

Maturity of Suppliers' Sourcing Processes

A380
A340
A350
A318
A310
A300-600F

A400M
C-295
CN-235
C-212

Tiger
NH 90
ATR 42
TBM 700
TB 21
EC135

Ariane 5
ATV
Helios II
Skynet 5
INMARSAT
Galileo

Eurofighter Typhoon
Mako
Meteor
EuroHawk
C³I Systems
Captor



Airbus



Military Transport
Aircraft



Eurocopter



EADS Astrium



Defence & Security

Dr. Anfried Sauerborn, EADS Corporate Sourcing/Strategy

**4th annual Supplier Relationship Management Forum
Barcelona 4th-6th February 2008**



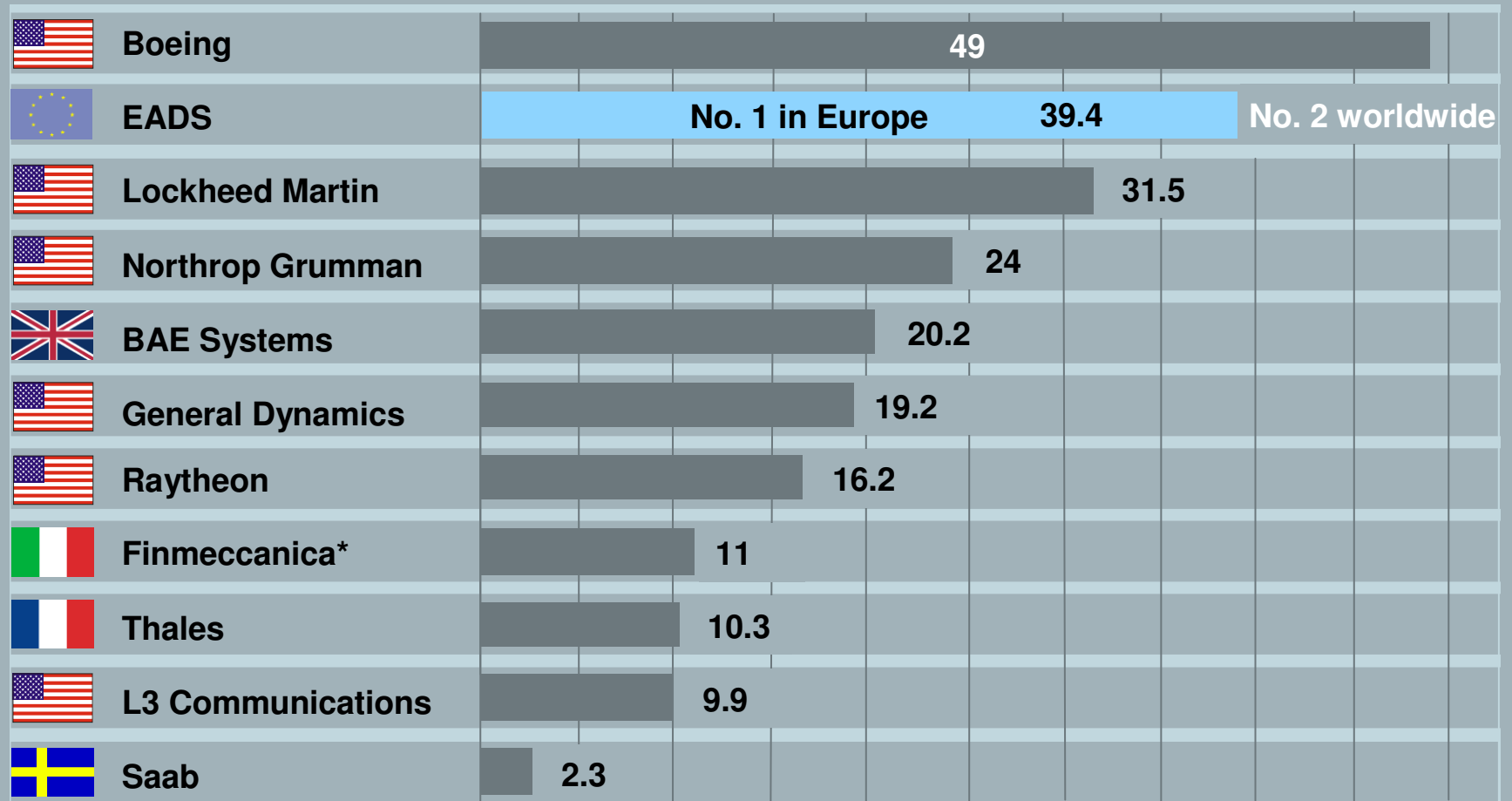
Maturity of Suppliers' Sourcing Processes

