



WELCOME

SUPPLY CHAIN AFFORDABILITY

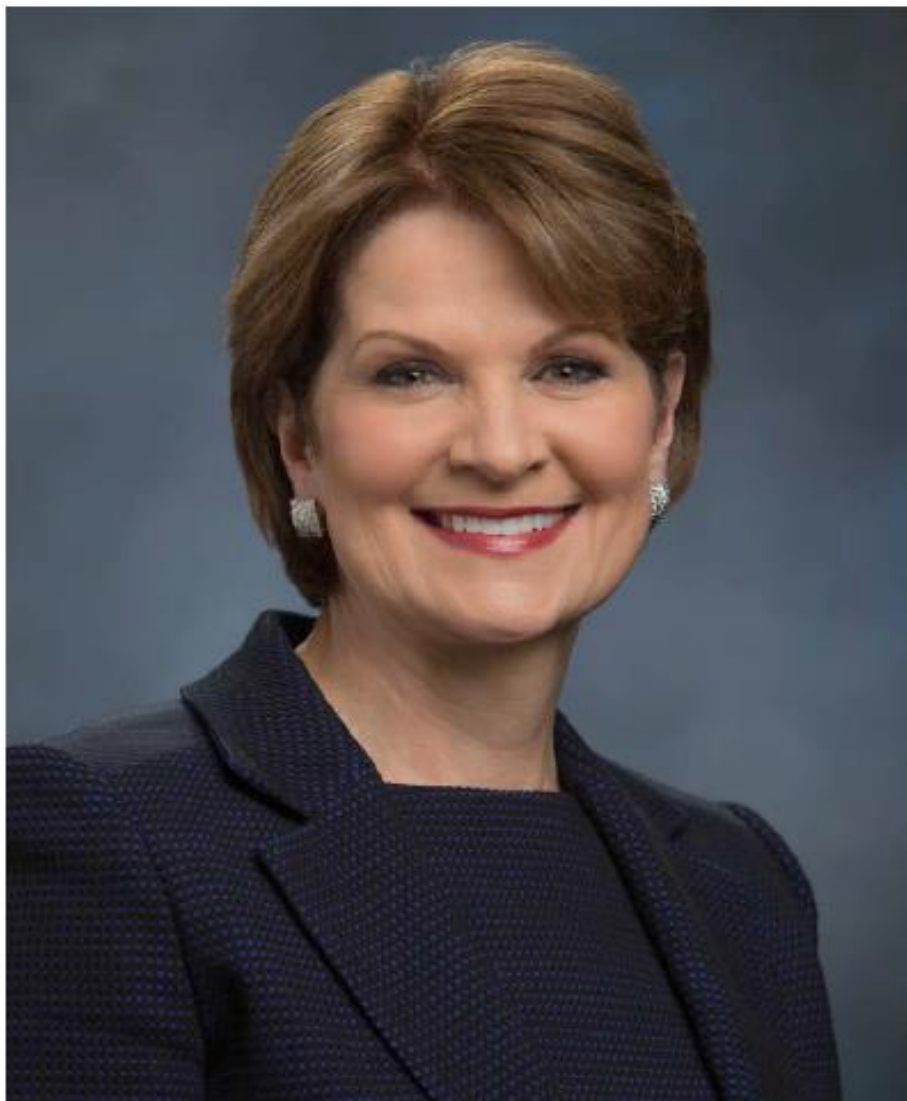
George Sanders

Business Area Supply Chain Strategy & Value Acceleration lead

Lockheed Martin Rotary & Mission Systems (RMS)

LOCKHEED MARTIN





“WE DO HARD THINGS IN THIS COMPANY, AND THAT’S WHAT OUR CUSTOMERS LOOK TO US FOR... TO HELP THEM SOLVE THEIR TOUGHEST PROBLEMS, ACHIEVE THEIR MOST CRITICAL MISSIONS.”

MARILLYN A HEWSON
CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER



Aeronautics



Missiles and Fire Control



Rotary and Mission Systems



Space



OUR BUSINESS FOCUS

- Affordability
 - Innovative solutions at the right cost
- Program Performance
 - On-time, on-budget solutions and no risk impact
- Customer Relationships
 - Work together to achieve mission success



COMMITMENT TO SMALL BUSINESS



OUR MISSION:

Be the global industry leader in evolving our diverse supplier base. We will maximize utilization of small businesses in our supply chain to create a technological advantage for our customers, stimulate economic growth and achieve long-term business success.



OUR VISION:

Fostering a culture that meets the dynamic environmental challenges by leverage diverse suppliers. We provide maximum practicable opportunities and visibility to small businesses through advocacy, counseling and training.

