

*moving ahead*  
*Supplier Day*  
**2004**

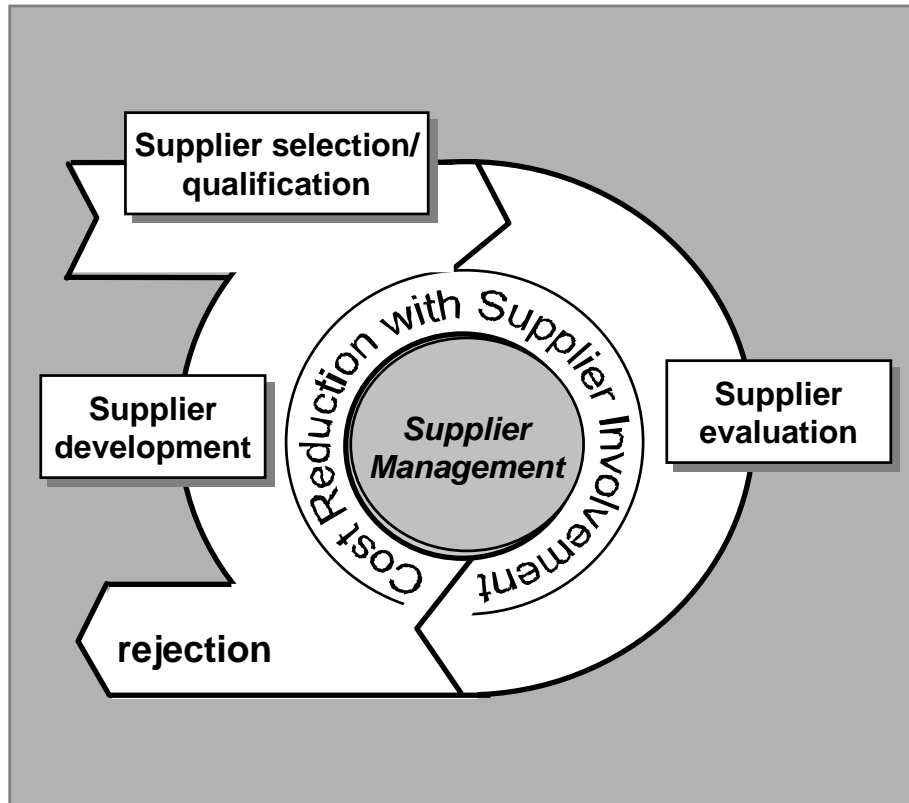
**360 day program -  
Supplier Relationship Management  
Tyler Russell  
Manager Methods & Controlling  
November 2004**



# Supplier relationship management @ PG I

# Supplier Management @ Siemens consists of 4 major elements

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- **Supplier selection/qualification**

- Supplier selection out of a world wide Siemens data pool
- Supplier qualification out of PG tool

- **Supplier evaluation**

- Uniform criteria set
- Publishing the results in the Siemens wide information system (EIS)
- Business specific definition of sub criteria

- **Supplier development**

- Specific definition and realization of development activities, based on the result of the evaluation
- Cost reduction with partnership platform for cost reduction activities from suppliers

- **Rejection**

- Phase out of suppliers



**Reduce Cost - Improve Performance**

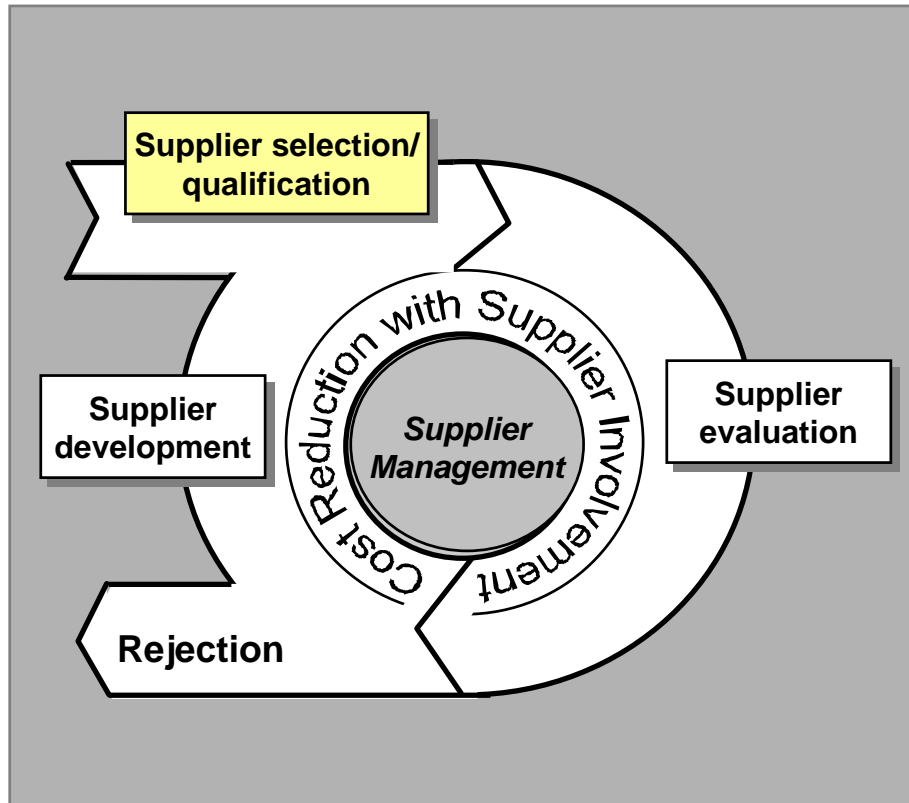
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# Supplier qualification @ PG – Ensuring compliance to our customers

