Enterprise Shared Services (ESS) Strategic Supplier Program External Supplier Overview
Supplier Quality Management Overview

Supplier Quality Pillars:
“End to End Supplier Quality Management”

This represents all areas of Supplier Quality
• A **Strategic Supplier** receives a significant percentage of a sector’s annual committed spend
  – May also be considered strategic based on providing a unique product or service to the sector or enterprise
  • The service may involve a high degree of complexity or the service or product is considered vital to the sector’s long-range strategy and contributes significantly to strategic sector alignment

• These characteristics should be used as a guide/decision tree to identify strategic suppliers:
Contracts Manager leads all three parties through the process and, with the Core Evaluation team, partners with strategic supplier to:

- **Learn new technology**
- **Share best practices**
- **Meet with Executive Sponsors**
- **Discuss affordability opportunities**
Roles and Responsibilities of Strategic Suppliers

- Engage with executive sponsors and Global Procurement Services (GPS) contracts managers

- Learn the new ESS supplier scorecard process. Have knowledge of the rating criteria and grading scale

- Generate and manage Supplier Corrective Action Request (SCAR) response in a timely manner with a detailed Root Cause and Preventive and Corrective Action response

- Work with GPS Contracts Manager throughout the quarter to ensure improvement on next scorecard
Eight assessment categories are:

- **Management**
- **Technical**
- **Schedule**
- **Cost**
- **Proposal**
- **Mission Assurance**
- **Supply Chain Management**
- **Customer Satisfaction**

### Evaluation Scale

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Details</th>
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<tbody>
<tr>
<td><strong>B</strong></td>
<td>Better Than Planned</td>
<td>Supplier performance is significantly better than planned. Activities and results are significantly better than expected. No issues.</td>
</tr>
<tr>
<td><strong>G</strong></td>
<td>As Planned</td>
<td>Subcontractor performance is as planned. Activities and results are significantly as expected. No issues.</td>
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<tr>
<td><strong>Y</strong></td>
<td>Potential Problem</td>
<td>Subcontractor performance has potential problems. Issues are being resolved with the attention of project management.</td>
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<tr>
<td><strong>R</strong></td>
<td>Definite Problem</td>
<td>Subcontractor performance has definite problems. Critical issues require the project manager level for resolution.</td>
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Eight Assessment Categories - Details

Management

– **Management Responsiveness**: Timeliness, completeness of problem identification and corrective action plans, history of reasonable and cooperative behavior, and effective business relations.

– **Program Management**: Extent to which the supplier discharges its responsibility for integration and coordination of all activity needed to execute the subcontract/purchase order (includes resource management, assignments, communication, tracking subcontract/purchase order compliance, recording changes to documentation, and management of cost and schedule control and internal controls and management of data collection).

– **Risk and Opportunity Management**: Adequacy of the supplier’s risk mitigation plans and corrective actions currently in place.

– **Staffing**: Assess the supplier’s performance against current and projected staffing needs. Effectiveness of any plans to correct staffing shortfalls.

Technical

– **Product Performance**: Management of Technical Performance Measurements (TPMs) within defined variance thresholds.

– **Systems Engineering**: Assess the effort to transform operational needs and requirements into an integrated system design solution.

– **Software Engineering**: Assess the supplier’s success in meeting subcontract/purchase order requirements for software development, modification or maintenance.

– **Logistics and Sustainment**: Assess the success of the supplier's performance in accomplishing logistics planning and execution.

– **Part Material & Process (PM&P)**: Assess the supplier in developing part requirements/specifications, defining/maintaining the bill of material, parts obsolesce analysis, management of special processes, part configuration control, engineering changes, handling of non-standard part, part testing and corrective action.

– **Service Level Performance**: Assess the supplier in meeting service level performance agreement.

If a category is not applicable, then an entry of N/A is made.
Eight Assessment Categories - Details

**Schedule**
- **Schedule**: Assess the timeliness of the supplier against the completion of the subcontract/purchase order, task orders, milestones, delivery schedules, administrative requirements, etc. Assess the supplier’s adherence to the required delivery schedule.
- **Schedule Performance Index (SPI)**: Schedule Performance Index (SPI) for suppliers on Earned Value Management Systems (EVMS) for the specified period.

**Cost**
- **Cost**: Comprised of the following evaluation factors: Assess the supplier’s effectiveness in forecasting, managing, and controlling subcontract/purchase order cost, and accuracy and timeliness of cost reporting and invoicing.
- **Cost Performance Index (CPI)**: Cost Performance Index (CPI) for suppliers on Earned Value Management Systems (EVMS) for the specified period.
- **Financial Health**: Includes
  - Payment Delinquencies (measured by 12 Month D&B PAYDEX Score)
  - Ability to obtain credit (measured by D&B Commercial Credit Score Percentile)
  - Likelihood the Company will cease operations within the next 6 months (measured by D&B Financial Stress Score Percentile)
  - Negative changes in Subcontractor performance
  - Changes in key Subcontractor management positions
  - Negative information from media sources

