The Path To Globalizing Procurement Operations: Organizational, Cultural & Strategic Change For World Class Effectiveness Case Study: Sensormatic Electronics Corporation, Boca Raton, Florida

Charles S. Maltrotti
Lynn University

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Graduate Project MIM 665

The Path To Globalizing Procurement Operations:
Organizational, Cultural & Strategic Change For World Class Effectiveness
Case Study: Sensormatic Electronics Corporation, Boca Raton, Florida

Charles S. Maltrotti, C.P.M.
Lynn University
October 15, 1996
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Chapter 1 Introduction

1.1. Student Background: Charles S. Maltrotti, C.P.M.

This graduate project reflects the real life application of concepts and theories of my profession and my studies of international management at Lynn University. My background at the University extends back to 1987 at the former College Of Boca Raton where I began my undergraduate course work in business administration. In May 1992, I received my Bachelors of Professional studies in this area. In June 1992, I successfully completed the testing, experience and educational requirements necessary to receive my professional Certified Purchasing Managers (C.P.M.) certificate.

Today, I have nearly 15 years of experience in the purchasing field helping to support the supply needs of firms such as Mitel, CASI, FPL and Sensormatic. With a short break in service, my Sensormatic experience extends back to early 1985. In early 1996, my position as Corporate Manager of Strategic Procurement Programs changed and I was recruited into a new role as the only Sensormatic procurement professional involved in a new company project. I joined a staff of roughly 12 fellow full-time professional employees of various disciplines and 12 full-time consultants to essentially re-invent the entire company, worldwide to meet the rising challenges of the 21st century. Upon communication of my appointment, my divisional vice president remarked, "I heard this will be like getting an MBA from Sensormatic". I then realized how the assignment might lay the ground work for this graduate project. The timing has created the highly leveraged combination of my current studies at Lynn and my professional career. This combined with the rare and valuable guidance of top notch business process experts has present an outstanding opportunity to concurrently learn, practice and apply new concepts in the global business environment.
1.2. Subject Company Background: Sensormatic Electronics

Sensormatic Electronics Corporation was originally formed in 1966. The early 1970's started the company on a ten year path of strong growth largely driven by high demand for the company's microwave technology based systems. These were popular with small to large clothing and department stores like Macy's. The mid 1980's marked a slow-growth period with the company relying almost exclusively on traditional microwave technology for the domestic soft-goods market. Sensormatic's performance ultimately suffered as a "single product company" when the market "softened" resulting in a $4.3 million net operating loss in fiscal 1986. Sensormatic was much smaller in size with revenues of $100 million for the fiscal year. As early as 1985 however, in response to the deteriorating condition of the company's market posture, Sensormatic instituted a complete corporate overhaul beginning in the board room. New management was recruited to cut costs, streamline operations, establish new sales and marketing channels and, most importantly, develop new products and markets. As a result, by 1987 Sensormatic began to regain its growth momentum by introducing several new technologies and products that dramatically expanded their ability to enter and penetrate other new markets beyond soft-goods. By 1993, the company employed over 9 technologies and various product lines which grew to represent the broadest product offering in the loss-prevention industry by 1995. Virtually every technology in the market including that of its competitors were employed by the company in its product offerings.

Fiscal 1994 (7/94 - 6/95) marked an excellent year for the company with $72 million in net income on world wide revenue of $656 million. Roughly half generated in offshore, global markets. The beginning fiscal 1995 (7/95 - 6/96) marked a turning point
for the company with the number two person, C.F.O., C.O.O. Mike Pardue leaving the organization. This tremendous surprise for the business shocked shareholders, customers and employees including company founder Ronald Assaf. Until then, Pardue had always been openly acknowledged as Assaf's successor. Later, pressures by the company's external auditors Ernst & Young and the Securities and Exchange Commission caused fiscal 1995's revenue and earnings to be restated after much controversy arose regarding the timing and recognition of revenues. Accordingly, fiscal 1995 closed with revenues up 26% to $889 million but, with net income up only 3% at $74 million over the prior year.

This turmoil is widely blamed for the company's stocks to fall in value on the New York exchange from $35.50 to $23.00 in just 6 months in 1995. The general impact of calendar 1995 left the organization looking for someone who could again, some day take the torch hand-off by Mr. Assaf and essentially, begin the company moving ahead and rebuilding its public image. The growth of the years past which were heavily fueled by acquisitions and new product and market growth appeared to be at a very high price for the business. Chairman, Ronald Assaf wrote that "the company's rapid growth, in tandem with significant product diversity and our continued expansion from integrating acquired businesses, ultimately outpaced the Company's growth in corporate infrastructure, resulting in some operational and judgmental errors." The company had no clear next steps in late 1995 other than the need for survival and a desire to maintain its leadership position in the electronic security market. Operating expenses were high, shareholder confidence was low and the future, beyond the already committed 1996 Olympic Game security responsibility, was cloudy. Fiscal 1996 ultimately closed with revenue growth of 11% at $995 million but, a net operating loss of $98 million, down 230% over the previous year.
Mr. Assaf and the company's board of directors launched an extensive executive search that lasted several months in calendar 1995 and the result was a successful candidate with a known, proven and respected ability to lead organizations through tough times. Originally appointed as President in late 1995 and by mid-1996, Chief Executive Officer, Bob Vanourek came on board at Sensormatic to begin the process of re-inventing the business and to begin the steps necessary to move the organization forward into the 21st century.\(^9\)

Bob Vanourek recognized from experience that the amount of change needed at the company would require help from outside the organization. Vanourek contracted with the firm of Gemini Consultants\(^{10}\) to begin in late 1995 and lasting until March 1996, the assessment and design of a re-engineering effort for the company to essentially reinvent itself for growth and success.

### 1.2.1. High Level Assessment: Gemini Phase Ia

The assessment phase driven by Gemini involved many factors including the systems, procedures, methodologies and culture of the business. Staffed by a team comprised of roughly one dozen dedicated Sensormatic professionals and Gemini consultants, the first half of phase I (Ia) involved world wide interviews, surveys and inputs from those internal and external to the organization. This input involved customers, suppliers, employees, managers and executives associated with the company. Charts 1.2.1. - 1.2.1.4 reflect some of the input results of those interviewed.
Multiple Issues Selected Suggests People Believe An Integrated Broad Based Change Program Is Necessary

<table>
<thead>
<tr>
<th>Issues</th>
<th>Frequency of Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Mgmt. Systems</td>
<td>95%</td>
</tr>
<tr>
<td>Forecasting</td>
<td>89%</td>
</tr>
<tr>
<td>Inv. Mgmt. Tools &amp; Practices</td>
<td>73%</td>
</tr>
<tr>
<td>Marketing/Product Intro.</td>
<td>70%</td>
</tr>
<tr>
<td>Product Distribution/Logistics Effectiveness</td>
<td>66%</td>
</tr>
<tr>
<td>Product Proliferation</td>
<td>64%</td>
</tr>
<tr>
<td>Communication</td>
<td>59%</td>
</tr>
<tr>
<td>Reward/Measurement Systems</td>
<td>59%</td>
</tr>
<tr>
<td>Leadership/Vision</td>
<td>52%</td>
</tr>
<tr>
<td>Operating Effectiveness</td>
<td>52%</td>
</tr>
<tr>
<td>Customer Policies &amp; Procedures</td>
<td>48%</td>
</tr>
<tr>
<td>Organizational Structure</td>
<td>43%</td>
</tr>
<tr>
<td>Product Sourcing &amp; Procurement</td>
<td>39%</td>
</tr>
<tr>
<td>Supplier Partnering</td>
<td>39%</td>
</tr>
<tr>
<td>Skills and Training</td>
<td>36%</td>
</tr>
<tr>
<td>Culture</td>
<td>23%</td>
</tr>
</tbody>
</table>
... And What We Want In The Future Represents A Considerable Stretch

<table>
<thead>
<tr>
<th>Function oriented</th>
<th>Overall bus. orient.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Think short-term</td>
<td>Think long-term</td>
</tr>
<tr>
<td>Reactive</td>
<td>Proactive</td>
</tr>
<tr>
<td>Talk</td>
<td>Do</td>
</tr>
<tr>
<td>Problem ignoring</td>
<td>Problem solving</td>
</tr>
<tr>
<td>Bureaucratic</td>
<td>Entrepreneurial</td>
</tr>
<tr>
<td>Changing priorities</td>
<td>Stable priorities</td>
</tr>
<tr>
<td>Unclear acct.</td>
<td>Clear acct.</td>
</tr>
<tr>
<td>Rigid</td>
<td>Flexible</td>
</tr>
<tr>
<td>Slow to act</td>
<td>Quick to act</td>
</tr>
<tr>
<td>Cautious</td>
<td>Risk taking</td>
</tr>
<tr>
<td>Bottom heavy</td>
<td>Top heavy</td>
</tr>
<tr>
<td>Steeped in tradition</td>
<td>Innovative</td>
</tr>
<tr>
<td>Isolated</td>
<td>Integrated</td>
</tr>
</tbody>
</table>

Extremely Somewhat Somewhat Extremely

n = 100
Most Of Our Planning Time Is Spent Reacting

One Friday in the life of a Production Planner

- 30% of time performing function activities
- 61% of time fighting fires!
- 9% of time on proactive activities

Source: DILO of San Antonio PCB Production Planner 2/23/96
What Is “Burning”?  

This is where we overcome many of the problems in the system.
Once compiled, the results of the assessment indicated that the company largely lacked the infrastructure necessary to operate efficiently and that the company essentially operated more like many independent companies with a common owner. Chart 1.2.1.5 reflects the transactional implication of having separate systems as observed by Gemini. The problem or opportunity that became obvious was that the industry, manufacturing and logistics implications were very much synergistic in nature, that is, rooted in electronic security and its associated technologies and production. Further confirmation indicated that the company operated more or less independently with each division "silod" with various walls and baricades setup around it. It appeared that departments and/or divisions were in their own sandbox that they rigorously protected.

The "toss it over the wall" syndrome was also highlighted for the company. Even within company divisions, little design thought had been given to the up or down stream processes and their implications in terms of efficiency or effectiveness. The resulting quality or cost driving factors were not pull together into any overall process design. Worst yet, no enterprise wide information systems existed that could tie all the business units and activity together (systems, procedures, etc.) so the financial tracking and reporting of performance on a worldwide basis for the firm was found to be extremely slow, if not near impossible. No real global information system (IS) infrastructure existed as Chart 1.2.1.6 depicts.

In the midst of the assessment information was a key condition relative to purchasing. The company failed to adequately leverage itself as the near billion dollar global firm it was from an overall supply management standpoint and the company's divisions would mostly bid business out to a large and mostly uncontrolled supply base independently, from each other. Total picture, global supply agreements and deep
Q3 Communications & Mobilization

Non-Integrated Distribution Systems Compromise Customer Service

The story. A customer in Singapore wants Ireland built tags:
- Asia Pacific warehouse faxes order to international administration in Deerfield
- Deerfield enters orders in CIS; Boca DC sees orders
- If inventory is not in Boca DC; Boca DC sends e-mail to Ireland (multiple e-mails usually)
- Ireland ships product to Boca DC via a manual debit memo; Boca DC creates a manual purchase order
- Boca DC received product from Ireland
- Boca DC ships to customer in Asia, Boca DC notifies Asia of shipment (via e-mail)

"What is wrong with this picture?"
The Fundamental Building Blocks Of Efficient Order Processing Are Missing

- Information Systems as Enablers
- Clear Roles & Responsibilities
- Accountability Enforced
- Information Standardization
  - Format
  - Content
- Policies & Procedures
  - Exceptions are not the rule
partnerships had not used as they should or could have creating a good purchasing value and contribution improvement opportunity. As a rule of thumb, buying decisions will account for roughly 70% of the firm's total product costs. In following these broad gauges, when combined as a part of the total purchase activity of the company worldwide, nearly half of the company's total revenue will be consumed by externally purchased materials and services. These buying decisions were found to be largely based upon price alone in spot market buying type activities regardless of the implications of the total cost of acquisition.  

The findings of the assessment were published to the company whole in a unique way. A majority of the major supply chain processes were mapped on large “brown papers” to depict the various operating processes world-wide so all in the company could see, touch, feel and comment upon them. A large “Brown Paper Fair” was held in late February. Many of the company’s world sites were involved so everyone had a chance to see and understand the current state of the business’s processes and to comment on both the good and the bad elements contained. It was estimated that half of the company’s global work force directly participated in either the assessment itself and/or had input at the Brown Paper Fairs.