# Targets of Supplier Qualification @ PG

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## Targets of SQ @ PG



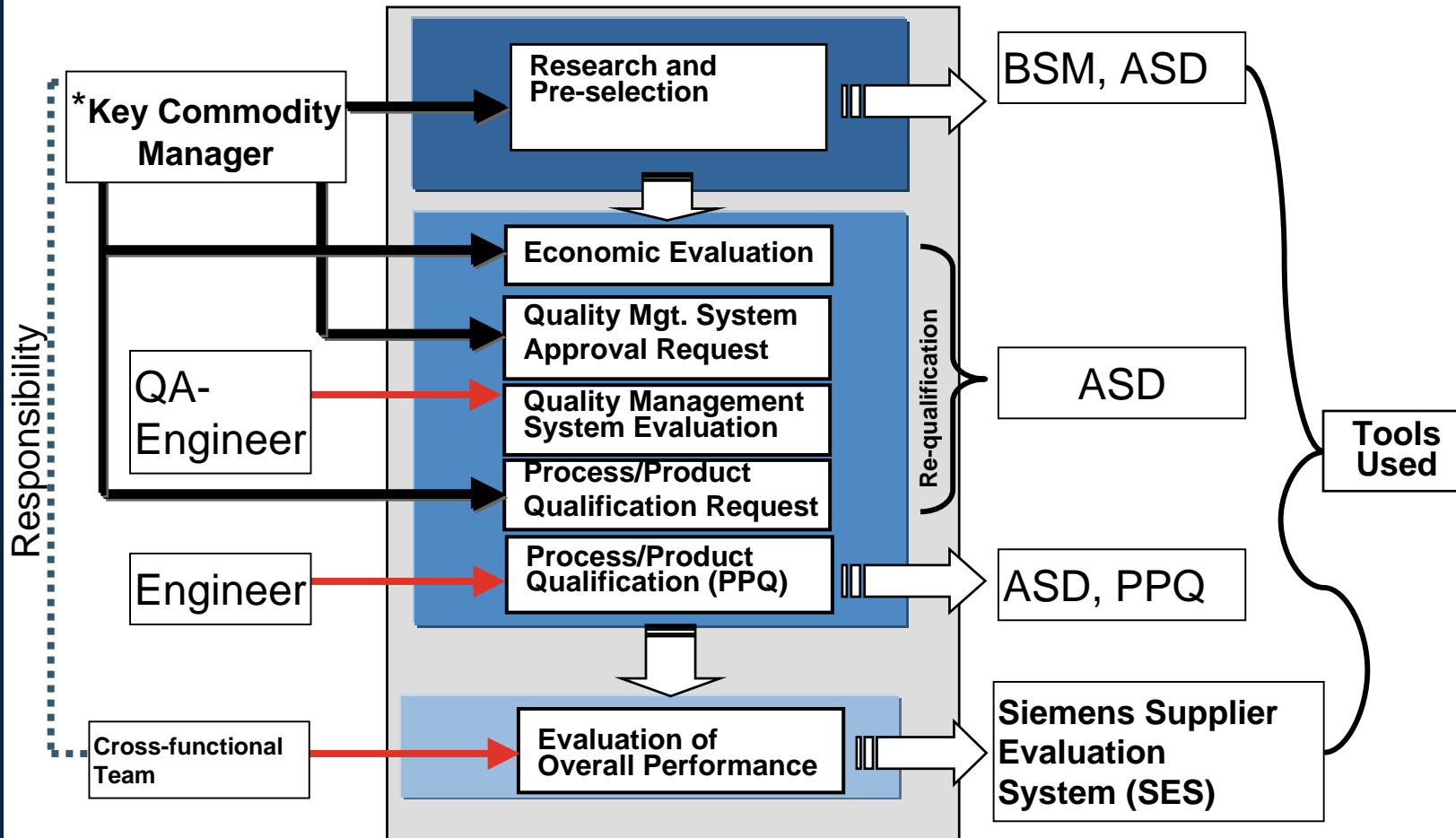
- Procurement of qualified goods and services from qualified suppliers to guarantee 100 % compliance to our final customers
- Installation of a uniform Supplier-Qualification-Process throughout PG
- Quick access to accurate & up-to-date supplier Quality-information

