

Simplify your supply chain for success: Change management applied to sourcing

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SCHNEIDER ELECTRIC : the global specialist in energy management and automation

€25 billion

FY 2014 revenues

~5%

of revenues devoted to R&D

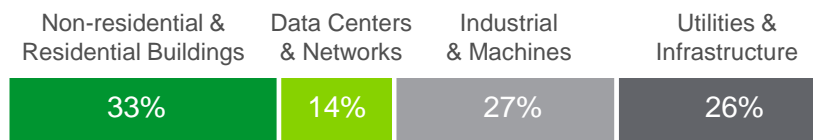
43%

of revenues in Solutions

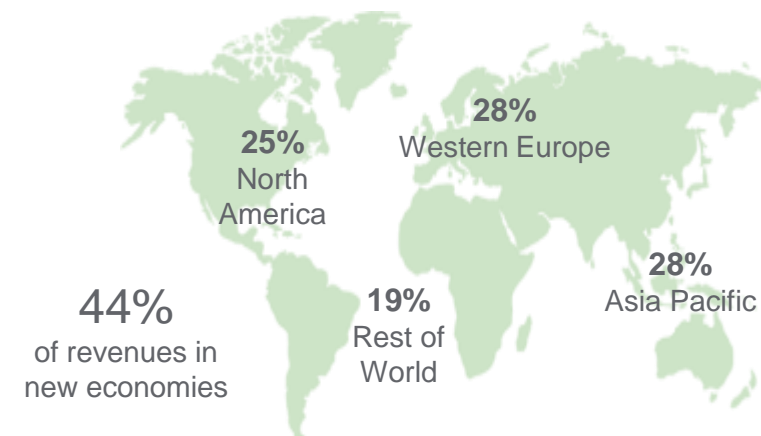
~170,000

people in 100+ countries

DIVERSIFIED END MARKETS – FY 2014 revenues¹



BALANCED GEOGRAPHIES – FY 2014 revenues



SE develop best-in-class technology and solutions to make customers' ecosystem safe, reliable, efficient, and sustainable





For businesses, SE reduce data lifecycle cost and improve productivity with greater asset security and employee comfort.