At the same time, a high level design for re-inventing the organization and the key various areas of change were beginning to take shape. The company’s new President, was interested in a bold, truthful and holistic global approach. The assessment and brown papers indicated that generally, the company needed to begin to take a total supply chain management and customer fulfillment approach. This would get the company on the path towards world class operating standards (see Chart 1.2.1.7). The change effort however, would need to go far beyond revising policy, procedures, organization and systems. The company needed to somehow effect a major cultural evolution that would
Phase I Approach & Accomplishments:

Number of People Involved: 1,200

Locations involved:
- Florida (4)
- Puerto Rico (2)
- Ireland
- UK
- France
- Germany
ensure a permanent change, break the long standing silos down, empower all the employees of the organization, and create an environment that would be conducive to and nurture continuous improvement. The open assessments and the brown paper fairs were a great beginning for this and the desired broad concepts had a certain and recognizable tie to Total Quality Management (TQM) theory. The company wide knowledge of the assessment details combined with the acceptance, willingness and authorization of the company’s senior management had come together.12

1.2.2. High Level Design: Gemini Phase Ib

The first order of business for the design half of phase I (Ib) was to give the work effort, that is, the vision of the new Sensormatic for tomorrow a name. Something that could reflect the company’s "To-Be" environment and new world order (culture). The name "Q3" short for "Quality To the Third Power" was ultimately selected to depict quality for the three stakeholders of the business; customer, employee and, shareholder as shown in Chart 1.2.2.1. The initial Q3 design approach that was put together by the same team who worked the assessment piece reflected 5 phases of work lasting well into 1998. The design did not detail specific solutions or processes. It did reflect however, the various integrated phases of work and timing needed to journey down the path of change and toward a culture of continuous improvement (see Chart 1.2.2.2.). Placed solidly in the design requirements by President Vanourek was a “pay-as-you-go” type effort. Sensormatic would float the money to begin the actual change process however, the program must begin earning early rewards to fund future progress and the needed resources. In other words, the effort on the front-end must have a focus on “low hanging fruit” where opportunities that are quick, easy and save money must be effected, confirmed and reported. Charts 1.2.2.3. & 1.2.2.4. reflect this focus on business returns
Q³ is Targeted to Our 3 Constituencies

- Customers
- Employees
- Shareholders
Understanding ALL Our Customers’ Needs is Crucial

Supporting Functions: Finance, HR, Legal, Information Systems

Q3 will address the entire Supply Chain -- all Business Units, all functions and all geographic areas
Q3 Communications & Mobilization

The Phase I Joint Approach Leveraged The Existing Taskforce Directives And New Business Strategy Initiatives

Put the "Hammer Down" to force immediate action

Linkages with Key Sensormatic Business Priorities

Inventory Management Logistics Task Force Initiative

Analysis and Design Phase I

 Supply Chain Project Implementation Phase II

Jan '96 Feb 3Q Mar Apr May Jun Jul Aug Sep Oct Nov Dec

Build a market focused reengineered Supply Chain, for sustained inventory control and performance improvement

Both Phase I and II have a Bias for Action to bring bottom-line benefits to Sensormatic.
“Early Wins” are Providing Immediate Benefit to Sensormatic

- Travel Awards (frequent flier miles from shipments)

- Computer Redeployment

- TCA Labels

- Insurance Plan Administrator

“Early Wins” are Intended to Generate Benefit in Advance of Process Re-engineering for a Function
on the front end. As a result, and in the final design, the main work focus areas of Sensormatic's new Q3 initiatives were defined as follows:

<table>
<thead>
<tr>
<th>Phase</th>
<th>Scope of Work To Be Started (Work Streams)</th>
<th>Start-up Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase I</td>
<td>Company Wide Assessment and Design</td>
<td>11/95 - 3/96</td>
</tr>
<tr>
<td>Phase II</td>
<td>Early Wins</td>
<td>3/96 - 12/96</td>
</tr>
<tr>
<td></td>
<td>Purchasing Effectiveness</td>
<td></td>
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<td></td>
<td>Inventory &amp; Logistics</td>
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<td></td>
<td>Forecasting &amp; Master Scheduling</td>
<td></td>
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<td></td>
<td>Information Systems</td>
<td></td>
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<td></td>
<td>Communications</td>
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<tr>
<td></td>
<td>Executive Team Alignment</td>
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<tr>
<td>Phase III</td>
<td>Human Resource Processes</td>
<td>1/97 - 6/97</td>
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<tr>
<td></td>
<td>Management Skill Development</td>
<td></td>
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<td></td>
<td>Plant Planning &amp; Scheduling</td>
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<td></td>
<td>Field Customer Returns Controls</td>
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<td></td>
<td>World Wide Inventory Netting</td>
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<td></td>
<td>Customer/Market Needs Definition</td>
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<td></td>
<td>Product Life Cycle Planning</td>
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<td></td>
<td>Engineering/Design Process Management</td>
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<tr>
<td></td>
<td>Inventory Lot/Batch/Serial Control</td>
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<tr>
<td></td>
<td>Purchased Material Standards</td>
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<tr>
<td></td>
<td>Global Standardized Operating Practices</td>
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<tr>
<td></td>
<td>Operating Performance Controls</td>
<td></td>
</tr>
<tr>
<td>Phase IV</td>
<td>Distribution Network Rationalization</td>
<td>7/97 - 12/97</td>
</tr>
<tr>
<td></td>
<td>Plant Cost Accounting Standards</td>
<td></td>
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<tr>
<td></td>
<td>Marketing/Sales/Distribution Channel Assessment</td>
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<tr>
<td></td>
<td>Customer Service/Order Entry</td>
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<tr>
<td></td>
<td>Customer Engineering Field Operations</td>
<td></td>
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<tr>
<td></td>
<td>Plant Engineering Rationalization</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organization structure Assessment &amp; Redesign</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Manufacturing Strategy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Compensation &amp; Rewards</td>
<td></td>
</tr>
<tr>
<td>Phase V</td>
<td>Corporate Financial Systems</td>
<td>1/98 - 6/98</td>
</tr>
<tr>
<td></td>
<td>Sales Force Effectiveness</td>
<td></td>
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<tr>
<td></td>
<td>Marketing Effectiveness</td>
<td></td>
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<tr>
<td></td>
<td>Plant Capabilities</td>
<td></td>
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<tr>
<td></td>
<td>Manufacturing Rationalization</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Manufacturing Effectiveness</td>
<td></td>
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<tr>
<td></td>
<td>Field Service Rationalization</td>
<td></td>
</tr>
</tbody>
</table>
Some common underlying work and benefits from all phases was also identified as shown in Charts 1.2.2.5. & 1.2.2.6. In each phase, the areas of work focused upon were called "work streams." A team of roughly one dozen full time consultants and one dozen full time Sensormatic employees were formed and dedicated in March, 1996. Included was a project leader from Gemini to oversee and coordinate the activities of the phase. The team was kicked-off with discussions by key senior executives and President, Bob Vanourek. The Sensormatic professionals who were brought into the initiative were also given training updates in key areas such as meeting effectiveness, group decision making, problem solving and team building, managing change, roles and responsibility determination process (RACI), "Day In The Life Of" Assessment (DILO's) along with other tools that would be useful in the project. President Vanourek also created an executive steering group (ESG) composed of roughly ten direct reporting key senior level executives from around the globe to act as the sounding board and council for the overall work effort and Q3 initiative as a whole. Each work stream was appointed a specific ESG member to tackle any barriers and to help represent the stream and its efforts to the ESG as reflected in Chart 1.2.2.7. The purchasing effectiveness stream executive appointed was a prominent group vice president, Terry Price who had ultimate responsibility for several of the company’s independently operating business units.
Q³ Communications & Mobilization

Q³ - Underlying Work in All Phases

- Executive and Operating Performance Controls
- Clarified Roles & Responsibilities
- Process Skills Education
- Continuous Improvement Skills Development
- Business Case Tracking
- Organization Continuous Improvement Measures
- Global Standardized Operating Practices
## Benefits Fall Into Different Categories

<table>
<thead>
<tr>
<th>Tangible</th>
<th>Intangible</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quantified</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Cost Reduction</strong></td>
<td>• Customer satisfaction</td>
</tr>
<tr>
<td>• Procurement/Material costs</td>
<td>• Employee morale</td>
</tr>
<tr>
<td>• Inventory Carrying costs</td>
<td>• Cultural change</td>
</tr>
<tr>
<td>• Forecasting accuracy</td>
<td>• Teamwork</td>
</tr>
<tr>
<td><strong>Cash Flow- Working Capital</strong></td>
<td>• Shareholders</td>
</tr>
<tr>
<td>• Inventory Reductions</td>
<td></td>
</tr>
<tr>
<td><strong>Revenue Enhancement</strong></td>
<td></td>
</tr>
<tr>
<td>• Improved A/R collections</td>
<td></td>
</tr>
<tr>
<td>• from Order Fulfillment</td>
<td></td>
</tr>
<tr>
<td>• and Installation</td>
<td></td>
</tr>
<tr>
<td>• Income Tax deductions</td>
<td></td>
</tr>
<tr>
<td>• from Inventory w offs</td>
<td></td>
</tr>
<tr>
<td>• Time to Market Revenue</td>
<td></td>
</tr>
<tr>
<td>• opportunity</td>
<td></td>
</tr>
<tr>
<td><strong>Non-Quantified</strong></td>
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<td><strong>Cost Reduction</strong></td>
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<td>• Productivity Improvements</td>
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<td><strong>Revenue Enhancement</strong></td>
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<td>• Try-Buy conversions</td>
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<td>• payment enforcements</td>
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<td>• New Product time to market</td>
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### Q^3 Executive Steering Group

<table>
<thead>
<tr>
<th>STREAM</th>
<th>ESG MEMBERSHIP CHAMPION</th>
<th>ISSUES CHAMPION</th>
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<tbody>
<tr>
<td>Executive Alignment</td>
<td>Bob Vanourek</td>
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<tr>
<td>Communications/Mobilization</td>
<td>Bob Vanourek</td>
<td></td>
</tr>
<tr>
<td>Project Implementation Management</td>
<td>Garrett Pierce</td>
<td>Jack Daut</td>
</tr>
<tr>
<td>Master Scheduling/Forecasting</td>
<td>Brad Kane</td>
<td>Jack Daut</td>
</tr>
<tr>
<td>Inventory Management</td>
<td>Gerd Witter</td>
<td>Carlos Robert</td>
</tr>
<tr>
<td>Procurement</td>
<td>Terry Price</td>
<td>Jack Daut, Bob Ritchey</td>
</tr>
<tr>
<td>Early Wins</td>
<td>Garrett Pierce</td>
<td>Jerry Kendall</td>
</tr>
<tr>
<td>Information Management</td>
<td>Olin Giles</td>
<td>Dennis Torrell</td>
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1.2.3 Re-Inventing The Company: Phase II, Q3 Launch

The intent behind the phase II effort was to begin building the necessary cornerstones of the business that would enable an increasingly wider scope of organizational coverage and complex interdependent systems to develop as the streams moved forward. Workstream integration opportunities and potential conflicts were recognized as a critical importance to the overall progress. For example, key areas like inventory logistics, purchasing and MIS were obviously dependent to some degree on one another. Therefore, coordination among resulting design plans and across stream communications became critical in importance. The "Joint Team" of Gemini consultants, project manager and the Sensormatic professionals formed to undertake this task elected to have integration meetings once a week. These were to review the groups weekly activities, discuss any barriers to progress and to identify assumptions and design interdependencies that would affect the work flow of the individual streams. Chart 1.2.3.1. reflects the overall organizational view of the Q3 phase II project.
The Q³ Project Structure

- Sensormatic Executive Steering Group
- Sensormatic Executive Support
- Sensormatic/Gemini Joint Implementation Team
- Executive Team Alignment
- Master Scheduling and Forecasting
- Worldwide Inventory Management
- Procurement Effectiveness and Supplier Partnering
- Project Implementation Management/Measures
- Communications and Mobilization
- Early Wins and Rapid Action
- Information Management Alignment Action Plan
1.3. Q3 Procurement Stream Launch: The Mission & Team

As a full time member of the Purchasing Effectiveness Work Stream launched in the very beginning of phase II, I was a part of a three member team. Mr. Gary Wisgo, a fellow full time Sensormatic employee was recruited to the team from the company's advanced engineering management group and Philip Stang, C.P.M., C.P.I.M., joined us as our guiding full time Gemini consultant. As a recognized author and expert on supply chain management, Phil provided us the assurance and validation needed to confidently step through our work effort as matters progressed.