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- All suppliers are required to register on Siemens Buyside Marketplace (BSM) as first step in PG supplier qualification process.
- Cross functional process includes Siemens personnel from Quality, Engineering and Purchasing
- We require a thorough qualification of all suppliers providing critical components to the final Siemens product (criticality to be determined by Siemens) components
- Siemens Intranet based Approved Supplier Database (ASD) is used to store and share information throughout the entire Siemens PG network
- Continued analysis of Siemens suppliers.
  - Supplier credit rating review every year. (D&B, etc.)
  - Supplier quality system approval (ISO, Audit, etc.)
  - Manufacturing process and Product review as necessary when procuring "critical" components

# Supplier qualification process @ PG I

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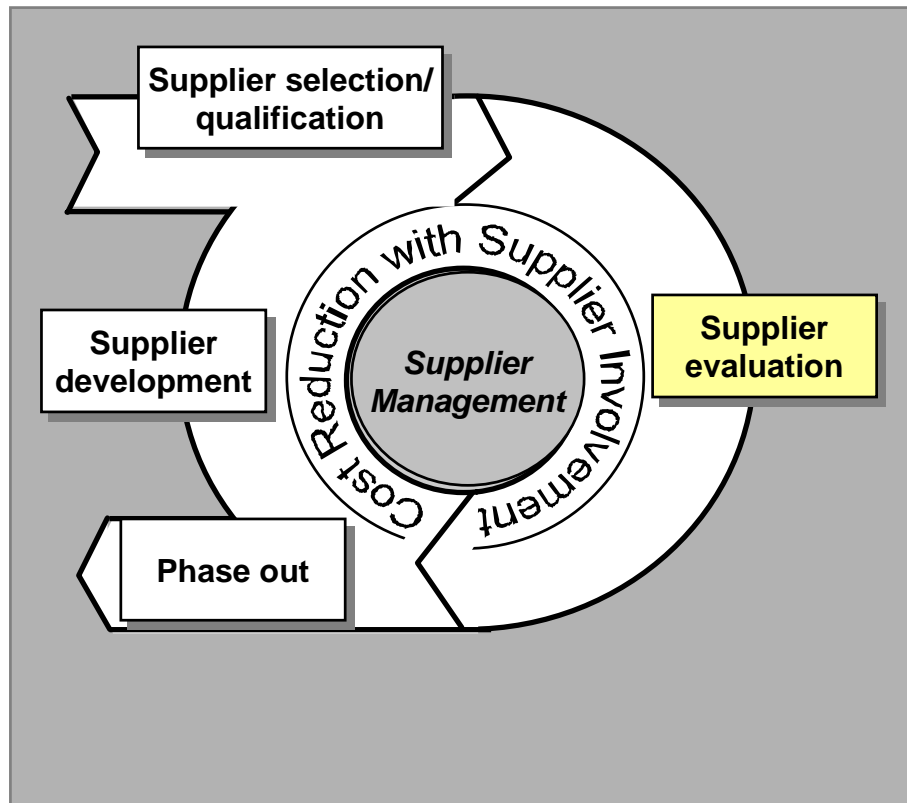
\* - If no KCM in place, then Buyer.

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# Supplier Evaluation @ PG – Measuring the performance of our partners

# Characteristics of Supplier Evaluation @ Siemens

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**SES (Supplier Evaluation System),  
the base for successful supplier  
management**