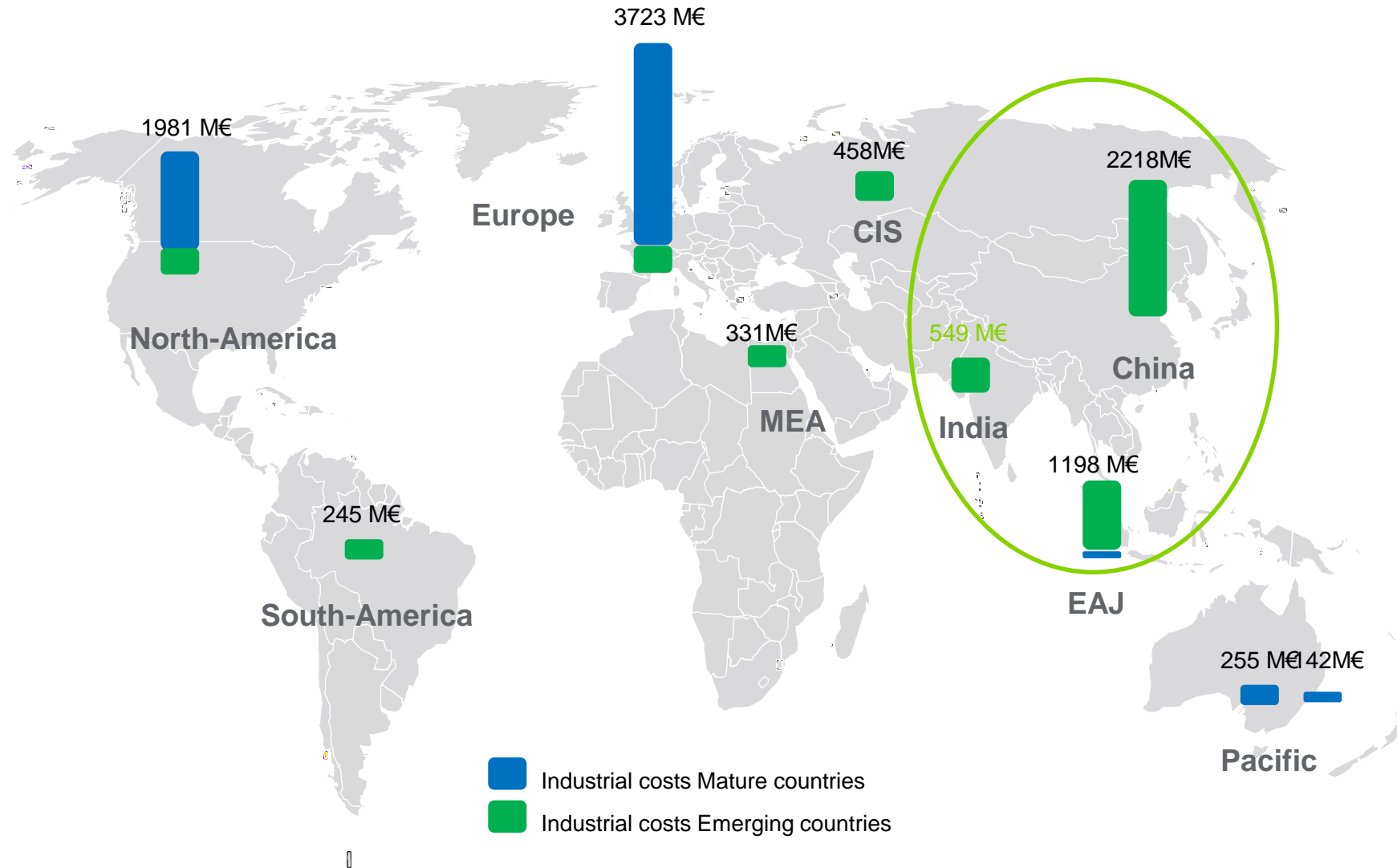


In towns and cities, SE create smart, safe, optimized, and renewable integration with full network visibility and management.

