Working Together

SUPPLIER PERFORMANCE

MEASUREMENT
SUPPLIER MANAGEMENT VISION

Suppliers in long-term relationships with Boeing are satisfying our customers with top-quality, technically excellent, affordable products, delivered on time.
At Boeing, our suppliers are a valued and integral part of our extended enterprise. Suppliers account for more than half the cost of our products. They touch every function and every program at Boeing. How well our suppliers do their jobs directly affects how well we do our job.

Boeing is committed to achieving a lean enterprise by building strong relationships throughout our extended family of suppliers. One key is our Supplier Performance Measurement (SPM) Report — a tool to facilitate performance improvement by providing suppliers with valuable feedback.

Each supplier that exceeds a set threshold of business with Boeing will receive an SPM Report. Capitalizing on today’s technology, Boeing is making the report available online monthly, after compiling data from across our company. Besides helping to improve performance, this report also will encourage ongoing communication between suppliers and Boeing.

All suppliers receiving an SPM Report will be measured on delivery and quality. Strategically key suppliers (including those participating in the Boeing Preferred Supplier Certification process) may also receive both an affordability rating and a customer satisfaction rating. All suppliers that receive an SPM Report will have the opportunity to give Boeing their own supplier satisfaction ratings — a chance to turn the tables! We know suppliers have opportunities to do business with many companies. That’s why we want to be our suppliers’ “preferred customer.”

Together with our suppliers, we are working for global aerospace leadership!

William L. Stowers
Supplier Management Process Council
Each supplier that exceeds a set threshold of business with Boeing will receive an SPM Report monthly. The report is delivered online so that it can be downloaded on the supplier’s computer and printed out or electronically redistributed.

The report measures supplier performance in four key areas:

- **Delivery** – Percentage of pieces delivered on time to Boeing over a 12-month period.
- **Quality** – Percentage of pieces Boeing accepted from the supplier over a 12-month period.
- **Affordability** – Supplier performance in cost trends, cost reduction efforts, and lean practices.
- **Customer Satisfaction** – Supplier performance in management, schedule, quality, technical, support, and finance matters.

Strategically key suppliers (including those participating in the Boeing Preferred Supplier Certification process) may receive affordability and customer satisfaction ratings.

### SUPPLIER PERFORMANCE REPORT COMPOSITE SCORE

<table>
<thead>
<tr>
<th>Supplier Performance Rating</th>
<th>Preferred Supplier Certification Rating</th>
<th>Overall Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bronze</td>
<td>Bronze</td>
<td>4.4</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Quality</th>
<th>Delivery</th>
<th>Affordability</th>
<th>Overall Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rec’d Qty</td>
<td>Rejected Qty</td>
<td>Accepted</td>
<td>Sch’d Qty</td>
</tr>
<tr>
<td>658</td>
<td>4</td>
<td>99.4%</td>
<td>710</td>
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</table>

Customer Satisfaction 3.3

<table>
<thead>
<tr>
<th>Mgmt</th>
<th>Schedule</th>
<th>Support</th>
<th>Quality</th>
<th>Tech</th>
<th>Finance</th>
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<td>4.4</td>
<td>3.5</td>
<td>3.1</td>
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</table>

### Boeing Supplier Performance Report

<table>
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<td>4.4</td>
<td>3.5</td>
<td>3.1</td>
</tr>
</tbody>
</table>

### Compiling Supplier Performance Data throughout Boeing

To provide a comprehensive evaluation, a supplier’s performance in delivery, quality, affordability, and customer satisfaction is reported from Boeing businesses. Evaluations for each performance area are weighted.
The affordability and customer satisfaction section of the SPM Report focuses on an assessment by Boeing of how well a supplier is performing. It is a compilation of evaluations from Boeing businesses.