## Characteristics of SE @ PG

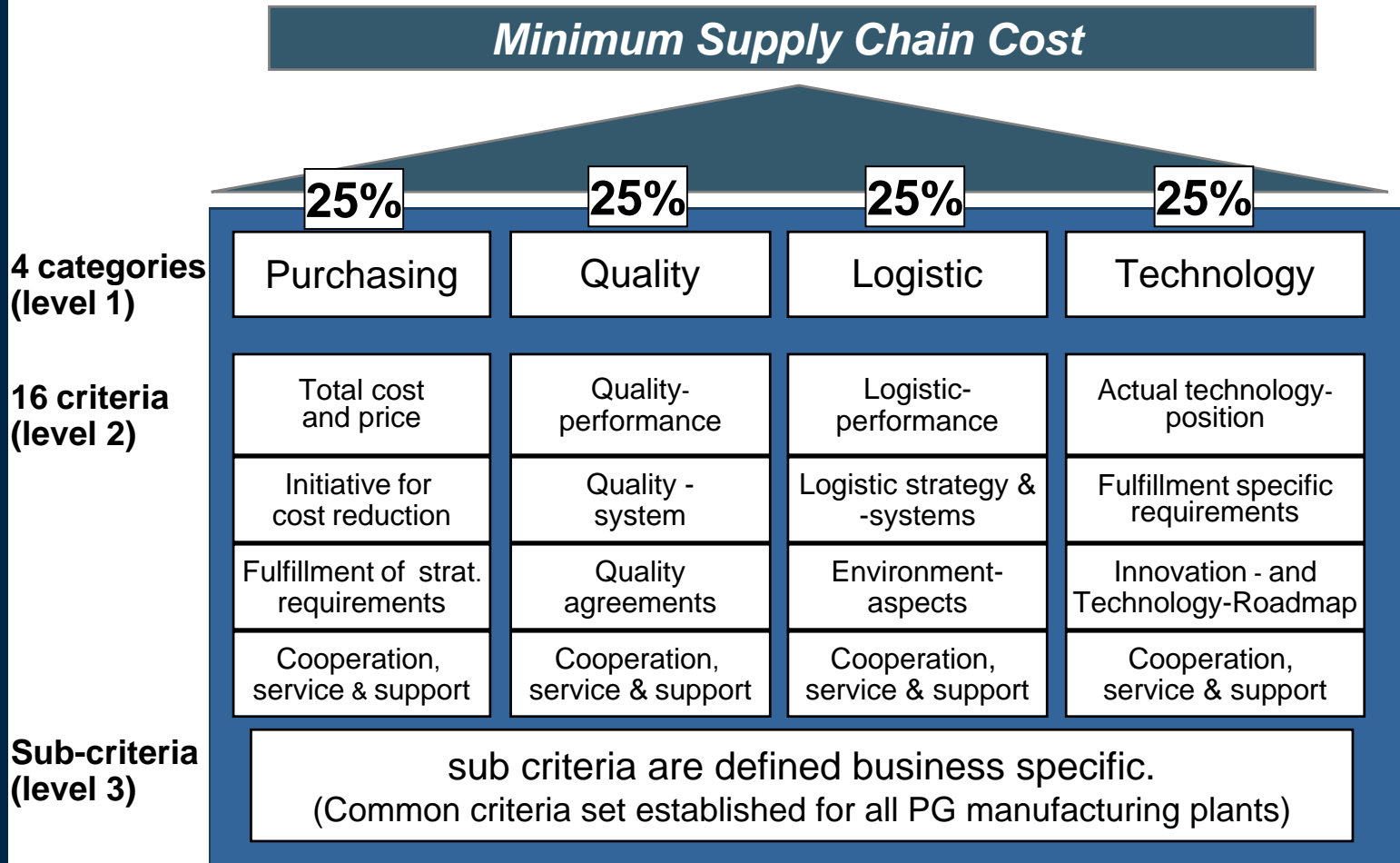
- Evaluation of selected suppliers
- Uniform criteria concerning
  - Purchasing
  - Quality
  - Logistic
  - Technologies
- Siemens-wide publishing of the results

**Concentration on Top  
Performing suppliers.**

# Siemens wide applied categories and criteria for supplier evaluation

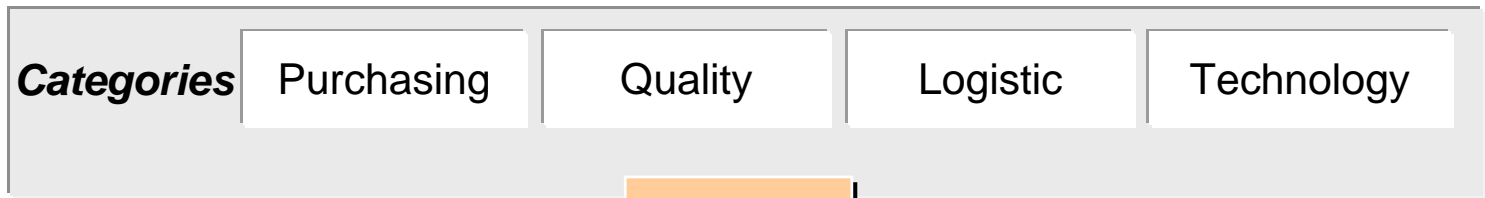
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# Supplier Classes as a result of the Siemens Supplier Evaluation System (SES)

