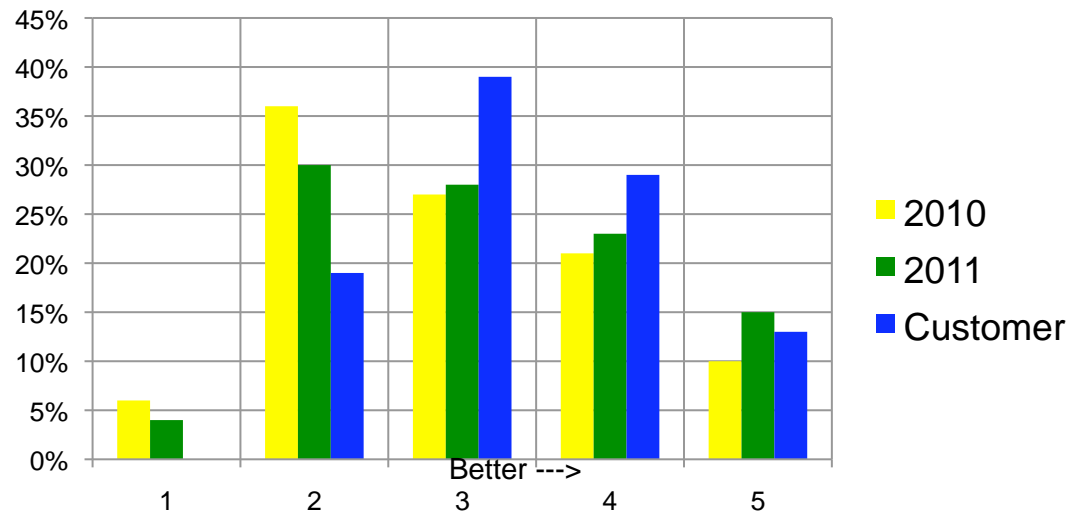
- 1 Secrecy prevails. No sharing of information. Reliant on formal, written communications
- 2 Information provided on request, although often ambiguous and inconclusive
- 3 Information provision is limited to contractual obligations, clarification may still be required
- 4 High quality information (clear, accurate & timely) is provided in advance of requirements.
- 5 High quality information is freely available in a shared, open, environment

2011 A&D Relationship Survey: Problem Solving



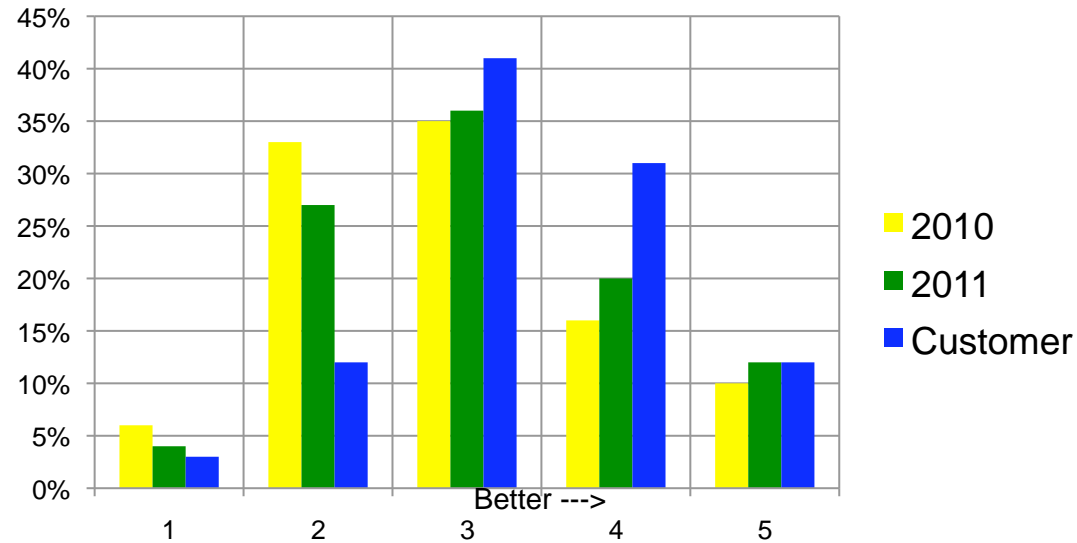
- 1 Blame culture prevails, no acknowledgement of problems.
- 2 Fire-fighting culture, focused on resolution rather than prevention
- 3 Identifies problems early and communicates recovery plans in advance
- 4 Proactively suggests solutions to emergent & potential problems
- 5 Joint activity to pre-empt and mitigate any problems / issues