- Moving from performance results to enablers assessment
- Anticipating risks in the supply base by assessing supply chain maturity
- Using maturity measurement for supplier development

EADS at a glance



Competitive Position Revenues 2006 in bn €



* A&D activities only. Eliminations not considered

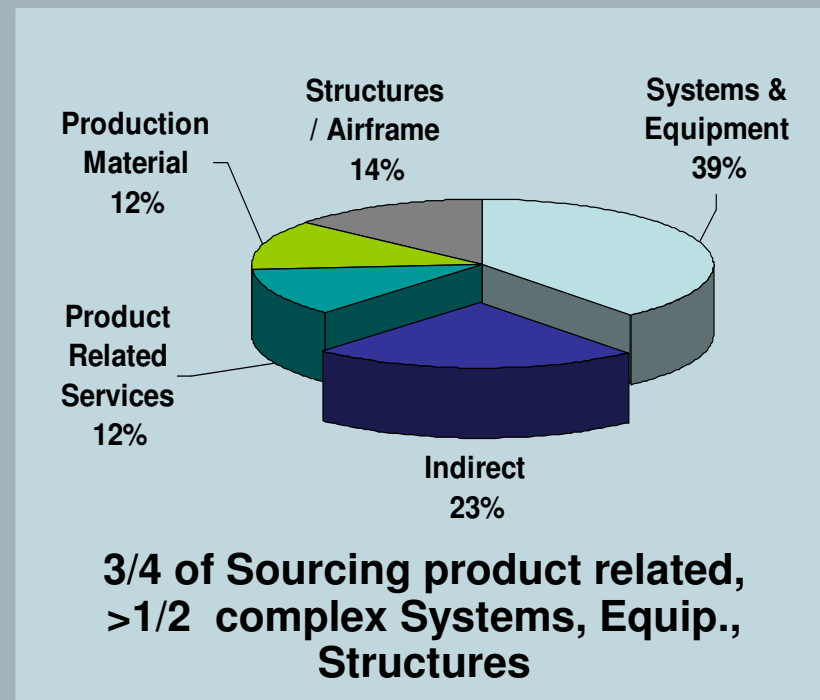
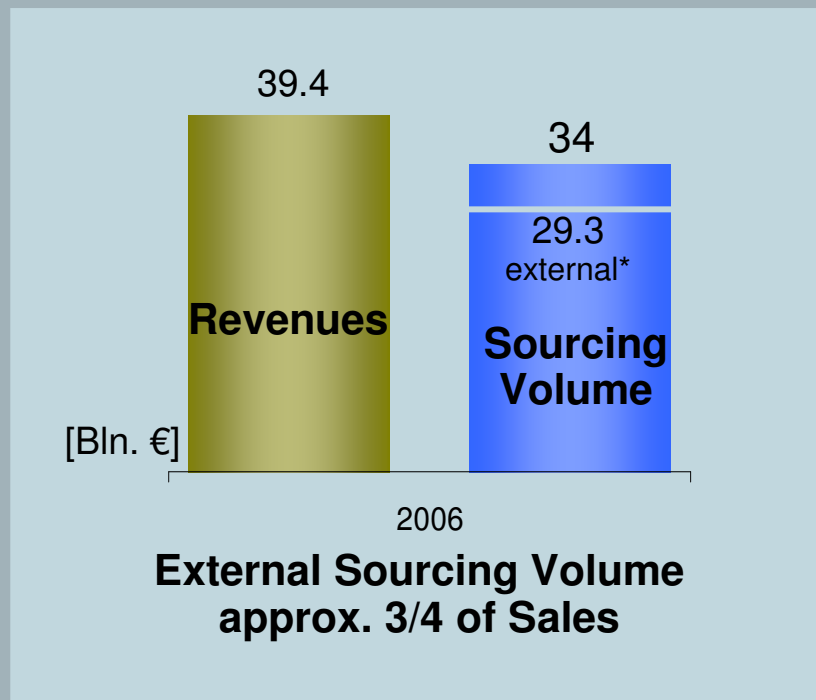
Based on 2006 average exchange rates: €/\$ = 1.256; €/£ = 0.682; €/SEK=9.250

