



AVIATION WEEK EXECUTIVE ROUNDTABLE: IDENTIFYING CRITICAL ISSUES FOR SUPPLY CHAIN EXECUTIVES

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June 15, 2010
Baltimore MD



AVIATION WEEK convened the first Executive Roundtable designed for Supply Chain Executives in June in cooperation with the Aerospace Industries Assoc. and sponsored by IBM. The AVIATION WEEK Executive Roundtables are designed to bring together industry leaders in an open setting to identify issues, discuss plausible solutions and identify priority actions to move forward. The genesis is that in so doing, the group will guide individual and organizations toward actions that together improve performance across the aerospace and defense industry.

Hosts for the June Supply Chain Executive Roundtable were: Lisa Kohl, Sector VP, Global Supply Chain, Northrop Grumman Aerospace Systems; Michael Gross, VP, Subcontracts, Northrop Grumman Integrated Systems; Paul Kling, Deputy VP, Operations, Supplier Partnerships, Electronic Solutions, BAE Systems; Alan Christensen, VP, Strategic Alliances and Supply Chain, Land Armaments, BAE Systems; Vivek Kamath, VP, Supply Chain Operations, Raytheon; Gunnar Kleveland, Director, Supply Chain Integration, Bell Helicopter; Dana Hullinger, Director, Strategic Sourcing & Early Supplier Involvement, Boeing Defense, Space & Security; and Neal Serven, Senior Subcontracts Manager, Government Communications Systems Division, Harris. Individuals from BAE Systems, Bell Helicopter, Boeing, Goodrich, Hamilton Sundstrand, Harris, Lockheed Martin, Northrop Grumman, Pratt & Whitney, Raytheon, Rockwell Collins, SAIC and United Technologies attended the event.

During the course of the roundtable, the attendees identified three critical issues:

- Further visibility is required across the complex, multi-tier and now global supply chain
- Performance and delivery require understanding of risk and opportunity to the sub-tier level.
- To attract top talent to lead supply chain operations and integration, a degree of professional structure/competency clarification is required.

Senior supply chain executives emphasized the importance of multi-tier supplier management and understanding sub-tier supplier risk: gaining visibility into what is happening not only with direct suppliers but with suppliers' suppliers. Ensuring that subcontractors' have the ability to proactively manage these lower tiers and assess risk (and communicate it up the chain) is critical. Attendees also discussed the challenges posed by an increasingly global business, with offset requirements driving the need to identify and work with new suppliers, and in some instances to assist in establishing all-new suppliers. Roundtable discussions focused on bringing efficiencies into the subcontract management and strategic sourcing processes, identifying the best internal and external operational metrics and acquiring and developing supply chain talent.

Talent Acquisition & Development: Supply Chain Needs an Identity

There is concern that while supply chain leadership is critical to overall program performance, too often supply chain is not an identified partner. It is critical that a clear professional career path, with required competencies, be developed. This would assist in attracting and retaining critical talent.

Action items discussed include:

- Develop clear set of supply chain competencies for A&D
- Develop career paths
- Assure adequate training for supply chain professionals and assure inclusion of global strategy
- Identify attrition levels within the supply chain
- Supply chain executives as critical role advisors to higher education programs
- Develop meaningful intern and co-operative education experiences



Next Steps: These topics will be focus areas for Supply Chain Conference November 2-3.

Strategic Sourcing & Supplier Assessment: Identify Strategic Suppliers To Grow Your Business

Supply chain management must be engaged early and often when selecting suppliers & it is recommended that the aftermarket piece not be overlooked

Actions Considered:

- Identify suppliers in context of total program lifecycle (risk and capacity)
- Assure supply chain management is integral to initial program plan
- Establish metrics to measure efficiency of the strategic sourcing process
- Identify strategic suppliers and analyze/update often to assure full value and utilization
- Leverage relationships with peer organizations globally to identify best athlete suppliers
- Global training referenced in first area (above) must assure adequate knowledge of governing regulations, polices and geopolitical environment; this must also include total landed cost (unit price plus exchange rates plus expedition when needed, etc.)
- Establish multi-disciplinary teams to identify and assess suppliers to assure adequate risk discovery and plan completed in collaborative manner

Subcontract Management: Sub-Tier Risk Assessment Vital

Performance management is a critical area. Primes stressed the need for frequent dialogue with subs about their tiers' performance. The frequency of engagement with subs should be based on the complexity of the work and the length of working relationship. Capability reviews (carried out by program managers, engineering, finance, quality assurance, manufacturing, etc.) were also recommended.

Other requirements for risk assessment identified during the roundtable include:

- Assuring flow-down/delegation of requirements through the supply chain; best practice is joint development of specifications.
- Assure engineering capabilities/competencies along with other risk-related data during the RFI or RFP stage of program proposal.
- Engage first and second tier suppliers in identification of risk and competencies at sub-tiers of the supply chain.
- Selection of tier 1 and tier 2 suppliers should include assessment of ability to manage on their own subcontractors – do they have the data and do they share the data.
- Identify key sub-tier suppliers and include in the primary risk/opportunity management plan
- Prime and Tier 1 organizations need to provide training to subcontract managers as needed and identify subcontract leaders for specific opportunities.
- Participants supported the establishment of executive level relationships with suppliers and advocated for a center-led supplier relationship management structure to provide single points of contact for suppliers.
- Primes and larger organizations should share their technology roadmaps and future program plans with key suppliers so that business plans could be aligned.



Metrics: Challenges Stand In Way Of One Scorecard Per Supplier

Participants discussed common supplier metrics (on time delivery, quality, customer feedback scores, and cost) and some of the gaps in achieving standardized metrics across programs – proprietary information and nondisclosure agreements proving most problematic. Would it be possible to consolidate into one scorecard per supplier? That prospect is unlikely, given that primes cannot legally share information with each other about their suppliers.

For benchmarking of the supply chain, most organizations report into CAPS (Center for Advanced Purchasing Systems).

Next steps: Can a unified supplier rating system be created (at a minimum for commodity suppliers)?

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