



# ALASKAN PURCHASER

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October 2015

**New Supply Chain Strategy Fuels Growth**

Mary Siegfried- a senior writer for Inside Supply Management®.

Moving from tactical to strategic, while focusing on improved supplier relationships, has helped Raytheon Integrated Defense Systems' supply chain organization become a go-to business partner and begin its journey to becoming a customer of choice.

Market and global economic conditions in the aerospace and defense industry are causing seismic shifts in the way companies in the industry conduct business. Sole-sourced, fixed-priced and cost-plus-development contracts are going the way of the Walkman. And as more international contracts come up for bid, more major U.S. companies find themselves competing with firms in China, France and Germany.

This changing landscape became the burning platform for Andover, Massachusetts-based Raytheon Integrated Defense Systems (IDS) to transform its supply chain organization into a competitive differentiator to fuel business growth. The initial steps in the transformation involved deploying a commodity-based approach and fostering collaborative partnerships across multiple organizations, including engineering, operations, finance and quality, to engage suppliers earlier in the design process and view sourcing as a team sport. Other steps included driving process re-engineering, reutilization and a should-cost mind-set to create strategic agreements with suppliers.

Building a strategic sourcing organization within ISC, comprising supply chain, engineering, operations, quality and finance, was a key element in the process. Raytheon developed a disciplined seven-step strategic sourcing process, explains Michael Shaughnessy, vice president, integrated supply chain, for Raytheon IDS.

The patented process details how the strategic sourcing team aggregates spend, identifies the best supplier for a specific technology or part, optimizes designs, and analyzes current and future spend. It addresses how we engage with the supply base early on in the design stage to leverage supplier expertise to make the most capable systems at an affordable price,".

As a result of the changes, the team:

- Delivered savings of more than 30 percent, moving the organization from an afterthought to a sought-after business partner across the company
- Increased strategic supplier agreements by 35 percent
- Compiled voice-of-the-customer feedback to ensure alignment and joint focus on key processes and financial and systemic impacts through the newly formed Supplier Advisory Council.

Shaughnessy says the organization had been tactical and transaction-oriented in the past. "The supply chain's role was to obtain pricing on a bill of material, submit it as part of the proposal effort and, if awarded the contract, it would buy the part or service," he says. And its interaction with the supply base was to "negotiate as hard as we could to bring the price down 5 percent or 10 percent and then just move forward."

**THURSDAY OCTOBER 1, 2015**  
**NAPM-ALASKA PRO-D MEETING**  
**Site Visit to Alaska Airlines Center**

**UAA Campus**

**See Page 4 For More Information**

**TIME: 5:30 p.m. Networking**  
**Tour will start promptly at 6:30 P.M.**

**Location: Alaska Airlines Center**  
**UAA Campus**  
**3450 Aviation Avenue. Anchorage Alaska**

**RESERVATIONS REQUIRED**

**Contact- Pamela Iverson**  
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Raytheon's leadership transformed its supply chain organization on two fronts — its workforce and its supplier relationships.

**Culture of Continuous Learning :** Shaughnessy says moving the workforce from highly tactical to highly strategic was a challenge that he knew would not happen overnight. One of the first steps was to create a culture of continuous learning for supply management practitioners, giving them tools and training to succeed.

Certification programs are offered for materials program managers, planners, subcontract managers, procurement and import/export team members. In 2013, for example, 218 ISC professionals completed a supply chain export/import certification program, and the organization developed tools to enhance proactive commercial risk management.

Shaughnessy says one of the first things he realized when he joined the organization more than two years ago was that 90 percent of the supply chain team was working on 10 percent of the dollar spend in the supply base, and 10 percent was working on 90 percent of the dollar spend. "That was proof that we were transaction-oriented," he says. "We've been slowly changing so that the emphasis is on 90 percent of the dollars, while performing the transactions that still need to be performed, but doing it more efficiently." He says the strategic focus has galvanized the organization.