EADS Management Structure



EADS Sourcing Volume

Divisions developed to high level integrators with strong sourcing content



**Performance is to a large extent determined in the Supply Chain,
Sourcing is a key lever for EADS success**

SRM: Main levers

Market

EADS

Supplier

Supply Chain performance is key for market success

Market risks and opportunities have to be shared

Common system for Supplier Evaluation and Improvement implemented across EADS

Focus on key suppliers and partners

Regular and Comprehensive Evaluation & Development of Suppliers is the starting point of Supplier Relationship Management

Supplier Evaluation & Development

Performance of key suppliers is monitored continuously

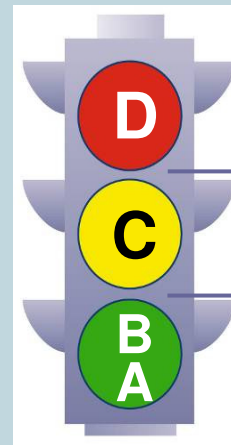
Criteria

- Commercial
- Technical
- Quality
- Logistics
- Customer Support



Classical approach,
focusing on actual and
past results

Rating System



Unacceptable
Requirements not met

Mandatory Improvements
Requirements not fully met

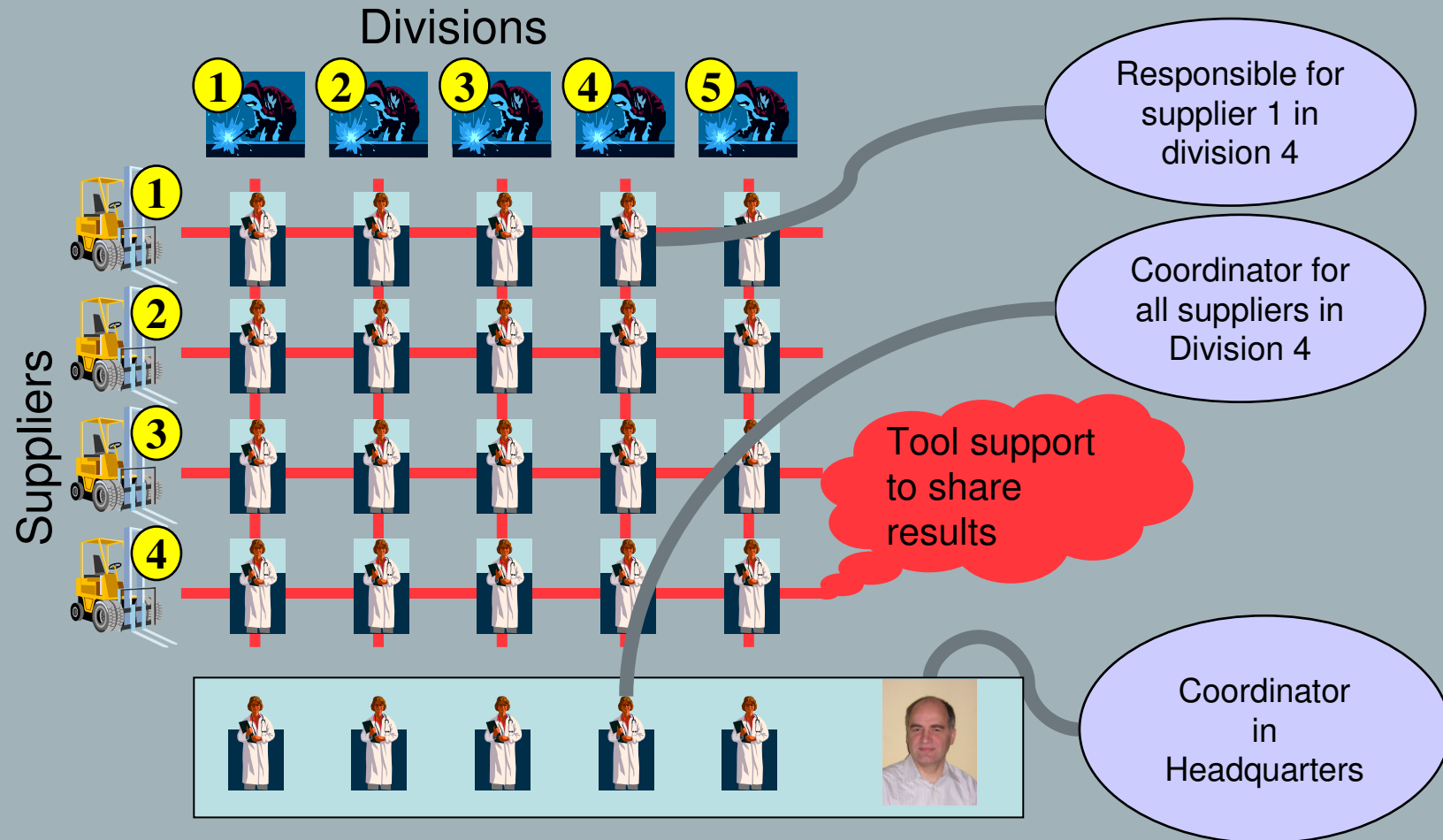
Good
Requirements met
Excellent
Outstanding performance

