

Toolbox for Driving Improved Margin and Cash Flow

September 2021



Wil is the Founder and Principal Executive of Crowe's Strategic Sourcing | Logistics Optimization practice. He has over 19 years of operations and supply management experience, including 10 years in supply chain management positions with Ford Motor Company, Union Pacific, Pharmacia/Monsanto and DE-STA-CO (a Dover Company). Wil has served 50+ construction, manufacturing and distribution clients spanning many sub-industry segments, including non-residential & residential construction, industrial engineering services, infrastructure, automotive, chemicals, oil / gas, aerospace, pharmaceuticals, consumer goods, waste management and others.

Education:

- B.A., Supply Chain Management, Michigan State University
- Certified Supply Chain Manager (CSCM)

Industries Served:

- Construction
- Engineering & Design
- Automotive
- Aerospace
- Medical device
- Pharma
- Logistics
- Special metals
- Food & Beverage

**Education:**

- Bachelor of Science, Industrial and Systems Engineering, Auburn University

Industries Served:

- Energy Generation Maintenance, Modification and Construction
- Energy Transmission Construction
- Architectural and Residential Glass
- Automotive Powertrain, Glass, Electrical, Wheels, Interior Trim, and transmission

Mr. Bunnell is a performance improvement Advisory Manager that leads transformational projects with clients. He has led project teams to improve OEE, maximize EBITDA, reduce labor and operating costs, instill Continuous Improvement cultures and implement company-wide Lean-Six Sigma initiatives across various industries including Architectural Glass, Industrial Construction, Energy Generation and Transmission Services, Heavy Industrial and Consumer Automotive, and Food Service.

He has served the Energy Generation, Maintenance Modification & Construction, and Transmission Construction industry by transforming revenue recognition, cost allocation, and margin visibility.

In addition to consulting, Steven spent over 9 years in the Automotive industry working as a Continuous Improvement Manager, Quality Manager, Business Unit Leader, Project Manager and Production Manager.

Strategic Sourcing & Logistics Optimization

We help companies do three things to boost margins...

1

Negotiate with
suppliers

2

Optimize freight
cost

3

Transform team
performance

In our approach, we...

- ✓ Serve as a trusted supply chain advisor to top management
- ✓ Identify and qualify opportunities, then build plans to achieve results
- ✓ Execute the plan to deliver significant financial results while improving operations
- ✓ Are vendor agnostic and driven to provide and exceptional client ROI

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Procurement & Logistics Optimization Service Offerings

Procurement Spend Analytics

Spend Visibility | Opportunity Identification | Strategic Sourcing Plan Development

We leverage technology to identify and qualify third party spend savings opportunities; and to track and sustain results.

Category Strategic Sourcing

Indirect | SG&A | Transportation - 10%+ saving | Direct Materials – 3%+ savings

We deliver savings while improving alignment with suppliers by leading an objective strategic sourcing process.

Logistics Optimization

Set Freight Cost Strategies | Carrier Selection | Mode & Route Optimization

We deliver bottom-line impact and operational improvement by optimizing across multiple logistics value levers.

Supplier Development

Supplier Site Evaluations | Integrated Supply Solution | Score-Carding & Governance

We help companies improve operational performance and increase capabilities that drive business competitiveness through the execution of supplier development strategies and by driving overall supplier performance accountability.

Procurement & Logistics Team Transformation

Organizational Assessment | Leverage Best Practice | Admin Process Optimization

We drive sustainable value from Procurement and Logistics beginning with a comprehensive gap analysis of operations to develop prioritized recommendations through implementation of best-practices.

Crowe's Performance Improvement / Operational Excellence Team

When companies experience...

- **EBITDA challenge**
- **Market growth**
- **Turnaround or Restructuring**
- **Growth by acquisition**
- **Working capital challenges**

In our approach, we...



Listen to your story

We understand the expectations of your operational performance and the impact that has on the Company's strategy..



Diagnose your problem

We discuss your story and break it down it into categories, metrics, and priorities. This analysis arrives at a precise diagnosis of the problem.



Execute

We execute and implement the operational improvements to deliver a return.

We deliver...



