



JOHN DEERE

International Accreditation Forum Industry Day

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Bonn, Germany

INTEGRITY • QUALITY • COMMITMENT • INNOVATION

Key Questions to answer...

- What does an accredited management systems certificate mean to John Deere and the heavy equipment sector?
- What's working and what isn't for accredited certification?
- What does John Deere expect of a supplier with an accredited certificate?
- Are these expectations being fulfilled?
- What are the limitations of certification?
- What experiences have you had with certification and how would you like to see the system improved?

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JOHN DEERE

John Deere Today

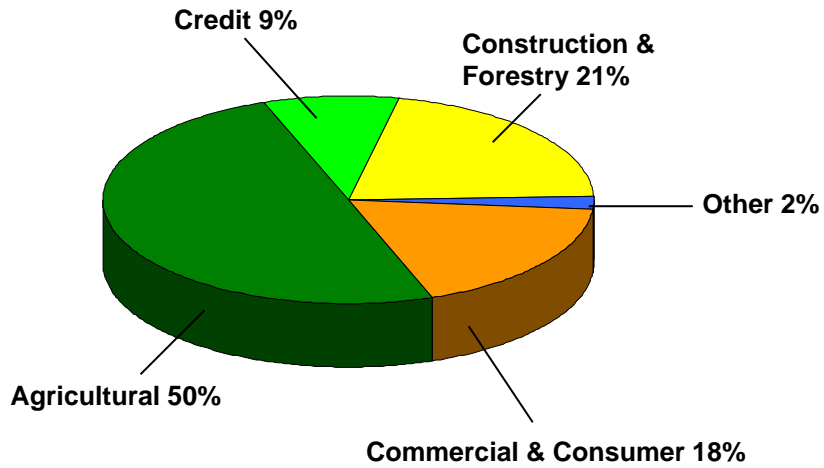
An American icon – founded in 1837 – growing outside the United States for more than 50 years

- World's leading provider of advanced products and services for agriculture and forestry
- Major provider of advanced products and services for construction, lawn and turf care, landscaping and irrigation
- A leading worldwide manufacturer of off-highway diesel engines
- One of the largest equipment finance companies in the U.S.
- Key investor in alternative energy sources
- Exciting new entities: John Deere Agri Services, Intelligent Mobile Equipment Technologies, John Deere Landscapes, Wind Energy, Precision Water Systems

John Deere Today



2007 Net Sales & Revenues: \$24.08 Billion



John Deere Today

Steady Progress

- Four successive years of record earnings: 2004—2007
- Dividend rate more than doubled since 2004
- SVA reached record \$1.31 billion in 2007
- Returned \$1.9 billion to investors through share repurchases and dividends in 2007
- Sales outside U.S. and Canada increased 27% in 2007
- Investing more than \$2 million per day in research and development

John Deere Today

John Deere Recognition

- In 2007, chosen by *Ethisphere Magazine* for its list of the World's 100 Most Ethical Companies
- In 2007, among *CRO* magazine's list of 100 Best Corporate Citizens
- In 2007, Chairman and CEO Robert Lane received the Chicago United Bridge Award, as an advocate for multiracial diversity in corporate governance
- In 2006, ranked #25 in world leaders for HR by *Human Resource Executive* magazine
- In 2006, ranked among World's 100 Most Innovative Companies by *Business Week* magazine
- In 2005, Robert Lane named "CEO of the Year" by *Industry Week* magazine

Our mission is to distinctly serve those linked to the land

- **Vastly global:** Customers in more than 130 countries and operations around the world
- **Intensely innovative:** Advanced robotics, navigation technologies and autonomous vehicles
- **Vigilant stewards:** Dedicated to our values, legacy, environment and safety of employees



About John Deere Products



- Large & Complex
- Capital Intensive to Manufacture
- Capital Investments for Customers
- Relatively Low Production Volumes
- Have a Long Life Cycle in the market
- Used in Harsh Environments



Off Highway Equipment and Standards

- *Industry is not heavily regulated*
- *“Voluntary” compliance with accepted Standards has been the primary industry strategy to:*
 - *Demonstrate social responsibility*
 - *Manage risk regarding product liability*
 - *Avoid unnecessary regulation*
 - *Control cost*

Industry Characteristics

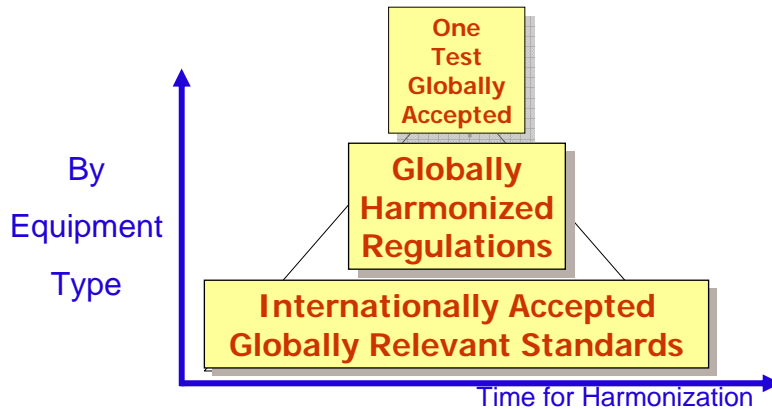
- Customers are “Businesses” and Business People
 - Products are “tools”
 - Purchases are “Capital Investments”
 - Products are purchased to do specific tasks
 - **Harvest Grain**
 - **Move Dirt**
 - **Transport Logs**
- Performance, Reliability, Serviceability are key customer expectations
- Performance measured mathematically
 - Cost per cubic meter of dirt
 - Cost per cubic meter of grain
 - Cost per liter of fuel



