Services entreprises

INDUSTRIAL PERFORMANCE
Evolution 2009/2010

INTRODUCTION

After a year's break, the annual enquiry, initiated by SPACE, concerning aeronautical supply chains is back in a simplified version and with a new partner, ICAM.

Based on three indicators (customers returns, customer delivery achievement and inventory turnover), it gives an overall picture of the aeronautical suppliers' performance. It also allows the respondents to compare themselves with their competitors concerning the three indicators mentioned.

The survey is completely anonymous as each company will be attributed a number which only ICAM and the company concerned will know. The results will be published when the survey is complete and will be available to all participants.

This document encapsulates all the responses from suppliers coming from all domains and all types of technology. We offer a global overview illustrating the progress recorded for each of these competitive improvement strategies.

The quality of the survey is linked to the quantity and quality of your answers.

Its goal is to give references to top managers, in order to analyze and objectively compare their performances with their competitors; it is also the opportunity to understand their relative position with referential values and choose the most pertinent actions to improve. ***In order to define an action plan and to conduct the corresponding actions, each supplier may request a support from SPACE.***

We are convinced that there is no progress without measure and benchmarking is the necessary lever to improve industrial performance.

SPACE : *Non-profit association, dedicated to improving the global aeronautic supply chain .*
ICAM :*Engineering School « Institut Catholique d'Arts & Métiers » Toulouse Site*

AVERAGE FIGURES AND GENERAL COMMENTS

· **Samples:** 40 industrial sites responded to the survey.

· **Economic representation of the sample:**

_ 2010 Turnover of all 40 sites: 328 M€

_ Total manpower: 3704 people

· A typical company**:**

An SME of 90 people, tier 2 or tier 3 sub-contractor in the machining and mechanical sub-assembly sector supply chain, enduring a 9% drop in their turnover and a 3 % reduction in their workforce, between 2009 and 2010.

· **Averages:** the figures below show the average for 3 indicators, as well as a reminder of the results of the last enquiry carried out in 2008.

Indicators	Units	Perf. 2009	Perf. 2010	Evolution	Reminder results 2008 *
Customer returns	**ppm**	**4727**	**4678**	→	**3471**
Customer delivery achievement	**%**	**83.4**	**82.5**	→	**83**
Inventory turnover	**Nb**	**6.8**	**6.6**	→	**12.0**

* : The 2008 samples represent different companies, generally bigger, on average 185 people.

Tendency :

The results obtained are weak in view of the low number of respondents - only 40 out of 400 replied.

Despite difficult times, a low variation can be seen concerning the factors studied, which confirms that there has been no let-up in the amount of effort put in.

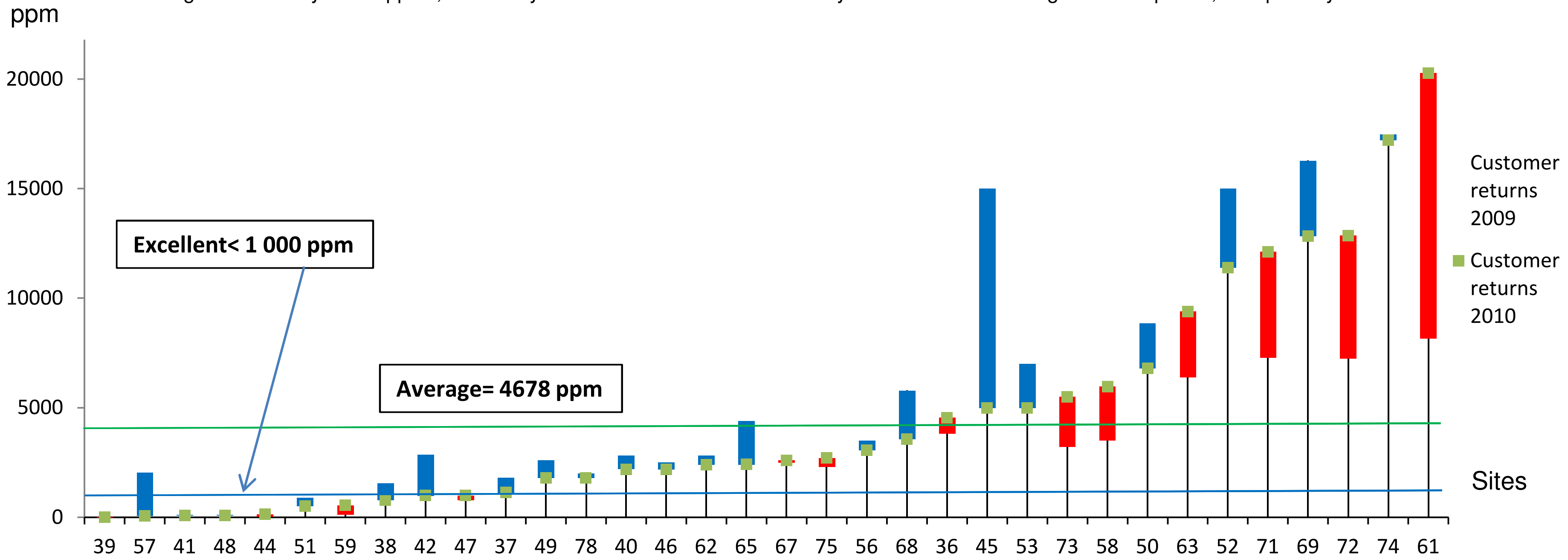
The comparison with the 2008 figures seems logical according to the difference in size of the companies concerned (on average 90 instead of 180) –justified by better organization and quicker stock rotation, but also a better ability to guarantee a higher level of quality. It should be noted that customer delivery achievement remained in the same range in both cases.

