Seizing Integration - Procurement Business Alignment That Delivers Breakthrough Value
Seizing Integration

- Matt Albin
  Manager, Enterprise Excellence, America’s Region
  Amway

Partner: June Kuiper
- Manager, Procurement Business Excellence
  Evoqua Water Technologies

Prepare: Mike Snider
- Director of Purchasing
  Lacks Industries

Execute: Beverly Bekius
- Strategic Commodity Manager
  Magna Mirrors of America, Inc.
• Ground Rules / Logistics
  ▪ Breaks / Restrooms
  ▪ Cell Phone Etiquette
  ▪ Event Agenda
Monday Morning Crisis
Monday Morning Crisis

- 20% sales increase for the company
- Solidify your long-term position with Omega
- Capacity on the line is ‘tight’ with #1 customer
- Never outsourced any activity this complicated
- Take pride in doing work in-house
- Process is complicated requires experienced operators
- Timeline to production is about 1 month away
What action will you take?

1. Tell your company president that the supply organization cannot meet the new demand

2. Add an additional shift & invest new capital

3. Identify an third party to produce this product or shift current products to a third party
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Partner

Prepare

Execute
Table Discussion

- Individually:
  - 2-3 minutes
  - Think of a situation when a growth related event or increase in demand caught your team off guard
  - What was the event that started the chain?
  - Document 2-3 ideas on post-it notes

- Share examples at your table
  - 5 minutes
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- June Kuiper, C.P.M.
  Manager, Procurement Business Excellence
  Evoqua Water Technologies

Partner

Prepare

Execute
Partner > Discover

- Real Life Story
  - We are selling what?
Is your team pulling in the same direction?
Partner > Create

Discover

Learn
- Value of Collaboration
- Research

Listen
- Town Hall
- Executive Leadership
- Publications

Develop
- Hoshin
- Strategy
- Connect
Partner > Create > Learn
Partner > Create > Listen

GROW THE BUSINESS
• Early Procurement Engagement

DELIVER FINANCIAL RESULTS
• Cash Flow

OPTIMIZE VALUE
• Agile Supply Chain

ACHIEVE CUSTOMER EXPERIENCE
• Collaboration

CULTIVATE PERFORMANCE CULTURE
• Talent Excellence
Partner > Create > Develop

Hoshin: *Direction, Shining Needle*. Kanri: *Management*

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**PERFORMANCE TEAM**

**PROCUREMENT Alignment X-Matrix**

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**THE TIME TO BE ACCOUNTABLE IS NOW!**

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**Top Level Improvement Priorities**

1. 3-5 Year Corporate Breakthrough Objectives
2. Annual Corporate Breakthrough Objectives
3. KPI’s - Performance Targets

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**CASCADeS**

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**Resources**

- Primary
- Secondary

Hoshin Process Owner
Corporate Objectives
3 to 5 Year

- Long / Mid Term
- Tangible Model
- Concrete Projects
- Action Specific
Partner > Build

**Discover**

**Create**
- Listen
- Learn
- Develop

**Speak Up**
- Key Associates
- Procurement Leadership

**Start**
- Volunteer
- Small Victory
Partner > Build > Speak Up

Across & Outward

- Market Idea
  - Displays
  - Posts

- Procurement Leadership

- Key Associates

- Test Group

Top Down
• Be Proactive
  – The Key Associate
• Take Action Now
  – The opportunity
• Be seen as a Partner
  – Volunteer
Partner > Build > Patience

Challenges

– Dormancy
– Detours
– Politics
– Resources

Actions

– Big Picture
– Marketing
– Enthusiasm
– Communication
Partner > Harness

Discover
Create
• Listen
• Learn
• Develop
Build
• Discuss
• Start
• Patience
Harness
• Turning Point
• Momentum
• On-Going Collaboration

Collaboration
Partner > Harness

Momentum
• The New Boss

Turning Point
• The 5:00 Call

On-Going Collaboration
• Full Circle
Partner

Discover
- Listen
- Learn
- Develop

Create
- Develop
- Learn
- List

Build
- Discuss
- Start
- Patience

Harness
- Turning Point
- Momentum
- On-Going Collaboration

Collaboration
Partner

Top Level Improvement Priorities

Annual Corporate Breakthrough Objectives

KPI’S - Performance Targets

3-5 Year Corporate Breakthrough

GROW THE BUSINESS

Sales $0.0B 2018

DELIVER FINANCIAL RESULTS

EBITDA $000M 2017

CULTIVATE PERFORMANCE CULTURE

2017
The Time to be Accountable is Now!
Seizing Integration

- Mike Snider
  Director of Purchasing
  Lacks Enterprises

Partner | Prepare | Execute
### 3-5 Year Corporate Breakthrough

**Top Level Improvement Priorities**

1. Conduct Supply Chain Capacity Analysis
2. Align & Deploy Supplier Development Strategy
3. Improve Cash Flow
4. KPI's - Performance Targets