Business Drivers

- Success of global growth strategies depends on Deere products having access to and being acceptable in world markets.
- National, Regional and International Standards Developing Organizations, National Governments and their agencies, plus emerging Regional Authorities are setting evermore restrictive Market Access Requirements.
- Lack of Harmonization of Standards, Regulations and Conformity Assessment Requirements on a global basis imposes significant cost penalties on manufacturers and customers, often without any perceived value.

Deere's Ultimate Objective



Primary Business Strategy

- Differentiate ourselves from our competitors by providing
 - Superior Equipment
 - Superior Features
 - Superior Performance
 - Superior Reliability
 - Superior Service and Support ...

... so that customers will be willing to pay a premium price for our products and services.

“Quality” is of profound importance to John Deere!

- Our Business Plan depends upon it.
 - Our Market Reputation depends upon it.
 - Our ability to execute globally depends upon it.
 - We currently have over 2 Million active parts
 - We stock over 500,000 parts for service and support
- ... more than 80% of those parts come from the global supply chain.

Likewise Conformity Assessment and Compliance

- John Deere relies “primarily but not exclusively” on Supplier’s Declaration of Conformity (SDoC) and it’s excellent brand reputation in the market place.

Rationale:

- 3rd Party certifiers (and their accreditors) can add value as consultants and independent assessors but in the final analysis, John Deere is the accountable party of the quality of the goods and services it provides to the marketplace. (Examples: OECD Tractor Test, EU Old Approach Type Approval for Tractors)
- Current forms in the market are “helpful but insufficient”

Management Systems at John Deere

- John Deere is a “outcome driven – process supported” organization.
- We actively link customer satisfaction and other key indicators (e.g. delivery to first reported problem, warranty claims etc.) to our Product Delivery, Order Fulfillment, Quality planning and Supply Management processes.
 - Product Verification and Validation (PV&V)
- We maintain a “scorecard” and “certify” our global units to two proprietary “systems”. (Gold, Silver, Bronze)
 - JD Production System (JDPS)
 - JD Quality System (JDQS)
- We use a similar approach to EHS compliance

Supply Chain Management at John Deere

“Achieving Excellence”

- Code of Conduct compliance is mandatory
- Contractual Relationship established
- 4 levels or “classifications” based on performance
 - Partner
 - Key
 - Approved
 - Conditional

Supply Chain Management at John Deere

“Achieving Excellence” Evaluation Criteria

- Quality
- Delivery
- Technical Support
- Relationship – “Wavelength”
 - Communication
 - Transparency
 - Cost Management – Continuous Improvement
 - JD CROP
- Indirect Material & Services

The objective of Conformity Assessment is to provide the parties with sufficient trust and confidence for commerce to occur

- *CA provides a way for consumers (and regulators) to gain confidence in the products and services offered by suppliers and differentiate between them*
- *CA is a way for legitimate suppliers to build confidence in their products or services and differentiate themselves from competitors*
- *This “process” – known as **Brand Building** – is critical to business survival because it ensures ongoing commerce*

Successful Companies attempt to differentiate themselves by “Brand Building”

- **Effective Conformity Assessment builds Stakeholder Confidence**
- **Stakeholder Confidence builds Brand Recognition**
- **Brand Recognition only has value if it is based upon positive Brand reputation**
- **Positive Brand Reputation is only earned by consistently meeting Stakeholder expectations**

Conformity Assessment and International Market Access

Successful companies learn to focus on their

- Customers
- Employees
- Communities
- Investors

...and do the best job they can to understand what is important to them.

We don't know if a “one size fits all – lowest common denominator” approach to certification (and therefore accreditation) can ever adequately reflect that degree of specialization necessary but we think the current bar can be raised to a higher level on a broader scale across the market..

Benefits of the Industry Approach

- Faster and cheaper global product approval
- Faster global market harmonization
- Greater economies of scale
- Lower cost to consumers in all markets
- Greater value for all stakeholders
 - End user customers
 - Society

So: In summary...

- What does an accredited management systems certificate mean to John Deere and the heavy equipment sector?
Accreditation adds value but there is more potential to be achieved.
- What's working and what isn't for accredited certification?
Recommend everyone review the ASQ paper on the debate conducted at Capella University on "ISO 9000 – An effective Quality System?".
- What does John Deere expect of a supplier with an accredited certificate?
"Key" level performance or better.

So: In summary...

- Are these expectations being fulfilled?

Regionally to some extent but not globally. Where certification numbers are highest, our confidence is lowest. (Ref: The ISO survey – 2006).

- What are the limitations of certification?

Not sure if a “one size fits all – lowest common denominator” approach to certification (and therefore accreditation) can every fully address customer expectations but it can do a better job of maintaining a minimum level of performance for market survival.

- What experiences have you had with certification and how would you like to see the system improved?



JOHN DEERE

Thanks for your attention.

Questions?