2011 A&D Relationship Survey: Strategic Alignment



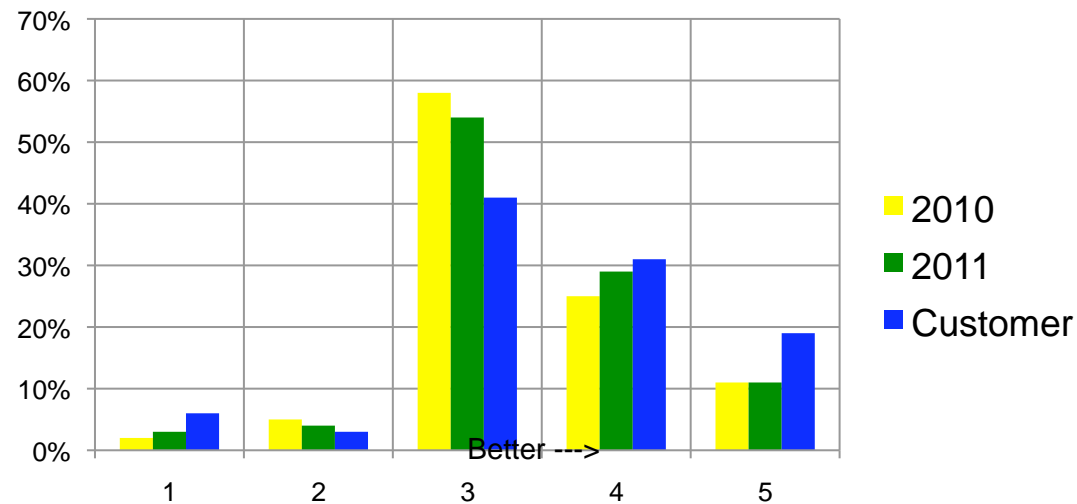
- 1 No awareness of each other's business strategy
- 2 Limited awareness of the other party's strategy. No activity to capture benefit or develop opportunities
- 3 Shared awareness of each other's strategy and understand impact on own strategic planning process
- 4 Some joint, project specific, strategic planning between the parties
- 5 Full visibility, understanding & alignment of strategies. Impacts are known and jointly managed

2011 A&D Relationship Survey: Solution Development



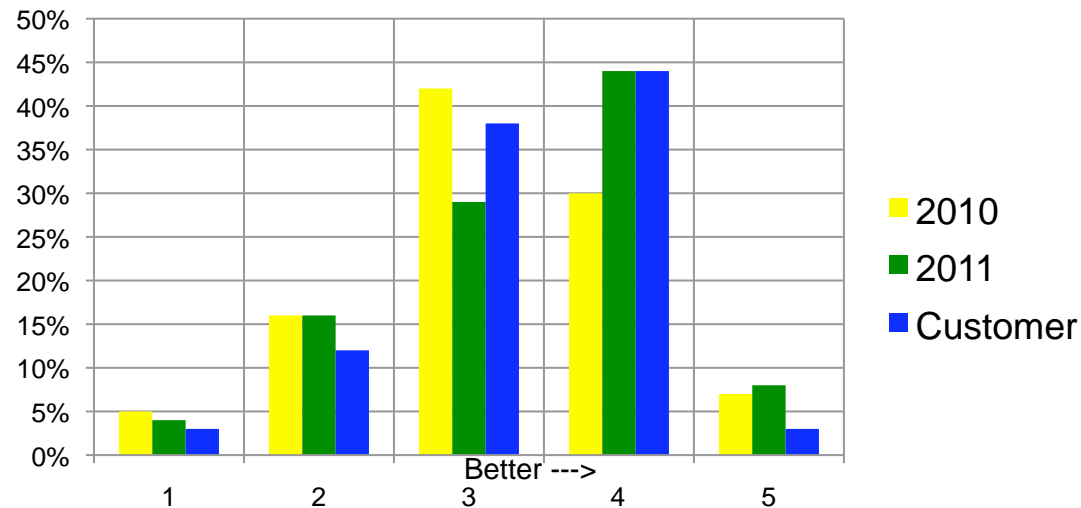
- 1 Little/no participation in developing solutions
- 2 Little, or late, participation in developing solutions. Requirements modified to fit current products / processes
- 3 Solutions reflect the participation of both parties. Investment to meet development milestones
- 4 Parties engaged at early stage of solution definition. Investment to improve performance
- 5 Full collaborative participation (multi business, cross functional teams). Investment focused on joint objectives