### Annual Corporate Breakthrough Objectives

- **1.** Grow the Business
  - **Sales:** $0.0B 2018
- **2.** Deliver Financial Results
  - **EBITDA:** $000M 2017
- **3.** Cultivate Performance Culture
  - **** 2017

### Milestones

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eat XYZ Product Line Nov '15</td>
<td></td>
</tr>
<tr>
<td>Current: Gain 10% Product Z Market</td>
<td></td>
</tr>
<tr>
<td>New Products: Acquire ABC Line Apr '15</td>
<td></td>
</tr>
</tbody>
</table>
“We’ve decided to do our own pointing, but outsource the clicking.”
Why Outsource?

- Growth of the business
- Capacity constraints
- Conserve capital
- New process or service
- Lack expertise
- New regulation
- Save $ 
- Free up internal resources
- Supply chain “event”

What to Outsource?

- IT
- Trucking/Freight
- Accounting/Payroll services
- Engineering/CAD
- Regulatory Reporting
- Systems Auditing
- Lab Testing
- Contract Employment
- Manufacturing Processes
Outsourcing Failures > Frequent Causes

- Unclear Expectations
- Poor governance
- Poor communication
- Poor cultural fit
- Interests become misaligned over time
- Not mutually beneficial
- Suppliers poor performance
- Buyer’s multi-supplier environment

Source: Outsourcing Center
Focus Topics

- Cultural Considerations
- Flexibility
- Knowledge & Technology Transfer
Cultural Considerations

Internal Alignment

External Fit
Culture > Internal Alignment

- Do all levels of the organization support the outsourcing goals?
- Employee engagement – Communication plan
- Openness to new ideas
- Adaptability to outside organization’s differences
- Supplier satisfaction approach
- Management oversight of cultural mismatches
Cultural > External Fit

- Does external supply organization culture “fit”?
- Corporate structures/values/philosophies
- Organizational structures –
  - Functional vs. Value-stream
- Org Chart analysis – Who does what?
- Systems – Orders/Inventory/Accounting
- Regional/National/International cultural issues – language, business protocols, etc
Flexibility

- Maximize ability to pursue different options
- Relationship governance
  - Problem resolution approach
  - Escalation path
Flexibility > Contract Considerations

- Be intentional in contract design
- Plan for failure - Consider exit plans up front
- Factor in “change in scope”
  - Design in pricing/volume flexibility
- Contingency planning – consider what-if’s
- Clear performance measurables on both sides
Knowledge/Technology Transfer

- Plan a complete on-boarding process
- Enable achievement of key performance measurables
- Commitment to collaboration
- Non-disclosure agreements
- Employee/technology co-location
### Prepare > Execute

#### Top Level Improvement Priorities

<table>
<thead>
<tr>
<th>3-5 Year Corporate Breakthrough</th>
<th>Annual Corporate Breakthrough Objectives</th>
<th>KPI's - Performance Targets</th>
</tr>
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<tbody>
<tr>
<td>3</td>
<td></td>
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</table>

#### Key Milestones

- **Conduct Supply Chain Capacity Analysis**
- **Align & Deploy Supplier Development Strategy**
- **Improve Cash Flow**
- **Exit XYZ Product Line Nov’15**
- **Current - Gain 10% Product Z Market**
- **New Products - Acquire Division X Oct’15**
- **New Products - Launch ABC Line Apr’15**

#### Financials

<table>
<thead>
<tr>
<th>Category</th>
<th>Target</th>
<th>Year</th>
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<tbody>
<tr>
<td>GROW THE BUSINESS</td>
<td>Sales</td>
<td>$0.0B</td>
</tr>
<tr>
<td>DELIVER FINANCIAL RESULTS</td>
<td>EBITDA</td>
<td>$000M</td>
</tr>
<tr>
<td>CULTIVATE PERFORMANCE CULTURE</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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- Beverly Bekius
  Strategic Commodity Manager
  Magna Mirrors of America, Inc.

