



Harnessing Innovation

21st Century Supply Chains (SC21) & BAE Systems Strategic Supply Chain Management

Mike Webb

5th June 2007





Customer Environment

Customers are demanding increasing levels of Performance from Prime Contractors:

Delivery – on time

Quality/Reliability

Price and Total Acquisition pressures

Responsive and service levels

Export Customers are becoming more demanding:

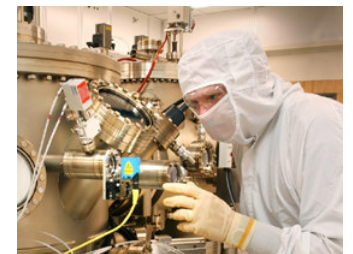
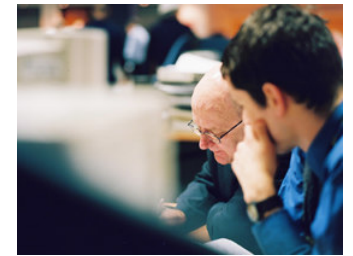
Local work content

Technology Transfer

Creation of Jobs

Local in-service support infrastructure

In Country Investment

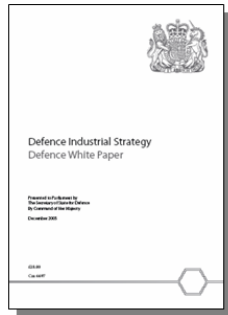


... at the same time the budgets of Airlines and Governments are increasingly constrained



Customer Environment

Defence Industrial Strategy



- Published December 2005
- The aim of DIS is a competitive and “lean” defence industrial base which provides security of supply for critical capabilities while delivering long term value for money
- DIS objectives:
 - To maximise the future battle-winning capability of the UK’s armed forces
 - Provide clarity on MOD’s future requirements
 - Define our need for operational sovereignty
 - Signal the need for restructuring and efficiency improvement
 - Change our relationship with industry
 - Reform our acquisition systems and behaviours




DEFENCE VALUES FOR ACQUISITION

- People are the key to our success
- The best can be the enemy of the very good
- Trade off between performance, time, cost
- Never assume additional resources will be available
- Time matters – slippage costs
- Think incrementally
- Quantify risk – and reduce it
- Respect industry’s contribution
- Value openness and transparency
- Embed a through life culture
- Value objectivity rather than advocacy
- Success and failure matter



DEFENCE TECHNOLOGY STRATEGY
for the demands of the 21st century

MINISTRY OF DEFENCE science|innovation|technology

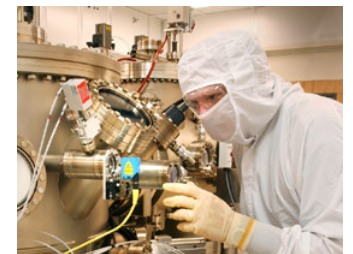
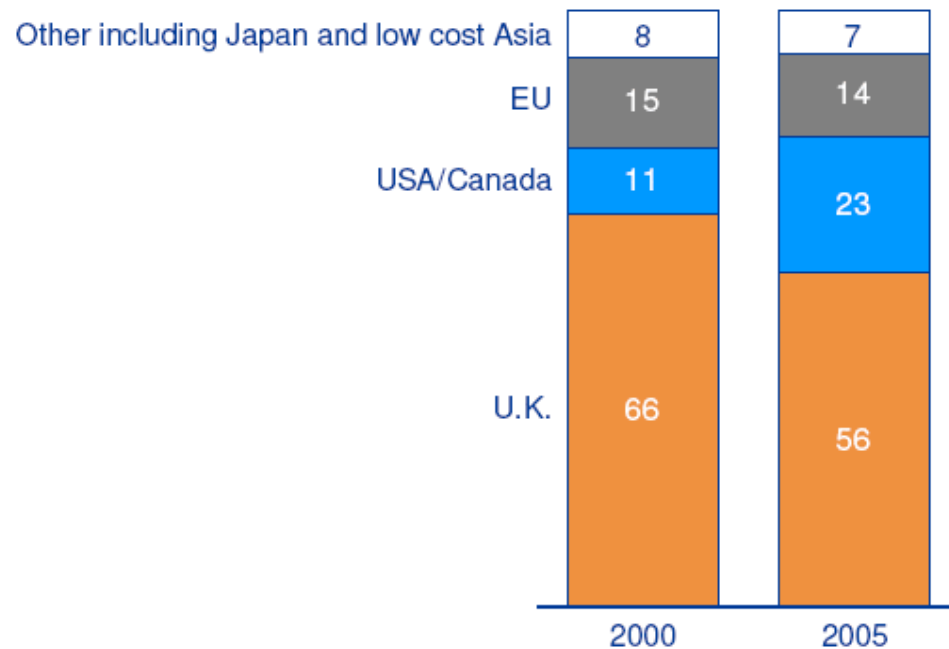