In simple terms, our team mission as defined for us by the ESG and President Vanourek was to improve purchasing operations and effectiveness by using the most state-of-the-art, best-in-class, cutting edge approaches and methodologies available. The design would have to bring our company's purchasing systems well into the 21st century. This was to be accomplished while also supporting the necessary "early wins" programs to fuel funding such as reducing global inventories by roughly 25% or $50 million, net of reserves before the fiscal year ending June 30, 1996.

With the essential tools in hand, we began our transformation journey. We felt we had the key resources of us three clearly dedicated and empowered to accomplish the task at hand. This confidence combined with the support of the company's president, the entire ESG and our own dedicated executive ESG supporter helped us realize that the company was clearly committed to making this initiative and us as a stream successful. We had the responsibility and, most importantly the authority and accountability for getting the task accomplished. Professionally, the opportunity presented was one that few in the purchasing field see and I was proud to be recognized as a contributor to the overall initiative.
1.3.1. Project Problem Statement & Description

We recognized that the problem or question at hand was not some pre-cooked arrangement that could simply be implemented. The solution would involve heavy cultural change and would clearly need to be very dynamic in nature. So, at issue specifically was the question: in mid 1996, what are best-in-class world standards for purchasing in global organizations like Sensormatic? Could a contemporary text book answer fit close enough? What ever the answer to these were, the path to take Sensormatic was an unknown. How could we effectively lead this multinational corporation with traditional, fragmented and uncoordinated world wide purchasing groups toward world class harmony and effectiveness with minimal destructiveness? In simpler terms and considering Sensormatic's particular case, how could we move the business away from an uncoordinated, multidomestic and multinational sourcing approach and globalize purchasing as a company strategy?

Although our consultant had taken similar challenges prior to Sensormatic, all are accomplished using varying solutions and approaches based upon the organization's situation and desire. For the Procurement Stream, our long term objectives were explained to us as Chart 1.3.1.1. depicts along with instructions to shoot for the best and move quickly. For our team, it clearly became a question of what is the best right answer for Sensormatic in this respect? In addition, how can we accomplish the task when many of the needed support areas and infrastructure that purchasing typically interfaces with and rely upon are either in an equal state of disarray or undergoing a similar massive undertaking at the same time? As a team we pushed ahead under the guidance of our consultants and the pressures from our stream executive to meet the challenge head on and, quickly!
Procurement Effectiveness And Supplier Partnering

- Improved Procurement operating effectiveness

- Increased total percentage and volume of material purchased within Sensormatic discount agreements and/or direct control of corporate purchasing

- Move from focus on unit cost to Supplier Partnering/Continuous Improvement/Total Acquisition Cost

- Start work on revised methods for setting purchased material standard costs

- Procurement performance measures to support decision-making and ensure compliance with/results from agreements

- Improved utilization of company purchasing expertise

- Reduced purchased material cost

- The “To-Be” Process for supplier partnering/certification based upon the cornerstones of quality, delivery and lowest total cost
We knew we certainly had the right basic ingredients for being successful (i.e. support, expertise, etc.) but, honestly, it also seemed at least initially, a near impossible undertaking. We had no special incentives promised other than the looming fact that no job guarantees existed beyond the work scope of phase II including the possibility of returning to our previous job assignments. The stream timing guidelines given to us reflected the requirement of “significant pilot of the new purchasing processes” before the year end holidays. The rest of this paper describes how we went about accomplishing the assigned task, where the work effort is today, and what the future might hold as a result of the undertaking.
Chapter 2 Literature Review

2.1. High Level Project Plan & Approach

Considering our collective backgrounds, experience and given inputs, from a very high level perspective we agreed early on that certain elements and principles would be necessary to accomplish the amount of change needed in the organization and to have a meaningful and lasting effect. Briefly these are;

- Define a generic charter and identify fundamental milestones and timing. Refine as needed going forward
- Work should be participative in nature and far reaching into the organization whole.
- Learn exactly where the company is today and what presently exists. Then learn what the wildest possibilities are to the answer. Lastly, determine what would be best for Sensormatic between the two to reach our improvement goals.
- Do not start with a clean sheet of paper. Look internally and externally for information relative to "Best Practices" and "Best-In-Class" standards.

The general thinking and consensus around these principles were as follows.

2.1.1. The Charter

We developed a charter that would allow us and others to identify what we wanted to accomplish, in what time frame we aimed to accomplish them and, what milestones would indicate our progress.
2.1.2. **Participative Work Effort**

We chose to not "hide" the work effort and activities to prevent "spring-it-on" the organization and others (i.e. suppliers, etc.) later down the road. We wanted to have a very visible, participative type development activity. One way we could accomplish this would be to pull representatives together from as many of the world-wide purchasing groups and support functions (i.e. engineering, quality, etc.) into "Natural Work Teams" (NWT's) to tackle specific tasks or issues needing work. This would introduce previously isolated areas to the rest of the organization. The subsequent interaction would allow each to begin to build common ground, have input and involvement in the change process and subsequent work initiative. This would allow us to achieve the necessary "buy-in" and to effect change with minimal resistance. In support of this participative style, we decided that everyone on the NWT's would also be trained in group process and dynamics, problem solving, change management and other useful tools to bring members up to speed as quickly as possible.

2.1.3. **Work Step Logic**

Another approach we decided to employ was that we wanted to logically approach defining what it is we wanted to achieve. We decided it would be good to first identify where the company is today using some more precise measurements than the phase I might have captured and to validate the existing environment (defining the "As-Is" state). The second logical step would be to determine where could the company be in terms of purchasing systems IF THERE WAS NO LIMITATIONS what so ever placed upon us (defining the "Could Be" environment). Lastly, determine what would be practical and "do-able" at Sensormatic based upon the environment and its restrictions, timing and available resources (defining the "To Be" environment).
2.1.4. Best Practices Resources

There are many respected organizations that have grown into the global arena just as Sensormatic had. The learning experience of them evolving and adapting their purchasing systems would be greatly beneficial to our challenge. Rather than re-invent the wheel, a survey of the existing best practices would provide a basis for which we could pick and choose to configure an effective purchasing approach at Sensormatic.

2.2. Creating The Procurement Stream Charter

As a team we started with the elementary but necessary first step which was to define a clear mission statement and charter for the purchasing stream. We also began to build a relatively generic time line that allowed us to break the progress into pieces and gauge our standings through the phase using a few key milestones and dates. Charts 2.2.0.1 - 2.2.0.3 reflect our high level charter and time lines.
### Procurement

**Membership:**
- Core Team: C. Maltrotti, G. Wisgo, P. Stang

**Executive Sponsor:** Terry Price

**Geographic Representation:**
- North America
- Puerto Rico
- Europe

**Core Issues:**
- No focused effort toward the development and application of a method (program) to select, evaluate, develop and award company-wide suppliers
- An applied program, in support of company-wide supplier strategies is necessary to optimize alliance and leverage value
- Formal supplier partnerships are an essential element to effect improvement in the supplier base value including distribution performance
- Generally, subsidiary purchasing activities are not an integral part of site and company-wide purchases

**Scope:**
- Company-wide (global, including subsidiaries)

**Objectives:**
- To improve overall supplier base effectiveness and value (cost, distribution, service)
- To establish company-wide supplier alliance and leveraging programs
- To permit the optimization of the procurement process and its company-wide (organizational) contribution and value
- To effect subsidiary purchasing operations toward a Sensormatic global supply base management process(es)

**Key Interfaces:**
- IM workstream
- Forecasting workstream/ Master Scheduling workstream
- Inventory management workstream
- "Early wins"/accelerated benefits workstream

**Timing (start / end date, F-T / P-T, etc.):**

**Milestones:**
- Set charter
- Kick-off NWT
- Identify "As-Is" disconnects and opportunities
- Obtain Best Practices & Benchmark information
- Present recommended full program "To-Be" process(es) for ESG approval

**Key Activities:**
- Set charter
- Identify and quantify accelerated Benefits opportunities
- Identify key stakeholders and potential NWT members
- Kick-off NWT(s)
- Internal Best Practices review
  - US/Puerto Rico
  - Europe
  - Subsidiaries
- Validation of "As-Is" and disconnects
<table>
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<tr>
<th>Key Activities: (Cont.)</th>
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<tr>
<td>• External Best Practices Review</td>
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<tr>
<td>- Purchasing effectiveness</td>
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<tr>
<td>- Supplier partnership/certification</td>
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<tr>
<td>• Identify subsidiary issues and concerns</td>
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<tr>
<td>• Develop global &quot;To-Be&quot; model for purchasing process(es) effectiveness</td>
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<tr>
<td>• Develop global &quot;To-Be&quot; for supplier partnership/certification</td>
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<tr>
<td>• Identify functional requirements for system implementation</td>
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<tr>
<td>• Validate &quot;To-Be&quot; models globally</td>
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<tr>
<td>• Develop performance measurements</td>
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<td>• Develop performance measurements</td>
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<td>• Develop roles &amp; responsibilities matrix</td>
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<td>• Develop associated policies and procedures</td>
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<td>• Pilot selected purchasing process(es)</td>
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<td>• Pilot partnering/certification process</td>
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<td>• Develop full/global implementation plans</td>
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<td>• Begin global implementation</td>
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<tr>
<th>Deliverables:</th>
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<tr>
<td>• Improved procurement operation effectiveness</td>
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<tr>
<td>• Increased total percentage and volume of material purchased with in Sensormatic discount agreements and/or direct control of corporate purchasing</td>
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<td>• Move form focus on unit cost to supplier partnering/continuous improvement/total acquisition cost</td>
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<td>• The &quot;To-Be&quot; process for supplier partnership/certification based upon the cornerstones of quality, delivery and lowest total cost</td>
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<table>
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<tr>
<th>Benefits:</th>
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<td>• Measurable improvement in purchasing effectiveness - value contribution to organization by purchasing operations</td>
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<tr>
<td>• Measurable improvement in supplier base performance and supplier value added at a lower total cost value contribution to company by suppliers</td>
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2.3. Best Practice Investigation, Research & Study

As the charter development began, we collected information and started the learning process around “best practices” and “best-in-class” approaches that currently existed both internally at Sensormatic and externally in other global organizations. We needed to understand exactly what would constitute today’s “state-of-the-art” and “cutting-edge” theories of procurement operations and effectiveness.

Our channels of initial information research and investigation involved;

1) Reference material found in Gemini Consulting’s World Wide Experience Library, Morristown, New Jersey. (see example Chart 2.3.0.1)
2) Reference material located in the National Association Of Purchasing Management’s (NAPM) Center For Advanced Purchasing Studies, Phoenix, Arizona.
3) Professional periodicals such as Purchasing Magazine, Logistics Management, etc.
4) Interviews with both internal and external executives and professionals directly or indirectly involved in procurement or, otherwise knowledgeable in supply chain management.

These sources provided extensive knowledge base and library, of which, we gained insights about the strategy, internal design and operations of major global organizations such as Baxters, Xerox, Caterpillar, Hewlett-Packard, and IBM to name just a few. As a result, several important learning points were gained to help us begin to envision the design features and possibilities.
There is No Distinct Pattern to the Purchasing Organization Structure

Models range from highly centralized to semi-autonomous divisions via conventional functional departments:

- **Wal-mart:**
  - Functional with centralized logistics.

- **Hewlett-Packard:**
  - Divisional freedom within strategies set by small corporate unit.

- **Caterpillar:**
  - Separate division for spares and service logistics.

- **Xerox:**
  - Purchasing and Logistics are independent.

- **Baxter:**
  - Centralized purchase contracting with sales, purchase order placement and logistics operating from 19 regional departments.