**Sharing the Vision :** An important tool Shaughnessy uses to keep the team excited about and focused on change is a yearly strategic business plan. The plan is co-developed by his leadership team as well as leaders from across the business. Members of the Supplier Advisory Council also participate. The plan lists the organization's vision, mission, goals and values, detailing how each is being addressed. It also highlights the organization's accomplishments from the previous year and lays out areas it will focus on in the new year, such as organizational talent and capabilities, strategic sourcing and balanced business agreements. The plan then outlines how those goals will be accomplished, listing a strategy statement, action plan and metrics for each.

"We engage the entire team when we are developing the strategic plan. It's a high-level view of where we're moving as an organization. It really maps where we've been, where we are today and where we want to be in the next couple of years," Shaughnessy says. The strategic business plans are shared throughout the company and with suppliers.

He points to the strategic sourcing team as an example of how the organization has transformed in just a few years. "We developed the group with the concept that strategic sourcing is not a supply chain initiative, it's a team sport," he explains. With that concept in mind, representatives from engineering, quality, finance, operations and IT work side by side within the strategic sourcing team. "When I go to the strategic sourcing area, I have a hard time telling the engineer from the finance person from the sourcing person. It's that kind of collaboration that is fueling our growth," Shaughnessy says.

**Engaging the Supply Base :** From the start of the transformation process, Shaughnessy knew that focusing on the workforce alone was not enough — ISC had to change the way it worked with its supply base. In partnership with Michigan State University, it surveyed about 200 of its top suppliers to find out "what it was doing well and what it could do better."

Two major initiatives resulted from the survey and supplier feedback — the Raytheon Supplier Excellence Program and its Supplier Advisory Council. The new supplier excellence program is an enterprise-tiered program focusing on providing a broader spectrum of joint performance, developing key performance metrics through supplier relationship management, and meaningful dialogue on what is and what isn't working well from a more consistent perspective across Raytheon.

Shaughnessy describes it as forward-thinking. "Not only do we rate suppliers on quality and on-time delivery, but also their investment in technology and how they help us win new business, for example," he explains. "It is a different look than in the past because it helps us demonstrate that we are seeking closer relationships with our top suppliers."

The advisory council includes senior executives from 13 supplier companies, and ISC leadership, and it meets three to four times a year. Its goal is improving partnerships and mutual business performance, and driving improved collaboration and communication across the broader supply base. Establishing a relationship based on mutual trust, in its first year, the council made 15 recommendations for improvements in the Supplier Excellence Program that were adopted.

"We were shocked at the number of suppliers that volunteered from the supply base. After some discussion, we identified a core subset that was representative of the supply base and had the right amount of energy to give us honest feedback. We really are looking for brutally honest feedback, because it's the only way we can get better," Shaughnessy says.

**Becoming a Customer of Choice :** The initiative also sparked Raytheon IDS' push to become its suppliers' customer of choice. To achieve that position, the organization works with its top 150 to 200 suppliers to strengthen strategic relationships, work with the supply base earlier in the design stage and become a trusted, respected partner.

He admits becoming a customer of choice is not a simple process. "We have been working hard to develop relationships," he explains. "I have met with probably 300 to 400 suppliers over the last couple of years. We send trained Six Sigma experts to evaluate and assist them with their processes and we help them with lean principles to bring down their costs."

Shaughnessy believes all solid partnerships also need what he calls "positive tension" to be successful. "You don't get the best solutions and the most efficient way of doing things without a good debate," he notes. "But with strong relationships you can have those healthy debates to work toward a solution. It takes a lot of work."

Looking back on the ongoing transformation process, Shaughnessy says drive and passion are essential to success as well as continuous communication. "And now we are taking this process across the company so we can operate as a Raytheon supply chain, not an IDS or missile systems supply chain. We can further leverage our buying power and expertise. Now, that's exciting."

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### VACANT

## PRESIDENT MARLYS HAGEN, C.P.M., CPPB,

Our fearless leader is off enjoying a much needed road trip, so I am filling in for her. Marlys should be back in time for our next Professional Development meeting in October.

Those of us who attended the September Pro-D meeting were very much enlightened by Ms. Marci Cornell about the pros and cons of implementing systems such as ERPs within our organizations, and the need to plan, plan, plan before even beginning the search for a good system.