Industrial Environment

U.K. suppliers are losing share of U.K. prime procurement to U.S. competitors with limited offshoring share loss

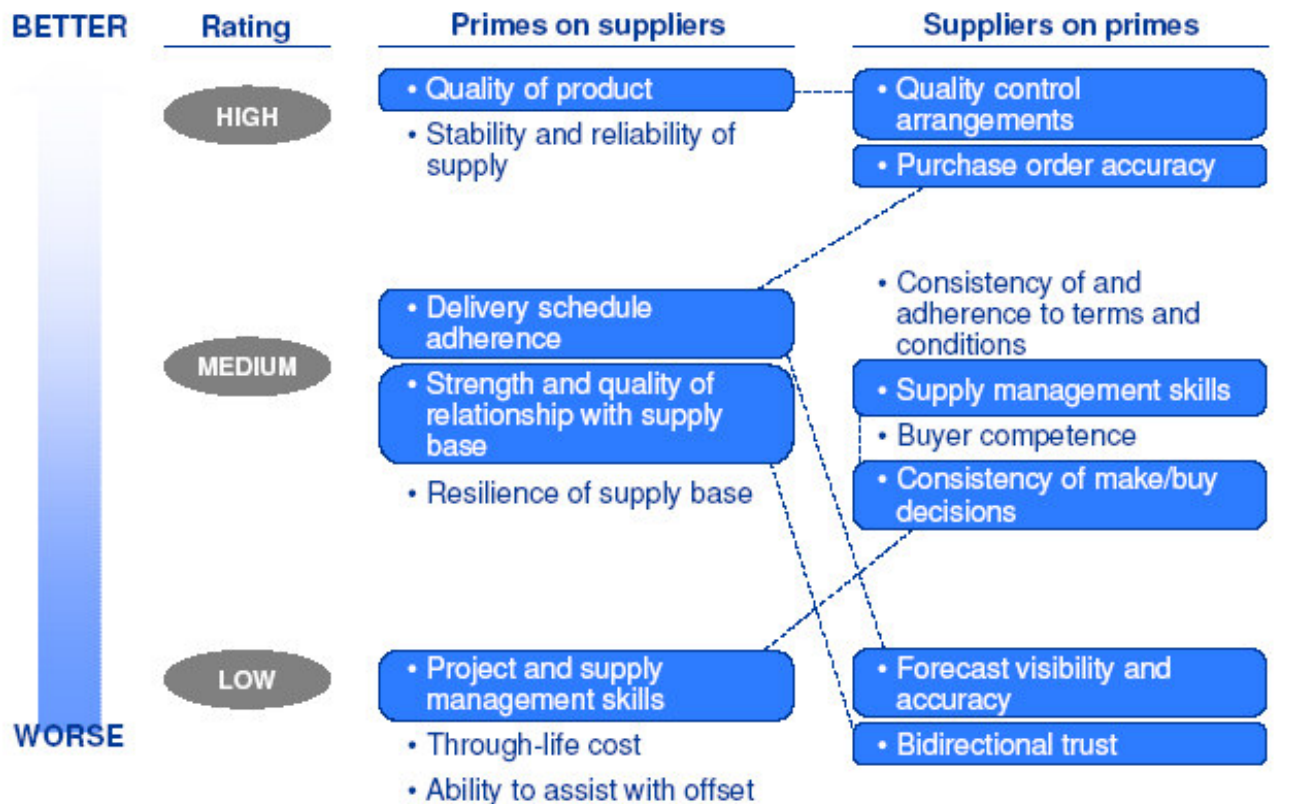
Percentage of total U.K. prime aerospace procurement by origin





