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# Supply Chain Risk

## At General Dynamics Mission Systems (GDMS)

# A little bit about me...



Eric Wieczorek

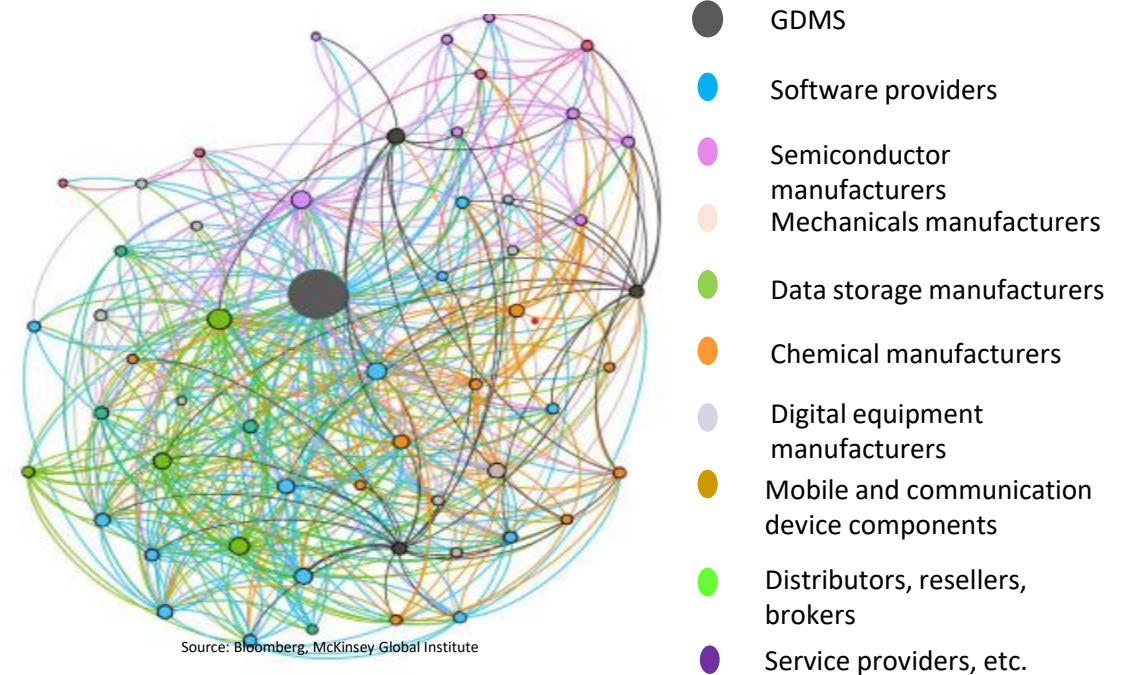
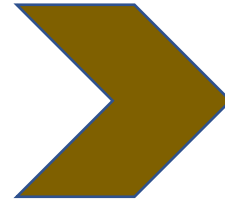
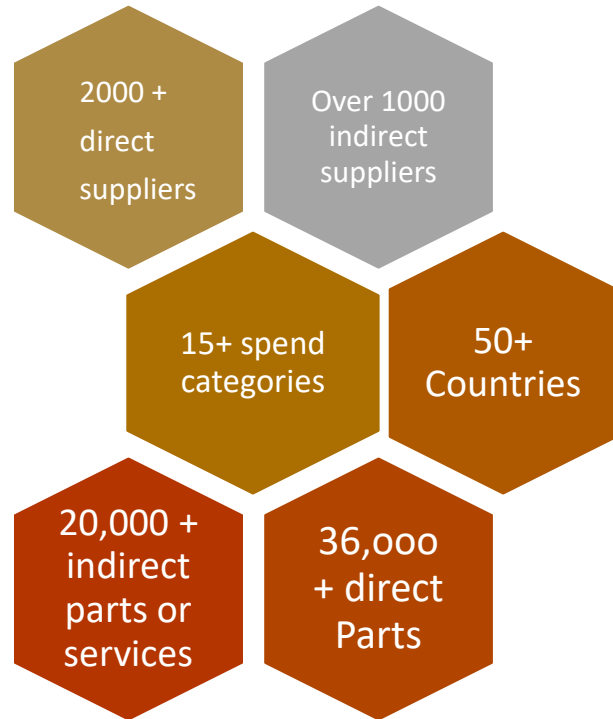
- 20+ years in supply chain risk management (SCRM)
- Began career purchasing (chemicals for life science fortune 500)
- Managed contract manufacturing operations for Excedrin gel tabs
- Business impact analysis, business continuity plans, scenario planning, etc.
- Big 4: Designed and implemented SCRM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