*These companies have focused on the need to align supply chain management across the organization.*
2.3.1. Best Practice 1: Purchasing Organizations

The first main area of learning was from a very high level perspective of purchasing organization and operations today. We ultimately learned that there are three trends in approaching purchasing in organizations with separate business units. Shiela Finn, CPP during the NAPM 80th Annual International Purchasing Conference summarized the attributes of three very well in her address as:

a) Organizations that are decentralizing purchasing within the strategic business units believing that these decisions are best handled by those closest to the action. This is thought to provide better customer service.

b) A central/decentralized organization approach with a central group responsible for developing the supply strategies, managing the supply base, negotiating major contracts, re-engineering the process as required, developing policy and procedures, and training and educating users and self. The business units are then responsible for managing day to day activity through approved suppliers only. They order the goods and/or services, expedite, receive and authorize payment. They also evaluate the suppliers. Anticipated results are better management of the supplies, improved customer service, simplification and standardization of the process and profit contribution. Some see this scenario as a compromise between a totally central and totally decentral organization.
c) Network consisting of empowered purchasing teams at the strategic business units. Each team reports to its own business and handles all the supply issues, which enables that business to achieve through the network team. The leader of the network team is a Senior Purchasing Executive who sits on the management committee of the organization, provides the vision, coordination, is the catalyst for change, insures collaboration across the business units and offers purchasing expertise and internal consultancy. This person conducts audits, provides feedback, and is ultimately accountable for the EFFECTIVENESS of the corporate purchasing process. Anticipated results are that the network creates the local buyer interaction, causing strategy, sets standards, sustains best practices, champions purchasing, and provides process leadership. The Strategic Business Units are responsible for developing and implementing purchasing strategies and have total ownership of the results.¹³

Beyond these three, our studies indicated one other very important aspect which can be found predominantly in the purchasing and supply management approaches to organization today. This concept called cross-functional teaming can be used to make supply decisions and to develop key core competencies around strategic supply commodities for organizations. Specifically regarding the use of cross-functional teams in supply management, a 1992 Michigan State University research project of the Eli Broad Graduate School of Management stated that;
Over the next three years, 80% of U.S. based firms planned to emphasize the use of cross-functional teams to support procurement and sourcing decisions.14

Our further research on cross-functional teams turned up an incredible amount of information published since the early 1990’s supporting the fact that cross-functional supply teams were a major movement in industry. 15 This amount of published information and data also proved solid advisory type inputs on “how to” start working in teams of this type and some of the key critical elements for their success.

With our knowledge and experience of the current conditions at Sensormatic in hand and combined with that which was gained in the A & D phase (phase Ia) some assessments could be made about what exists today relative to these best practices. We easily recognized that what presently existed at Sensormatic world-wide was a rough and mixed hybrid of everything by sheer default when looked at as a whole system. Pieces of all four approaches seemed to exist in varying degrees. The chance to design and implement purchasing systems and organization using a holistic approach had never surfaced before in the company’s thirty year history. Since no real rationalization existed in the methods that existed in the “As-Is” environment, pulling everyone together alone would be greatly more effective than what appeared in the organization today.

2.3.2. Best Practice 2: Supplier Relationships

On supplier relationships, the words "partnerships" and "alliances" were everywhere in our research materials and investigation results. The fifth edition of The Purchasing Handbook, defines supply chain management, in part, as “an approach that
focuses on a cohesive partnership." The basic common idea is that it is very ineffective to deal your purchases to everyone on the planet or in some otherwise non-strategic way. The transactional cost of this combined with the lost opportunities for leveraging and technology exchanges are far too great. Businesses need partners as people need friends. Companies that move away from business as usual with an uncontrolled supply base to one of partnerships and allies can expect to reduce the supply base size requirements by more than 80%. The total cost of acquisition and ownership must be considered and not price alone. This supports the accounting practice gaining more and more popularity called activity based costing (ABC) which attempts to identify and quantify all cost aspects involved in any particular transaction.

We also compiled significant amounts of input and literature centering on partnerships containing some common principles and theories. One best practice on partnerships is very clear about "real partnering" requiring "real relationships" that go beyond the written. For effective purchasing, partnerships must be formed at this depth to unleash and realize the potential. In a paper titled, Linking Supplier Performance to Purchasing Performance, Linda L. Stanley, Ph.D. writes that;

Implementing partnering agreements, in and of themselves, does not necessarily lead to improved purchasing performance; but better performance can be achieved by focusing on those specific types of alliances that result in adding the most value to products in terms of lower defect rates, lower costs, and more reliable delivery.
Susan Rile-Strauss, V.P. of purchasing at Qualcomm confirms that;

While we do formal agreements, we have found that it’s the spirit of the relationship, the trust that exists between the parties, and the enhanced two-way communication that seems to strengthen the partnership rather than the content of the written agreement.  

Another supply relationship concept that builds on the supply partnership piece is integrated supply. This takes the supply partnership to higher levels where companies become enjoined in systems and people to the point where it's hard to tell “who-is-who” and “what-is-what”. These can take various forms of partnership and a good simple example of one is an office supplier to the company. To illustrate a possible non-strategic integrated supply relationship, in most businesses, office supplies are only a strategic or a core business competency when your business itself is an office supply company. To an integrated supply customer, you as a supplier, have an open book relationship where pricing is pre-negotiated (typically on a cost plus basis) and orders come directly from the customer business’s end users to your people. Supplies and services are subsequently delivered directly to the end users in close coordination. Your company's computer talks to their computer and exchanges accounting and payments electronically. Now, take this partnership scenario, and add the following;

- other miscellaneous items your customer’s business needs (grease for the machines, rags, light bulbs, soap, coffee, toilet paper, etc., etc., etc.),
- deliver them in the same fashion (electronically, in a trusting partnership environment, agreed to price and performance measures),
include ongoing cost reduction requirements where you survey your customer's environment and consult them on where and how they can save additional money, and presto, you have a high level integrated supply system. In this new scenario, the customer does not have to direct any significant amount of resource away from their strategic core competencies. These core competencies are what they are in business to profit from anyway. As an integrated supplier of indirect materials, your company works your core competency with them thus eliminating the resource duplications that otherwise would have existed in the traditional supply relationship (inventory, buyers, paperwork, supporting systems and department, etc.). This will naturally lower cost for the consuming business and allow better focus on critical core issues.

High level supply relationships are increasingly becoming a key bridge to the outside market and world for virtually every organization. True partnerships can provide vital input that can take many different forms including less tangible but, significantly more critical matters such as new technologies, methods, know-how, distribution logistics, automated interface capabilities, etc. A sign of just how close a strategic integrated supply partnership can be comes from Volkswagen's newest experiment in Brazil making trucks. A recent article titled VW's Factory Of The Future reports an effort led by controversial and ex-General Motors purchasing head Jose, Ignacio Lopez, that the approaches employed are of "radical industrial change" proportions. The authors wrote;

Seven main suppliers will make components IN VW's new $250 million dollar plant using their own equipment, then their own workers will actually fasten the components together into finished trucks and buses.
The article further indicates that for VW, a 12% improvement in assembly process time had already been achieved. Other benefits identified include a direct staffing reduction (only 200 of 1400 people will be VW's in the plant), inventory reductions, start-up capital reductions, shared and distributed business risk and, a union resistant approach. What was also indicated by the article is that other, impressive car makers are heading in the same direction such as Mercedes-Benz and that ultimately, "some variation on Lopez' vision likely will become the model for new car factories around the world."

High level partnerships combined with business to business interfaces as electronic data interchanges (EDI) are becoming increasingly critical in overhead control, flexibility and ultimately survival in the global economy. Companies need true, deep partnerships to benefit, leverage and fully exploit these opportunities including high level interface automation. Partnerships combined with the powers of EDI can help companies bring new products to market more profitably, faster and with higher quality resulting in increased customer satisfaction. The smaller the supply base, the more manageable it will be and conducive to partnering and producing desired “win-win” relationship results. In each key area of business spend, you can start with one partnered supplier and rationalize the incremental count from there as a starting point, no matter the commodity breakdown or type (from high technology to toilet paper).

2.3.3. Best Practice 3: Changing Purchasing Organizations

In terms of fundamentally changing what goes on in purchasing organizations, our own Gemini consultant Philip D. Stang, C.P.M, C.P.I.M. was also present at the NAPM 80th Annual International Conference where four key steps to what he calls the Transformation Approach To Purchasing were presented. Stang reported that;
Continuous transformation is the new business challenge and, therefore, of preeminent concern for the purchasing organization of the future.\textsuperscript{25}

The word of key significance that Stang uses is \textit{continuous} as, this attribute is certainly one critical to that which we must instill in our Sensormatic design and approaches resulting from our work effort. According to Stang, the 4R's to applying the transformation approach are Reframing, Restructuring, Renewal and Revitalization. The approach looks at the components of a purchasing transformation from a rather high level. Stang presented that;

1) Reframing - revolves around the formulation of a vision where organization should and/or needs “to-be”.

2) Restructuring - involves the commitment of the organization to market-focused re-engineering and structured portfolio moves.

3) Renewal - is centered in development of the organization’s core competencies and enhancing the abilities of its people through the creation and growth of a learning organization, with primary focus on creativity and adaptability.

4) Revitalization - is primarily focused upon new revenue and profit generation opportunities through growth in existing business and/or investing in new business.\textsuperscript{26}

With the initial Q3 re-engineering training behind us, the charter drawn, and some good best practice information compiled, we were ready at last to forge ahead. We decided from our learning and review that the work efforts would have to involve a supplier partnership program as defined in the phase Ia and some configuration and use of cross-functional, cross-divisional teaming would be a baseline piece in our approach to
re-inventing procurement at Sensormatic. Our focus moved on to getting the fragmented purchasing resources and other support functions together as a group for the first time globally to begin work in these two key areas.

2.4. Early Wins Feature: The 90 Day Global Inventory War

As our purchasing effectiveness plans and research were being worked, we also had tactical responsibility for support of the company's global inventory war. As a part of our pay-as-you-go plan from the ESG, our team simultaneously worked to support to the inventory reduction efforts for the approaching June 30, 1996, fiscal year end. This massive undertaking involved a daily worldwide “inventory war” conference call from a dedicated conference room called “the war room”. Most of our purchasing support involved the detour of purchased materials not directly related to fiscal year end or the outright sale or return of other excess and obsolete materials to help us move closer to the $50 million goal. Our team developed a key communication piece to the global supply base on returns (see Chart 2.4.0.1.) and a decision support template (see Chart 2.4.0.2.) for our worldwide sites to use in determining the proper disposition of materials. The exposure for the entire Q3 Joint Team by the Inventory War hands-on experiences were notably instrumental in beginning the needed Q3 cultural change at Sensormatic (see Chart 2.4.0.3.). This helped drive home the realization that Q3 was in fact alive and real at Sensormatic.
As reflected in our recent reorganization efforts and press releases, Sensormatic is presently undergoing an enormous amount of change to better position ourselves as the World Leader in Electronic Security. The future outlook for our company in the global marketplace continues to be very bright and we want to share these prospects with our supply partners. At Sensormatic, we believe an existing strength is the company’s ability to work closely with our suppliers to control direct purchase costs, however, we have also identified a critical, short-term need to further improve our operational flexibility while reducing inventory levels. To this end, frankly, we need your help, understanding and sincere support. While our recent communications regarding reduction prospects for direct purchase cost remains as a priority for the approaching fiscal new year, we must also move quickly and positively to effect overall inventories prior to our new fiscal year starting, July 1st. Accordingly, an immediate emphasis on inventory control, as a priority, is our present and, most critical thrust. As a recognized key supplier, your attention to this near term step is needed and requested in the following ways:

1) For current open orders, you may be asked to extend delivery dock dates further into the future. Some existing orders may require cancellation.
2) Previously purchased materials may need to be returned for credit.
3) Concerning scheduled dock dates for orders, we ask for your strict adherence to our policy of all releases delivered on or, up to 5 days before the scheduled delivery date.

Our various purchasing groups will be contacting your organization regarding specific order details and, we ask for your cooperation concerning these matters and your support in dealing with the resulting impact, if any. It is important to understand that these measures taken are not a reflection of our relationship as much as it is one of short term business requirements. These measures and subsequent requests are being instituted across the supplier base and we ask you to remain focused on the long term outlook in which, we both have an opportunity for a win/win partnership.

Sincerely,

Ed Bleczinski
Director, Corporate Procurement and Traffic
INTEROFFICE MEMORANDUM
Corporate Manufacturing

Date: April 3, 1996
To: Ed Blithe, Kathy Chiera, Jim Forde, Mike Hartnett, Rosa Micus, Darko Tavcer, Ken Vella
From: Dave Urban
Subject: Inventory “Template”

Attached please find the “template” prepared by the purchasing stream (Charlie, Phil, etc.) as promised during the 90 day inventory war conference call. This document is the decision support approach to return and/or sell raw materials and other components. We recognize that managing the inflows (stopping or returning) is only one step in the overall inventory management process, but extremely critical given all of the forces impacting the purchase and build plans. Rest assured we will keep the pressure on product management and the business units regarding the outflows.