Manufacturing and Supply Chain Operations

We improve labor productivity, throughput, forecasting, planning and scheduling optimization, overall equipment and facility effectiveness, cost of to serve, Lean and Six Sigma



SG&A Optimization

We assist in back office flow and optimization, gross margin and pricing, geographic and distribution footprint review, sales force effectiveness, and reporting and organizational accountability



Operational Turnaround & Restructuring

We help with cost structure optimization, capacity and footprint rationalization, procurement/low cost sourcing strategy and execution, customer and product rationalization, commercial optimization



Working Capital Optimization

We help optimize Inventory (raw material and finished goods), Accounts Payable, and Accounts Receivable optimization

Resulting in...

- **Identification of operational levers to financial results**
- **Quantified operational improvement opportunities**
- **Scorecard and accountability tools to sustain performance improvement**

Overview

... **pragmatic strategies you** can influence for driving **improved margin** and **cash**:

- Build an understanding of margin and cash improvement opportunities and how you can influence outcomes
- Learn about peer company approaches, results achieved, best-practice and lessons learned
- Build a clearer understanding of the CFO's role to vet and support execution of your company's opportunities

Revenue / Cash

Cost

Levers

- Good Customers & Bad Customer
- Sales force effectiveness
- Revenue Recognition
- Estimation Best Practices
- Target Margins
- Product and or Services Rationalization
- Invoicing trigger points
- Invoicing Efficiency
- Invoice process: getting paid for impacts, deviations, redlines, EO, etc.
- (AR) Focused collections
- (AP) Payable terms

- SG&A efficiencies
- Mid-Tier Management: Leadership vs. Technical ability
- Direct Labor efficiencies
- Cost of poor quality
- Strategic Sourcing
- Equipment & Materials Management
- Metrics and Accountability

What are the levers in your business?

I don't make the numbers... just report them.

Revenue / Cash Levers

Good Customer

- “They pay on time in full”
- “I get my Change Orders paid”
- “They don’t fight me on impacts”
- “We can use their system to bill and track payment approval and issuance”
- “We are aligned / agree on the job status, schedule and budget”

Bad Customer

- “... must send the national guard to collect fees”
- “Won’t, or slow, to approve Change Orders”
- “We still have a balance to negotiate from the last project”
- “Their PM’s and AP clearly don’t know each other even exist”

Focus on what you can control. Can you control your Customer?

Design your processes for success (e.g., mitigate risk, manage jobs, shepherd clients)

Market and sell services within your core business

- Can we delivery this job (e.g., is it what we do)
- What are the special considerations / risks associated with the job (e.g., specialized equipment, odd location, etc.)
- Do we have capacity (e.g., recruiting during a national labor shortage is tough)

Once sold, manage the job (e.g., productivity, team performance and margin)

- CPI, SPI, job cost allocation, % complete, load board budget vs. actual, etc.
- At what frequency do we monitor?
- Identify, concur, and allocate ECO's, specialized equipment, scope creep, etc.

Get involved...

... manage your clients through the cashflow cycle, so they receive no surprises

... impact of doing this poorly?

That's great, but where's my cash?

Include **revenue recognition** milestones / methodology in your estimation build up and review.

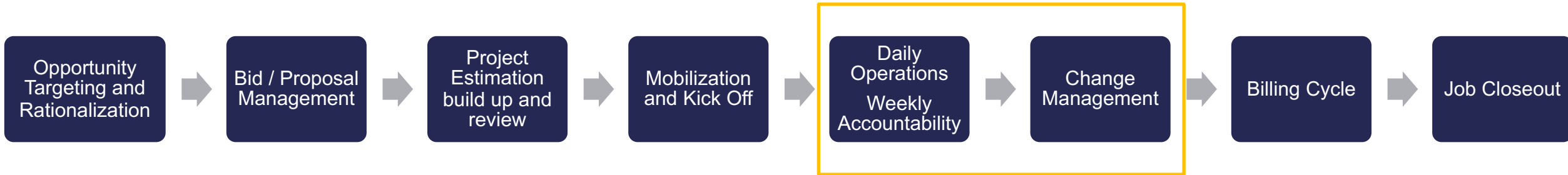
Revenue triggers must be defined up front, and how you are tracking them.

1. Weekly billing
2. Project completion percentages
3. Job closeout (e.g., waiting on package finalization)
4. Release level completion (i.e., a job within a job)
5. Project schedule milestones or thresholds

*What is your process?
Are you consistent
across the business?*

Do you know when these triggers hit? Better yet, do you know when the NEXT trigger WILL BE hit?

Are we asking the right questions? The benefit of getting more involved...



...completing work to submitting a bill is a hidden process. When managed poorly it will **DOUBLE** your “DSO”.

A Clear Accountability Cadence

Near real-time job performance management is best...