2011 A&D Relationship Survey: Change Management



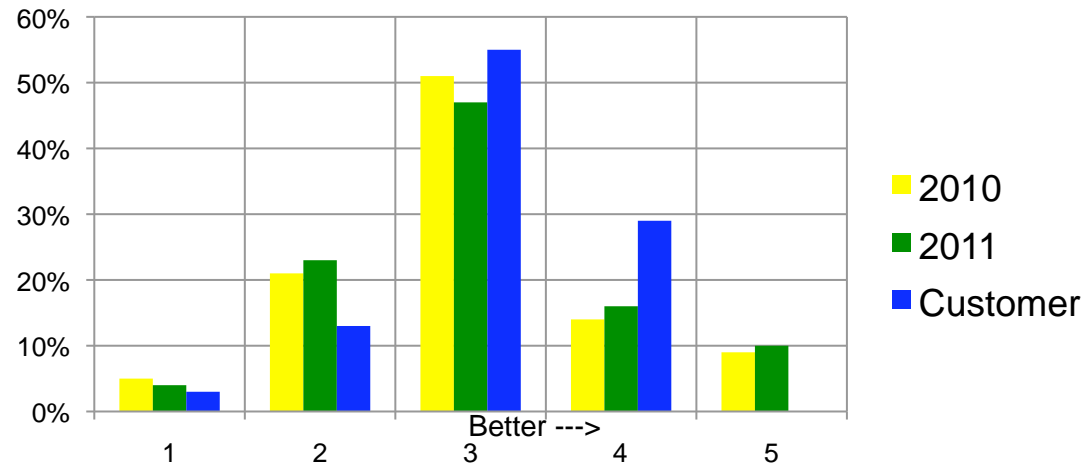
- 1 No recognition of change requirements
- 2 Either party is resistant to change
- 3 Change is managed on an adhoc basis in response to specific requirements
- 4 Change is encouraged & pursued. Positive benefits achieved
- 5 Change culture embedded. Positive benefits captured, demonstrated & shared

2011 A&D Relationship Survey: Process Improvement



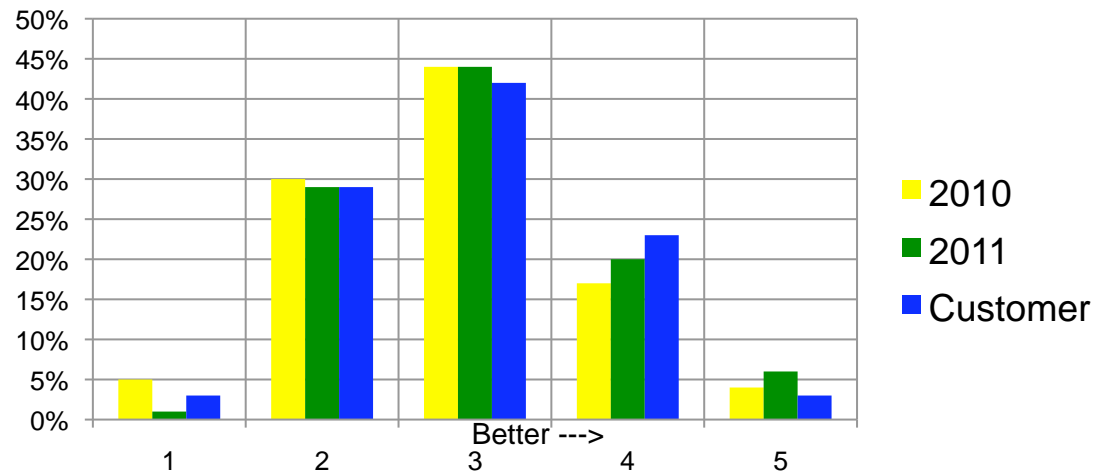
- 1 Inadequate control of processes. Problems are hidden and performance is deteriorating
- 2 Adequate control of processes. Need for improvement is recognized
- 3 Some use of process improvement techniques, problem investigation & improvement plans
- 4 Continuous improvement tools & techniques are widely used. Progress & innovation are evident
- 5 Continuous improvement is jointly managed for mutual benefit. Preemptive tools and techniques are embedded