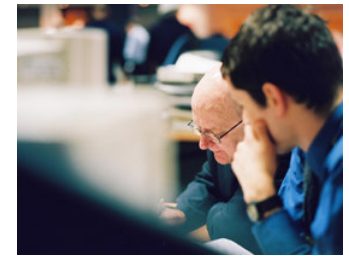
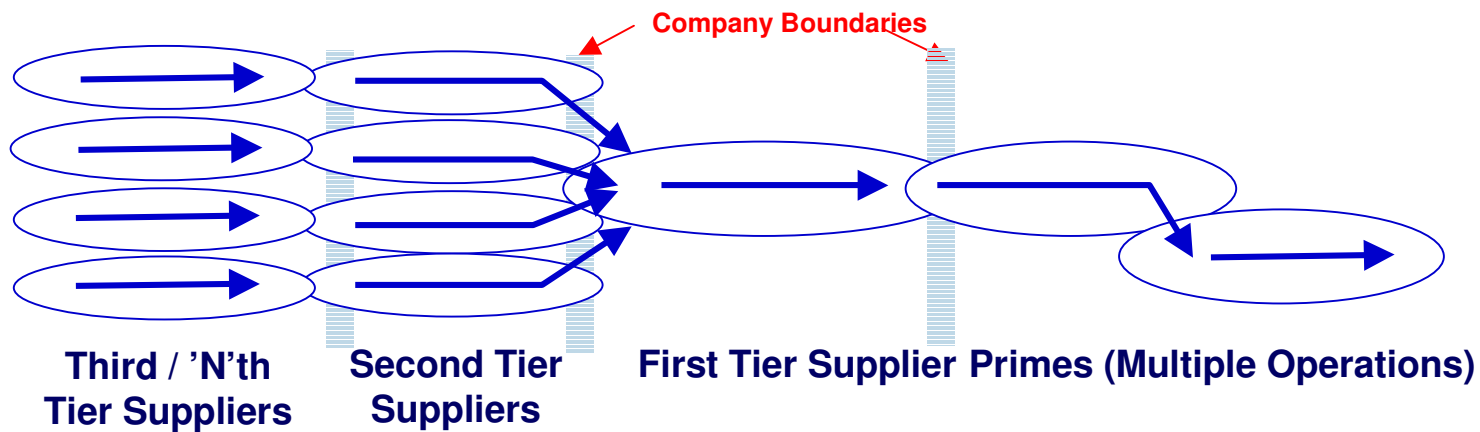
Industrial Environment