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# Framing the conversation



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



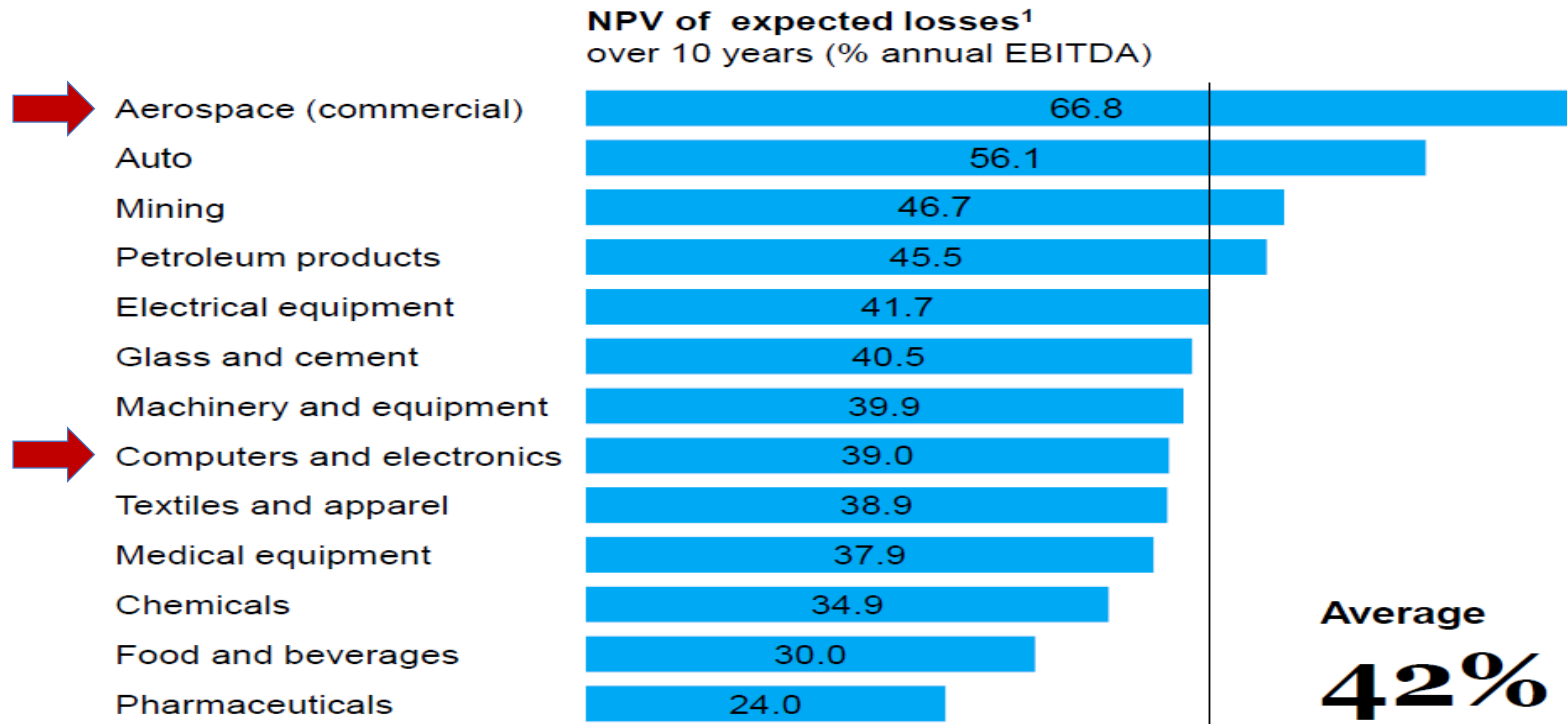
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# Impact of SCM Disruptions...