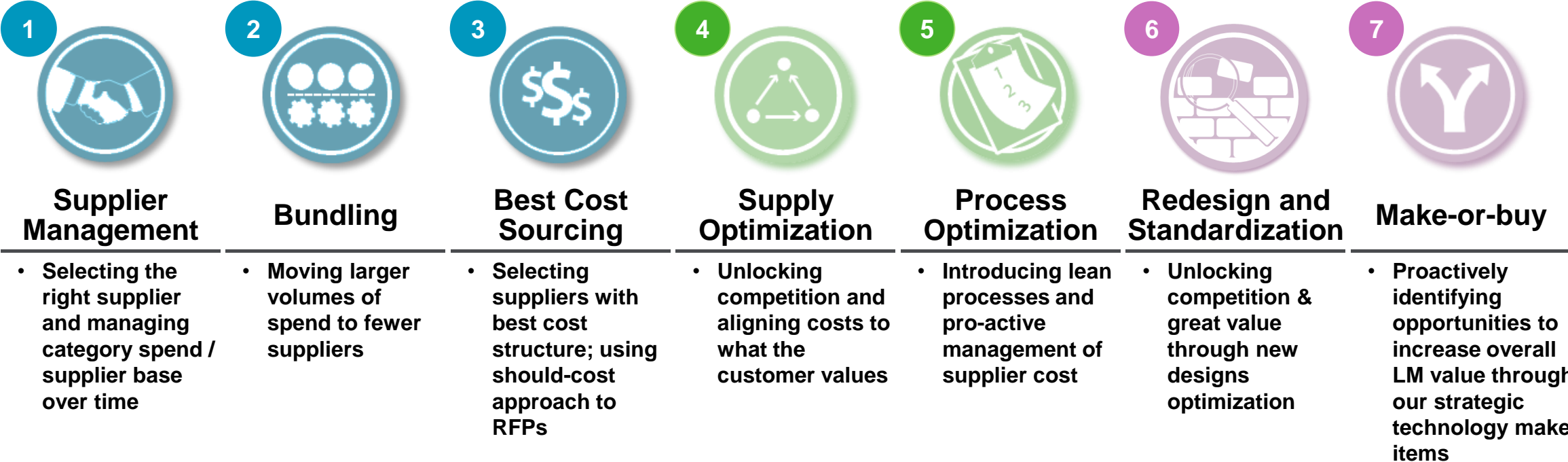
TYPICALLY 70 % OF COST IS IN THE SUPPLY CHAIN. MAJOR IMPACT IS SUPPORTING OUR CUSTOMER AFFORDABILITY

OBJECTIVE IS TO HAVE MORE AFFORDABLE SUPPLY CHAIN NETWORK

KEY AFFORDABILITY SUCCESS FACTORS

1. **Aim high**—an aggressive RFP response typically achieves more gains for the small business
2. **Know your facts**—data drives knowledge of differences and rationale for changes
3. **Put yourself in the customer shoes**—understand their position; anticipate affordability and performance objectives
4. **Be clear**—if your competitiveness puts your business at risk, make sure you're not over committing your business, you must stay profitable
5. **Know your options**—avoid building risk into you proposals....don't be afraid to ask for help from LM
6. **Know what LM wants and needs**—including your alternate bid strategies for creative affordability solutions beyond what we ask for
7. **Evaluate your proposals carefully**—Be clear in how you meet the requirements of solicitation
8. **Be patient**— if you are a new supplier to Lockheed, it takes time to integrate into our product solutions. If you are an existing supplier we are increasing second sourcing options to increase our affordability options.
9. **Be bold, Be direct, But always be credible**—need to be honest as we are looking for true partners to give our customers quality innovative solutions
10. **Diversity strengthens innovative affordable solutions**

"7 LEVER" PROCUREMENT AFFORDABILITY FRAMEWORK IN LOCKHEED MARTIN SUPPLY CHAIN



← All levers must be considered in parallel to maximize savings →

HIGHLIGHTS

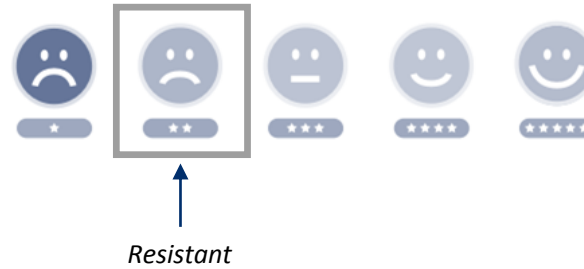
CROSS BUSINESS AREA BUNDLING

- **Situation:**
 - Machined Parts
 - Leverage like parts cross BA
 - Capacity concerns with current suppliers
- **Condition:**
 - Similar cross BA supplier quality requirements
 - Need to meet performance goals
 - Select best supplier based on past performance (40 suppliers)
- **Journey:**
 - Held Summit to level set expectations
 - Use of small business
- **Lessons Learned:**
 - Found commonalities across BA's
 - Timeline in alignment for purchases
 - Suppliers appreciated feedback