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**90-100 points**

**O**utstanding

highest level of performance

**70-89 points**

**G**ood

majority of requirement fulfilled, areas for improvement identified

**50-69 points**

**I**nsufficient

distinct areas of weakness identified in many areas

**< 50 points**

**P**oor

vendor repeatedly causes problems resulting in additional costs

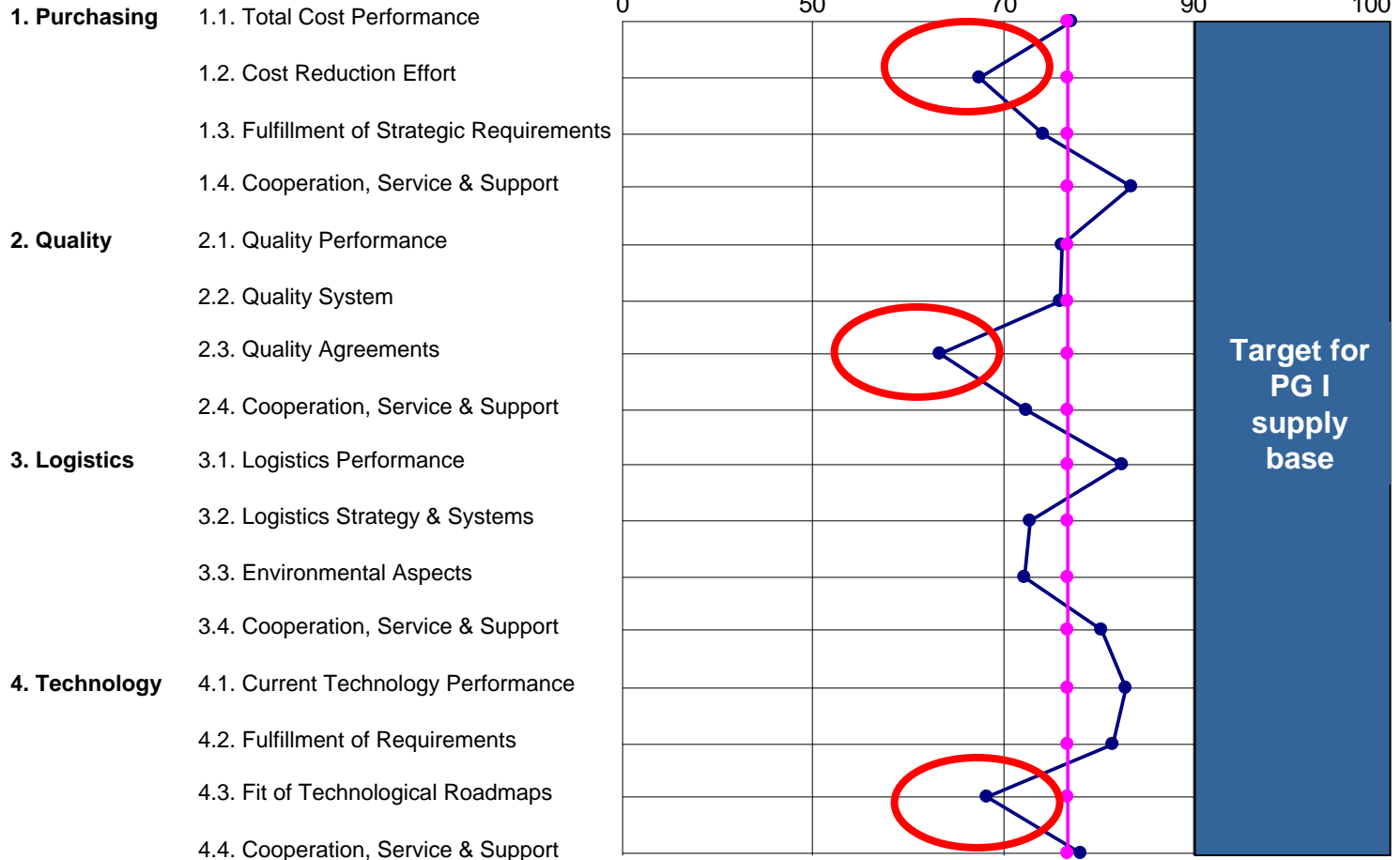
# PG I's supply base Profile fiscal year 2003 / 2004

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■ Weighted Average Evaluation of PG I FY 03/04

■ Average on total points of PG I FY 03/04

Average on criteria points: 77



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Target for  
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supply  
base