DU/dtl
Attachment

cc: Tom Auffrey
    Ed Bleczinski
    Jack Daut
    Charlie Maltrotti
    Eduardo Sanchez
    Phil Stang
    Michele Straka
    Glenn Wyczera
INTEROFFICE MEMORANDUM

Date: July 8, 1996

To: Members of Inventory War Team:
   Tom Auffrey, Ed Blithe, Kathy Bulson, Kathy Chiera, Ed Chretien,
   Claire Daly, Jack Daut, Jim Forde, Diego Gil, Debbie Golis,
   Mike Hartnett, Cathy Kennedy, Charlie Maltrotti,
   Rosa Micus, Greg Piper, Phil Stang, Michelle Straka, Darko Tavcer,
   Ron Tobin, Dave Urban, Ken Vella

From: Bob Vanourek

Subject: CONGRATULATIONS

I just want to offer a short note of congratulations to all of you who participated in the 90-day inventory war for concluding such a successful venture. We've been talking about it a great deal in recent days, and I believe that your activities really set the standard for how we have to operate in the future. Small groups of volunteers who "make it happen" by focusing on a key, short-term priority, getting visibility on the key parameters, working together as a team, asking for top management support, taking ownership and accountability, exercising creativity and initiative, and never saying that it can't be done. What a formula!

To each and every one of you, I want to offer my congratulations. I'm asking that a copy of this memo be placed in your personnel file to formally note the extraordinary efforts that you accomplished during our 1996 90-day inventory war. Furthermore, I'm copying the executive staff member for each of you so that they can offer their congratulations and/or other endorsement of you personally.

Thank you again for your extraordinary efforts.

BV

cc: Bill Arthur
    Jack Daut
    Brad Kane
    Jerry Kendall
    Terry Price
    Gerd Witter
    Larry Smith (for their personnel files)
Chapter 3 Methodology

3.1. The Procurement Company and Natural Work Team Kick-Off

The need to involve everyone so to minimize the expected push-back for change is critical as mentioned earlier. By attempting to form such a cross-divisional and cross-functional team for the initiative, we decided it to be important to help the required mindset change of the group by building a new alliance as a professional purchasing group for the first time in contrast to the siloed divisional alliances. To this end, we created the name of “The Procurement Company” (TPC) to help give the group an identity to align with mentally and professionally. We ordered ball caps embroidered with the TPC name along with full page sized blank paper pads (no lines or markings) and sharp pencils with large erasers. A key thought was to give our new professional group a name, a blanket sheet of paper to represent unbridled thinking and, a sharp pencil with an eraser to work new thoughts and designs without the fear of reprisal or making mistakes. Armed with these aids, training materials, and mountains of best practice materials, a kick-off of the purchasing natural work teams was held in the company’s Deerfield Beach Conference Facility on May 15, 1996. Representatives from Ireland, Puerto Rico, California, Maryland, Germany, Florida, New York, and Texas that involved the manufacturing plants, operating divisions and corporate functions were organized for two days of on-site, face-to-face meetings. Professionals from purchasing, engineering, accounting and others attended to make a group of roughly thirty in attendance. This was the first time any such event was ever attempted for any purchasing effort in company history. Dress code was purposely relaxed to informal business attire to help represent the cooperative working environment we wanted to create. The meeting opened with an impassioned speech by our stream executive wearing his TPC ball cap and ended with his reference to the blank paper and pencils.
As planned, the May kick-off conference resulted in two separate natural work team efforts (see Chart 3.1.0.1). The first was assigned the task of developing a supplier partnership program using both internal and external best practices as guides. We called the team the Supplier Partnership Natural Work team (SP-NWT). The second team was called Purchasing Effectiveness Natural Work Team (PE-NWT). Both NWT's were a part of the newly formed "Procurement Company" icon with the three of us Q3 joint team members as the leaders and facilitators of the efforts they would undertake. I was to specifically focus on supporting the Purchasing Effectiveness team while my engineering joint team member handled the Supplier Partnership team. Phil, our Gemini consultant worked to support both groups to keep us moving forward. Both NWT's met each week for an hour and a half. Members from remote locations outside of Florida participated via a conference call connection using advanced multi-microphone conference call telephones and a coordinating service called Conference Call USA which would pull together the remote locations and monitor the technical aspects like sound quality etc. Each NWT had roughly one dozen members with each originating from the various areas of the company globally to ensure representation on each NWT from each site. For example, Puerto Rico had a representative on the SP-NWT and another representative for the PE-NWT. In terms of the cross-functional representatives, generally managers were placed on the PE-NWT to work purchasing effectiveness from a conceptual level and professionals worked the SP-NWT. This split was not intended nor, was it anywhere near split in this regard which was favorable to the group and team dynamics. We did not want one team to be seen as superior to the other yet, those best suited to work the two areas were in the best alignment possible without losing any balance.
THE PROCUREMENT COMPANY

COMPANY WIDE PROCUREMENT STRATEGIES AND CONSISTENT POLICIES AND PRACTICES THROUGHOUT THE COMPANY TO SUPPORT SENSORMATIC'S SHORT AND LONG TERM GOALS AND VISION.

PURCHASING EFFECTIVENESS

Define Business Environment and Requirements.

- Commodities
- Dollars
- Parts
  1. Numbers of parts
  2. Generic
  3. Custom
  4. Special
- Mix
- Flexibility
- Delivery
- Quality
- Systems/Information/Communication

SUPPLIER PARTNERSHIP

Define Types and Number of Suppliers required by Commodity and process for Selection, Approval, Certification and Partnering.

- Sourcing
- Supplier Approval Process
- Supplier Certification Who/How/By Whom
- Partnering
  1. Building
  2. Maintenance
  3. Continuous Improvement
  4. Metrics
  5. Closed Loop Process
- Preferred Supplier Criteria
3.2. The Supplier Partnership Natural Work Team

The SP-NWT started immediately defining a partnership process after gathering and reviewing best practice information from external and external sources. Gary Wisgo facilitated weekly meetings that were held after the initial May 15 launch in Deerfield with the remote locations calling in on the special Conference Call USA line. Each division seemed to have some level of supplier certification or partnership processes underway. The San Diego division had considerable amounts of documentation on a supplier certification program they were implementing where no incoming inspection would be required for "certified" suppliers. The Boca Raton and Puerto Rico locations had a common but, separate supplier rating system (data base driven report card system called Rohbe) where individual site data never came together to give common suppliers a single and balanced rating. This internal fact finding was important in understanding and validating the "as-is" state of the various areas of the business.

As a group, the team was able to take the best of those internal practices, combine them with other pieces from external sources to help moved toward a meaningful "could-be" then "to-be" partnership program model. The challenge to accomplish this was great for many reasons. For example, several weeks were required to resolve the relatively straight forward matter of a supplier hierarchy that is, how many different levels of supplier types (qualified, certified, strategic, etc.) would be best for the Sensormatic world-wide partnership program. Initially, everyone seemed to have a differing frame of reference and ideals carrying tremendous "baggage from the past". With the patience and persistence of the facilitator, these and other challenges were successfully overcome. A key tool Gary used was a brown paper (see Chart 3.2.0.1.) that the team developed to help the team map out the proposed partnership process and gain a common ground for
Supplier Partnership Brown Paper
The Road to the “To-Be” Process

Commodity Teams

- Purchased Material/Service Required
- Refine and Document Requirements (T)
- Develop Ideal Supplier Criteria (T)
- Determine How Many Suppliers are Required (T)
- Rationalize the Supply Base (A)

- Create the Actual Supply Base (A)
- Develop Initial Supply Agreement (T)
- Develop Supplier Rating System Strawmodel (T)
- Kickoff Initial Partnering Process (pilot) (T)
- Finalize Supplier Partnership Agreement (A)

- Sign Initial Agreements (A)
- Monitor and Exchange Process, Ratings and Agreements (A)
- Initial Implementation Plans (T)
- Conduct Supplier Symposium (A)
- Finalize Plans and Policies (A)

- Expand to Additional Suppliers (A)
- Develop "Evergreen" Supply Base Management Process (T)
- Measure/monitor KPIs and Continuous Improvements (T)

(T)=tool, (A)=action
understanding. The Supplier Partnership brown paper reflected what later become known as a "Partnership Tool Box". With this, the team could more easily identify with the fact they were to design and build a set of tools that would be needed and used to objectively rationalize and manage the supplier base toward key partnerships as needed and warranted by the company. The result was nine key tools which were;

1. Commodity Requirements Information Collection and Inputs
2. Ideal Supplier Section Criteria.
3. Supply Base Analysis Matrix
4. Supplier Agreement Template
5. Supplier Rating System
6. Partnering Pilot Process
7. Partnering Implementation Process
8. "Evergreen" Supply Base Management Process
9. KPI Measurement Process & Continuous Improvement

Development, documentation and validation of the above pieces by the team took roughly two months to complete. This was mainly accomplished by the SP-NWT breaking into smaller groups (see Chart 3.2.0.2) in-between their normal weekly SP-NWT meeting to work each of the tool box pieces and to involve others outside the stream for support and expertise. The weekly meeting would act as a forum to report progress and coordinate the individual efforts. The process by which the tools would match into the cross-functional process was subsequently worked into a broader scope brown paper to insure integration between the two NWT's. Meeting minutes were also published by each NWT to all for clear communication and Gary and I, as the NWT facilitators attended all meetings to watch for and answer integration questions and opportunities that would arise.
Required Tools:

- **Commodity Requirements**
  - Buddy Jones/Joe Polizzi/Charlie Maltrotti

- **Ideal Supplier Selection Criteria**
  - Pre-Survey
  - Survey
  - Joe Polizzi/BiJoy Vallamattan/Charlie Turgeon/Tom Burkell

- **Supplier Certification Criteria**
  - Joe Polizzi/BiJoy Vallamattan/Charlie Turgeon/Tom Burkell/Ron Tobin

- **Supply Base Analysis Matrix**
  - Risk Management
  - Dawn Coats/Jorge Rodriguez/Kelly Bell

- **Supplier Agreement Template**
  - BiJoy Vallamattan/Buddy Jones/Tom Burkell/Jorge Rodriguez

- **Supplier Rating System**
  - (Interactive Development with Key Suppliers)
  - Crissa Campbell/BiJoy Vallamattan/Charlie Turgeon

- **Implementation Plan**
  - Phil Stang/Gary Wisgo/Charlie Maltrotti

- **"Evergreen" Management Process**
  - (Regression Prevention Management)
  - Tom Burkell/Charlie Maltrotti/Charlie Turgeon/Joe Polizzi/Ron Tobin

- **Measurement Process (Dashboard)**
  - Identify Progress
  - Identify road blocks and assess how to continue moving forward in the process to achieve the planned goals
  - Phil Stang/Gary Wisgo/Charlie Maltrotti

Those names shown in underlined are the task team leaders.
The Path To Globalizing Procurement Operations

The tangible result of the SP-NWT efforts after 2 months was a 50 page supplier partnering booklet and a supporting supplier rating system by which feedback of performance could be generated globally for the first time. The less tangible was a tremendous amount of communication, friendships and overall company awareness and knowledge had been gained by the NWT members and their extended contacts. The Supplier Partnership Program was readied for pilot testing by mid-July.

3.3. The Purchasing Effectiveness Natural Work Team

The PE-NWT was chartered to develop overall purchasing effectiveness with a caveat that the cross-functional, cross-divisional teaming approach had a tremendous amount of best practice information from many respected companies indicating that the concept had elements that would be a likely for our design. I was the assigned facilitator for the team which, like the SP-NWT, we also met every week for roughly two months to work the assignment. Initial efforts were launched in several directions and were to be worked by the team simultaneously making for a very busy but, productive group.

The first focus targeted the cross-functional, cross-divisional team approach for managing our spend by various commodity types. To get a solid understanding the concept into everyone's mind, we distributed and reviewed all the external best practice information compiled to date. This included heavy input from the Center for Advanced Purchasing Studies at the NAPM and the Gemini Knowledge Capture Library. The best practice information compiled took many forms including VHS video, books, confidential materials from other organizations and first hand expert consultation from Phil and others in the Gemini Team. Curiously enough, the best or closest example of what our PE-NWT felt was appropriate for Sensormatic was one that came from the
Gemini library labeled "A major international chemical company's approach to sourcing teams" as shown in figure 3.3.0.1.

A second work focus looked to capture the entire world-wide organizational picture of purchasing of which, a brown paper was built to capture this information in terms of number of people (Full Time Equivalents or FTE's) and titles and the existing IS support systems currently employed at each division. This was very helpful when everyone would get together and see the extent of the purchasing organization when looked at as a whole and to understand and get to know peers, etc.

