

CANDID visions

The message is clear and consistent — remove waste, get lean, reduce cycle times, and increase total value.

On the Road to Great Improvements

Editor's Note: The following article was written by Ken Marcia, Dresser-Rand's vice president of Supply Chain Management (SCM) and Process Innovation (PI). Marcia has responsibility for worldwide strategic commodity management, tactical purchasing, and PI initiatives. He leads the worldwide effort to remove waste, increase productivity in all functions, and achieve world class standards for process excellence.

Before joining Dresser-Rand, Marcia held corporate-level positions at United Technologies Corporation, most recently as corporate director of supplier development. He was twice elected board president of the Supplier Excellence Alliance (SEA), a non-profit alliance comprising aerospace, defense, space prime contractors, OEMs, major subcontractors, and leading suppliers that work together to accelerate supply chain capabilities.

It is no overstatement when I say that this is an exciting time for Dresser-Rand. Speaking specifically for the company's Supply Chain Management and Process Innovation teams, we know our journey to become a world-class SCM & PI organization will be both challenging and rewarding.

It requires sharp focus on relentlessly improv-

ing quality, delivery, cost, and cycle times by using the best tools and techniques for continuous improvement. It requires a commitment to state-of-the-art performance methods such as supplier conferences, supplier relationship management, consumption management, alliances, process innovation, value stream mapping, and value analysis/value engineering (VA/VE). Our Global Singular Process (GSP) team facilitates this journey worldwide through improved systems and data, which enable us to measure performance and to make data-based decisions.

BUILDING STRONGER SUPPLIER RELATIONSHIPS

Integrating a strong supply chain with D-R's capabilities provides the basis for an overall value chain delivering competitive advantage and shareholder value. Thus, as Dresser-Rand seeks to build stronger relationships with clients, so too SCM is working to create closer, more enduring relationships with suppliers. It does this by identifying suppliers that can strengthen the supply chain.

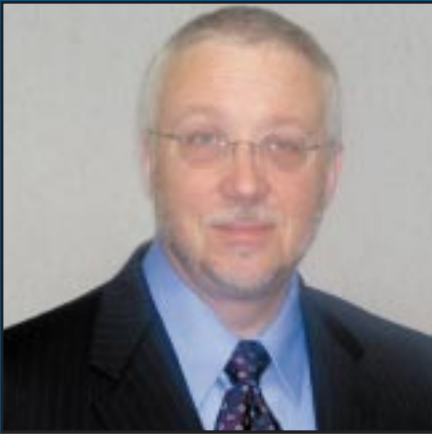
For example, we're sponsoring interactive global supplier conferences. Last year, Dresser-Rand hosted two major conferences in our North American Operations (NAO) and European Served Areas (ESA). Suppliers repre-

senting more than 50 percent of our material spend, as well as key non-product suppliers attended these conferences. Our message was clear and consistent: remove waste, embrace lean, reduce cycle times, increase total value -- and support the growing need for expansion within Dresser-Rand's supply chain.

Developing supplier alliances represents a core element for Dresser-Rand to compete on the strength and capabilities of its supply chain. Identifying potential supplier alliances requires skill and diligence. During the past year, we focused on strategic sourcing, implementation, and supply chain development to create supplier stability, to develop a collaborative framework, and to determine appropriate metrics. To date, the amount of spend addressed by a supplier agreement increased from five percent to more than 30 percent.

A recent success story involved sourcing common parts for our Le Havre, France and Wellsville, New York, USA facilities at one supplier in Mexico. Our supply chain is becoming as global as our client base.

The net impact of supplier alliances are reduced lead-times, improved on-time delivery, improved quality, lower total cost of ownership, and reduced cycle times.



Ken Marcia, Dresser-Rand's vice president of Supply Chain Management (SCM) and Process Innovation (PI)



BUILDING QUALITY INTO OUR PROCESSES

Our future growth depends largely on a robust supply chain. We view our supply chain as an extension of Dresser-Rand's manufacturing network, and a solid manufacturing company requires robust and repeatable processes (standard work) that should be followed by all -- suppliers, engineers, finance professionals, and manufacturing personnel. Everyone needs to be involved in quality improvement and lean implementation.

This is precisely why Process Innovation was created at Dresser-Rand several years ago. Our company has made significant progress through its PI initiatives. We now have more than 100 employees worldwide dedicated to PI. We believe that millions of dollars of opportunity exist in this area.

Our PI professionals work closely with each Dresser-Rand function and operation, and with our suppliers to facilitate continuous improvement. Each area tracks metrics that measure the robustness of D-R's processes and the impact on business metrics such as warranty and product cost. In this regard, incorporating critical quality characteristics into our designs, and on solving problems -- such as casting porosity -- will drive these numbers in the right direction.

During the past year, we've deployed advanced lean practices such as value stream mapping, which builds on basic process mapping techniques by highlighting relationships, communication, and process timing. This tool provides clear visibility to waste and helps us reduce manufacturing and business process cycle times.

REDUCING CYCLE TIMES AND COSTS THROUGH VAVE

Our products are highly engineered by our best-in-class engineering functions. We continue to leverage this talent through the VAVE process -- a methodology which seeks to increase value in products by focusing on function (all things a product must do to make it work well and sell), while simultaneously decreasing cost. Simply put, it's a systematic team approach to providing value in products, projects, and service.

At Dresser-Rand, we use VAVE to deliver benefits beyond piece-part cost savings. These benefits include reduced cycle times, improved quality, and increased productivity. Since 2003, we've realized more than \$20 million of savings through VAVE processes. While we only record VAVE project savings for one year after completion, most of the benefits extend beyond the 12-month tracking period.

One major example of VAVE involved inter-continental teams from Dresser-Rand North American Operations and Dresser-Rand India Operations. The teams worked together to reduce costs on cylinders and running gears manufactured at D-R's Ahmedabad, India facility for our reciprocating compressor product line. To date, we have recorded \$500,000 in savings on this project alone.

By using ideas from a variety of sources (including clients, suppliers, and our own employees), we also have opportunities to succeed in other areas with VAVE. Key steps for 2008 will be to support these efforts with tools such as web-enabled portals for improved communication and access to ideas. We believe that committing internal resources to VAVE represents an investment that will continue to provide valuable returns to Dresser-Rand.

THE FUTURE IS TODAY

In today's business environment, value chains compete -- and value chains include the supply base. Our goal is for Dresser-Rand's global value chain to be unparalleled in its competitiveness. And we're confident that the innovations and changes we're making will continue to accelerate for the benefit of our clients and shareholders. ■