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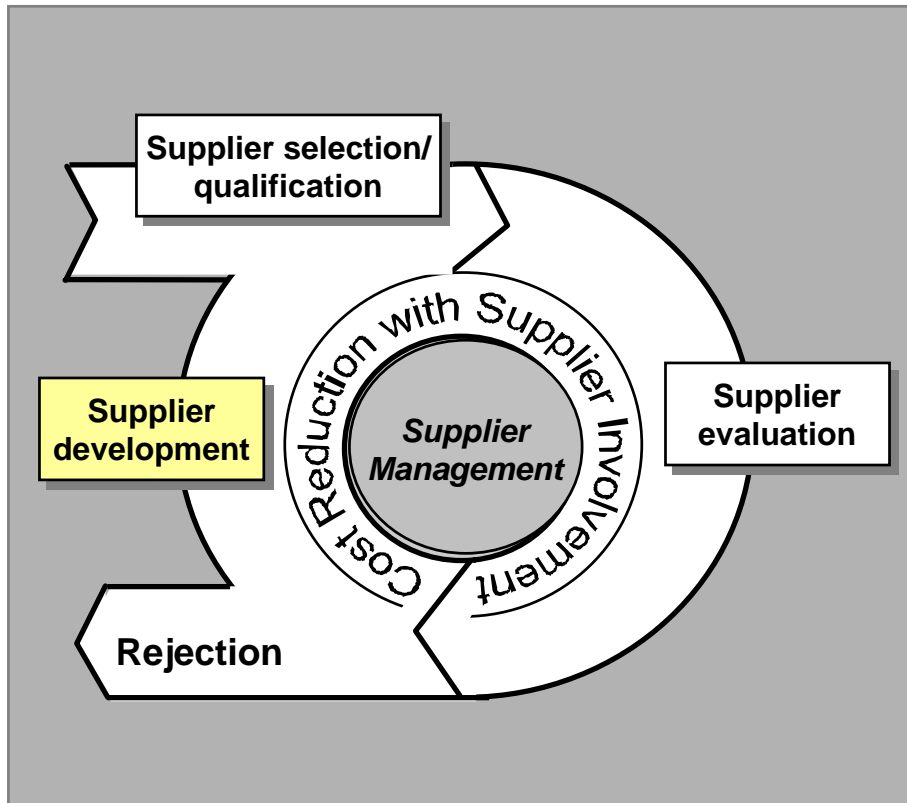
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# Supplier Development @ PG – The consequence of a supplier evaluation

# Supplier Development – improving performance

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Evaluations must drive results!