A third work focus launched looked at the classification of what it is the company buys in each business area. We utilized a simple commodity code plan that I personally developed earlier in the year but had yet to be fully implement prior to the Q3 initiative. Not only did we classify into common grouping what we bought as a world-wide business, we also included information relative to the supply base to understand who we were doing business with and how many dollars were involved in each commodity and supplier. This task turned out to be quite an undertaking in terms of data collection since many areas of the business used differing IS hardware and software. By downloading data from the various systems into a consolidated Excel spreadsheet we were able to begin to analyze the data from a global basis for the first time in company history. The overall net result of the data collection efforts was good for the materials the company purchased for resale ("direct" materials) and reflected that over five hundred different suppliers provided nearly $190 million dollars worth of materials as shown in figure 3.3.0.2. This number was believed to be far understated due to a known timing problem that caused an incomplete load of forecast data at the manufacturing plants. Data for the expense items purchased by the company to operate and consume went mostly uncaptured due to the fragmented systems combined with non-standard policies and procedures for handling
In Another Major International Chemical Company, 33 Pilot Sourcing Teams and an Executive Sourcing Council...

Composition
- Team lead
- Purchasing manager
- Cross functional reps
- Cross divisional reps

Cross functional/divisional reps include, sales, marketing, production, QC
### Chart 3.3.0.2.

<table>
<thead>
<tr>
<th>Commodity Description</th>
<th>Commodity</th>
<th>$</th>
<th>% of Total</th>
<th>Supplier Count</th>
<th>Sites Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic Components</td>
<td>32,341,873</td>
<td>17.14%</td>
<td>43</td>
<td>8 - D.F.H.P.R.S.T.W</td>
<td></td>
</tr>
<tr>
<td>Magnetic Materials</td>
<td>20,813,223</td>
<td>11.03%</td>
<td>6</td>
<td>3 - B.I.P</td>
<td></td>
</tr>
<tr>
<td>Sheetmetal, Stamping, Metalworking</td>
<td>17,459,415</td>
<td>9.25%</td>
<td>23</td>
<td>6 - B.D.I.P.S.T</td>
<td></td>
</tr>
<tr>
<td>Video Camera Equipment</td>
<td>15,383,817</td>
<td>8.15%</td>
<td>20</td>
<td>7 - D.F.H.P.R.T.W</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>15,090,269</td>
<td>8.00%</td>
<td>207</td>
<td>9 - B.F.H.I.P.R.S.T.</td>
<td></td>
</tr>
<tr>
<td>Monitors, Printers, VCRs</td>
<td>13,512,314</td>
<td>7.16%</td>
<td>11</td>
<td>5 - D.F.R.T.W.</td>
<td></td>
</tr>
<tr>
<td>Wire Cable &amp; Assemblies</td>
<td>10,349,374</td>
<td>5.48%</td>
<td>18</td>
<td>9 - B.D.F.H.I.P.R.S.T.</td>
<td></td>
</tr>
<tr>
<td>Misc, OEM Products</td>
<td>7,353,802</td>
<td>3.90%</td>
<td>36</td>
<td>8 - B.D.F.H.I.S.T.W</td>
<td></td>
</tr>
<tr>
<td>Printed Circuit Boards</td>
<td>6,621,658</td>
<td>3.51%</td>
<td>11</td>
<td>3 - B.P.S</td>
<td></td>
</tr>
<tr>
<td>EAS Tags &amp; Labels</td>
<td>6,341,390</td>
<td>3.36%</td>
<td>7</td>
<td>4 - D.I.P.S</td>
<td></td>
</tr>
<tr>
<td>Plastic Resins Sheet, Rods &amp; Rolls</td>
<td>6,328,103</td>
<td>3.35%</td>
<td>8</td>
<td>2 - B.P.</td>
<td></td>
</tr>
<tr>
<td>Molding, Injection, Thermal</td>
<td>6,186,727</td>
<td>3.28%</td>
<td>20</td>
<td>5 - B.F.I.P.S</td>
<td></td>
</tr>
<tr>
<td>Motors, Drives, Gear, Bearings</td>
<td>4,876,505</td>
<td>2.58%</td>
<td>5</td>
<td>2 - I.P</td>
<td></td>
</tr>
<tr>
<td>Boxes &amp; Packaging Materials</td>
<td>4,227,339</td>
<td>2.24%</td>
<td>19</td>
<td>5 - B.I.P.S.W</td>
<td></td>
</tr>
<tr>
<td>Glues, Adhesives, Chemicals</td>
<td>3,577,473</td>
<td>1.90%</td>
<td>12</td>
<td>3 - B.I.P</td>
<td></td>
</tr>
<tr>
<td>Formers &amp; Power Supplies</td>
<td>2,950,377</td>
<td>1.56%</td>
<td>10</td>
<td>3 - D.P.S</td>
<td></td>
</tr>
<tr>
<td>Standard Hardware</td>
<td>2,757,164</td>
<td>1.46%</td>
<td>21</td>
<td>6 - F.H.I.P.R.T.</td>
<td></td>
</tr>
<tr>
<td>Installation Matt Kits, Racks etc.</td>
<td>2,422,720</td>
<td>1.28%</td>
<td>11</td>
<td>7 - D.F.H.P.R.T.W</td>
<td></td>
</tr>
<tr>
<td>Castings, Die, Sand, Investment</td>
<td>2,028,056</td>
<td>1.06%</td>
<td>8</td>
<td>2 - I.P</td>
<td></td>
</tr>
<tr>
<td>Printed Circuit Board Assemblies</td>
<td>1,795,177</td>
<td>0.95%</td>
<td>2</td>
<td>2 - B.S</td>
<td></td>
</tr>
<tr>
<td>Chokes, Coils &amp; Inductors</td>
<td>1,293,098</td>
<td>0.65%</td>
<td>4</td>
<td>3 - I.P.S</td>
<td></td>
</tr>
<tr>
<td>Nails, Tacks, Clutches-Specialized</td>
<td>1,145,959</td>
<td>0.61%</td>
<td>1</td>
<td>2 - I.P</td>
<td></td>
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<tr>
<td>Software, Media, Badges, etc.</td>
<td>1,056,836</td>
<td>0.56%</td>
<td>14</td>
<td>7 - B.D.F.H.R.T.W</td>
<td></td>
</tr>
<tr>
<td>Ink</td>
<td>687,344</td>
<td>0.36%</td>
<td>1</td>
<td>1 - P</td>
<td></td>
</tr>
<tr>
<td>Wood, Lumber &amp; Carpentry</td>
<td>647,606</td>
<td>0.34%</td>
<td>2</td>
<td>1 - P</td>
<td></td>
</tr>
<tr>
<td>Counters &amp; Displays</td>
<td>524,932</td>
<td>0.33%</td>
<td>1</td>
<td>1 - P</td>
<td></td>
</tr>
<tr>
<td>Extrusions &amp; Plastigrip</td>
<td>526,069</td>
<td>0.28%</td>
<td>2</td>
<td>2 - I.P</td>
<td></td>
</tr>
<tr>
<td>Literature, Publications &amp; Manuals</td>
<td>319,687</td>
<td>0.17%</td>
<td>12</td>
<td>5 - B.O.R.S.W.</td>
<td></td>
</tr>
<tr>
<td>Applicators &amp; Dispensers</td>
<td>82,285</td>
<td>0.04%</td>
<td>1</td>
<td>1 - D</td>
<td></td>
</tr>
</tbody>
</table>

$188,719,997 100.00% 536
such purchase expense and in some cases, processing which completely circumvented purchasing all together. To help supplement this missing piece, we were able to capture the new 1997 fiscal year (July 1, 1996) budget that projected this type of spend to be around the two hundred million dollar range for the year and provided needed break down information by business site.

The PE-NWT also went immediately to work defining a vision and mission statement for TPC so everyone in the stream could share a common vision of purchasing in the Q3 Sensormatic of the future. The vision model and mission statement (Chart 3.3.0.3 & 3.3.0.4) were worked over a period of time and included the input of many including President Vanourek. Operating models of the commodity team concept were also developed and a large brown paper mapping of the cross-functional, global commodity team (GCT) process (Chart 3.3.0.5) was subsequently developed to integrate the overall work flow of a GCT in action incorporating the use of the SP-NWT's new partnership tool box.

The high level vision model (Chart 3.3.0.3) defined TPC in three major organizational roles. One being of Supply Management where TPC would manage who the company does business with on a world-wide basis through partnerships and global, cross-functional commodity teams. The second role was named "buying mechanics" by the team which recognizes how Sensormatic would process delivery releases for materials at each business location and generally, would transact business on a global basis through systems like EDI, integrated supply and purchasing card programs. The third role recognizes the strategic management element of TPC where high level opportunity seeking takes place across markets, divisions and GCT's. It also realizes other high level strategic matters such as social impact issues (small business policy, recycling, etc.),
The Procurement Co.

**Strategy Management**
- Cross Team Division Opportunity Seeker
- Mentoring & Professional Development
- Corp. Citizenry (Social Impact Issues, etc.)
- Defines Organizational Role of Procurement
- Recognition Giver (internal & external)
- Forward thinking strategy maker
- Buying/Sourcing branch coordination
- Risk Management
- Corporate reporting
- Policy maker

**Sourcing Management**
- Supplier Certification/Partnership Programs
- Global Commodity Teams
- Strategy & Policy Implementation

**Buying Mechanics**
- Order/Delivery
- Customer Service
- Strategy/Policy Implementation

**Performance Measurements**

**Information Enablers**

**Roles and Responsibilities**
The Procurement Co.

"The exclusive supplier of Sensormatic, unbiased and focused on delivering quality goods and services, as needed, at an outstanding value to the organization whole."
The Road to the "To Be" Commodity / Sourcing Team Process
professional development of the people, supplier/professional rewards/recognition and overall corporate reporting and high level input to the business whole.

The team came to agree that with the IS systems undergoing massive world-wide redesign, little could be done with buying mechanics except for expanding existing purchasing card programs and implementing an integrated supply system to cover non-core purchase activity. For the strategic element of the vision, the high level reporting and organizational issues behind the entire GCT concept, as it develops, would have to be worked later down the line with the subject too politically intense to handle and not needed until sometime after the GCT concept actually began implementation. Until then, Phil, Gary and I would oversee TPC as a part of the Q3 initiative until it is ready for a hand-off in a more mature environment. As a result, we could make good progress in the supply management and some relatively easy buying mechanics pieces until TPC would evolve organizationally as a whole and the enterprise wide IS systems would develop by 1998. This would allow work to progress with few integration issues for the time being while also serving-up maximum saving potential by gaining control of the supply base globally. A brown paper was also worked-up by the group to reflect the overall purchasing effectiveness workflow of the team as shown in Chart 3.3.0.6.

A roles and responsibility chart (RACI) was worked around gaining an understanding of the difference between what a GCT would do and, what the individual buying mechanics roles would be at the site level in terms of responsibility and accountability. In short, the GCT role would be one of controlling the supply base size for a particular commodity, ranking the suppliers in the commodity, negotiating pricing and partnership agreements for the commodity. They would also work cost reduction opportunities, make versus buy, and quality issues related to the supply of the commodity no matter what it is; direct, indirect or a service. The individual business units of the
The Road to Procurement Effectiveness

The Procurement Co.

The Road to Procurement Effectiveness

Develop the Vision

Define Key Processes

Define Organizational Elements

Develop the Commodities Sourcing Team Processes

Annotation: Identified Supplier Partnership Process

Develop the Buying Mechanics Processes

Create Procurement Co. Overview

Develop the A/P Interface

- Integrated Suppliers
- Card Program
- Office Supply

Process for ESG 7/17

Chart 3.3.0.6.
The company world-wide would exclusively defer to the guidance of the GCT in its sourcing issues so that, the sites would transact the business (delivery releases, etc.) but, the cognizant GCT would control where the orders would go. The business units would have representation on the GCT's that they would have a stake in to ensure balance and sensitivity to the needs of the business and the business region where it resides.

Considering the commodity data collection results, commodity groups were chosen for pilot implementation and some of the natural members of these first GCT's of the company. By mid-July, the vision and mission of TPC was completed along with operating processes mapped and models developed. These combined with a few key commodity groups and the best practice information on integrated supply, the PE-NWT was also ready for pilot.

3.4. The Procurement Company "As-Is" & "To-Be" ESG Review

With the NWT work efforts quickly approaching completion, as per the chartered timeline, the July ESG update would have to reflect the overall planned approach for purchasing effectiveness as one of the key milestones. Armed with the NWT work results, a full presentation was developed and made to the ESG on July 17, 1996, by Gary and myself. Charts 3.4.0.1 - 3.4.0.8 reflect key pieces of the presentation not already presented in this paper that further helps depict the overall change we proposed. After extensive group discussion, the concepts and plans presented received ESG approval to move ahead with up to six pilot commodity teams.
Our Current Purchasing Model and Approach is Overly Complex and Under Leveraged

Sensormatic Purchasing 1996

A large number of suppliers, disjoint systems and manual processing contribute excess costs across Sensormatic
We Have Defined the To-Be Model - "The Procurement Co."