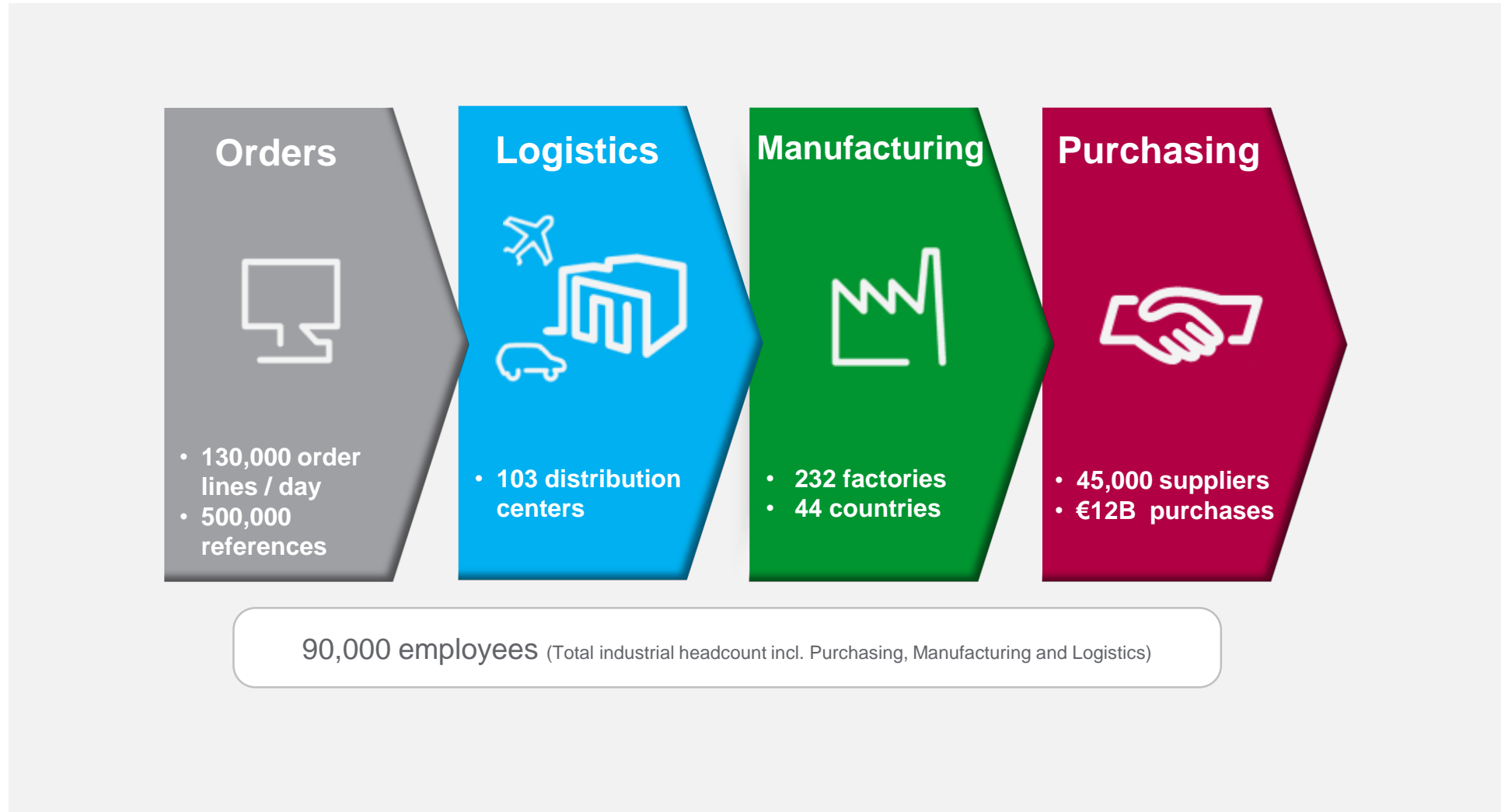


At home, SE create comfortable, efficient, and automated living spaces.

Asia is the first region in term of industrial footprint



Global Supply Chain: a vast worldwide set up resulting from growth & acquisitions



PATH TRANSFORMATION FOR SOURCING

- > 2010 : fragmented organization with different credos and tools, no common processes, poor implementation of global sourcing team recommendations, pretty low performance and weak recognition internally
 - > First actions implemented to improve performance, fix some urgent gaps and start to align the org
 - > Team work to identify the pillars of the transformation needed
- > 2011 Launch of “ Step Up “ 1.0 transformation program
 - > 26 actions plan along 5 main directions
 - > One leader by topic among Global Purchasing staff
 - > Ambitious objectives putting the organization under pressure
 - > Project leader appointed full time
- > Implementation over 4 years

Step-Up program is purchasing 2011- 2014 priority number one

4 challenges

Deliver breakthrough
performance

Increase purchasing
business added value
for our Customers

Manage supply risks

Develop People
& competencies

Structured transformation journey



**Implement one voice in front of
Suppliers to fully benefit from
our scale**

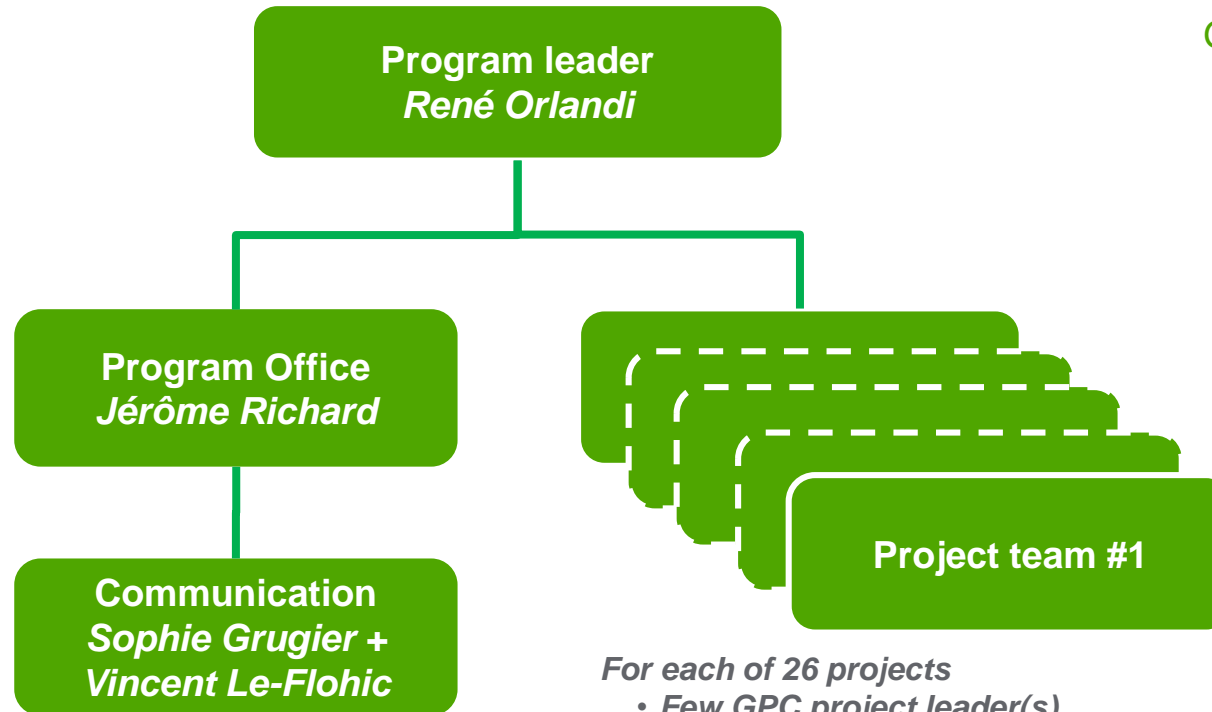
**Professionalize the purchasing
function leveraging
best processes and tools**