Industry players themselves recognise room for improvement





Future Supply Chains

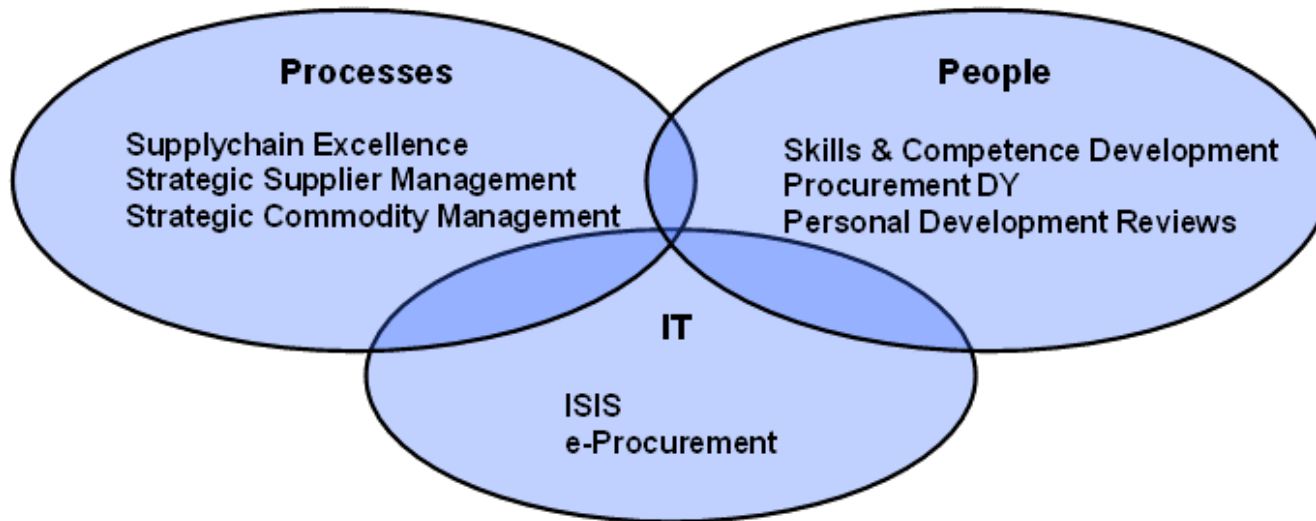


- Customer focussed, high value added, low cost & low waste
- Transparent, aligned & connected
- Team working and open communication
- Long term partnerships & relationships - win-win-win
- Agile & responsive, reduced lead-times



Procurement Environment

- Approx £2.6bn UK spend
- 6800 UK Suppliers
- £165m spend in Scotland (2006)
- 565 Suppliers in Scotland





21st Century Supply Chains (SC21)

- SC21 is a change programme designed to accelerate the competitiveness of the aerospace & defence industry by raising the performance of its **supply chains**.
- responds to:
 - customer and stakeholder requirements
 - and aligns with DIS



president's foreword

foreword by Chris Geoghegan



Aerospace and defence are global and fiercely competitive businesses where individual company performance is no longer a guarantee of success. The increasing pace of international competition and the challenges posed by the defence industry's changing market that if we do not create competitive customer value we will not achieve business growth, we need our members to work together in our supply chains.

At the SBAC annual conference we created the Supply Chain in the 21st Century initiative (SC21) and issued the challenge to transform our industry. The initiative has achieved cross industry agreements and support for a programme of activities that will see a reduction in waste and duplication, reorganisation of processes and greater supply chain integration throughout the sector product lifecycle. The resulting agreements to the core plan include companies from across the supply chain, these agreements will work together to deliver real cost and value and deliver the performance that will enhance our competitiveness.

Our industry recognises that structural measures are needed to address innovation, investment and recognise a greater emphasis of open and collaborative business culture and relationships. The key objectives for our industry plan business and have measures in place for development and growth, we need to work together to accelerate the process.

Supply chains are more visible - they form and where it stands and work processes are more efficient. The successful businesses of the future must be able to respond to customer's demands and deliver their supply chains. Commitment and language will help the industry become more successful and align the plan to the approach developed and championed by the SBAC Aerospace & Defence Board.

SC21 action plan

The key actions for implementation are defined in the plan, and companies will be measured against them on an annual basis.

The agreement to this document has agreed to work together on common approaches to improve their supply chains.

Industry will now take the necessary steps to implement these commitments and deliver the industrial agreements set for the aerospace industry in 2010. These are targeted for our customers, both military and commercial, in pursuit of best value solutions.

Success for the industry does not exist fully until the funding right comes to this plan, we need and want more companies to be part of the initiative, and to the end we encourage you as customers and suppliers to join the initiative.