GRAPHICAL SUMMARY OF RESULTS

Customer Returns

(All activities)

Definition: Total quantity of unacceptable products rejected by the customers (non-conforming items under liability) during the last three months and acknowledged as such by the Supplier, divided by the total number of items delivery to all customers during the same period, multiplied by 1 million.

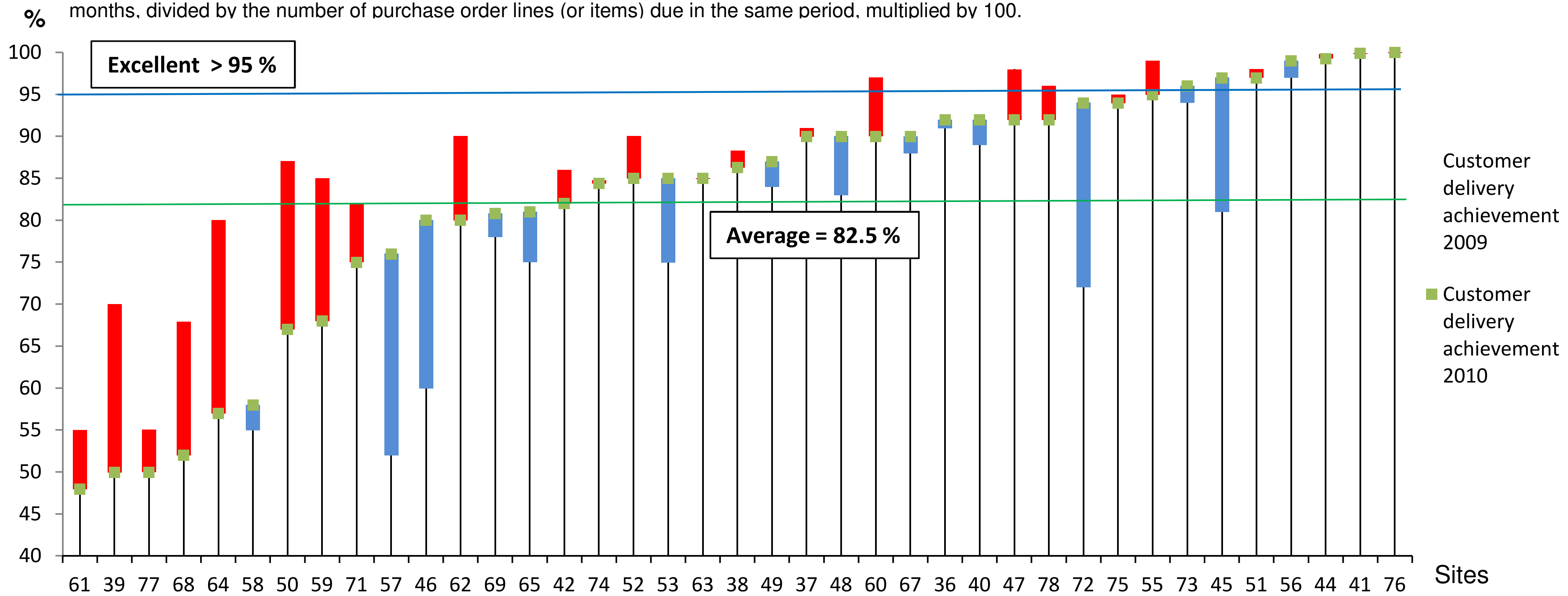


The majority of companies remained stable on this criterion; certain companies had excellent results but this must be correlated to their smaller workforce, or limited amount of goods produced for the aeronautical sector. The biggest companies, in terms of size, are those who show the biggest variations. Some good progress can be seen here.

Customer delivery achievement

(All activities)

Definition : total number of purchase order lines (or items) delivery on time (as defined in the agreed PO), in good quality, with the right quantity, during the last three months, divided by the number of purchase order lines (or items) due in the same period, multiplied by 100.