Purchasing Step-Up program

	 Deliver a new experience to our partners and end users	 We are an efficiency role model	 Empower, collaborate and personify our brand values thru the 4C's	 We are at home everywhere in new and mature economies
Breakthrough Objectives	Deliver innovative and digitized purchasing solutions tailored to our Customers	Expand margin with a sustaining and efficient Cash, COGS & SFC productivity engine	Connect our people and create engaging leaders, engaged individuals and an engaging workplace	Develop Supplier capabilities within SE ecosystem to create a sustainable advantage
Program projects	<p>Boost co-innovation with Suppliers to enhance offer competitiveness</p> <p>Design and roll-out purchasing model for Solutions and Brand-labeling to contribute to Business performance</p> <p>Deploy best electronics supply model to secure components availability</p> <p>Foster Supplier Quality & Logistics performance on impact perceived by Customer</p> <p>Concentrate transport vendors, contributing to establish a Transportation Management System</p>	<p>Drastically increase speed of qualifications to boost alternate sourcing</p> <p>Fix the QVE model for the Company through resourcing and processes</p> <p>Design and deploy best in class purchasing process, leveraging the Purchasing Excellence System (PES)</p> <p>Leverage One purchasing organization to simplify the way we work and leverage our scale</p> <p>Broaden scope of purchasing measurement on productivity & competitiveness for OCP</p> <p>Contribute to reduce inventory exposure: reduce lead time, deploy Vendor Management Inventory</p> <p>Integrate acquisitions faster</p> <p>Drastically increase data availability and accuracy investing in IS tools & master data</p> <p>Boost NPP operational efficiency</p>	<p>Attract Talents and make purchasing a step in career path</p> <p>Cultivate a culture of safety everywhere in SE</p> <p>Execute best practices for employee engagement</p> <p>Design and deploy purchasing training as a competitive advantage</p> <p>Develop and leverage a purchasing expertise network</p> <p>Think and act globally, virtually and digitally leveraging best communication, collaboration & diversified organization</p>	<p>Implement supply risk management focusing on critical supplies</p> <p>Deploy SE sustainable development ambition with Suppliers, with specific focus on ISO 26000 and Conflicts Mineral</p> <p>Build fewer and stronger supplier relationships with clear expectations</p> <p>Strengthen and increase supply footprint in best cost countries</p> <p>Align on efficient purchasing contract policy with Suppliers</p> <p>Lead lean opportunities deployment with Suppliers</p>
Main KPIs	<ul style="list-style-type: none"> • ESSR, DPMe • Solutions coverage • Supplier innovation 	<ul style="list-style-type: none"> • Gross material & other DVC productivity • NPP productivity • Net productivity, RMI • Base costs 	<ul style="list-style-type: none"> • Talent index • ENPS index • E-learning • Globalization index 	<ul style="list-style-type: none"> • Rebalancing • Spend concentration (OFP & OCP, Top 2000) • ISO 26000 deployment • Risk management deployment (OFP & OCP)