We also discussed the need to possibly increase the cost of the Pro-D meeting in the near future and/or explore other venues for meeting locations. To that effect, we will continue to meet at the Coast International Inn through the end of this year (with the exception of the plant tour). Pro-D meetings in February and March will be held at the University of Alaska Anchorage (UAA) Commons, and then at the BP Energy Center for the April and May meetings. More information will be provided in future newsletters. Meeting location for January has not yet been determined, but will be announced in a future newsletter.

Our next Pro-D meeting will be a Plant Tour at the new UAA Alaska Airlines Sports Arena. Several board members did some advance scouting of the dining facilities, and found them to be excellent. If you are planning on attending, you should consider staying to enjoy the amenities offered at the Varsity Sports Grill. They offer a nice variety of appetizers and entrées, sides and desserts, and a nice selection of brews. Also, by staying for a meal, you can get parking validated.

We want to have the best affiliate possible, so please talk up the organization to co-workers and procurement associates and encourage them to join us at the monthly Pro-D meetings.

Ben Milam, Past President, will discuss further in this newsletter the open positions currently available on the Board of Directors. If you've ever wanted to be part of the BOD, this is a good opportunity. Don't be afraid to nominate yourself!

And, as always, don't be a stranger. Let us know if there is anything your Board of Directors can do to make your membership in NAPM Alaska more valuable. We're always happy to hear your comments and ideas. If you have ideas for future topics, or a seminar idea, please contact us. Check out our website for information on the affiliate, list of officers, events calendar, and other interesting information: [www.napmalaska.org](http://www.napmalaska.org).

We love seeing everyone at the monthly Pro-D meetings. However, it is critical to RSVP. A helpful tool that NAPM-Alaska offers is the "Auto Reserve". It automatically RSVPs you for each meeting, so you don't have to remember to call in, or send an email that you will be attending. You just have to remember to let us know if you plan on bringing a guest, or if you don't plan on attending. If you don't attend while on Auto Reserve, you will be charged for that meeting, so it would be critical to remove yourself for that meeting.

If you are interested in signing up for Auto Reserve, let us know at the next Pro-D meeting, or when you call in your RSVP. Also, for your convenience, you can pay on-line through a link on the NAPM Alaska website: [www.nampalaska.org](http://www.nampalaska.org).

*Annie Messer, C.P.M. Vice President*

**DIRECTOR OF EDUCATION  
JARED RENNIE**



*I* want to extend my appreciation to our guest speaker Marci Cornell for providing a thought provoking topic for our first Professional Development of the 2015-2016 Affiliate Year. It was eye-opening to see how companies large and small can apply a relatively simple methodology to approach their software implementations to ensure a much smoother transition process and much more effective outcome. There were certainly more than a handful of concepts that I personally took away and will incorporate into my professional toolbox such as organizational readiness planning, gap analysis, and continuous stakeholder communication & engagement.

As supply chain professionals I think the key takeaway is this: Although we are not typically a direct participant in the full project process, we have a duty to help our organizations realize the full value of the materials and/or services being acquired and there are critical times during the acquisition process to step-up and point out weaknesses and opportunities to add value to our clients and stakeholders.

For our October Professional Development meeting I am excited to invite you on our exclusive tour of the recently constructed Alaska Airlines Center on the UAA campus. Please look for the specifics in this newsletter to ensure you don't miss out on this opportunity for a behind the scenes tour of the facility hosted by a UAA Construction Project Manager.

Discussion will also include how supply chain management played an integral aspect into the realization of this eye-opening multi-million dollar project.

I hope that I will see you there and thank you again for your involvement in our Affiliate.

*Jared*

*Please* join us on Thursday, October 1 at the Alaska Airlines Center on the UAA Campus for a special behind the scenes tour. The evening will kick-off at the Varsity Grill for dinner (on-your-own) between 5:00 PM and 6:00 PM. We will be joined by a UAA Project Manager familiar with the construction of the Alaska Airlines Center at 6:30 PM for the beginning of our tour. Educational elements will include the CMAR process that was used (Construction Manager at Risk), scheduling challenges, and the role supply chain played in this multi-million dollar construction project.