2011 A&D Relationship Survey: Route to Contract



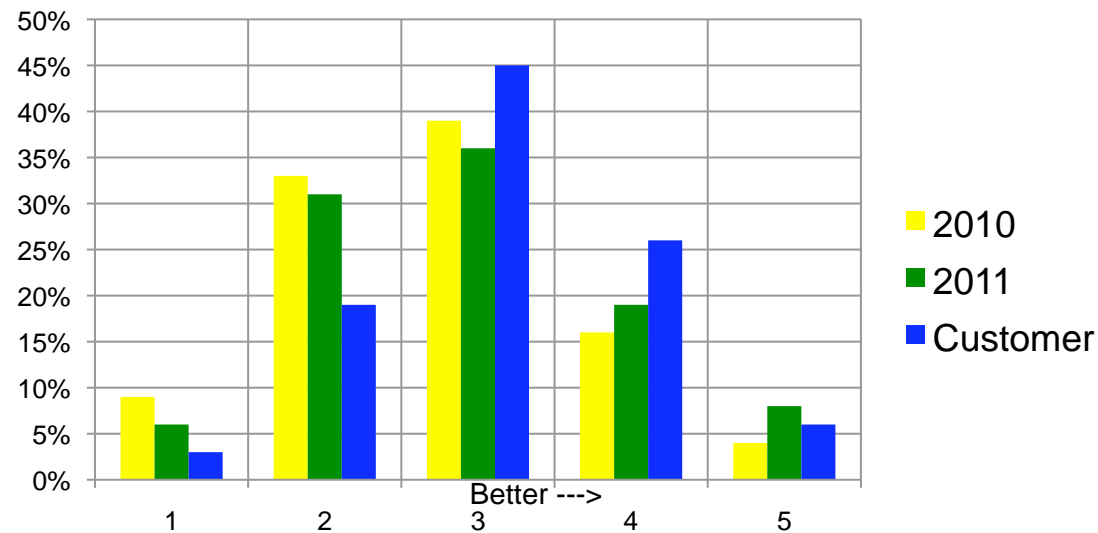
- 1 No Pre-Contract Process
- 2 Pre-Contract process limited to Quotation against Specification
- 3 Route to Contract is project specific & driven by Customer flow-down requirements
- 4 Statement of Work & Contracting framework are agreed before RFQ process commences
- 5 Route to Contract process is jointly owned and managed to maximize efficiency

2011 A&D Relationship Survey: Contractual Agreements



- 1 Contractual arrangements are focused on redress for failure or breach
- 2 Contractual arrangements are project specific and imposed by one party on the other
- 3 Contractual arrangements are negotiated and jointly agreed
- 4 Mutual benefits are sought and incorporated into contractual agreements
- 5 Output focused contractual agreements are fair and equitable and incentivize achievement of desired outcomes

2011 A&D Relationship Survey: Risk & Opportunity



- 1 No appreciation of risks or opportunities or their potential impacts
- 2 Risks are considered but not managed. Opportunities are captured but not shared
- 3 Risks & opportunities are recognized & assessed with specific mitigation plans in place
- 4 Risks & opportunities are managed in a coordinated manner. Assessment information and mitigation plans are shared
- 5 End-to-end supply chain risks are jointly managed and opportunities are developed for mutual benefit

Session One

- Supply Chain Relationships
 - What are the best and worst areas?
 - How have they changed from 2010 to 2011?
 - Do perceptions differ between customers and suppliers?