PMO in place and GPC project leaders appointed for each of 26 projects



GPC = Global Purchasing Committee

Each of 26 projects reviewed with R. Orlandi and Program Office on quarterly basis

Ad-hoc reviews in between according to needs

First review held on 80% of scope

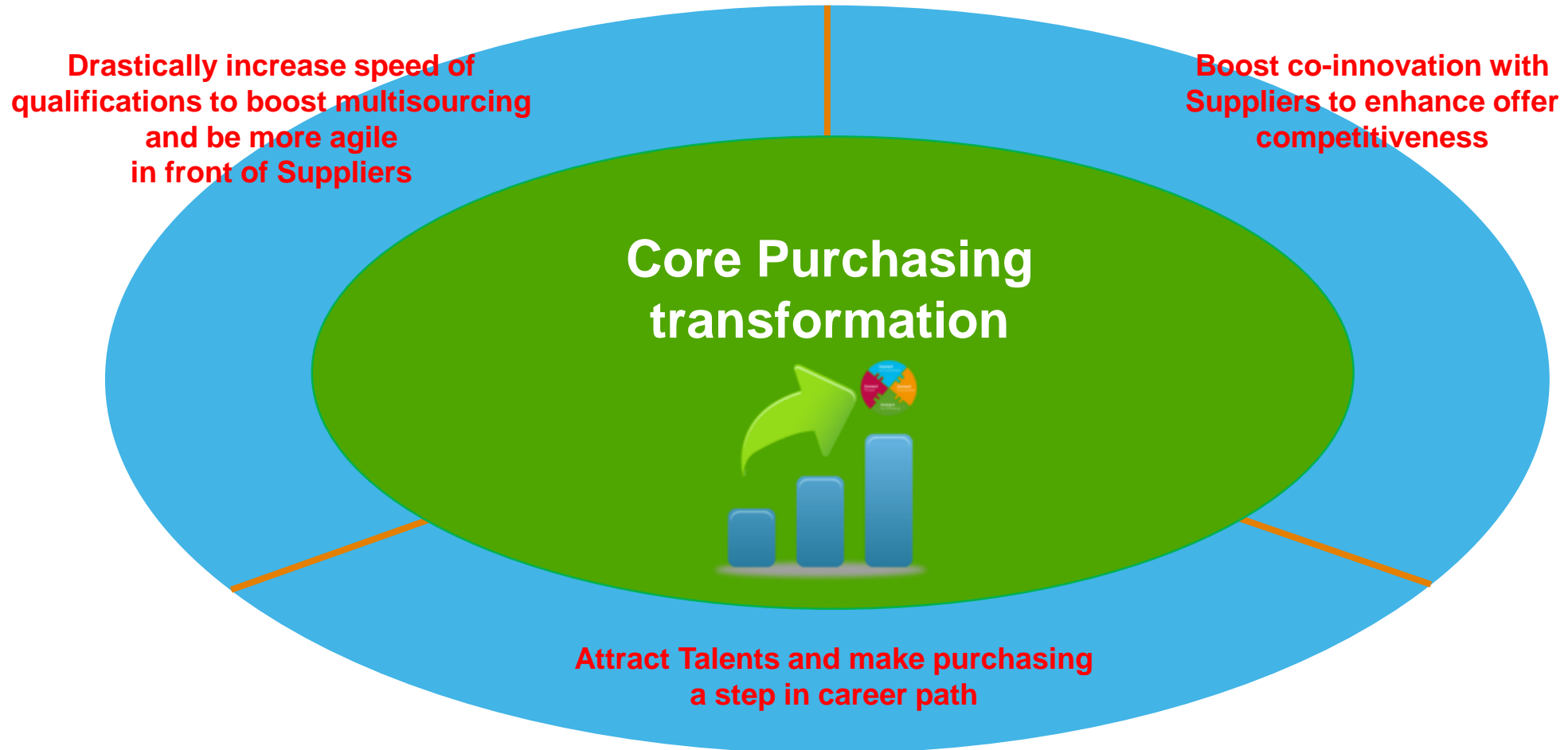
For each of 26 projects

- *Few GPC project leader(s) appointed to design and give rhythm to the transformation*
- *Supported by ad-hoc purchasing project team*

At implementation stage, each GPC member accountable for effective roll-out on its perimeter