Performance Target Levels:
80% A/B 20% C 0% D

One common way to manage suppliers' performance



SED Network: develops methods and shares results





Supplier Brochure contains evaluations:

XXXX
XXXX Systems

XXXX
XXXX Systems

XXXX
XXXX Systems

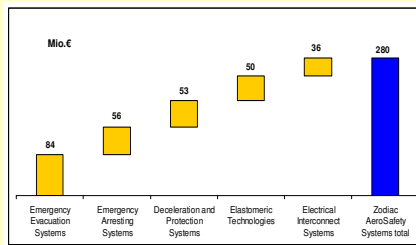
XXXX
XXXX Systems

FINANCIALS in Mio. € (Data based on AR)

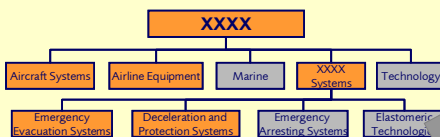
Financial year of XXXX starts in September

	2003/04	2002/03	2001/02	2000/01
Revenue	280	254	237	
EBIT	41	35		
staff		2.783	2.429	2.280

2003/04 REVENUE BY DIVISIONS



COMPANY STRUCTURE



KEY PEOPLE

- XXXXXXXX, CEO, XXXX Systems Segment
- XXXXXXXX, CEO, XXXX Systems Segment
- XXXXXXXX, CEO, XXXX Systems Segment
- XXXXXXXX, CEO, XXXX Systems Segment
- XXXXXXXX, CEO, XXXX Systems Segment

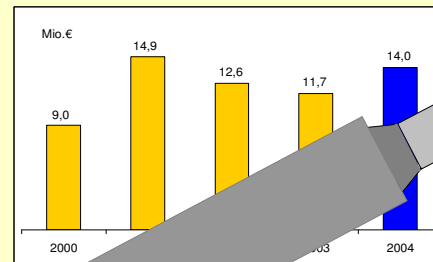
ON GOING ACTIVITIES

- Sogerma: AERAZUR ARS et MITRY : Repair center for Air Cruisers evacuation systems and life rafts. Only sub-contracting activity. This activity has decreased.
- MTAD: C295 Air intake
- MBDA: NSM-Exocet B3: Fuel bladders.