Six performance areas are evaluated for customer satisfaction:

- **Management** — Supplier planning and implementation and timely communication with Boeing.
- **Schedule** — Effectiveness of supplier schedule disciplines.
- **Quality** — Effectiveness of quality program, including supplier's system for quality assurance.
- **Technical** — Engineering technical support, including product development, performance, and support.
- **Support** — Effectiveness of supporting products in the field.
- **Finance** — Supplier's earned value utilization, cost management, and accounting systems.

### CUSTOMER & SUPPLIER SATISFACTION SCORE

<table>
<thead>
<tr>
<th></th>
<th>MGMT</th>
<th>SCHED</th>
<th>QUALITY</th>
<th>TECH</th>
<th>FINANCE</th>
<th>SUPPORT</th>
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<td>4</td>
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<td>3</td>
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<td></td>
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<td>8</td>
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<td>3</td>
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<tr>
<td>Category Scores</td>
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<td>4.0</td>
<td>4.25</td>
<td>2.67</td>
<td>3.33</td>
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</tbody>
</table>

Customer Satisfaction Report

Suppliers have opportunities to do business with many customers. That’s why Boeing strives to be suppliers’ “preferred customer” by using the Supplier Satisfaction Report. The Supplier Satisfaction Report helps Boeing monitor and improve internal performance. Each supplier receiving an SPM Report is invited to turn the tables and provide a supplier satisfaction rating for Boeing. Suppliers are asked to evaluate Boeing performance in the same seven areas that Boeing uses to measure suppliers:

- **Management** • **Schedule** • **Quality** • **Technical** • **Finance** • **Affordability** • **Support**

Participating suppliers complete the Supplier Satisfaction Report online. To encourage candid feedback, data from the Supplier Satisfaction Report are compiled on a nonattribution basis. Each supplier may request and is ensured anonymity.

The supplier satisfaction rating for Boeing is determined in the same way as the customer satisfaction rating. The results of supplier satisfaction evaluations are provided to senior management at Boeing to promote improved performance throughout the Boeing extended enterprise.
Besides being an evaluation of performance, the SPM Report is a tool to help suppliers improve performance.

Any nonconformance reported in the SPM Report is thoroughly documented. That gives the supplier an opportunity to clarify evaluations and pinpoint areas where improvement is needed. Quality failure data include specific dates, part numbers, and nonconformance document numbers. On-time delivery failures are documented with information that includes part numbers, delivery dates, purchase order numbers, and line item and receiver document numbers.

All SPM data are updated monthly. A supplier can access its SPM Report at any time so that, if necessary, action can be taken either to improve performance or to contest an evaluation. An electronic link is provided for contesting data and working toward a resolution.

### ADDRESSING AREAS FOR SUPPLIER IMPROVEMENT

#### BACK-UP DATA FOR QUALITY FAILURES

<table>
<thead>
<tr>
<th>Part Number</th>
<th>Total Recd Qty</th>
<th>Accept %</th>
<th>Rej Qty</th>
<th>Nonconformance Document</th>
<th>Nonconformance Document</th>
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<tr>
<td>12345-1</td>
<td>18</td>
<td>99.9%</td>
<td>1</td>
<td>125345</td>
<td>3/28/97</td>
</tr>
<tr>
<td>23456-2</td>
<td>90</td>
<td>99.9%</td>
<td>1</td>
<td>445345</td>
<td>3/28/97</td>
</tr>
<tr>
<td>34567-3</td>
<td>120</td>
<td>99.9%</td>
<td>3</td>
<td>56789</td>
<td>4/12/97</td>
</tr>
<tr>
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<td>50</td>
<td>99.9%</td>
<td>1</td>
<td>123456</td>
<td>4/12/97</td>
</tr>
</tbody>
</table>