## 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



Source: McKinsey Global Institute analysis

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.



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# DoD's approach to SCRM...

DoD recommends an approach.

## Focus

1. Technical risk (Technology, Engineering and Integration)
2. 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

## Objectives

- ✓ Improve leader's ability to anticipate, understand and mitigate risk;
- ✓ 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.



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# GDMS SCRM Vision...

Our vision is based on four key pillars:



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



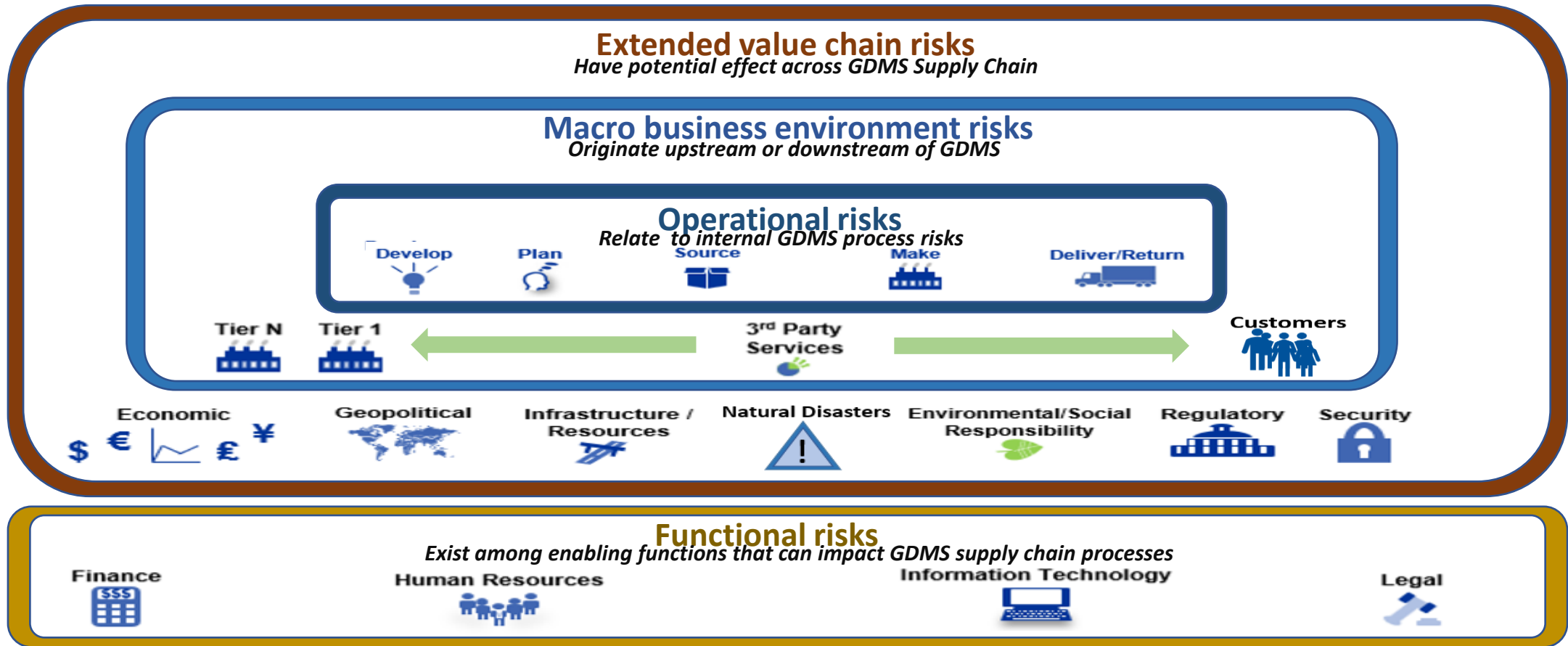
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# Our SCRM Focus...

