

2007 Initiative Spotlight: Internal Services Productivity





We have identified hundreds of opportunities to reduce operating costs and are sharing them across the enterprise. For example, our Shared Services Lean Office initiative, which reduced office space by 43 percent, is saving \$1 million in overhead annually and has become a model for similar programs elsewhere.

Our Internal Services Productivity (ISP) initiative targets significantly improving productivity and reducing business support costs year over year.

With Boeing, as with any large company, the costs of running our businesses consume a significant proportion of our annual revenues. Our ISP initiative seeks to aggressively manage and reduce such costs associated with our centrally administrated functions, nonproduction procurement, and common business support functions such as finance, legal, information technology, human resources and other shared services.

While we always pay attention to running Boeing businesses efficiently, we're focusing on being even *more* efficient by driving continuous improvement through all aspects of the business. Whether simplifying business processes and systems, eliminating excess infrastructure, consolidating nonproduction procurement or streamlining back office support, Boeing people are bringing Lean principles into our office environments in a big way.

In 2006 alone, we captured more than \$500 million in savings in business support costs through innovative sourcing, systems reduction and process simplification. For example,

- › Boeing Shared Services Supplier Management partnered with the 787 Dreamliner team to consolidate and competitively bid a logistics contract for final assembly and delivery of certain parts and materials. Doing so reduced costs by 65 percent for a projected 10-year savings of nearly \$200 million.
- › Similar integrated approaches were applied to companywide desktop and laptop computer purchasing; printer, fax

and imaging device maintenance; and voice telephony services yielding additional projected savings of more than \$200 million over the next several years.

- › Adopting common finance systems helped reduce cycle time to close our books 75 percent sooner, with accuracy sustained, and promises to provide significant savings.
- › Companywide, we're aiming to reduce the number of information technology systems by two-thirds. And that's only part of the opportunity, because we'll also be trimming upstream processes that feed those systems.

We are challenging every individual at Boeing to be committed to running our business better tomorrow than we did today — and even better the next day.

While smaller in scope, grassroots productivity improvements promise significant opportunities for savings. Successes indicate that we're gaining traction at all levels of the enterprise. Boeing people successfully applied Lean processes to cut costs and cycle time on everything from our annual report and employee-benefits publications to charitable grant-making and Treasury cash-management processes.

Looking ahead, we are focused on leveraging identified opportunities to continue significant cost reductions over the next few years. We have established a formal mechanism to track progress, share best practices and replicate successes across Boeing. Managed aggressively, the initiative will continue to provide fertile ground for improving margins, investing for future growth and responding flexibly to unanticipated market and technical risks.