#### BACK-UP DATA FOR CUSTOMER SATISFACTION FAILURES

<table>
<thead>
<tr>
<th>Site Program</th>
<th>Category</th>
<th>Score</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>St. Louis F/A-18 Mgmt Red</td>
<td>Author: A.B. Care</td>
<td>Phone: 314-000-0000</td>
<td>Comment: Supplier needs to exercise management control over second tier supplier.</td>
</tr>
<tr>
<td>St. Louis F/A-18 Afford Yellow</td>
<td>Author: A.B. Care</td>
<td>Phone: 314-000-0000</td>
<td>Comment: Supplier not proactive on Lean Initiatives.</td>
</tr>
<tr>
<td>St. Louis Harpoon Sched Red</td>
<td>Author: J.T. Jones</td>
<td>Phone: 314-0006-0000</td>
<td>Comment: Supplier requires excessive on-site support to maintain schedule.</td>
</tr>
<tr>
<td>Long Beach C-17 Sched Red</td>
<td>Author: M.A. Smith</td>
<td>Phone: 593-000-0000</td>
<td>Comment: Repeated attempts to recover schedule have been ineffective due to lack of top management commitment.</td>
</tr>
</tbody>
</table>

### Five Color-Coded Standards

**Gold**

Exceptional supplier performance, clearly exceeding expectations.
**Delivery**: 100 percent on time for 12 months.
**Quality**: 100 percent acceptance for 12 months.
**Affordability**: 4.0 or above.
**Customer Satisfaction**: 4.4 or above.

**Silver**

Very good supplier performance, meeting or exceeding expectations.
**Delivery**: 97 percent on time for 12 months.
**Quality**: 99.5 percent acceptance for 12 months.
**Affordability**: 3.4 to 3.9.
**Customer Satisfaction**: 3.8 to 4.3.

**Bronze**

Improvement needed in supplier performance to meet expectations.
**Delivery**: 85 percent on time for 12 months.
**Quality**: 96.5 percent acceptance for 12 months.
**Affordability**: 1.8 to 2.7.
**Customer Satisfaction**: 2.8 to 3.7.

**Yellow**

Satisfactory supplier performance, meeting expectations.
**Delivery**: 93 percent on time for 12 months.
**Quality**: 99.0 percent acceptance for 12 months.
**Affordability**: 1.8 to 2.7.
**Customer Satisfaction**: 2.8 to 3.3.

**Red**

Unsatisfactory supplier performance, clearly failing to meet expectations.
**Delivery**: below 85 percent on time for 12 months.
**Quality**: below 96.5 percent acceptance for 12 months.
**Affordability**: below 1.8.
**Customer Satisfaction**: below 1.8.
LOOKING TO THE FUTURE

As the world’s leading aerospace company, Boeing requires a world-class supply base. Suppliers are a valuable and integral part of the Boeing extended enterprise. Together, we are meeting the challenges of global aerospace leadership.

Meeting those challenges demands a lean enterprise — throughout Boeing and throughout our extended supplier family. A key to achieving that lean extended enterprise is to build strong supplier relationships based on open and honest communication, mutual respect, and shared goals that will allow us to move Boeing and our extended supplier family to the next level of performance.

Additional efforts to help us achieve those strong supplier relationships include:

• Holding supplier focus groups to promote communication and feedback.
• Involving suppliers early in new business acquisition.
• Working with suppliers in assessing their processes to achieve leanness.
• Supporting supplier development by offering courses, including Lean Enterprise Overview, Lean Production System Simulation for Suppliers, Value Stream Mapping, Statistical Process Control, Accelerated Improvement Workshops, and Preferred Supplier Certification.

Boeing sees working together with our suppliers as a relationship that is good for our suppliers, good for Boeing, and good for our customers.
QUESTIONS

To receive your SPM Report from Boeing, you will need:
• a computer, with Internet access and a Web browser.
• an SPM account, which a supplier receives from Boeing as soon as it meets a set business activity threshold. This account number protects the privacy of the SPM Report, allowing each supplier access only to its own individual report.

How does a supplier know when an SPM Report is available?
Reports are available monthly. To receive your report, use your individual account number to access, download, redistribute, and print out. The report is designed to be easily understood whether it is printed in black-and-white or color.

For more information about the Boeing SPM Report, contact Rudy Bini, Manager, Supplier Management and Procurement, (314) 232-1918 or at rudolph.l.bini@boeing.com