Poor Practices

- I know our job's performance by the:
- End of the following month (P&L)
- End of the first week of the following month (P&L close cycle)



Strive for...

- End of the following week
 - End of the week
 - Following day
 - End of the day



- Front loaded management drives early course corrections when need
- With job / project visibility, you can ANTICIPATE the next milestone for billing and monitor bill work up throughput...

Accountability Cadence (Continued)

Strive for daily performance assessment of your job / crews / projects

| Crew # | FTE's | Mon 6/21/2021 | Tue 6/22/2021 | Wed 6/23/2021 | Thu 6/24/2021 | Fri 6/25/2021 | Sat 6/26/2021 | Sun 6/27/2021 | Mon 6/28/2021 |
|--------|-------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| OF-804 | 5 | \$ 100.49 | \$ 100.35 | \$ 99.76 | \$ 125.96 | \$ 118.63 | \$ 115.40 | NO HOURS | NO HOURS |
| OF-811 | 5 | \$ 118.87 | \$ 118.87 | NO HOURS | \$ 118.87 | NO HOURS | NO HOURS | NO HOURS | \$ 118.87 |
| OF-814 | 5 | \$ 84.68 | NO HOURS | \$ 97.07 | \$ 106.59 | NO HOURS | NO HOURS | NO HOURS | \$ 101.88 |
| OF-815 | 5 | \$ 87.57 | \$ 112.03 | \$ 98.29 | \$ 80.95 | \$ 105.79 | NO HOURS | NO HOURS | \$ 113.24 |
| OF-801 | 5 | \$ 114.16 | \$ 139.63 | \$ 86.82 | \$ 109.63 | \$ 104.14 | NO HOURS | NO HOURS | \$ 103.74 |
| OF-803 | 4 | \$ 34.71 | \$ 64.26 | \$ 121.21 | \$ 128.62 | \$ 132.85 | \$ 88.85 | NO HOURS | \$ 110.38 |
| OF-813 | 4 | NO HOURS | NO HOURS | NO HOURS | NO HOURS | NO HOURS | NO HOURS | NO HOURS | \$ 98.19 |
| OF-816 | 4 | \$ 55.72 | \$ 111.52 | \$ 89.63 | \$ 66.40 | \$ 30.24 | NO HOURS | NO HOURS | \$ 60.25 |
| OF-805 | 4 | \$ - | NO HOURS | \$ 122.33 | \$ 43.49 | NO HOURS | NO HOURS | NO HOURS | \$ 112.48 |
| OF-806 | 5 | NO HOURS | NO HOURS | NO HOURS | \$ 69.84 | \$ 120.29 | \$ 112.38 | \$ 112.38 | \$ 97.30 |
| OF-807 | 5 | \$ - | NO HOURS | NO HOURS | \$ - | NO HOURS | NO HOURS | NO HOURS | NO HOURS |
| OF-809 | 5 | NO HOURS | \$ 161.45 | \$ 75.55 | \$ 69.21 | NO HOURS | NO HOURS | NO HOURS | \$ 131.05 |
| OF-802 | 4 | \$ - | \$ 108.73 | \$ 86.35 | \$ 61.66 | \$ 61.90 | NO HOURS | NO HOURS | \$ 76.72 |
| OF-810 | 5 | \$ 8.09 | \$ 154.94 | \$ 112.46 | \$ 132.97 | \$ 30.62 | NO HOURS | NO HOURS | \$ 114.24 |
| OF-808 | 5 | \$ 12.74 | \$ 117.28 | \$ 183.54 | \$ 84.34 | \$ 72.88 | NO HOURS | NO HOURS | \$ 134.80 |
| OF-812 | 5 | \$ 66.40 | \$ 116.81 | \$ 122.62 | \$ 128.42 | \$ 200.12 | NO HOURS | NO HOURS | \$ 82.72 |
| OF-817 | 5 | \$ 66.40 | \$ 116.81 | \$ 122.62 | \$ 86.94 | \$ 125.42 | NO HOURS | NO HOURS | \$ 116.65 |
| OF-818 | 5 | \$ 61.58 | \$ 90.03 | \$ 43.65 | \$ 45.99 | NO HOURS | NO HOURS | NO HOURS | \$ 67.65 |
| OF-819 | 5 | \$ 70.62 | \$ 108.73 | \$ 94.99 | \$ 73.42 | \$ 138.17 | NO HOURS | NO HOURS | NO HOURS |
| OF-822 | 5 | \$ 113.35 | \$ 102.86 | \$ 107.02 | \$ 118.79 | \$ 183.45 | NO HOURS | NO HOURS | \$ 54.37 |
| OF-820 | | NO HOURS | NO HOURS | \$ 98.46 | NO HOURS | \$ 99.80 | NO HOURS | NO HOURS | NO HOURS |
| OF-821 | 4 | \$ 127.28 | \$ 138.66 | \$ 92.39 | \$ 108.57 | \$ 116.77 | NO HOURS | NO HOURS | NO HOURS |
| | | \$ 72.21 | \$ 116.51 | \$ 103.48 | \$ 87.55 | \$ 108.81 | \$ 104.37 | \$ 112.38 | \$ 100.85 |

