

# Chairman's Report to Performing Suppliers

Dear Performing Suppliers

What do you think about when you hear the words "Silicon Valley"? And what about the name "Montblanc"? And what about "Chanel No. 5"? And "Ritz Carlton"? Or "Ferrari" or "Buck Knife"?

There are brands of excellence in every field of endeavor. We automatically picture and think about excellence – someone striving to provide and build the very best.

Brands are the result of years of hard work. They don't happen overnight but over time they become valuable beyond anything we can purchase.

Branding a wine can be very difficult. Some years you bottle are award-winning and then some are not. When it comes to wine, there are very few labels that are known for consistent award-winning quality and when you do see such a label, the Dom Perignon, it is because the wine maker refused to make or sell a wine that was not truly excellent.

Now some suppliers spend their energies surviving – the formula is the same all over – minimize hiring, facilities, and investment in new capacity – keep monthly cash out-flow low – try to keep personal income stable.

Very few are working on excellence. But when they are, it's much easier for them to achieve SEA certification – in most cases they are already doing much of the work and just need to structure it so that it can be verified and confirmed by SEA.

SEA Suppliers have committed themselves to being excellent as a strategy and they know that if they are going to do that, then pulling themselves together with other suppliers who have the same strategy is just a naturally smart way to build more visibility. Silicon Valley worked for a diverse group of high-tech companies, many of whom were competitors. A rising tide floats all boats.

Two men running from a bear. One stops, sits on a rock, and starts putting on his tennis shoes. The other says, "What are you doing? You'll never outrun that bear even with those shoes." The other man stands and says, "I don't have to outrun the bear. I only have to outrun you." That's our situation in aerospace and defense right now. We have to make ourselves more competitive. SEA needs to be known for the best suppliers in the industry.

What do we have to do to ensure that we'll receive value from SEA?

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1. Ensure that the bar of excellence – the bar that must be raised for SEA suppliers – is not too high but not too low. It needs to be easy to do the paperwork, but demanding that you implement the management system and make improvements incrementally.
2. Ensure industry-leading performance – we don't start out being the best of the best, but we continually show improvement and we get out and talk about it – CEO to CEO, owner to owner, we position ourselves as front line leaders who are passionate about improvement. You can buy yourself several years if you just show that you're committed to improving.
3. Ensure leadership focus – this is not something you can work on until something better comes along. This has the potential to double your bottom line. There aren't many things you can do to gain access to the return on investment that comes with the reward of making your company the strongest competitor on the block. This needs to be a strong and continuing senior leadership interest.

We're working together to build the SEA brand. SEA Suppliers are already becoming known for their involvement with SEA. We've been listening hard to our customers and we know that we're on the right track.

You might wonder whether it will all be worthwhile. Will excellence win in the end? I would hate to be a supplier competing with SEA in the next five years.

Please go to the SEA website and look over the "webcasts" tab. These are short bursts of less than one hour each. You can download the new PPS podcasts and play them as many times and for anyone who needs to know how to implement the LES. We'll be adding more in the future.

And beginning in 2011 the roadmap is going to get easier to implement with 15 total processes instead of 30.

Want to help? We have a very compelling argument for our customers – join us at no cost and get all the benefits of SEA. Make sure your customers are hearing the SEA message by inviting them to our events.

Thanks.