- Target Agreements
- Specific definition and development activities

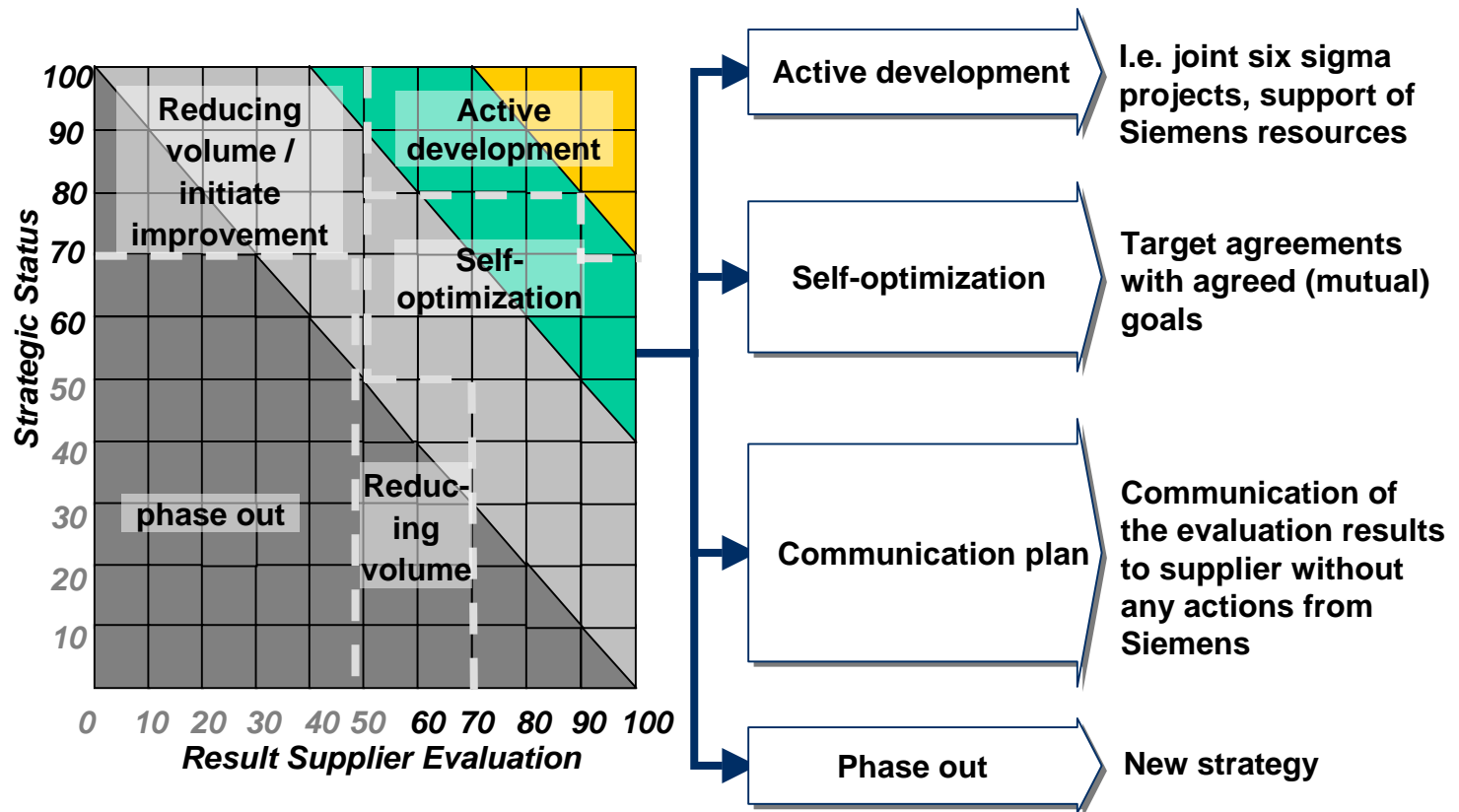


Reduced Total Cost of Ownership

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# Different development approaches

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Level of cooperation for improvement is triggered by the results of the supplier evaluation and the importance of a supplier

# Who is involved when during the SRM process?

## Example for target agreement

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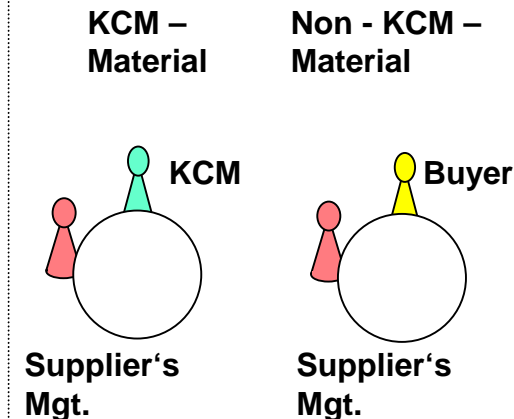
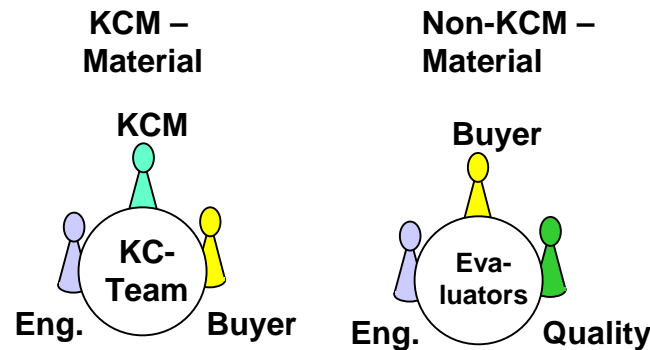
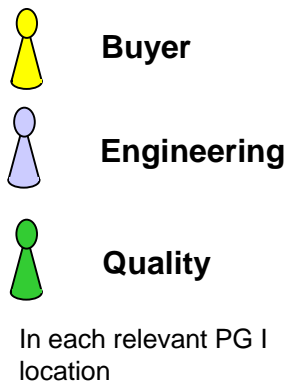
What

1 Material group  
xyz Suppliers  
xyz Evaluations

1. Comparison of evaluation results in Analysis Module
2. Root Cause determination
3. Determination of strategy
4. Determination of measures for target agreement with supplier

1. Presentation of analysis
2. Solidification of individual Evaluation topics
3. Discussion
4. Completion of Target Agreement
5. Next steps

Who



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# Example Target Agreement

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Target agreement	Annex 2.2
Topic: (e.g. Quality)	For signature
Please use one sheet (per section required)	
Description of action	Weaknesses: Document not delivered on-time --> Set up of new PDM (Product-Documentation-Management) System at flowmaster both for internal use at flowmaster and for buyout supplier of flowmaster
Starting point/Measuring basis	18 June 2002 --> Time schedule of purchase order --> 100% of files submitted on each document
Impact of action on weaknesses	Eliminate weaknesses
Cost reduction target	None
Milestones	After the next order
Final date for implementation	Ongoing
Participants	
At supplier	At Siemens Power-Generation
Date: _____	
Signature of person responsible for implementation at Supplier	Signature of person responsible for implementation at Siemens Power-Generation

## Signed Target Agreement

- defined profile for strength- and weak points
- defined activities with
  - responsibilities
  - milestones

### Example:

- Exclusive key account for Siemens (extremely short time for reaction)
- 100% on-time delivery for particular components
- Product Data Management (PDM)- system at the supplier (with Siemens login)
- monthly standardized progress report
- Start Black Belt Project

## Target: Strategic Partnership with a Win Win situation

### Follow up:

- Regular evaluations
- Milestone Maintenance

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# Reverse rating – Inform us how we are doing