- =
- Early course corrections
 - Improved performance
 - Less *month end* surprises

Cost Levers

Wait... what did that revenue cost?

Allocating costs in a targeted way and frequently...



Cost Levers – Allocate, Track, Course Correct

What areas have you attacked in recent years ...successes you have had?

| Labor Productivity Direct & Indirect | Material | Equipment Management | Leadership | SG&A | Work Quality |
|--|---|--|---|--|---|
| <ul style="list-style-type: none"> • Billable vs. Non-billable hours % • Direct Labor vs Indirect labor ratio • Communicate targets to those making the money | <ul style="list-style-type: none"> • Consumption vs. plan • Billable vs. non-billable • Pre-job inspections • Consignment • Inventory Management • Strategic sourcing | <ul style="list-style-type: none"> • Job Allocation • Cost Allocation • Repair and Maintenance • Fuel • Effective vs. idle time | <ul style="list-style-type: none"> • Technical vs. people skill • Crew / job / site to leader ratio • Clear Roles and Responsibilities • Success Planning • Safety Culture | <ul style="list-style-type: none"> • Billability • Proximity to work done (location and hierarchy) • Efficiency (manual allocation, reporting, etc.) | <ul style="list-style-type: none"> • ‘Go-backs’ • Walk downs / ride outs • Location Surveys • Best practice training and culture • Experience vs. scope assessment |
| How do you measure productivity? <ul style="list-style-type: none"> • SPI • CPI • Revenue / Labor Hour • Load board plan vs. actual | Inventory Management <ul style="list-style-type: none"> • Glide Path • Lead times • Shrink | Fleet management <ul style="list-style-type: none"> • GPS • Rent / Lease / Own • Op vs. Cap Lease • Operating efficiency | Leadership <ul style="list-style-type: none"> • Even Tiger Woods had a swing coach • Spend more time mentoring than reacting • Choose capable leaders, not capable tradespeople | Support Structure <ul style="list-style-type: none"> • Spend Money where you make money • What roles can we bill for? Did you ask? • What manual processes are you asking of your resources? | Quality Delivery <ul style="list-style-type: none"> • Plan for Quality in tandem with Safety • Review CTQ Characteristics during the estimation build • What will it cost? |