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



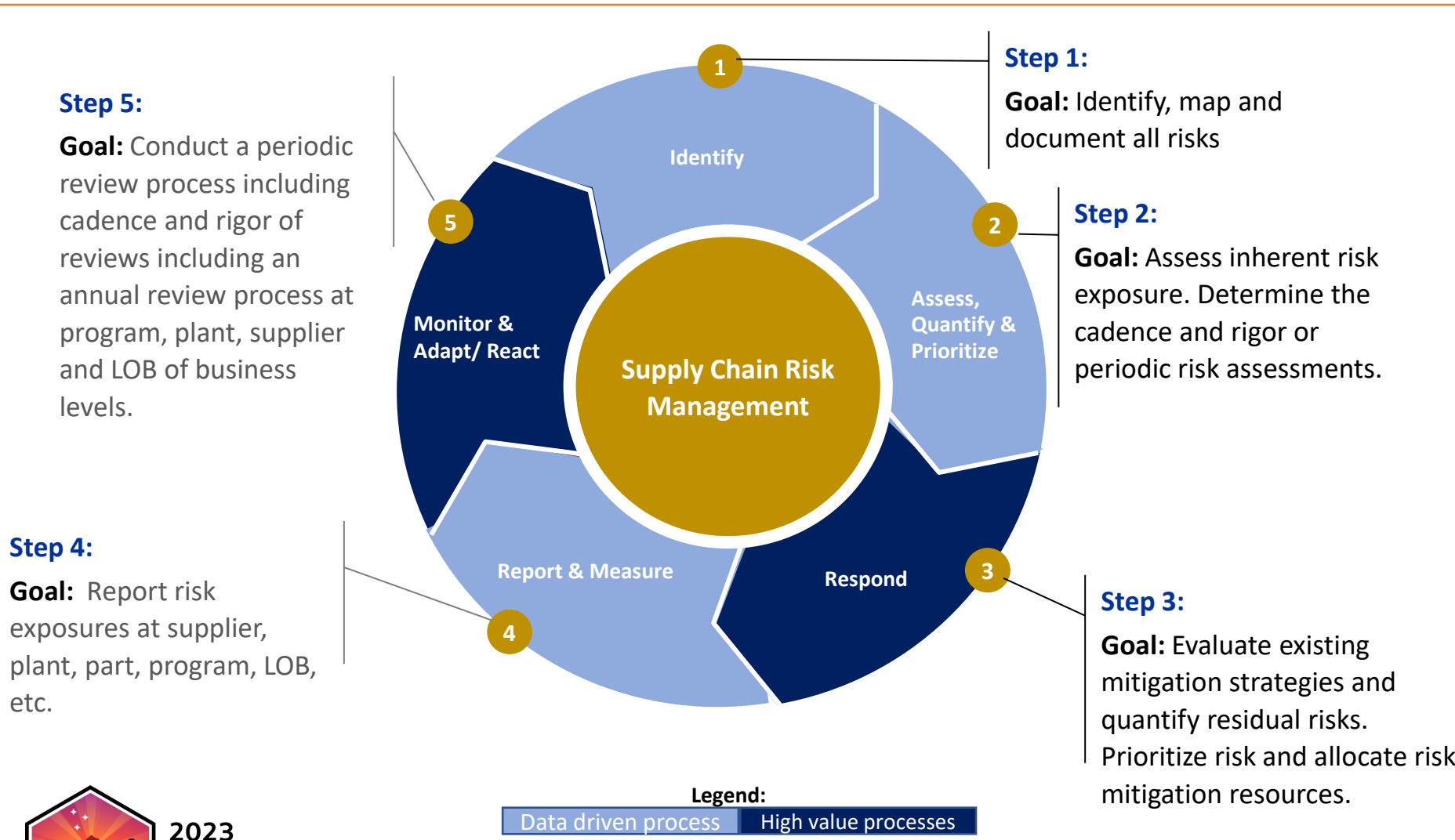
... Our risk focus coupled with a systematic approach to risk management enables GDMS to deliver consistent risk assessments, prioritize and allocate resources strategically and, report on the risks that matter.