Purchasing Step-Up program

*built on core purchasing transformation
and 3 cross-functional breakthrough*



PURCHASING BALANCE SCORECARD

PURCHASING

	YTD	Reference	Trend
ESSR (%)	97,0%	97,5%	↘
DPM _e (ppm)	126	150	↗
Brand-labeling quality (ppm)	330	300	↗
Supplier innovation (# of adopted offer innovations)	13 YTD March	40	↗
Solution coverage (%)	Q	64	

Balanced Scorecard

YTD February 2013

	YTD	Reference	Trend
Gross material & other DVC productivity (%)	3,8%	4,1%	↗
Net material & other DVC productivity (%)	4,0%	-	↘
RMI (€M)	2,6	-	
Gross NPP productivity on rec. spend (%)	4,9%	5,0%	↘
Brand-labeling productivity (excl. Pacific)	2,3%	4,0%	↘
Purchasing base costs (% vs Y-1, GSC)	Not available	-0,5%	

	YTD	Reference	Trend
Talent index			
ENPS index		18	
E-learning	0,3 YTD March	5	↘
Globalization index (%)	41% YTD March		

	YTD	Reference	Trend
Rebalancing (€M)	14	192	↘
Concentration on Recommended (%)	44,8% YTD March	45%	↗
Concentration on Top 2000 (%)	Q	66%	
OCP concentration on Recommended (%)	Q	88%	
ISO 26000 (% of Recommended Suppliers)	9,6%	30%	↗
Risk management deployment - OCP (# of BU/Divisions deployed)	1	7	↗
PCBA KPI (% external vs total spends)	excl. ITB: 59% incl. ITB: 44%	60%	↗ ↘

YTD value : Green in line with Target, Orange between Min and Target, Red below Min
Trend : ↗ improving vs last quarter, → stable, ↘ deteriorating

Simplify

- > One program cascaded thru all organization
- > Commodities strategies globally defined, shared and implemented
- > One balance scorecard with KPIs deployed in each organization group
- > One sourcing organization progressively verticalized and aligned with dedicated support :HR, Finance,IT
- > Common processes implemented and regularly audited to identify and close the gaps

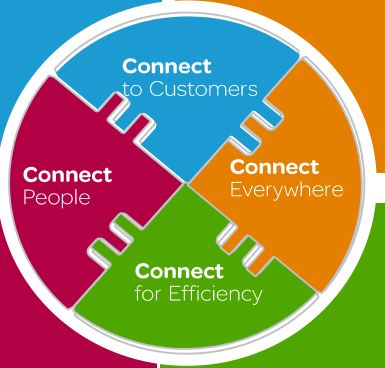
2011- 2014 Purchasing Step-Up program has provided visible & impacting achievements

HIGHLIGHTS

- DPMe & ESSR progress,
- VMI, co-planning, Vfast start
- Co-Innovation
- Solutions Purchasing model, active Spice Community
- Transport concentration & management

HIGHLIGHTS

- Supply Risk Management – SRiM
- Suppliers Concentration improved
- ISO26000
- New Economies rebalancing
- Contracts policy



HIGHLIGHTS

- Continuous progress of employee engagement
- Improved attractiveness of Purchasing through successful career path
- Purchasing people development

HIGHLIGHTS

- One Organization
- Productivity performance
- Common processes deployed & regularly audited
- Acquisitions integration speed
- 1st results on lead times
- NPP shared services sustainable performance

Key learnings

> Set up challenging objectives

> Time management : keep in mind it is a long term project.

- CPO needs to keep the direction, to protect his team from the different calls to alter the objectives and to manage adequately the boss expectations
- Time is needed for people internally to digest and execute accordingly. The same for suppliers to understand the rules of the game and get visibility and trust

> It is mandatory to communicate a lot an ... a lot. Don't be afraid to do too much

- New communications technologies are an opportunity to get speed and favor communication beyond hierarchical layers

> CPO needs to let people in charge to act on day to day and focus more on communication and interaction with key stakeholders

- CEO, BU leaders, Global functions leaders,...

> During the journey use and abuse of surveys and discussion to get the feedback from all stakeholders (team, internal stakeholders, suppliers)

- An efficient way to identify gaps and correct

> I warmly recommend to appoint one Project leader full time