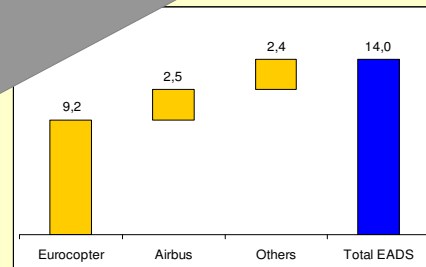
FUTURE BUSINESS

- A400M Rafts
- A350 Evacuation Slides

HISTORY REVENUES FROM EADS



REVENUES FROM EADS



DEPENDENCY ON EADS

Revenues from EADS represent 5,02% of total revenues (2004 rev. with EADS against XXXX XXXX Systems total rev. 2003/04)
Revenues from EADS are based on data from SourceIT

DUNS number: 382062172

EADS KEY MESSAGE

EADS Common Supplier Approach in progress. Solutions to Route quality level

EVALUATION OVERVIEW

Evaluation of
XXXXX
YYYYYY

by
Airbus Eqt.
ATR
Socata
MTAD
MBDA
Sogerma

	C	L	C/S	Q	T
D	B	B	A	B	B
A	C	D	B	A	
C	N/A	C	D	C	
C	C	B	D	C	
B	C	N/A	C	C	
B	B	B	B	B	

Only for training purposes

SUPPLIER NEWS

- Revenues 2004 from EADS: 14 Mio. €
- Order volume 2004 by EADS: 14,3 Mio €

FURTHER INFORMATION

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Facing future challenges:

Is the presented system good enough to face the challenges of the future?

- Globalization
- Concentration of supply base
- Ramp up in aeronautical industries

We believe: Not really

- The system concentrates on past and current performance
- It is not applicable for qualification of new suppliers
- It does not address the enablers for future performance

Solution:

Development of an assessment tool delivering a comprehensive view of the maturity of an organization: The Supplier Management Maturity assessment



What is Supplier Management Maturity?

Definition:

Supplier Management Maturity is about the maturity of a supplier to manage its suppliers in line with good procurement practices and EADS maturity requirements

The existing Supplier Evaluation system is extended by Supplier Management Maturity

Classical:

Commercial	A
Logistics	B
Customer Support	B
Quality	D
Technical	B

Focused on **Deliverables**
(Products, Services, Prices)
Measured regularly

In Addition:

Supplier Management	C
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Focused on **Maturity**
(Capabilities)
Measured On Demand



Why to measure S M M?

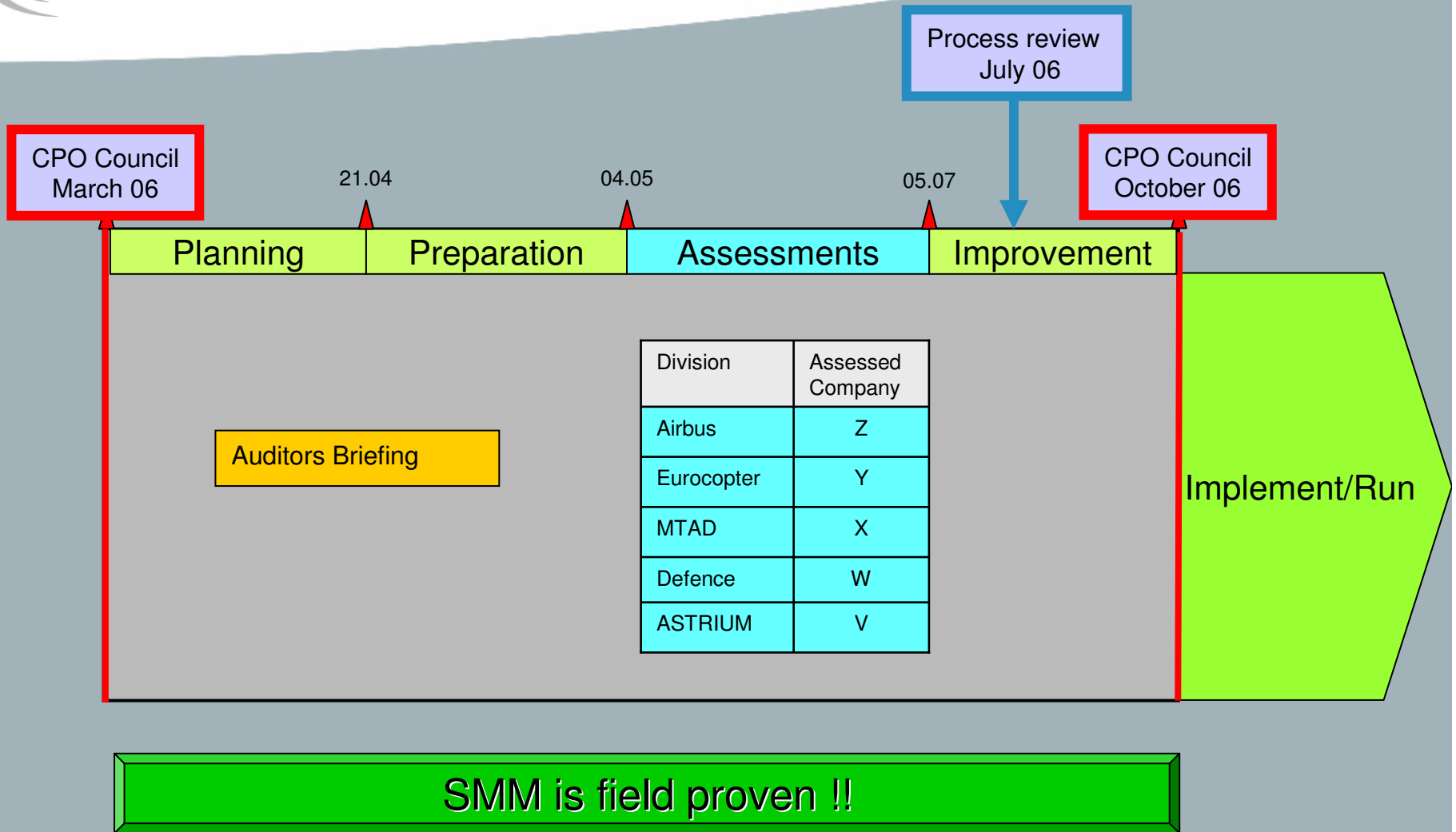
EADS has developed the tool to:

- Better and proactively understand risks...
- Drive sustainable improvement...
- Spread good procurement practices...

...in the current and future supply base



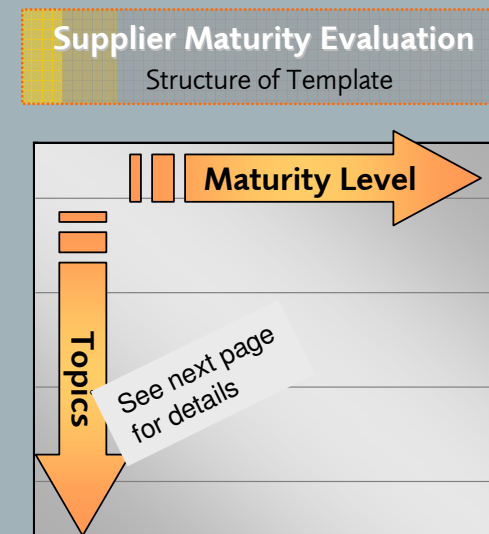
Process of tool development:





Supplier Management Maturity Tool:

- Supplier Management Maturity is assessed based on a structured set of criteria defining the maturity levels along sourcing topics:
 - Sourcing Strategy
 - Supplier Selection
 - Order Processing
 - Supplier Development
 - People and Organization
- 4 Maturity levels (Similar to CMMI* definitions)
 - 1-Undefined
 - 2-Defined
 - 3-Defined and applied
 - 4-Optimizing
- Performance indicators and e-tool deployment level is measured for each of them



*Capability Maturity Model Integration



Complete assessment scheme:

Process	Topic/ sub process	Maturity level			
		1-Undefined	2-Defined	3-Defined & Applied	4- Optimizing
1. Sourcing Strategy	1.1 Sourcing Strategy				
	1.2 Global Sourcing				
	1.3 Risk Management				
	1.4 Make/Buy				
	1.5 Performance indicators				
	1.6 E-Tool deployment				
2. Supplier Selection	2.1 Supplier Marketing				
	2.2 Supplier Selection				
	2.3 Supplier Product Qualification				
	2.4 Contracting				
	2.5 Performance indicators				
	2.6 E-Tool deployment				
3. Order processing	3.1 Order processing				
	3.2 Performance indicators				
	3.3 e-Tool deployment				
4. Supplier Evaluation and Development	4.1 Supplier Evaluation				
	4.2 Supplier Development				
	4.3 Performance indicators				
	4.4 E-Tool deployment				
5. People & Organisation	5.1 People				
	5.2 Knowledge Management				
	5.3 Organization				

Topic expectation

 Supplier Maturity

Topic expectation is determined prior to the assessment.

