



Supply Chain Risk

At General Dynamics Mission Systems (GDMS)

A little bit about me...

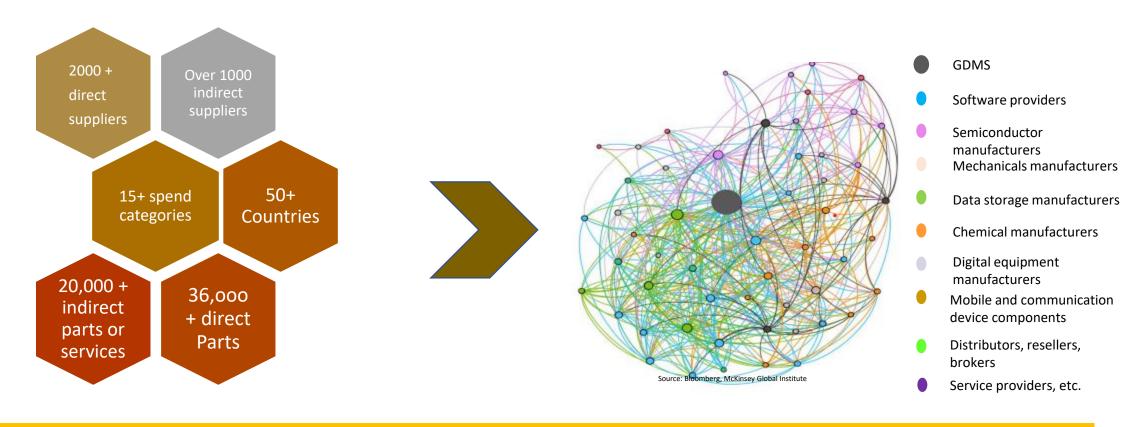


Eric Wieczorek

- 20+ years in supply chain risk management (SCRM)
- Began career purchasing (chemicals for life science fortune 500)
- Managed contract manufacturing operations for Excedrin gel tabs
- Business impact analysis, business continuity plans, scenario planning, etc.
- Big 4: Designed and implemented SCRM Center of Excellence (CoE) for large fortune pharmaceutical companies



Framing the conversation



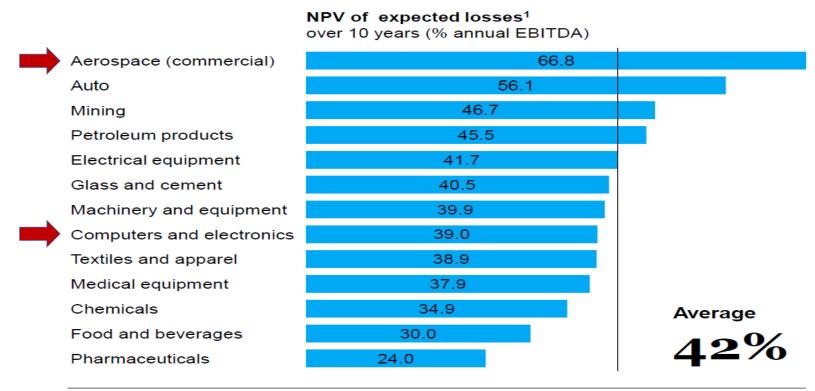
GDMS supply chain is highly complex, multi-tiered and interconnected. A disruption at any node can snowball in large financial impacts.



Impact of SCM Disruptions...

Expected losses from supply chain disruptions equal 42% of one year's EBITDA on average

Net present value of expected losses over a 10 year period



Take away:

Over a 10-year period the expected value of losses is equivalent to missing 2 quarterly financial results entirely.



DoD is increasingly taking a proactive stance on managing risk in defense acquisition.

Source: McKinsey Global Institute analysis



DoD's approach to SCRM...

DoD recommends an approach.

Focus

- 1. Technical risk (Technology, Engineering and Integration)
- Programmatic (Procurement, Supply Chain, Quality)
- 3. Business (External risks outside the program office)

Requirements

"Shape" and control risk

Risk management throughout the lifecycle

Risk managed at the Program level

Manage risk, issue and opportunity

Process

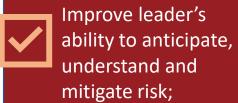
Identification

Analysis

Mitigate and/or Correct

Monitor and Communicate





Should be proactive and forward-looking and across program integration.

While DoD's recommendations are important, GDM S considers managing risk a critical competency and to that end we have articulated a vision.



GDMS SCRM Vision...

Our vision is based on four key pillars:

1

Data driven approach enabling SC risk visualization, visibility, flexibility, collaboration and control.

Rooted in financial and supply chain analysis, business continuity planning and continuous monitoring.

7

GDMS SCRM vision

Create strategic and competitive advantages for GDMS and our suppliers through SCRM.

Align with DoD guidelines throughout defense program life cycle.