Professional Development

Performance Measurement

Supplier Partners

Commodity Team

Commodity Team

Commodity Team

Baan 4

Manufacturing & Distribution Facilities

True "Deep" partnerships are facilitated by multi-discipline commodity teams with full supplier participation

10/8/96 @ 12:20 PM

Procurement for ESG 7117
Our Road to the Procurement Co. of the Future is now mapped...
... and the Critical Steps of Our Journey to the “To-Be” State are Defined

<table>
<thead>
<tr>
<th>Key Performance Area</th>
<th>As-Is</th>
<th>Shift</th>
<th>To-Be</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier Base</td>
<td>Large for safety</td>
<td>Rationalized for leverage and quality</td>
<td>Optimized by process</td>
</tr>
<tr>
<td>Supplier Selection</td>
<td>Driven by constraints and history</td>
<td>Identifying and opening opportunities</td>
<td>Driven by business strategy</td>
</tr>
<tr>
<td>Contracting</td>
<td>Both annual and by contract</td>
<td>Multi-year with limited teaming agreements</td>
<td>Long-term business relationship</td>
</tr>
<tr>
<td>Supplier Interaction</td>
<td>Primarily purchasing but anyone - little focus</td>
<td>Driven and focused by procurement</td>
<td>Multi-functional and parallel efforts</td>
</tr>
<tr>
<td>Design Process</td>
<td>Series effort - design and then purchasing</td>
<td>More proactive but still limited</td>
<td>Parallel carrying the strategic sourcing plan for the business</td>
</tr>
<tr>
<td>Supplier Information</td>
<td>Receives order and then issues RFQ</td>
<td>Advantageous deliveries with multi-year outlook</td>
<td>Sharing forecast data</td>
</tr>
<tr>
<td>QA</td>
<td>Incoming Inspection</td>
<td>Incoming Inspection</td>
<td>Supplier certification and inspection</td>
</tr>
<tr>
<td>Pricing</td>
<td>&quot;Steel toe&quot; negotiations</td>
<td>Cost reductions by processes using competition, not pricing</td>
<td>Price modeling with cost targets and CPI</td>
</tr>
<tr>
<td>Planning</td>
<td>Short-term by contract</td>
<td>Long term or multi-year</td>
<td>Long term driving investment</td>
</tr>
<tr>
<td>Business Action</td>
<td>Reactive to business</td>
<td>Proactive on business issues</td>
<td>Business leader maximizing bottom-line contribution</td>
</tr>
<tr>
<td>Problem Solving</td>
<td>Reactive and asking for help</td>
<td>Marketing multi-functional team approach</td>
<td>Multi-functional team ownership</td>
</tr>
<tr>
<td>May or Buy</td>
<td>Driven by production needs</td>
<td>Driven by production needs</td>
<td>Carrying business vision for lowest total cost</td>
</tr>
<tr>
<td>Business Objective</td>
<td>Minimize price</td>
<td>Minimize program cost</td>
<td>Minimize business cost</td>
</tr>
</tbody>
</table>
We Have "Painted a Picture" of the Procurement Co. Professional

Procurement Leadership 2002

Commitment
Total Cost Driven
Ethical
Deep Understanding of "True" Partnerships
Value Analysis / Value Engineering Knowledge
"Win-Win" Negotiating Skills
Broad Based Business Perspective
Total Quality Mind-set
Analytical Skills
Commodity Knowledge
Communications / Listening Skills
Flexibility
Professional Competency (certification)
Team Player
Creativity
Company-wide Application and Maximum Benefit Potential Drove the Pilot Commodity Teams Selection

<table>
<thead>
<tr>
<th>Services</th>
<th>Direct</th>
<th>In-Direct</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Freight/Transportation</td>
<td>1) Monitors, Printers &amp; VCR's</td>
<td>1) General Operating &amp; Office Supplies, Stationary, etc.</td>
</tr>
<tr>
<td>2) Vehicle Fleet</td>
<td>2) Sheetmetal Stampings, Metalworking</td>
<td>2) Office Equip. &amp; Computers</td>
</tr>
<tr>
<td></td>
<td>3) Wire &amp; Cable (Hook-up)</td>
<td>- Copiers</td>
</tr>
<tr>
<td></td>
<td>4) Plastic Resins</td>
<td>- Fax Machines</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- PC's &amp; Printers</td>
</tr>
</tbody>
</table>

Example:
Board Level Electronic Components

- Mfg Engr (Process)
- "A" P.R. Purchasing (Buying focus)
- Quality (Quality Focus)
- Robot Research Purchasing (Buying Focus)
- Ireland Purchasing
- Supplier Representatives
- Component Engr (Specs, Component Design)

The pilot approach will refine the partnership process and drive accelerated benefits realization.
Key Success Indicators

- **Supply Base Rationalization** 
  - Present # of suppliers - "ideal" number of suppliers = 80% Reduction or more
  - Number of items under exclusive supply agreement(s)

- **Average Purchased Lead-time**
  - Total value of purchased inventory
  - Kanban Items under direct supplier control

- **Total Dollars Managed by Purchasing versus Revenue/Expenses**

- **Total Dollars Managed versus Purchasing Operating Budget(s)**

- **Dollars / Transactions in “Long” vs. “Short Form” Process**
  - number of manual requisitions
  - number of spot market P.O.(s)
  - number of individual payable invoices generated
Key Success Indicators - continued

- **Lowest Total Cost**
  - Total cost of acquisition
  - Value
  - Inspection, downtime, rework, etc...
  - Leveraged Volume(s)

- **Integrated Supplier(s)**
  - Dollars / SKU(s) managed by integrated supply process
  - Total integrated supplier cost savings (dollars)

These measurements will more accurately reflect the relation of purchasing/supply management to profitability.
3.5. The Procurement Company "To-Be" Pilot Kick-Off

The entire purchasing effectiveness stream that had previously broke into the two NWT's (PE-NWT and SP-NWT), were reorganized back in the company's Deerfield Beach Conference Center on July 31, 1996, for two days of implementation discussions after the earlier ESG meeting of July. Included in the meetings were presentations from companies that Sensormatic had already close relations with such as American Express, Wallace Computer Services and Bruckner Supply company relative to integrated supply and purchasing card programs. A presentation was also given by Rohbe on supplier rating systems. A presentation and review of the entire NWT work effort were conducted to ensure that everyone had a full understanding and knowledge about the developed approaches. The team was pleased with the results of the two day conference some of which included;

- Stream-wide validation of the SP-NWT's generated Supplier Partnership Program and supporting Documentation
- Stream-wide validation of the Global Commodity Team (GCT) supply management operational roles and responsibilities.
- A plan for implementation of the pilot teams and the various functions and people to staff them on a part-time basis.
- Actual kick-off of the first two GCT's.
- An informal get-together of the stream after hours for stream bonding sponsored by Sensormatic.

At the end of the purchasing stream conference, everyone went away pumped-up with a glowing "can do" type attitude. The group decided to continue to meet weekly as an entire stream (TPC) rather than the separate NWT's since the previous individual work tasks were complete. TPC weekly meetings were held in usual fashion via conference
The Path To Globalizing Procurement Operations

call to incorporate remote locations with the purpose of continuing roll-out of the other pilot GCT's, to monitor GCT progress and to begin work on the "organizational" and "evergreen" piece to ensure a permanent and continuous change.

The pilot GCT teams that ultimately launched and monitored by TPC began implementation activities such as collecting and validating precise data relative to the assigned commodity group. The specific pilot GCT teams were;

- Indirect Material
- Wire and Cable
- Freight & Transportation Logistics
- Plastics, Resins and Molding
- Metal Working and Castings
- Electronic Components

The teams involved in the pilot phase focused on roughly half of the dollar spend at Sensormatic. Since no formal allocation of resources outside of Gary, Phil and I were made for the Stream effort, the pilot GCT's were comprised of leaders and members of TPC and others like those actually doing the buying, designing, and inspecting of the commodities at the various world-wide sites. This pulled-in additional resources that also helped the overall awareness and momentum of the effort. The newer members of TPC through the GCT's were also trained on meetings, decision making and other basic tools of the growing Q3 culture. A separate work team was also started to begin implantation of the Rohbe supplier rating system for global tracking and reporting of supplier performance.
Chapter 4 Results

4.1. Global Commodity Team Pilot

Results of the pilot GCT's in the first two months (August and September) have been mixed due to the lack of any time for the teams to mature into any real performance posture. Apart from this however, the pilot has been very successful in moving the organization forward in its thinking and in cross-functional team management and global type concepts. Two of the teams were decided by the stream not to launch in the pilot phase due to the extremely limited formal resources of the project and conflicting priorities of the available informational resources. These were the two largest and most complex commodities in the direct materials area; Metalworking and Electronic Components. The remaining four commodities have made good progress in demonstrating the attributes of the GCT approach to all while also maintaining pilot coverage the three major types of business spend; Direct, Indirect and Services. In each of these areas, the following results were noted;

4.2. Direct Material Pilot Results

The pilot GCT's in the direct area worked well together as a team from the very start even though time resource allocations had not been formalized. Members of these new teams seemed to more than understand the idea and synergy of leveraging the company's knowledge and position as a well managed, singular and larger potential customer to the world supply markets.
4.2.1. Plastic Resins & Molding GCT

The Plastic Resins and Molding team was lead by one of the company's corporate manufacturing engineers managed to report quick "early win" deliverables. The team worked closely with one of our outside molding suppliers to get them established Sensormatic volume pricing on plastic resins they were buying independently for Sensormatic molding work. Their higher cost resins were subsequently passed on to Sensormatic in the unit price of the parts they supplied. By getting Sensormatic pricing on their raw materials, the savings was passed on through to Sensormatic but, also, the molder would be able to increase their margins or pass savings on to other customers they had making a good win-win situation for Sensormatic and the molder.

Other opportunities that surfaced quickly from the direct area was technical tooling knowledge and expertise. In one of the team's weekly meetings, the Ireland division was working on acquiring some expensive new tooling to replace and back-up some older tools that were worn. The Puerto Rico division already had the designs of the tooling that could be reproduced without having to re-learn the intricacies and nuances of the design and even had ideas on how to further optimize the design from their experience with the older tools that were transferred some time ago to Ireland. Instead of Ireland going off on its own to handle the tooling issue locally and without the benefit of prior learned experience, the new tool set could be built better, quicker, and less expensive due to the power of the group working together.
4.2.2. Wire & Cable GCT

The Wire and Cable Team, was again, lead not by a purchasing professional but by one of our corporate quality assurance engineers. This team also forged new ground in an area fraught with cross-division competitiveness and political challenges. It seemed over the years that the industrial divisions of the company had their supply base for the commodity and the retail divisions had their own. Previous attempts to get the commodity together in the former environment had failed miserably. The reason we specifically chose the wire and cable commodity as a sure pilot specimen was because of this and the fact that every single division used it so, everyone would be exposed to the Q3 procurement stream GCT concept by this direct material. The wire and cable team pulled information and invited direct participation with the first communication to be launched through a special Q3 European Ambassador channel that had been set up for all Q3 efforts. This European Q3 ambassador channel reached into each and every country in Europe since most were operated as independent businesses. The learning went beyond the communication and political turf. By reaching objective ground, when all the inputs came together for validation of the commodity's "as-is" state, it appeared that generally, the same materials were sure enough being purchased in the various divisions. However, minor specification differences and in many cases, overkill in the specifications was the real barrier to harmonizing the requirements and consolidating the buys. In one type of cable, a four hundred thousand dollar reduction opportunity was identified by approving an alternate construction material for the wire insulation jackets on one particular common cable the company bought globally.
4.3. Indirect Materials Pilot Results

In the indirect area, getting all the divisions together on the dozens of company offices world wide made obvious good sense. The methods, systems and partners however, had to be a good fit. The best practice studies for this area of purchasing also know as MRO (Maintenance, Repairs and Operating Supplies) provided good insight to the fact that if approached correctly, the mechanisms for transacting orders could come from the trading partners themselves. Sensormatic already had a purchasing card program in one of its divisions that had been running for two years. The team that was lead by me, involved heavy participation from each division, from corporate accounting and audit groups and the MIS organization. A paperless system for basic items such as office supplies, stationary and forms ordering would simply involve an employee recording their card number and checking a few boxes on a standardized ordering sheet that would get faxed to an 800 phone number. American Express would automatically check the employees authority levels, monthly spend and the supplier against a pre-arranged cardholder profile developed and blessed by Sensormatic. With all in order the supplies would arrive directly on the employees desk no matter where it is in the country, delivered by the supplier usually within 24 hours. American Express would pay the supplier and monthly, send an EDI feed to post charges on Sensormatic's General Ledger. The employee and his/her boss would both get a detailed statement from American Express detailing the all the transactions made for the past month. Both purchasing and accounting would receive total, company wide activity information in a PC data base for auditing and review.