Supplier Maturity represents the result of the assessment



Example: Content of the template:

Definition of the element to be assessed

Chapter 1: SOURCING STRATEGY	
1.3 Risk Management	
Definition:	Risk Management contains processes and activities to identify and mitigate risks in the context of sourcing. This shall comprise, but is not limited to flow down of endcustomers (EADS) risks to suppliers, bankruptcy, fraud and bribery prevention, Corporate Social Responsibility policy. Risk management can be integral part of the management processes

Recommended questions:	Remarks
How is your Risk Management approach defined?	
How is it implemented and reviewed?	
Which Risk elements are considered?	
How do you share risks with your suppliers?	
How do you address Corporate Social Responsibility?	
How do you make sure that Company assets are properly managed in procurement?	

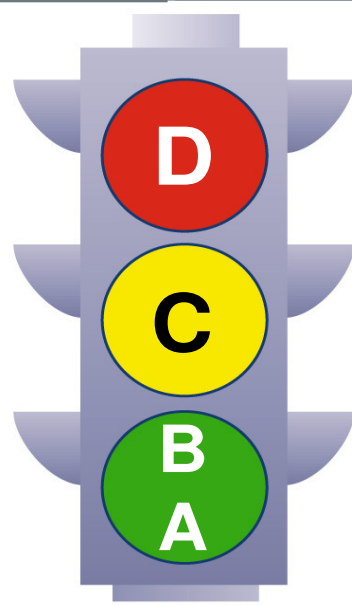
Recommended questions:	Expectation (E) and Result (R) of Maturity levels		E	R	Comments/Docs/Findings / Recommendations
	Expectation (E)	Result (R)			
How do you monitor and improve your Risk Management approach?	1-Undefined	No adequate risk Management approach visible and no adequate plans			
Are the procurement/supplier related risks continuously reviewed, mitigation actions identified and if necessary contract being amended?	2-Defined	Risk Management approach is defined but not yet fully implemented.	X	X	
Is the risk analysis done by a multifunctional group?	3-Defined and applied	Major risks have been identified and corresponding mitigations are in place with the suppliers. Social responsibility is covered			
Are there risk reduction plans?, Risk registers?	4-Optimizing	Benefits of the Risk Management approach is regularly determined and approach is adapted if needed			
Are lessons learnt taken into account?					
....					

Guiding questions

Definition of Maturity levels

Grading and consequence:

Grading	Consequence
<p>More than 15% of the criteria are below expectations</p>	<p>Develop/Substitute / Remove from short list</p>
<p>One or more of the criteria are below expectations</p>	<p>Develop/Committed improvement plan</p>
<p>All of the criteria are equal or above expectations 15 % of the criteria are above expectations, none below</p>	<p>Monitor, align expectations Learn from Supplier</p>





SMM may trigger Supplier Development:

Supplier Development:
Improvement axis
→

Topic expectation:
.....
Supplier Maturity

Process	Topic/ sub process	Maturity level			
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	1.2 Global Sourcing				
	1.3 Risk Management				
	1.4 Make/Buy				
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	2.3 Supplier Product Qualification				
	2.4 Contracting				
	2.5 Performance indicators				
	2.6 E-Tool deployment				
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	3.2 Performance indicators				
	3.3 e-Tool deployment				
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	4.2 Supplier Development				
	4.3 Performance indicators				
	4.4 E-Tool deployment				
5. People & Organisation	5.1 People				
	5.2 Knowledge Management				
	5.3 Organization				

Conclusion:

- Results of assessment show, that the tool delivers the expected insights
- Professional audit **and** procurement background of assessors is key for success (Specific SMM training required)
- Around 5 men days necessary for preparation and execution
- The principles may be extended to further elements of the supply chain (Manufacturing, engineering, ...)



Thank you for your attention.



The step beyond

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