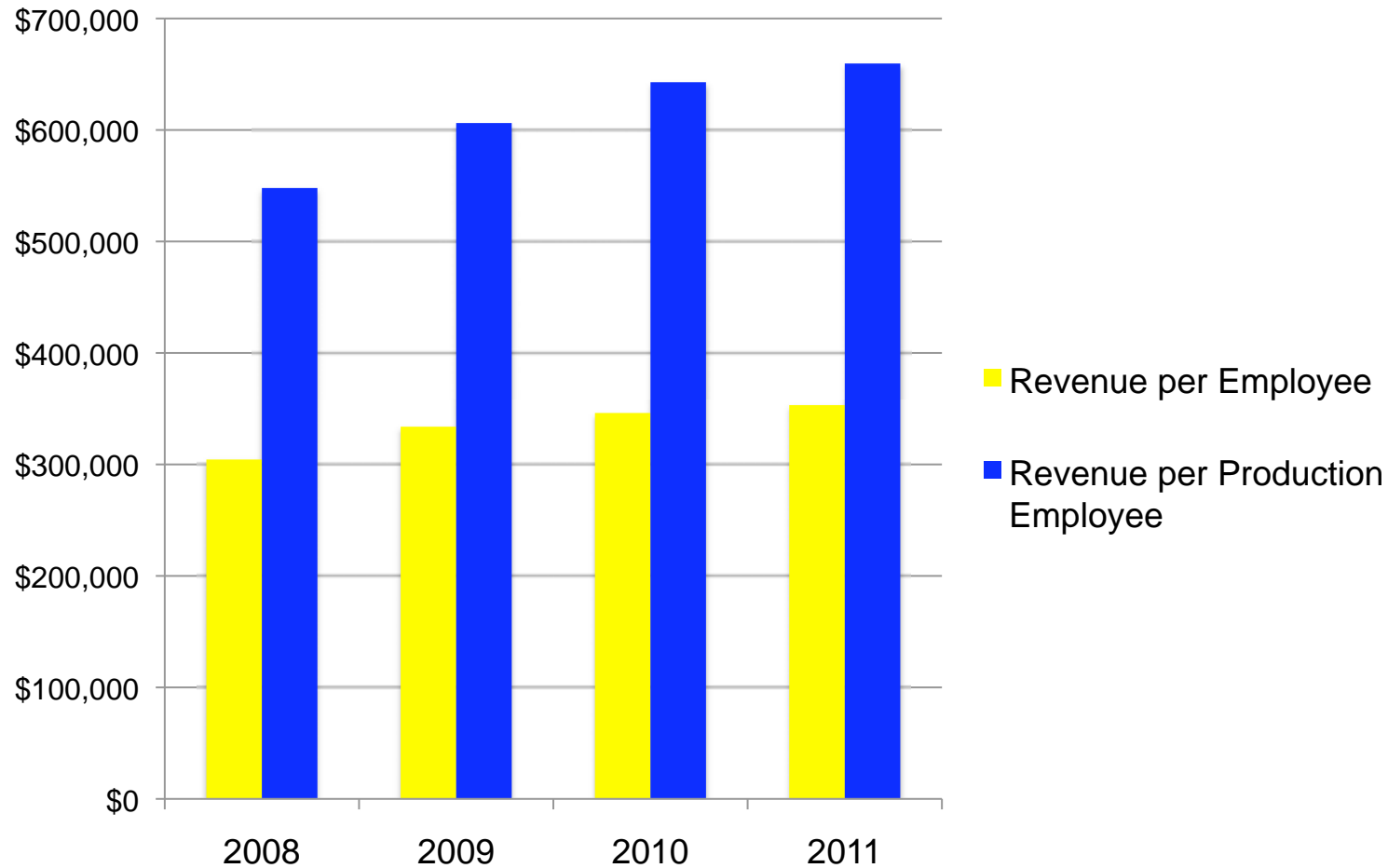


BREAK



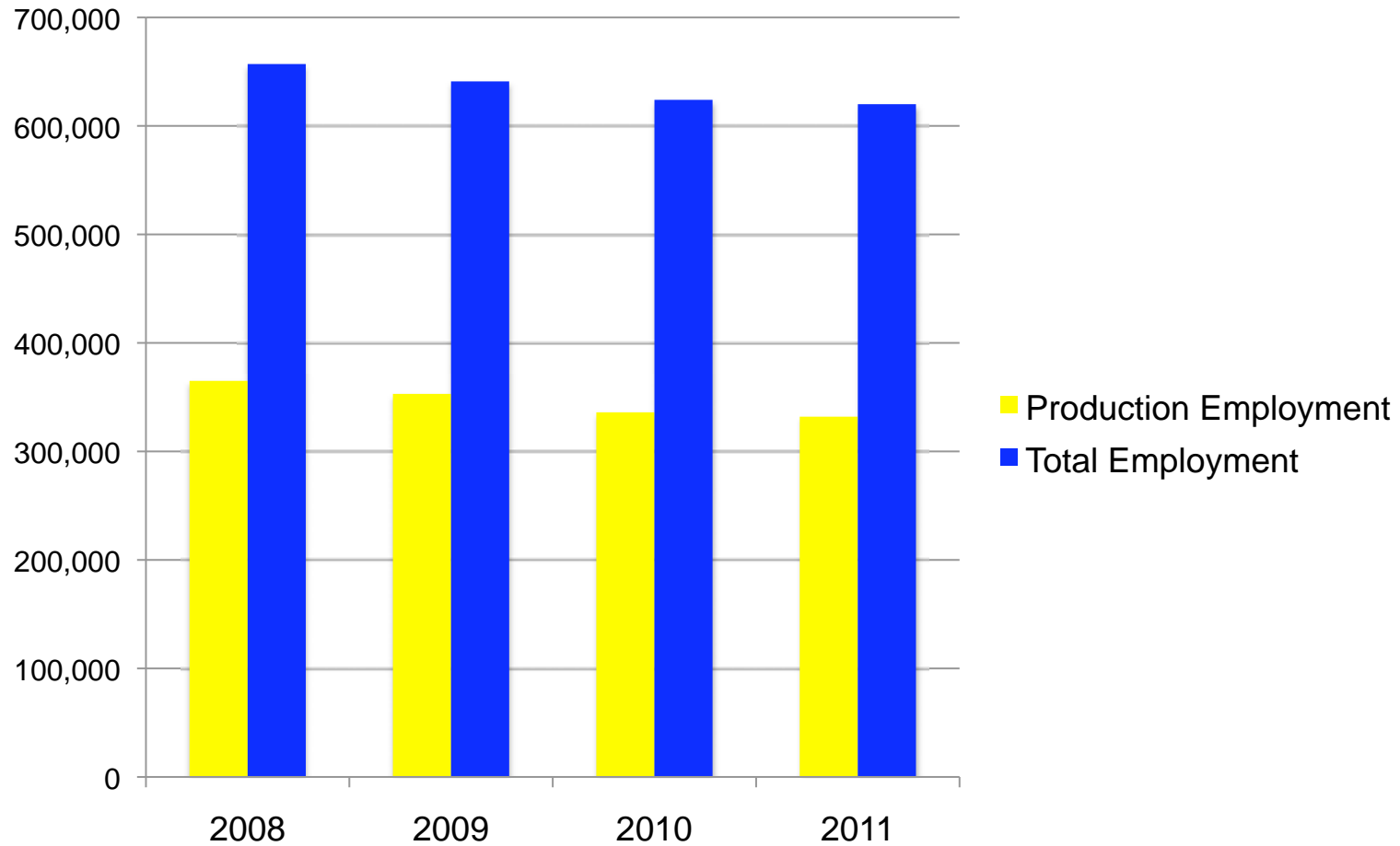
PANEL DISCUSSION

Revenue per Employee



Source: Aerospace Industry Association

A&D Employment



Once Upon a Time...

- Once upon a time an American aircraft company and a Japanese company decided to have a competitive boat race on the Monongahela river. Both teams practiced hard and long to reach peak performance. On the big day both felt as ready as they could be.
- The Japanese won by a mile!
- The American team became very discouraged by the loss, and morale sagged noticeably. Corporate management decided the reason for the crushing defeat had to be found. A continuous "Measurable Improvement Team" was set up to investigate the problem and recommend appropriate corrective action. Their conclusion was as follows:
- The problem was that the Japanese team had eight people rowing and one person steering, whereas the American team had one person rowing and eight people steering. The American corporate steering committee immediately hired a consulting firm to do a study on the management structure. After some time and millions of dollars, the consulting firm eventually concluded that "too many people were steering and not enough rowing."
- To prevent losing to the Japanese again next year the team management structure was totally reorganized to four steering managers, three area managers and one staff steering manager and a new performance system for the person rowing the boat to give more incentive to work harder. "We must give him empowerment and enrichment; that ought to do it."
- The next year the Japanese won by two miles.
- Humiliated, the American corporation laid off the rower for poor performance, sold all the paddles, cancelled all capital investments for new equipment, halted the development of a new canoe, gave a "high performance" award to the consulting firm, and distributed the money saved as bonuses to the senior management executives.

Note:

A cautionary tale of quality provided by Dr. Myron Tribus via the Internet — original source unknown.

Session Two

- Workforce Retention & Empowerment
 - What is the impact of continuous improvement and lean methods on productivity?
 - How do companies maximize performance?

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