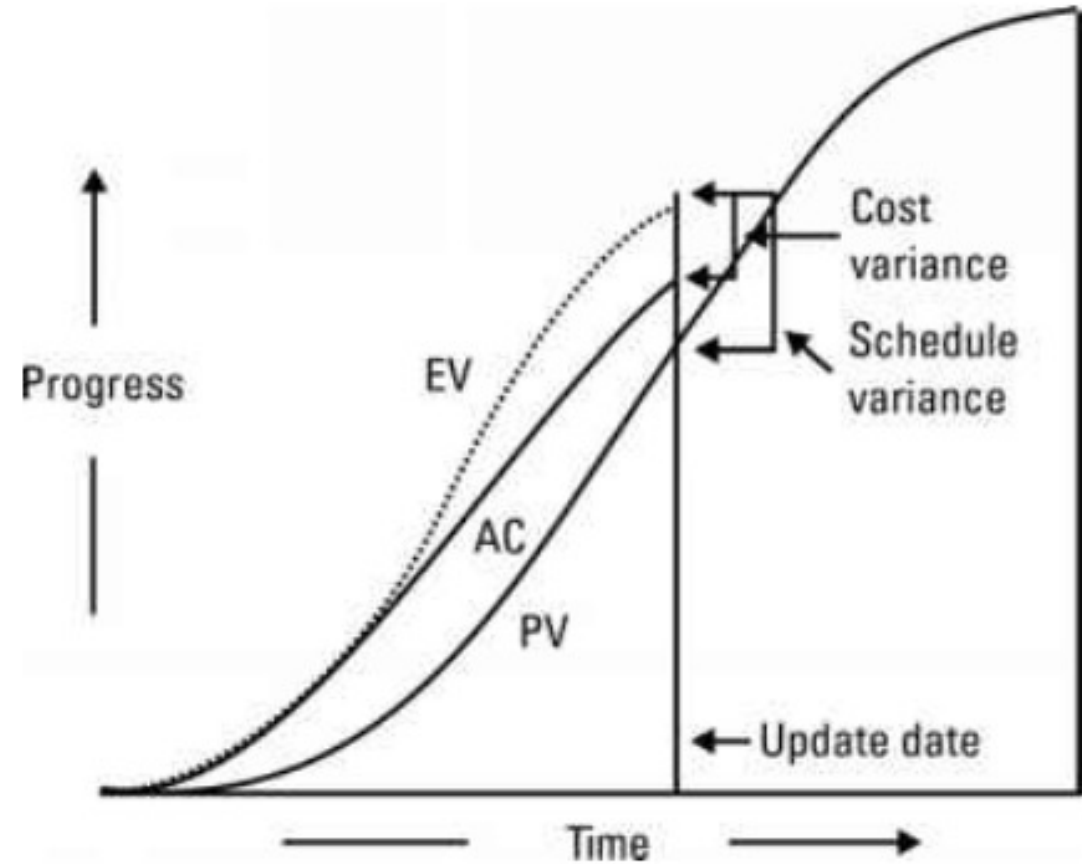
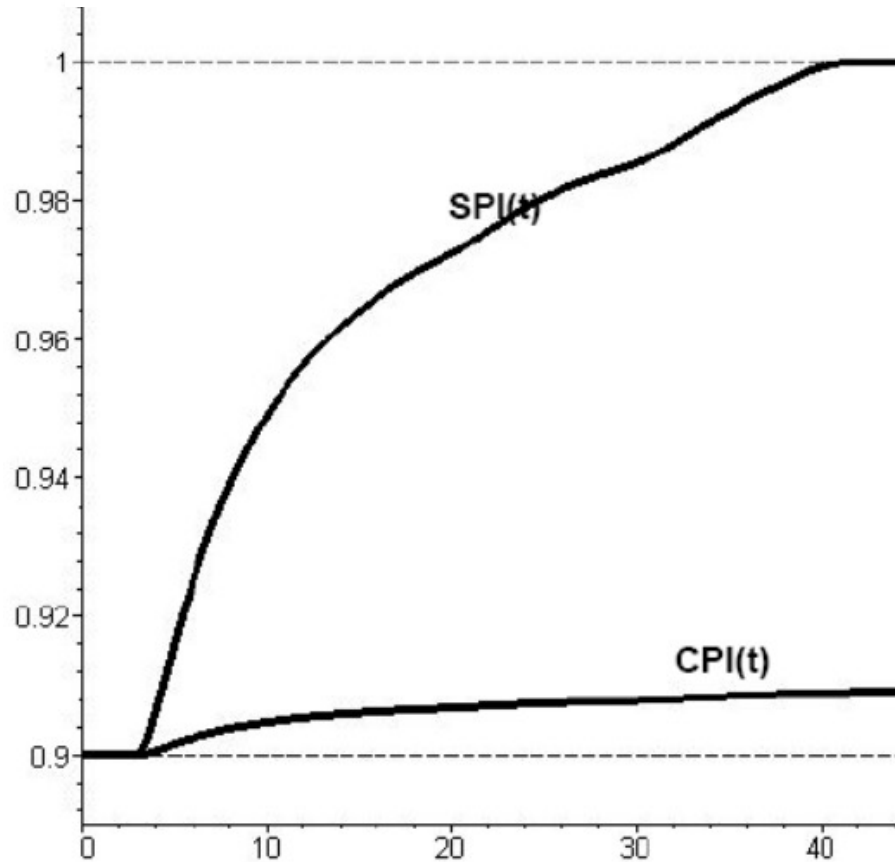
Communicate / Measure Cost Performance - Empower People