Chris Geoghegan, President SBAC





153 CEO's Committed to the Programme

19 founding members

Airbus
AgustaWestland
BAE
Bombardier
Cobham
Darchem
Freeman & Proctor
GKN
Goodrich
Lockheed Martin

MBDA
Marshall Aerospace
Naysmith Group
Rolled Alloys
Rolls-Royce
Selex S&AS
Smiths Aerospace
Thales UK
Ultra



The consensus to drive forward supply chain improvements has been led by nineteen companies who are the founding signatories of this initiative. The aerospace and defence industry supply chain comprises more than three thousand companies, this is the target audience that we are seeking to engage and join with this initiative.

Iain Gray
Iain Gray
Managing Director
Airbus UK

Mike Turner
Mike Turner
Chief Executive
BAC Systems

Alan Johnston
Alan Johnston
Managing Director
AgustaWestland

Allen Cook
Allen Cook
Chief Executive
Cobham

John Menzies
John Menzies
Chief Executive
Darchem Engineering

Michael Ryan
Michael Ryan
Vice President & General Manager
Bombardier Aerospace, Belfast

Roy Collett
Roy Collett
Managing Director
Freeman & Proctor

Kevin Smith
Kevin Smith
Chief Executive
GKN

Marshall C. Larsen
Marshall C. Larsen
Chairman, President and Chief Executive
Goodrich

Ian Stoppe
Ian Stoppe
Chief Executive
Lockheed Martin UK

Martin Broadhurst
Martin Broadhurst
Chief Executive
Marshall Aerospace

Guy Griffiths
Guy Griffiths
Chief Operating Officer
MBDA

Simon Beach
Simon Beach
Divisional Managing Director
Naysmith Group

Walter Busuttill
Walter Busuttill
Director - Aerospace & New Business Development
Rolled Alloys

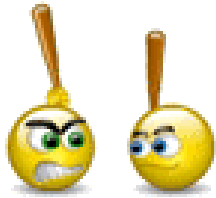
Sir John Rose
Sir John Rose
Chief Executive
Rolls-Royce

Nick Francis
Nick Francis
Managing Director
Selex SBAC UK

John Farnie
John Farnie
President
Smiths Aerospace

Alex Dorrilan
Alex Dorrilan
Chief Executive
Thales UK

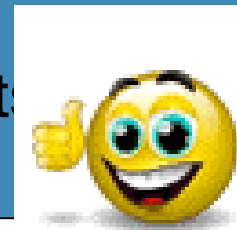
Douglas Castor
Douglas Castor
Chief Executive
Ultra Electronics



- standardise processes
- remove duplication and hence reduce costs
- modernise business relationships
- improve communications and collaboration
- increase efficiency and simplicity
- increase innovation

