

## Simrit Division of Freudenberg-NOK Earns United Technologies Corp. Supplier Gold Award



Interview with Sam Abdelmalek,  
Vice President of Supply Management,  
Pratt & Whitney Canada

### 1) How is Supplier Gold structured within United Technologies Corporation (UTC), how does it work?

We have a forum called the Supply Management Council, which has members from UTC corporate as well as all VPs of Supply Management and Directors of Operation from different UTC divisions. The divisions submit their candidates for the award and the Council votes on these companies. They are then either approved or given 'homework' on areas to improve. It is important to note that common metrics are used to nominate suppliers and suppliers have to be at the Gold level for *all* UTC divisions they supply before being considered for the award.

### 2) When and why was it started?

At UTC everything we do starts and ends with the customer in mind. The Supplier Gold program started in early 2007 in order to improve our supply base performance because UTC cannot improve in the marketplace without its supply base being engaged in a joint drive for excellence.

UTC is committed to Achieving Competitive Excellence (ACE). ACE is our proprietary operating system to ensure world-class quality in our products and processes. With its focus on increasing efficiency and reducing waste, ACE is integral to our company's performance model. Facilities worldwide are using the operating system to improve quality and customer satisfaction while lowering overall cost.

3) What are the goals of Supplier Gold?

Supplier Gold is a way to recognize those suppliers that are already performing well and to inspire those that need to make improvements. The program aims to get our suppliers to perform to standardized common metrics across UTC. The goal is that ultimately, by 2011, all our key suppliers will be at the Performing or Gold level and we will achieve a synchronization of all suppliers.

When all suppliers attain the same high level of performance, we can delight our customers more and bring more value to our shareholders.

4) What business impact are you seeing as a result of Supplier Gold initiatives?

Since the program was only initiated two years ago, the full impact has yet to be seen but Supplier Gold has gained significant momentum in 2009. For one thing, the program initiatives are improving our relationship with our suppliers. In addition, our suppliers have a clear sense of what they have to do in order to respond to UTC's quality standards.

5) How many companies are certified and how many of those are seal suppliers?

By July 2009, 49 UTC suppliers were certified, 14 of which supply to Pratt & Whitney Canada (P&WC). Of all 49 suppliers, three are seal suppliers. Freudenberg-NOK / Simrit's Tillsonburg facility is the only elastomer seal manufacturing location at Supplier Gold level for PWC.

6) Please elaborate on the four criteria for Supplier Gold, and why are those the most important ones?

The four criteria that are used to evaluate suppliers for this award are:

- Quality - best-in-class quality with zero escapes for the last 12 months
- Delivery - 100 percent on-time product delivery
- Lean Assessment - use of lean practices to sustain performance
- Market Feedback Analysis - excellent customer service at competitive pricing

Suppliers need to have sustaining processes in place and must meet the above criteria for at least 12 consecutive months before being awarded the Gold status. Sustaining processes is important since this ensures that the criteria can be met as a normal part of doing business, not just through extraordinary steps like carrying extra inventory or adding extra inspection.

7) How do you prioritize which companies you will sponsor for Supplier Gold? How did you pick FNGP?

As we in UTC were making good progress in our ACE journey, it was a natural evolution to introduce the Supplier Gold program. We were pleasantly surprised to find out that Freudenberg-NOK has a similar initiative – the GROWTTH (Getting Rid of Waste Through Team Harmony) program. At first, we were not aware that FNGP and Simrit were *already* living at a level to which we want our suppliers to perform in regards to lean systems and continuous improvement. This made the Supplier Gold certification a natural fit.

We select suppliers based on three criteria: large-spend suppliers, critical suppliers, and preferred suppliers. Freudenberg-NOK is currently a preferred supplier and the Tillsonburg location already had a very high level of performance even before the 12 month period. The Tillsonburg facility was fast-tracked through the Supplier Gold approval process, having met most of the supplier goals and requirements as a result of their normal operating methods.

*Note: Growth® is Freudenberg-NOK's company-wide continuous improvement program. Emphasizing teamwork and communications, Growth works toward increasing efficiencies in the use of time, labor, materials and space using a variety of disciplines and tools.*

8) From UTC's standpoint, what is the main benefit that you see in having a standardized supplier program across UTC corporation?

The Supplier Gold program is a simple yet very beneficial program. One UTC division selects a supplier, but all divisions end up benefiting, and all have the same expectations of that supplier. The program allows all divisions to speak the same language and use common metrics for supplier evaluation. Additionally, the Supplier Gold program is a corporate objective, not only a supply chain objective, with the goal of the entire UTC company becoming a more lean and agile organization. Being a



corporate wide program with resources dedicated to it by UTC, it is a strategically important program for us.

9) As a result of Supplier Gold, do you anticipate any business gains or competitive advantage as you go out into the market?

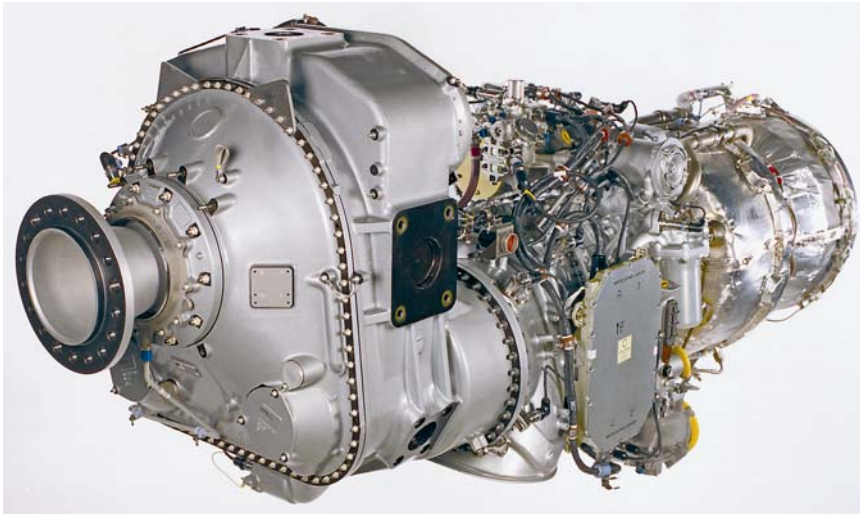
UTC's and P&WC's highest goal is to provide exceptional value to our customers, exceed their expectations, and increase shareholder value in the process. Even in these difficult times, we see the Supplier Gold program being an integral part of UTC's plan to emerge even stronger and allow accelerated growth built on a firm foundation in our supply base.

10) For a company like Simrit, that is diversified into multiple markets, how do we position ourselves with our multiple production sites to best support this program?

Simrit should make sure that all its production sites reach Supplier Gold level. This will increase Simrit's visibility across all UTC divisions. Being certified Supplier Gold brings credibility within UTC as well as within the marketplace. In that respect, Supplier Gold helps create opportunities and other UTC businesses will pay more attention to companies that are certified.

11) Where do you see this program leading over the next three years?

Over the next three years, we will continue to set the bar higher for performance and we want to multiply the number of suppliers who are certified "Gold." UTC's target is to have 70 percent of our suppliers performing at Gold by the end of 2011. The Supplier Gold program is a very critical program for us and will allow us and our suppliers, to emerge even stronger in the marketplace.



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