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# Our SCRM Process...



## 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).

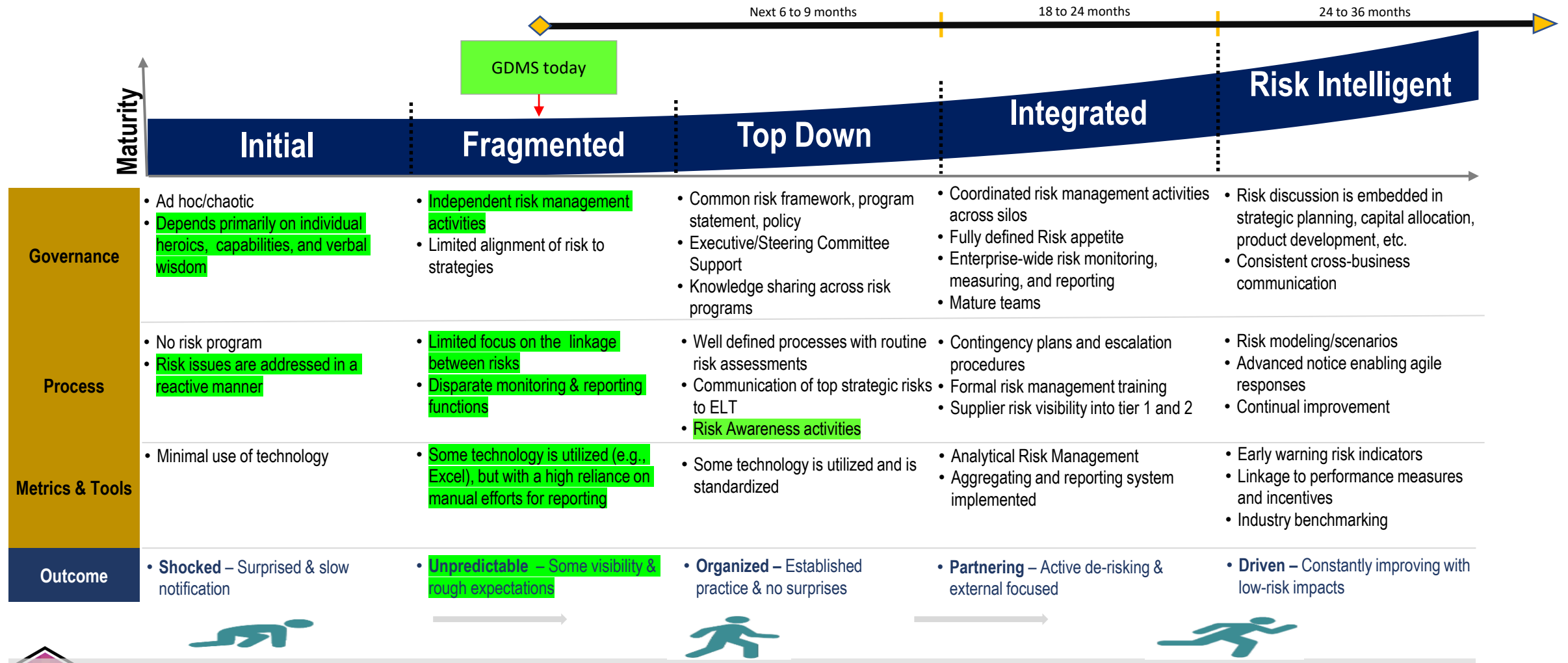


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# GDMS SCRM 3-year Plan...



# 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



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# Questions / Comments / Feedback



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