**Proposal**
- **Team Commitment**: Assess how well the supplier’s team approached the project and interacted with personnel from Northrop Grumman’s and other teammates.
- **Proposal Strategy**: Assess how well the supplier aided in developing marketing and sales strategy during the proposal to support Northrop Grumman’s win strategy.
- **Adequacy and Negotiation**: Assess how well the supplier’s proposal met proposal requirements including cost targets

*If a category is not applicable, then an entry of N/A is made*
Eight Assessment Categories - Details

**Mission Assurance**
- **Quality**: An independent non-advocate assessment of supplier's application of systems assurance, quality assurance, supplier assurance, and program assurance principles to ensure the delivery of safe, reliable, and robust products and services that meet all contractual requirements.
- **Process Effectiveness**: Compliance to quality management systems standards such as AS9100, CMMI, ISO 9000, etc. Control of defects for processes utilized by the supplier.

**Supply Chain Management**
- Assess the supplier’s management of its supply chain. Areas for evaluation include supplier selection and qualification, flow-down of requirements, timeliness of subcontract / purchase order release, on-going supplier assessments, control of sub-tier supplier processes, effectiveness of supplier failure identification, supplier corrective action systems, and overall supplier quality.

**Customer Satisfaction**
- Assess the supplier based on a combination of the overall satisfaction from both Northrop Grumman and the customer community, including the contracting agency as well as the end user, when applicable.

*If a category is not applicable, then an entry of N/A is made.*
Supplier Rating and Supplier Corrective Action Approach

- Supplier Rating is the result of a consensus of the Core Evaluation team and the Contracts Manager
  - The Executive Sponsor approves the final rating

- The rating is posted in OASIS or emailed to the supplier as a .pdf document

- If a Supplier Corrective Action Request (SCAR) is issued *(see next slide for when a SCAR is issued)*
  - It is a formal deliverable from Northrop Grumman
  - Supplier responds, within the timeframe outlined by the contracts manager, to Northrop Grumman GPS Contracts Manager with a root cause and corrective and/or preventive action plan. All supplier responses should be on the original SCAR issued by the GPS Contracts Manager
  - Northrop Grumman GPS Contracts Manager monitors compliance to the corrective and/or preventive action plan
### A SCAR Is Generated When...

- Supplier receives an overall Supplier Assessment Management System (SAMS) scorecard quarterly rating of yellow or red. Note a SCAR may or may not be issued for a yellow rating. It’s done at the Contracts Manager discretion.

- Supplier Quality Mission Assurance, with the input from programs / service lines, considers a supplier–caused product quality nonconformance significant.

- The request for a SCAR has been made by any external customer or an internal customer.

- Pattern issues indicate a loss of supplier control or inadequate corrective action (e.g., repeated non-conformances during a month or over a multi-month period).
Supplier receives the SCAR as a formal deliverable from Northrop Grumman

Step 1.
Northrop Grumman GPS Contracts Manager completes these sections on the form

SCAR Template

SUPPLIER CORRECTIVE ACTION REQUEST

LEGEND:

NGC SECTION
SUPPLIER SECTION

SCAR NUMBER:
DATE ENTERED:
SUPPLIER CORRECTION ACTION RESPONSE DUE DATE:

SUPPLIER INFORMATION

SUPPLIER NAME: SUPPLIER NUMBER:
SUPPLIER CONTACT: TELEPHONE:
PURCHASE ORDER # (if available): PO ITEM # (if available):

NORTHROP GRUMMAN (INTERNAL)

CONTACT NAME: TELEPHONE:
EMAIL ADDRESS:

STEP 1: IDENTIFY THE ISSUE (NGC TEAM)
Identify the issue which requires supplier corrective action. Provide a detailed description of the issue with relevant supporting data. Verify and validate all information prior to issuing the SCAR.
SUPPLIER INSTRUCTIONS:

Please provide a root cause analysis and actions to be taken to prevent a recurrence of the aforementioned non-conformances. We will be looking for actions that describe changes within the current process that addresses the outlined concerns. Where applicable, attach copies of objective evidence demonstrating verification of any training and/or changes made.

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<tr>
<th>STEP 2: SUPPLIER TO DESCRIBE ROOT CAUSE (SUPPLIER RESPONSE SECTION)</th>
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<td>Root cause(s) shall be identified, including the underlying cause(s) of each</td>
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<th>STEP 3: SUPPLIER CORRECTIVE ACTION (SUPPLIER RESPONSE SECTION)</th>
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<td>Corrective (includes Preventive) Action shall address all identified root causes, and shall contain one or more of the following as applicable: procedure creation or revision, design/specification revision, and/or training. Where practical, objective evidence of actions taken shall be provided with the SCAR response.</td>
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Steps 4-6
The contracts manager receives SCAR response and forwards the supplier response to impacted parties for concurrence and management.

If not acceptable, Northrop Grumman rejects the action plan and control returns to Step 2.

Note: During the quarter the GPS Contracts Manager will work with the Supplier to ensure the corrective action plan is being implemented and is showing improvement.
THE VALUE OF PERFORMANCE.

NORTHROP GRUMMAN