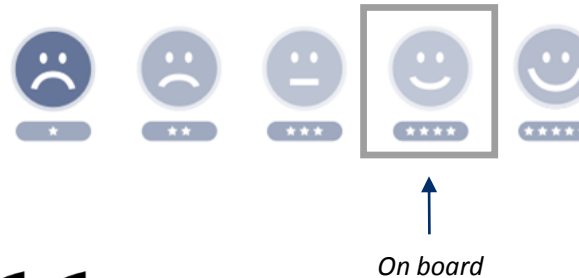
LM ATTITUDES

(Teams using new tools and techniques)

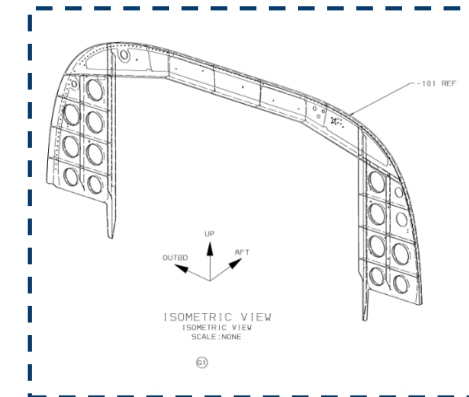
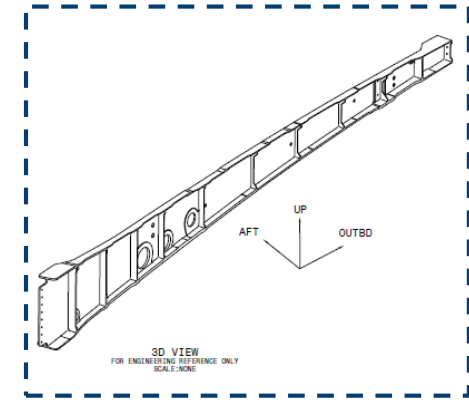
BEFORE



AFTER



“
... each situation is different,
unique strategies have to be
employed to achieve savings...
”



4-5
MONTHS

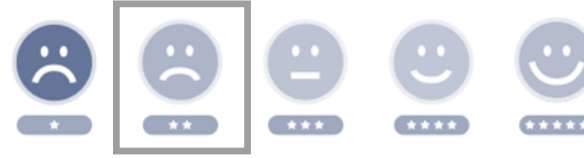
HIGHLIGHTS

BUYING DIFFERENTLY

- **Situation:**
 - Sole source cable assembly
 - Technical specifications
 - Short timeline
- **Condition:**
 - LM owned IP
 - Meet performance goals
 - Meet affordability objectives
- **Journey:**
 - Solicited capable manufacturers'
 - Included Small Business
 - Received samples of cable assembly for engineering qualification
- **Lessons Learned:**
 - Supply chain and engineering collaboration
 - Increase competition drives affordability
 - Timeline in alignment for purchases

LM ATTITUDES

BEFORE



Restrictive Source

AFTER

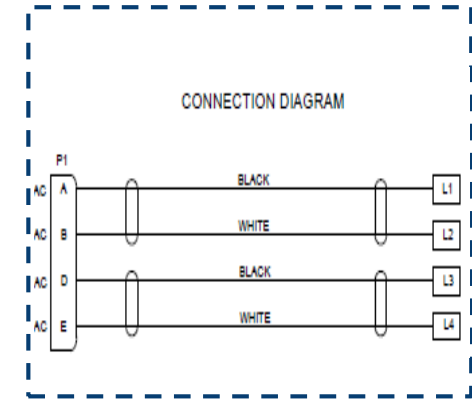


Competition

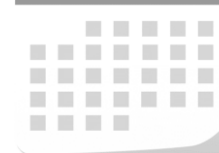
“

... engage sourcing in supplier selection to achieve savings...

”



TIMELINE



3-5
MONTHS



CONTINUING SUCCESSFUL PARTNERSHIPS

- Integrated relationships between our small business suppliers and Lockheed Martin are **fundamental to building solid and cohesive partnerships**.
- We believe Lockheed Martin's current business, future development programs, and current sustainment activity are very valuable to small businesses – directly and strategically.
- We are looking for partners that are willing to work with us on affordable quality solutions across the organization.



AFFORDABILITY & RISK MANAGEMENT IS CRITICAL TO OUR COMBINED FUTURE SUCCESS

OUR SUPPLY CHAIN

AERONAUTICS	MISSILES AND FIRE CONTROL	SUPPLIER BASE	ROTARY AND MISSION SYSTEMS	SPACE
		<p>\$19.3B Spend Managed Annually</p> <p>16,000 Suppliers</p> <p>DIVERSE SPEND</p> <p>\$4.4B (23%) In GFY 2017 with Small Businesses</p> <p>8,900 Small and Diverse Businesses</p> <p>SMALL BUSINESS STRONG</p> 