

2010 Supplier Conference – Questions and Answer Session – Unanswered Question

Statement: WABCO doesn't have a uniform attitude towards PPM policy.

Question: Does WABCO plan to discuss this issue seriously in order to come into more uniformity?

WABCO Response:

WABCO feels that it does have a uniform and serious attitude towards PPM. During 2009 the alignment between the value stream and supplier development functions within WABCO was reviewed. Several actions were taken to ensure there is focus on delivered quality from the suppliers as well as the roles and responsibilities within the 2 functions in WABCO to achieve this. Both short and long term actions were defined and, as a result, the 2010 targets to suppliers, for both incidents and PPM, were driven by the value stream organisation and will be supported by supplier development organisation. To set the targets a systematic approach, different from previous years, was established. This approach set a global improvement target for each supplier and additionally, a breakdown provided identifying individual targets for each of the value streams the supplier delivers to. These additional individual targets clearly show where the different processes/products for improvement are and by how much WABCO expects that improvement to be. These values are identified within the 2010 target letters for suppliers.

The level of improvement expected within the targets (global and individual value stream) is based on the "Maturity Levels" explained during the supplier conference. The 2009 Q3 performance for PPM and incidents was taken for each supplier. These values were reviewed by both the value stream and supplier development functions and, based on this, the level of performance seen categorised each supplier into one of the 5 levels of maturity. From the value stream and supplier development review, if the Q3 figure was not felt to be fully representative, due to mitigating or special reasons, then it was mutually agreed to change this and an a revised value assigned. AS the assessment was on a part number level it is of course possible for a supplier to have parts appearing in different levels of maturity hence, again allowing more focus to improve the right products and processes. The level of reduction for each level of maturity is different as you might expect. For maturity levels 5 & 4 we want to see higher levels of PPM reduction and these reduction targets are set on a quarterly basis. For the higher levels of maturity the reduction targets are lower. The reason for the different reduction targets are based on the actions that need to be implemented due to the level of PPM / risk and the expected benefit as a result of those corrective actions. For example, if currently your PPM is 5000, basic quality measures such as firewalls need to be implemented quickly to stop the flow of bad parts to WABCO. If executed correctly, these actions will quickly reduce the PPM figure to WABCO whereas if you have PPM levels below 100, we know that this indicates a supplier who already has a more advanced and management driven approach to quality and as such proactive continuous improvement actions are addressing the issues that have smaller impact on the PPM level.

So we believe we do have a uniformity of approach. This data driven methodology was applied to every supplier and all parts supplied by that vendor. We also believe we are taking a serious and structured approach to quality improvement and the levels of improvement expected based on performance.