# The bilateral rating of the customer-supplier relationship brings beneficial effects for both partners

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## WHAT

- Major areas of reverse rating are: company, technology, process & product

## WHEN

- Once a year

## WHO

- Selected suppliers

## WHY

- To render processes and procedures transparent
- To measure up to the best and develop a joint strategy from the know-how yielded
- To realize the measures in a step by step program of actions
- To establish a lasting partnership and bonding of suppliers and customers
- To optimize the service to the end customer
- To utilize the experience and the core competences of the supplier

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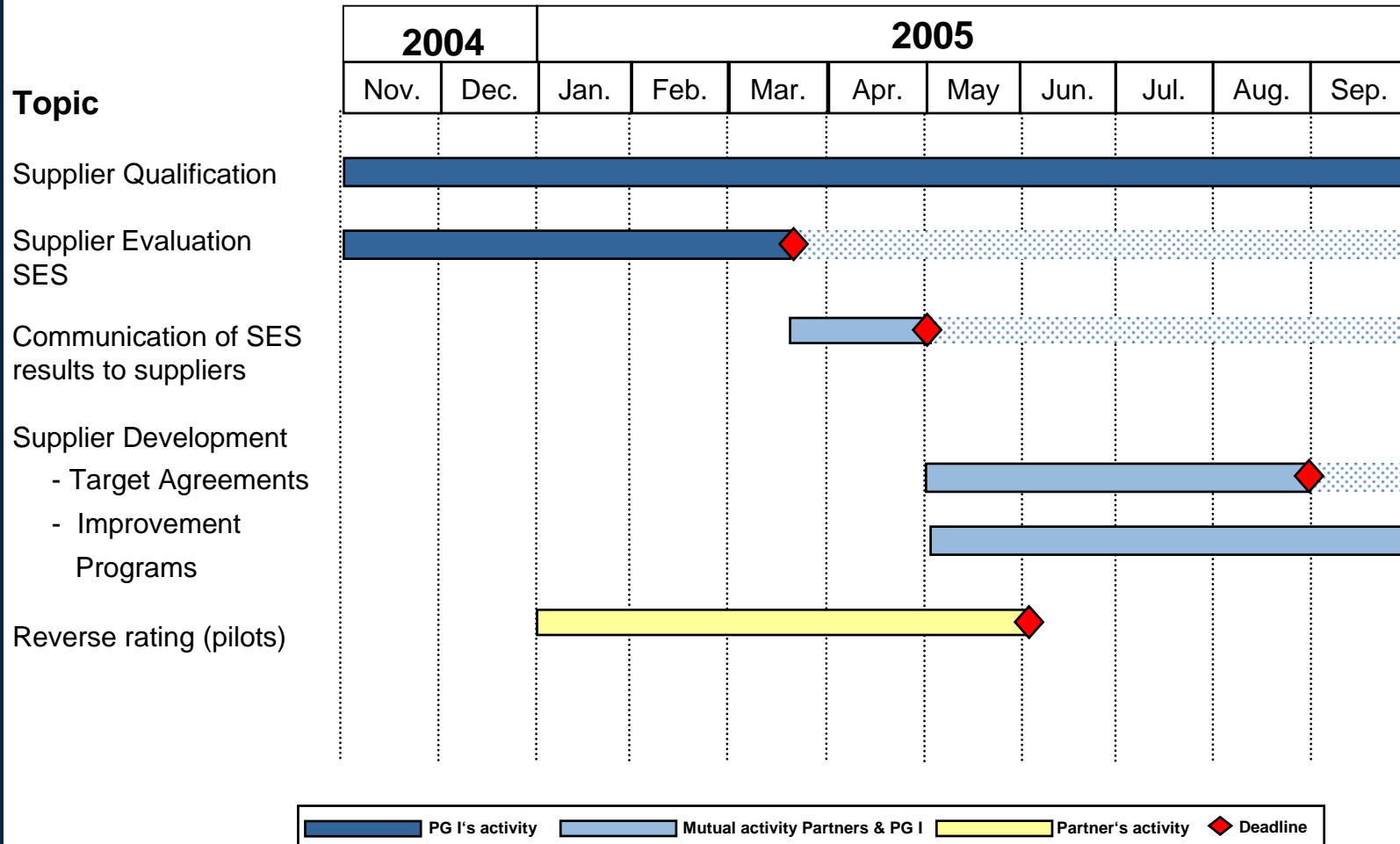
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# SRM @ PG I - SUMMARY & TIMELINE

# SRM Timeline for FY 2004/2005 @ PG I

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***SRM is a major focus of PG I's procurement strategy:***

**... PG I will rate suppliers utilizing the Siemens Evaluation System (SES).**

**... PG I will launch reverse rating activities with suppliers.**

**... PG I will continuously drive *Supplier Development* activities resulting in *target agreements* to improve the business relationship for both Siemens and our suppliers.**

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