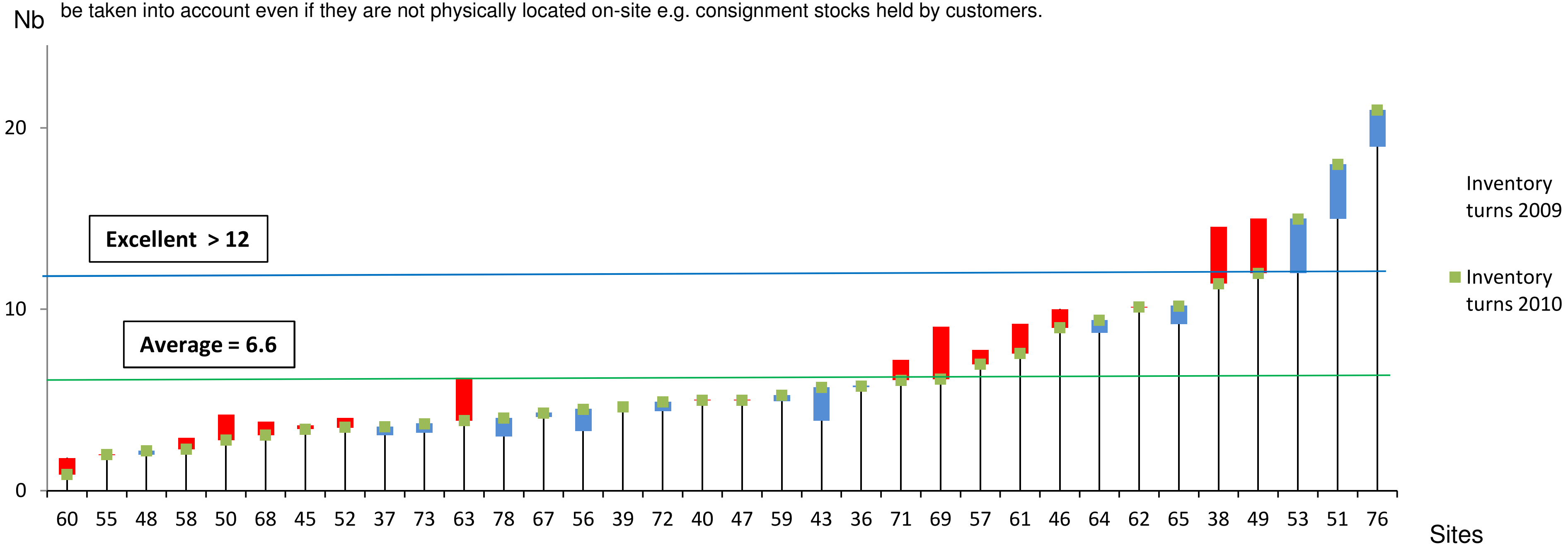


Customer delivery achievement remained stable despite big variations in individual performances for this criterion. It can be seen that a proportion of fairly big companies showed a drop but there was also some good progressions. Results less than 75 % impacted strongly on the average and thus demand a serious remobilization for the company concerned. Achieving excellence seems quite rapidly attainable.

Inventory turnover

(All activities)

Definition: Annual cost of goods sold divided by the appropriate value of total inventory (raw materials, work in-progress and finished goods). All products owned must be taken into account even if they are not physically located on-site e.g. consignment stocks held by customers.



Inventory turnover remained stable, with a little less than 2 months of stock which corresponds well to the usual cycles in aeronautical sub-contracting.
Little individual variation showed up; the performance objective targeted seems beyond reach without serious reconsideration of the supply chain sector. An awareness campaign must be carried out in order to raise consciousness of the potential gains to be had in this area.

COMMENTS

The analysis shows us that:

- The overall level of performance remained stable during a difficult economic period.

- Individual fluctuations were sometimes equally split between those who had progressed and those who had fallen back; a factor which could be explained by different situations brought about by managerial decisions, sometimes at odds with each other.

- Excellence is attainable for 2 indicators (customer returns and customer delivery achievement) which shows the concern the sub-contractors have to satisfy their contractors.

- The habits of a supply-chain organization that weigh heavily on company finances and also mask substantial gains in productivity.

These indicators will not only allow you to highlight potential areas for improvement, but also to understand, take on board, take action and make your company more competitive.

These indicators are also mandatory for the aerospace “Supply Chain” as its effectiveness is based on the overall performance of each of the companies involved.

CONCLUSIONS

This pilot survey shows encouraging results. They concur with previous benchmarking despite the difficult economic situation, a problem which seems to have been fairly well-tolerated by the companies sampled.

The survey is thought-provoking and also a management tool worthy of interest by companies. It could be more accurate and even more detailed if the number of participants increases dramatically and become a more European dimension.

Every company would be better armed against their competitors, and be able to take informed decisions based on knowledge of individual and overall performances in the aeronautical sector.