Partner | Prepare | Execute
Question: Do you have capacity?
Answer: Yes, we have plenty of space and can meet your daily requirements
Question: Do you have paint Line?
Answer: Yes, we have semi-automated line
Prepare > Execute

Establish Commercial Agreements
Assess Cultural Readiness Internal / External
Build Flexibility into Outsourcing Model
Develop Knowledge/Technology Transfer Portfolio

Conduct Supply Chain Capacity Analysis
Align & Deploy Supplier Development Strategy
Improve Cash Flow

Top Level Improvement Priorities

Annual Corporate Breakthrough Objectives

KPI's - Performance Targets

3-5 Year Corporate Breakthrough

GROW THE BUSINESS
Sales $0.0B 2018
DELIVER FINANCIAL RESULTS
EBITDA $000M 2017
CULTIVATE PERFORMANCE CULTURE
2017
Approach for Sourcing / Re-sourcing

Sourcing or Re-sourcing is the activity of awarding new business and/or moving existing business

- Internal Investigation
- Internal Cross-Functional Review
- External Review & Validation
Execution Plan > Source / Re-source

- Work Instructions
  - Purpose of Work Instructions: Set uniform standard for the sourcing or re-sourcing activity
  - Applies to:
    - Production
    - Non-Production
    - Service Items
Internal Investigation of available Suppliers

- Review Sourcing Strategy
  - Identify approved suppliers
  - Input from Commodity Manager & Purchasing team
- Evaluate Supplier Performance Rating System
- Request quote from eligible Suppliers
Internal Review with Cross-Functional team

- Complete Technical Review with Cross-Functional team
  - Input from Engineering, Quality and Design teams
- Develop Statement of Work (if required)
- Develop Long Term Agreement (if required)
- Complete Sourcing Decision Review
  - Review with key stakeholders & senior management
External Review and Validation

- Supplier Assessment - would include review of Operations and Financial information.
- Risk Evaluation Assessment would include on site capacity and capability review.
- Request for Quotation and Feasibility Template
- Statement of Work - includes detailed requirements
- Long Term Agreement - includes VA/VE or cost savings expectations
- Advanced Product Quality Process
- Tooling/Equipment/Gage Receipt Document
- Supplier Development Matrix
- Production Part Approval Process
Maturity Model

- Advanced
- Intermediate
- Foundational
Additional Tools / Templates Available

- APQP Matrix 2014
- Company X Execution Agreement template
- Company X generic product sheet
- Company X Quality Agreement Template
- Feasibility Form
- Global Capacity Sourcing Strategy Overview - Prepare
- Outsource Review Checklist
- Plant Tour and Benchmarking Evaluation Form
- Production Transfer to 3rd party Flowchart Overview

- Risk Assessment Checklist
- SCMC Partner with the Business - Hoshin
- Supplier Assessment Checklist
- Supplier Development Matrix.xlsx updated
- Tooling -Equipment-Gaging-Fixtures-Packaging Transfer Checklist
- Tooling Gage Equipment Receipt
- Tools Matrix-Pyramid List
- Work Instructions for Sourcing and Resourcing of Production, Non-Production and Service Items.
Seizing Integration

- June Kuiper, C.P.M.
  Mgr, Procurement Business Excellence
  Evoqua Water Technologies
# Resources

## Top Level Improvement Priorities

1. **Annual Corporate Breakthrough Objectives**
2. **KPIs - Performance Targets**
3. **3-5 Year Corporate Breakthrough**

## GROW THE BUSINESS

<table>
<thead>
<tr>
<th>Objective</th>
<th>Sales</th>
<th>$0.0B</th>
<th>2018</th>
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<tbody>
<tr>
<td>DELIVER FINANCIAL RESULTS</td>
<td>EBITDA</td>
<td>$000M</td>
<td>2017</td>
</tr>
<tr>
<td>CULTIVATE PERFORMANCE CULTURE</td>
<td></td>
<td></td>
<td>2017</td>
</tr>
</tbody>
</table>

## RESOURCES

- **Primary**
- **Secondary**

### Hoshin Process Owner

- Procurement Member 1
- Procurement Member 2

### Milestones

- Develop Source/Resource Std Work by 6/15
- Complete Risk Evaluation of XYZ Co by 8/15
- Supply Base Average Days Paid >60 days
## Connecting the Dots

### PROCUREMENT Alignment X-Matrix

**Top Level Improvement Priorities**

1. **3-5 Year Corporate Breakthrough**
2. **Annual Corporate Breakthrough Objectives**
3. **KPI's - Performance Targets**
4. **Top Level Improvement Priorities**