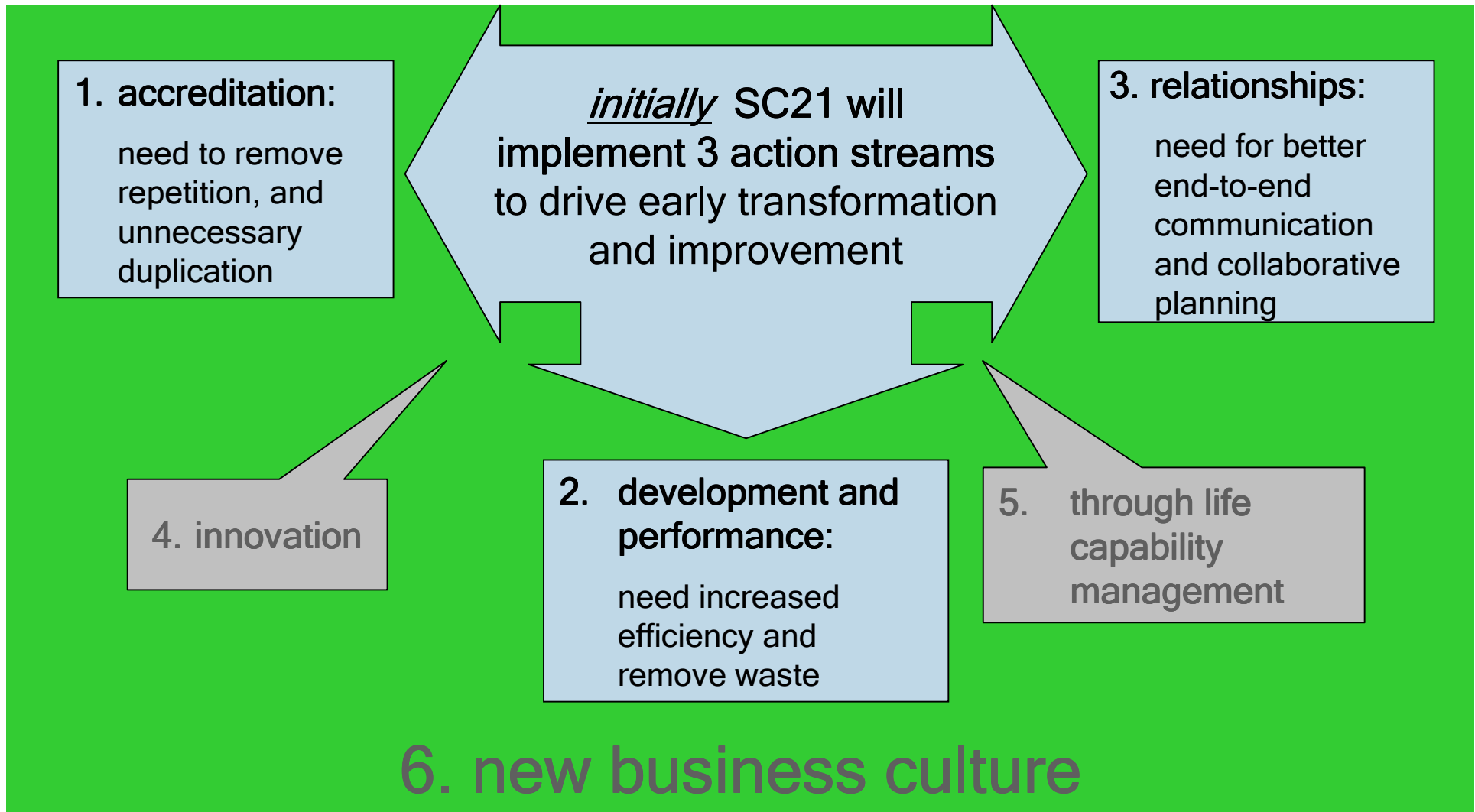
current situation:

- disconnected, fragmented supply base
- non standardised processes, waste & duplication (ie metrics, auditing)
- business relationships are often poor
- the interests of different parties are not aligned





SC21 Scope





How do I Sign Up?

email the SC21
project office
sc21@sbac.co.uk

you will receive
a briefing about
SC21



“Yes, my organisation is committed to SC21, as described in the SC21 action plan, and I am authorised to act in this regard on behalf of my organisation.”



membership
requires CEO
commitment

you are an
SC21
committed
company



More Information

•go to the **SC21 website**

www.sbac.co.uk/sc21

•contact the **SC21 project team**

sc21@sbac.co.uk

•**contact your regional partner**

•Aerospace Wales

Farnborough Aerospace Consortium

•Midlands Aerospace Alliance

North West Aerospace Alliance

•Northern Defence Industries

SBAC Scotland

•West of England Aerospace Forum

•**contact your SC21 signatory customer(s)**

•AgustaWestland

Airbus

BAE Systems

•Bombardier

Cobham

GKN

•General Dynamics UK

Goodrich

Lockheed Martin

•MBDA

QinetiQ

Rolls-Royce

•Smiths Aerospace

Thales

Selex SAS

•Ultra Electronics

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•for the latest list of full signatories please go to our website www.sbac.co.uk/sc21



What Next?

- **Sign Up to SC21**
- **Effective deployment & sustainment of SC21 principles.**
 - **Accreditation**
 - **Supply Chain Development & Performance**
 - **Relationship Management**
- **Exploit all available improvement support.**
- **Proactive engagement**



... challenge your suppliers, customers and yourselves