For less common items, a supplier based system tied into the company's Wide Area Network (WAN) called Rapid Req, was developed in conjunction with the GCT and supply partner Bruckner Supply Company of New York. By double-clicking an icon on
their PC, company employees world-wide via Sensormatic Wide Area Network (WAN) would be able to requisition anything needed. Rapid Req, residing on the supplier's computer, would route the request based upon the user's profile relative to authorization levels, etc. and quickly move the request electronically for immediate buy activity. Bruckner would place orders based upon their distributorship relations with more than 3000 manufacturers to remove the master distributor from the supply channel and save on the typical 45% distributor margin. Certain purchase requests, as determined by the GCT and recorded on in a sheet known as buying ground rules, would be stripped-off from the Bruckner system after reaching authorization and print-out in a designated Sensormatic Purchasing Department for placement by Sensormatic purchasing personnel. An example is a very high priced, specialized high technology piece of equipment, hazardous materials, etc. This balancing of the ground rules becomes a management point for Sensormatic and its resources and competencies. American Express again pays Bruckner based upon the employee's unique sign-in and an associated unique card account number stored in the computer's background. American Express Statements and Rapid Req online inquiries provide the feedback and reviews needed for business control and management purposes.

The team working as a whole met the barriers to this new, cutting-edge process possible where on a transaction to transaction basis, no purchasing, receiving or accounts payable intervention is required. Our consultants had never seen a design quite like ours and it actually made it into the Gemini knowledge capture base and was recently presented at a Gemini University Training Session on purchasing practice. Our final design is reflected in the process flows shown in Charts 4.3.0.1 & 4.3.0.2. The design, approval and initial implementation was completed in the amazing two months with the initial implementation point launched the first week of October 1996. This was
accomplished with no company resource requirements apart from the GCT's participation and 20 programming hours from MIS for EDI translations.
"The Rapid REQ Connection"

Diagram showing the connection between various components:
- **AS 400**
- **Router**
- **FRAD**
- **MCI**
- **Router/DSU**
- **Vanguard 300**
- **Thin LAN BNC**
- **192.12.1.XXX**
- **RS 45 or 15 PIN AUI**
- **Router**, **DTL**, **Fiber**, **NET (LAN)**

Other components and connections:
- **Fax Controller**
- **Server**
- **P.C.S.**
- **Local Token Ring**
- **Twinax V.35**
- **ETHERNET PORT**
- **TCP/IP**
- **RAPID REQ SOFTWARE**

The Path To Globalizing Procurement Operations

Chart 4.3.0.1.
Integrated Supply Business Process

BOSS

Monthly Statement

END USER / REQUESTOR

Rapid REQ Validation

> $5K

PO $4

SEC Purchasing

Supplier A

TRANSACTION VALIDATION + DOLLARS

Bruckner Supply

SEC

Purchasing

Supplier B, C, etc.

EDI Mailbox

Translation Program

AMEX

Monthly

SEC A/P

AMAPS

SEC PURCHASING/RECEIVING TRANS.

AMEX Statement OK

9/26/96 @ 4:05 PM

Integ Supply Bus
4.4. Freight Services Pilot Results

As the youngest team in operation at this time, a significant amount of money is spent by the company in this service area and the team has set out to determine exactly what the amount is and what companies service Sensormatic worldwide. Lead by the Corporate Traffic Specialist, the team was an excellent opportunity for this person to actualize something that had been worked on for years but, the environment had not been ready for change, improvement and global thinking until Q3 and TPC came along. Demands on the freight team are high with a global customer base producing roughly half of the company's revenues in offshore markets and with the company's major manufacturing locations in Ireland, Puerto Rico and Boca Raton. This combined with heavy Far East OEM product inputs, the world wide freight numbers in terms of dollars and pounds are staggering. The GCT is comprised mostly of traffic coordinators from around the world which, never had the forum to communicate between one another outside of passing transactional information until the GCT formation. The GCT's open discussion and general eagerness to move ahead on standardizing carrier and logistics partners are more than encouraging. If nothing more was produced by the team's formation than improved communications, the effort would still be a considerable success in terms of moving the company forward and changing the culture for the better.
Chapter 4 Discussion & Conclusion

5.1. ESG Review: Full Commodity Global Roll-Out Requirements

The global roll-out of TPC beyond the piloting four teams is currently pending the formalization of a supporting organizational structure. The successes, difficulties and frustrations from the pilot experience were shared with the ESG in a late September meeting and reflected in Charts 5.1.0.1 & 5.1.0.2. The challenges communicated largely focused on the lack of adequate and dedicated resources to move further in the program. Encouraged by the progress and impact of the procurement stream effort to date, a green light to move beyond the pilot phase to full global implementation was given with two caveats. The first was to develop a total resource map to indicate resources needed to full implement TPC. The resource map would have to cover the number of FTE's required, the various skill sets needed and other supporting details such as job descriptions, etc. for implementation. The second requirement to move ahead was the time had finally come to pull into the stream the existing, senior procurement person of the company who was my boss prior to my Q3 appointment. The Director of Corporate Procurement had always maintained a relatively low key but, certain presence during the development of TPC and the entire Procurement Stream work initiatives over the past six months. With the director on the team, the four of us worked the organization and team configuration issues. The resulting plan reflected roughly ten teams and a composite requirement of roughly 35 professional FTE's to manage the company's $400 million dollar expenditures. The company's world wide purchasing staff involves more than double this number however, the business continues to grow and full automated processing of orders (buying mechanics) would be sometime beyond 1998. As a result, staffing would have time to normalize without any dramatic measures required.
The Procurement Co.- Organized for the 21st Century

"GLOBAL" PROCUREMENT CO.

SUPPLY BASE MANAGEMENT TEAM

Commodity Teams:
- TEAM A
- TEAM B
- TEAM C
- ETC..

Commodity Team Operational Process(es)

Other Common Processes

Site Locations
- BOCA
- PR
- VPD
- CI NE
- CI SW
- IRELAND
- EUROPE
- CCTV Sys.
- Sens. Sec. Monitoring
- Etc.
Detailed Global Commodity Team Reporting Relationships

GLOBAL PROCUREMENT

- Purchasing Mgmt.
- Quality Mgmt.
- Site Mgmt.
- Site Purchasing (Buying focus)
- Site Purchasing (Buying focus)
- Site Purchasing (Buying focus)
- Supplier Mgmt.
- Supplier Representatives
- Component Engr. (Specs, Component Design)
- Eng. Mgmt.
5.2. Eight Observations & Learning Points

In the beginning of the Q3 initiative, the looming thought of the amount of change needed at the company was very unsettling and difficult to envision for everyone including me. At the verge of full global implementation of TPC today, it is very gratifying that the original team of Phil, Gary and I were able to move both the company and, the purchasing profession as a whole ahead in the world.

5.2.1. Recognize the Strategic Value Of Procurement

The sheer fact that a multinational corporation even recognizes the strategic opportunities found in the green but, sometimes obscure fields of procurement and supply chain management are a recognized critical first step. Unfortunately, such recognition usually comes as a necessity rather than a proactive measure of profit enhancement. The bottom line is that it all ties back into competitive advantage for the organization when procurement and supply chain management is looked with a strategic eye. Andrew F. Icken, of Exxon USA said it well when he was recently quoted;

“In this light, the competitive advantage will come to those who are first to execute supply chain management effectively. This really is one of those 'early bird gets the worm' situations for business.”27
5.2.2. The Need For Outside Help To Change

Sensormatic is no different in this realization of survival need, and to the credit of its new president, allowing an honest and competent assessment from the outside was not only difficult to actualize politically I am sure but, certainly bold and brilliant on his part as a leader. Moving ahead with the change along with the benefit and guidance of highly trained (and paid), professional consultants and experts was not only wise, but critical to successfully changing the cultural environment of the company. Today, with the one year mark quickly approaching and with the change truly making deep roots within the organization, the consultants are still very much needed to neutralize otherwise politically hostile areas. Otherwise, I am sure as one close to the action, that the environment today would revert back to its prior status in amazing speed without these neutral observers and guides. This realization of needing expert help from the outside and that no person or organization can pull this type of change off on their own marks the second conclusion factor of this project.

5.2.3. Reach Out For Organizational Participation

The third is one of participation to get the needed buy-in from those affected and the organization as a whole. Involve everyone! It is okay if some fall off the back and disappear because this must be their decision regarding involvement and participation in change. If you make the decision of involvement for others, you can expect plenty of resistance and dialog to accomplish the same amount of result if this is even possible.
5.2.4. Do Not Leave Training To Chance

The forth point learned was that certain skills are needed by everyone to work in a group. It is better to go overboard than to not address this head-on. Even for those with prior training in school, etc., people need to know about such things as effective meeting skills, change management, decision making, problem solving and team building. Do not leave these to assumption. Just schedule it and do it as a normal course of bringing new people into the loop.

5.2.5. Seek-out Best Practices

The fifth learning point along the path is never start with a blank sheet of paper. Odds are that somebody, somewhere sometime before you had to do a similar task that you may face. This does not mean that you cannot be creative or that you cannot be innovative or different. It does mean that you should seek information and input from other sources and from various angles. Even if you do not use them directly, they many times can become good examples of what to do or, maybe even more importantly, what not to do.

5.2.6. Cross- Functional Teams Diminish Barriers To Change

The sixth concept is that cross-functional teams can be good at breaking barriers down and moving ahead quickly if they are not too big or too small, if they are truly empowered and, members clearly understand the objectives of the group. These teams can be global in nature and helps span the challenges of business operations around the world. They can offer central type results for both existing and unknown synergy as demonstrated by this procurement application. Overtime and in a mature environment,
these teams will become a center of expertise in their own right for the commodity that they are responsible. The business will look to the team for this expertise to help aid in strategy development, decision making and for the development of new products.

5.2.7. Businesses Are Not Islands: Real Partnerships Are Needed

The seventh concept is one found in partnerships. When approached with total openness and honesty, especially those around need and expectations, partnerships can be nurtured and developed to the mutual benefit of all. Distrust and unknown agendas will subsequently destroy partnerships. The management of the supplier base toward the right number and level of partnerships will reduce enable a major reduction in the count of total suppliers to the company. This strategic reduction will enable better control, better quality, improved interface systems (EDI, etc.), better business incentives and better control of the total cost of acquisition and ownership.

5.2.8. Measuring Purchasing Effectiveness Goes Beyond Good Pricing

The eighth and final point that I will mention that came up along the path to purchasing effectiveness is one of measurement. Purchasing has traditionally been measured using the singular test of price or for inventory, purchase price variance (PPV). These measures regarding purchasing effectiveness are nearly worthless as a stand alone gauge.28 It is like measuring a car based upon some singular measure like gas mileage, price, top speed or something else. To measure procurement, activity based costing (ABC) methods seem to do a better job at recognizing the cost drivers associated to meeting the supply needs of an organization.29 What is a great price if the business has ten years supply on hand? If this happened the business has less working capital in the bank and has to pay for a stocking location and a keeper of it.
The concept of measuring procurement based upon the total cost of acquisition and ownership is the most appropriate to gauge purchasing effectiveness. Not just what a widget cost but, what it is relative to the need (quality)? Can you get it when precisely needed (delivery lead time, inventory and cash management)? How was it ordered and paid for (Buying Mechanics or transactional cost)? How much overhead did it cost the company to manage its acquisition (procurement burden)? Indicators of effectiveness in this light include things beyond dollars and involve views on the sheer supply base size and partnership make-up, design support and technology sharing for new products and many other innovative indicators that can help gauge Purchasing Effectiveness.\(^\text{30}\)

5.3. The Path Is Long And Never Ends

The path to purchasing effectiveness has many markers along the way. The path begins with recognition by senior management of the strategic value of procurement and empowerment. Midway down the path team work and participation of organization whole is involved. If successful, the journey should never end. The frontier of partnership type business relationships and new, innovative ways to gauge success and effectiveness should and will always keep the organization striving for new heights. We must continue to define and develop new measures to constantly reflect the relation of purchasing/supply management to organizational profitability.\(^\text{31}\)
The Path To Globalizing Procurement Operations

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