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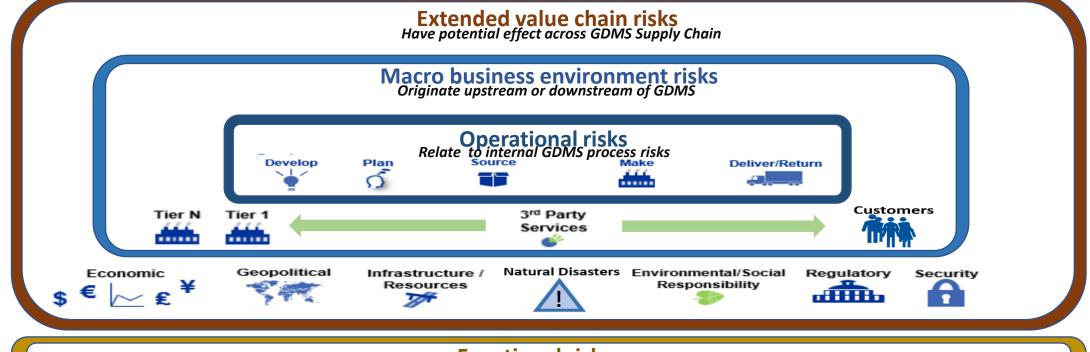
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It is focused on managing risk from end-to-end.



Our SCRM Focus...

Our focus enables an endto end view of GDMS supply chain risks...



Functional risks

Exist among enabling functions that can impact GDMS supply chain processes

Finance

Human Resources

Information Technology



... Our risk focus coupled with a systematic approach to risk management enables GDMS to deliver consistent risk assessments, prioritize and allocate resources strategically and, report on the risks that matter.



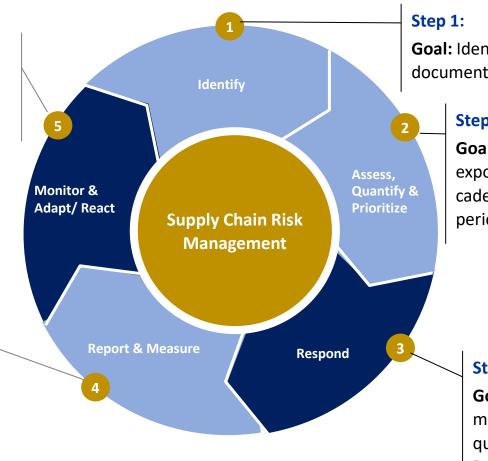
Our SCRM Process...

Step 5:

Goal: Conduct a periodic review process including cadence and rigor of reviews including an annual review process at program, plant, supplier and LOB of business levels.

Step 4:

Goal: Report risk exposures at supplier, plant, part, program, LOB, etc.



Legend:

High value processes

Data driven process

Goal: Identify, map and document all risks

Step 2:

Goal: Assess inherent risk exposure. Determine the cadence and rigor or periodic risk assessments.

Step 3:

Goal: Evaluate existing mitigation strategies and quantify residual risks. Prioritize risk and allocate risk mitigation resources.

Take away:

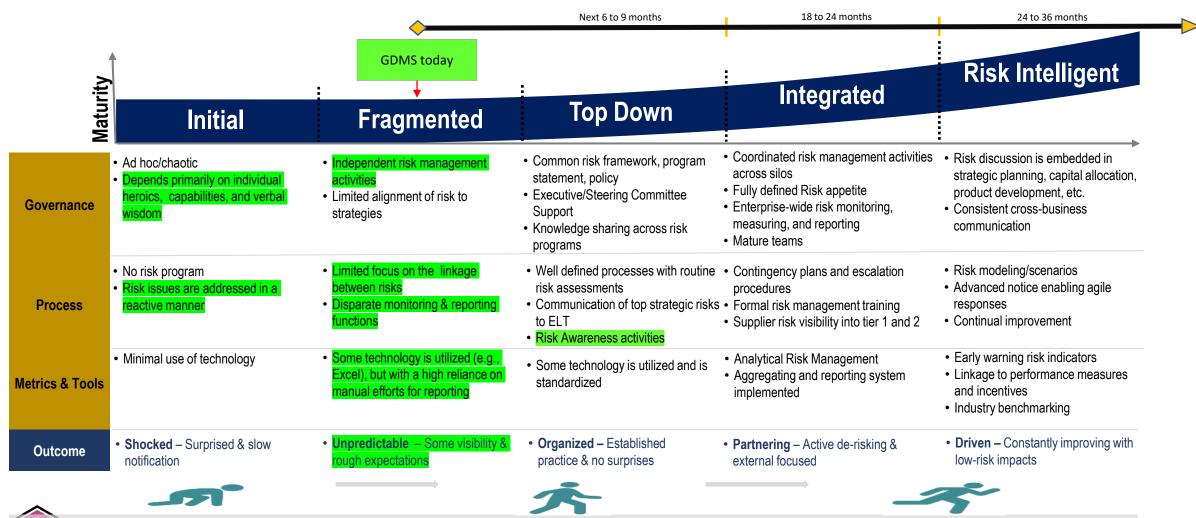
Our 5 -step process insures a consistent approach to risk management...

It enables to quickly identify and assess risk through our data driven approach...

It allows to allocate GDMS resources on the processes with the highest return on investment (i.e., the top risks).



GDMS SCRM 3-year Plan...





Our Call to Action...

Enhance SCRM practices

• Engage early to identify risk, issues and opportunities throughout the lifecycle of programs.

Horizon

Now

Reduce existing risks

• Partner to build business continuity plans that achieve quantifiable issue and risk exposure reductions.

< 6 months

Build supply chain resilience

• Share technical roadmaps, business insights, material forecast to integrate our businesses and proactively reduce SCM issues.

> 6 months

Achieve end-to-end SCM visibility

• Collaborate to identify tier 1 and tier 2 supply relationships.

> 6 months



Questions / Comments / Feedback