**EVENT DETAILS:**

The Alaska Airlines Center (<http://alaskaairlinescenter.com>) is located at 3550 Providence Dr., Anchorage, AK 99508 (see attached map for reference). Public parking is located adjacent to the building south of the main entrance. A Pay-n-Park meter is located at the north end of the parking lot. The meter has an option for "Varsity Grill" for free but you will need to input your vehicle license plate number to receive a parking voucher. Once you enter the building, you can access the Varsity Grill via the elevators in the main hall. For your convenience, the Varsity Grill offers a full menu as well as beer and wine. Please note, dinner will be on your own, so if you plan on eating at the Varsity Grill - please plan on arriving by 5:30 PM so you can be ready to join the presentation and tour at 6:30 PM. We anticipate the tour with commentary and questions will conclude by 7:30 PM. We look forward to seeing you there!

A \$10.00 donation\* is requested at the door to support Affiliate education programs such as this (\*cash or check please).

*Jared*

**PAST PRESIDENT  
BEN R. MILAM, CPPM, C.P.M.**

While I am no longer the Director of Education, I volunteered to take the lead for our first seminar of the year to assist Jared (see attached flyer). This seminar is a little more unique than the title may imply in that there will be a large section on the Scope of Work. Normally our internal clients develop the SOW to describe the service they want us to buy. Unfortunately they are not always well versed in the requirements of a SOW so it is up to us to clean it up. After all it is our name on the document so we want it right. This is not just a seminar for purchasing professionals, but also an ideal seminar for our internal clients who are charged with the development of the SOW; guaranteed to make our job easier if they attend. As you read the flyer you may recognize the instructor. Mark Grieco has presented seminars for NAPM-Alaska before. He is one of the few attorneys who specialize in Contract Law, plus he is also an eloquent and entertaining speaker. As I write this, we are already past the midpoint of our maximum capacity. Sign up early if you want to attend. Hope to see you there.

On another note, we have 2 vacant positions on our Board of Directors. This is a new year for the board. Not only has the board added some new members on our board, but we are making changes. We have a lot of serious business to conduct, but all have vowed to make this an organization where members can have fun and enjoy going to meetings. We are fortunate to have a large student membership, but we have failed to get them involved. We need to find ways to get our students and other millennials involved in our organization and our profession.

We need your help to fill a Director at Large and a Director of Communications position. Please contact me if you are interested. Cell 907-748-5042; [whiskers@mtaonline.net](mailto:whiskers@mtaonline.net)

**Ben**

**DIRECTOR OF MEMBERSHIP  
WARD W. WELLS, CPPB, C.P.M. (lifetime)**

Greetings from Membership. As we start another year, please take a moment to log on to the ISM website to review and update your contact information. (<http://www.ism.ws/>). You may have recently had employment change, a promotion or new contact information. Your assistance is greatly appreciated!

If you are in the supply chain or procurement work force and desire to expand your career opportunities, consider joining NAPM- Alaska. Our goal is to educate, develop, and advance the purchasing and supply management profession in the last frontier. We provide high quality educational programs and networking opportunities as key ingredients to success. Contact Ward Wells at [flatheadward@yahoo.com](mailto:flatheadward@yahoo.com) or any board member listed on page three of this newsletter.

Recently our affiliate received 16 new student membership applications. We are honored to welcome them to our affiliate.

**Ward**

**Save The Date - Fall Educational Seminar!**

Our fall educational seminar "Contracting for Services" will be held November 12 & 13 from 8:00AM - 4:30PM. Seats are quickly filling up for this popular topic and are available on first come – first paid basis. If you are planning on attending please send in your registration ASAP. Details were provided in last month's newsletter, and on the flyer in this month's newsletter. Our guest Instructor, Mark Grieco, is one you don't want to miss!

October 2015



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## **WHAT'S HAPPENING!**

**THURSDAY,  
October 1, 2015**

**SITE VISIT**

**ALASKA AIRLINES  
CENTER**

**UAA CAMPUS**

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The Alaskan Purchaser is published monthly (September to May) by NAPM-Alaska, Inc., an educational organization committed to providing purchasing and supply management practitioners the opportunity to enhance their professional skills and knowledge. If you have an item you would like to contribute to the newsletter, please contact:

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