**3-5 Year Corporate Breakthrough**

### Annual Corporate Breakthrough Objectives

- Outsource Manufacturing / Services
- Conduct Internal Needs Assessment
- Assess Company’s Outsourcing Maturity Level
- Evaluate External Supply Chain options and capabilities
- Reassess Strategic Alignment with Annual Objectives
- Conduct Deep Cost Understanding Analysis
- Conduct Supplier Audits
- Establish Commercial Agreements
- Assess Cultural Readiness Internal / External
- Develop Knowledge/Technology Transfer Portfolio
- Develop Knowledge/Technology Transfer Portfolio

### KPI’s - Performance Targets

- Complete Risk Evaluation of XYZ Co by 8/15
- Develop Source/Resource Std Work by 8/15
- Supply Base Average Days Paid >60 days

### GROW THE BUSINESS

- Sales $0.0B 2018
- EBITDA $000M 2017

**Hoshin Process Owner**

- Procurement Member 1
- Procurement Member 2

### Resources

- **Primary**
- **Secondary**
# Bowling Charts & Action Plans

## Procurement Top Level Bowling Chart

<table>
<thead>
<tr>
<th>Target to Improve</th>
<th>2014 YTD</th>
<th>JAN</th>
<th>FEB</th>
<th>MAR</th>
<th>APR</th>
<th>MAY</th>
<th>JUN</th>
<th>JUL</th>
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</thead>
<tbody>
<tr>
<td>Support Core, Kalzen - 87 events</td>
<td>Plan</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
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<tr>
<td>Establish Up Front Make vs. Buy Tool</td>
<td>Plan</td>
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<td>1.00</td>
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<tr>
<td>Determine Risk Score - Top 55 Suppliers</td>
<td>Plan</td>
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<tr>
<td>Cost Reduction - $5M</td>
<td>Plan</td>
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<td>1.00</td>
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<tr>
<td>Reduce Supplier Risk by 10% - Top 50</td>
<td>Plan</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
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<tr>
<td>Supplier Payment Terms - 0% - 72 days</td>
<td>Plan</td>
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<tr>
<td>Credit On-Time (Right) Delivery - Top 100 x 95%</td>
<td>Plan</td>
<td>1.00</td>
<td>1.00</td>
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<tr>
<td>Data Based Supplier Performance - Top 50</td>
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<td>1.00</td>
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</table>

* Jumping Off Point

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## Action Plan

**Improvement Priority Title:**

**Department:**

**Owner:**

**Date:**

**Next Review:**

**Review Team:**

**Priority Background**

**Core Objective:**

**Timeline**

<table>
<thead>
<tr>
<th>2014</th>
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<tbody>
<tr>
<td>Planned Dates</td>
<td>Jan</td>
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<tr>
<td>Owner (Lead is bold)</td>
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<tr>
<td>Milestone</td>
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</table>

**Target Improvement**

<table>
<thead>
<tr>
<th>Status</th>
<th>Impact</th>
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</thead>
</table>

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*Note: The chart and action plan are designed to align with specific procurement targets and initiatives, focusing on key metrics such as cost reduction, supplier risk management, payment terms, on-time delivery, and data-based supplier performance.*
Countermeasures – Address Root Cause

### Countermesure Sheet

**Improvement Priority:** Credible On-Time (Right) Delivery - Top 100 > 95%

**Target to Improve:**

<table>
<thead>
<tr>
<th></th>
<th>JAN</th>
<th>FEB</th>
<th>MAR</th>
<th>APR</th>
<th>MAY</th>
<th>JUN</th>
<th>JUL</th>
<th>AUG</th>
<th>SEP</th>
<th>OCT</th>
<th>NOV</th>
<th>DEC</th>
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<tbody>
<tr>
<td>2014 Plan</td>
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<td>2014 Actual</td>
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### Root Cause:

<table>
<thead>
<tr>
<th>Category</th>
<th>2014 Plan</th>
<th>2014 Actual</th>
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<tbody>
<tr>
<td>Stock Out</td>
<td>0.65</td>
<td>0.68</td>
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<tr>
<td>Short Promised Date</td>
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<td>Wrong Sales Info</td>
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</tr>
<tr>
<td>Customer Change</td>
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<td>All Other</td>
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### Countermeasures

<table>
<thead>
<tr>
<th>Status</th>
<th>What</th>
<th>Who</th>
<th>When</th>
<th>How Much (Impact)</th>
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</thead>
<tbody>
<tr>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
The time to be accountable is Now!
Words of Wisdom / Key Take-Aways
Closing Comments

- Council Membership
- Feedback Forms
- Link to presentations and tools and templates