| Weekly Summary Grid | | | | | | | | | | | | | |
|---------------------|-------------------------------|---------------|--------------------------------------|-----------------|-----------------|---|--------------|--|------------|----------------|-------------|-----------------|---------------|
| Customer | Timberline Job# | Gross Margin | Gross Profit | Total Revenue | Total Job Costs | Total Payroll | Per Diem Pay | Vehicle Costs | Fuel Costs | PTO Allocation | Credit Card | Other Job Costs | Per Diem Days |
| OG&E | 19-00827-1 | 18.7% | \$1,676 | \$8,978 | \$7,302 | \$4,306 | \$1,155 | \$1,358 | \$339 | \$0 | \$0 | \$143 | 11 |
| | 20-00814-1 | 35.7% | \$8,776 | \$24,608 | \$15,831 | \$10,965 | \$1,995 | \$2,049 | \$512 | \$0 | \$0 | \$310 | 19 |
| | 20-00863-1 | 9.6% | \$839 | \$8,695 | \$7,856 | \$6,710 | \$0 | \$794 | \$198 | \$0 | \$0 | \$154 | 0 |
| | 99-10010-1 | | (\$13,604) | \$0 | \$13,604 | \$6,642 | \$735 | \$4,768 | \$1,192 | \$0 | \$0 | \$267 | 7 |
| | 99-10079-1 | 69.5% | \$484 | \$696 | \$212 | \$198 | \$0 | \$8 | \$2 | \$0 | \$0 | \$4 | 0 |
| | 99-10080-1 | 40.9% | \$7,273 | \$17,769 | \$10,496 | \$7,736 | \$0 | \$2,043 | \$511 | \$0 | \$0 | \$206 | 0 |
| | 99-10081-1 | -34.0% | (\$1,914) | \$5,623 | \$7,537 | \$4,778 | \$0 | \$2,090 | \$522 | \$0 | \$0 | \$148 | 0 |
| | 99-10128-1 | 44.4% | \$25,313 | \$57,046 | \$31,732 | \$18,418 | \$5,040 | \$6,122 | \$1,530 | \$0 | \$0 | \$622 | 48 |
| | 99-10167-1 | 64.9% | \$2,126 | \$3,278 | \$1,152 | \$869 | \$0 | \$209 | \$52 | \$0 | \$0 | \$23 | 0 |
| | 99-10196-1 | 41.2% | \$20,518 | \$49,785 | \$29,266 | \$20,398 | \$4,095 | \$3,359 | \$840 | \$0 | \$0 | \$574 | 39 |
| | | | | | | | | | | | | | |
| Job Number | Job Name | Week Ending | Notes | | | | | | | | | | |
| 19-00827-11 | OGE-TD&C OUTER DISTRICT | 8/15/21 | Mashell provided accrual upload file | | | | | | | | | | |
| 20-00814-11 | OGE-TRBLSHTR | 8/15/21 | Mashell provided accrual upload file | | | | | | | | | | |
| 20-00863-11 | OG&E UDG BAD ORDER REPAIRS | 8/15/21 | Mashell provided accrual upload file | | | | | | | | | | |
| 99-10010-11 | OG&E OPERATIONAL ACCRUAL ACCT | 8/15/21 | No comment provided | | | | | | | | | | |
| 99-10079-11 | OG&E UG Replacements | 8/15/21 | Mashell provided accrual upload file | | | | | | | | | | |
| 99-10080-11 | OG&E UG Conversions | 8/15/21 | Mashell provided accrual upload file | | | | | | | | | | |
| 99-10081-11 | OG&E UG Trench | 8/15/21 | Mashell provided accrual upload file | | | | | | | | | | |
| 99-10128-11 | 7980264 Wilshire 23 GR | 8/15/21 | Mashell provided accrual upload file | | | | | | | | | | |
| 99-10167-11 | UG New Services | 8/15/21 | Mashell provided accrual upload file | | | | | | | | | | |
| 29.4% | | \$212K | | \$150K | | W.E. Date | | Customer | | | | | |
| Gross Margin | | Total Revenue | | Total Job Costs | | <input type="checkbox"/> Select all <input checked="" type="checkbox"/> 8/15/21 <input type="checkbox"/> 8/8/21 | | All ▼ <div> <div>Type of Work</div> <div> <input checked="" type="checkbox"/> Select all <input checked="" type="checkbox"/> BID <input checked="" type="checkbox"/> OVERHEAD <input checked="" type="checkbox"/> T&E <input checked="" type="checkbox"/> UNALLOCATED <input checked="" type="checkbox"/> UNIT </div> </div> <div> <div>Job Type</div> <div> <input checked="" type="checkbox"/> Select all <input checked="" type="checkbox"/> Regular <input checked="" type="checkbox"/> Storm </div> </div> | | | | | |

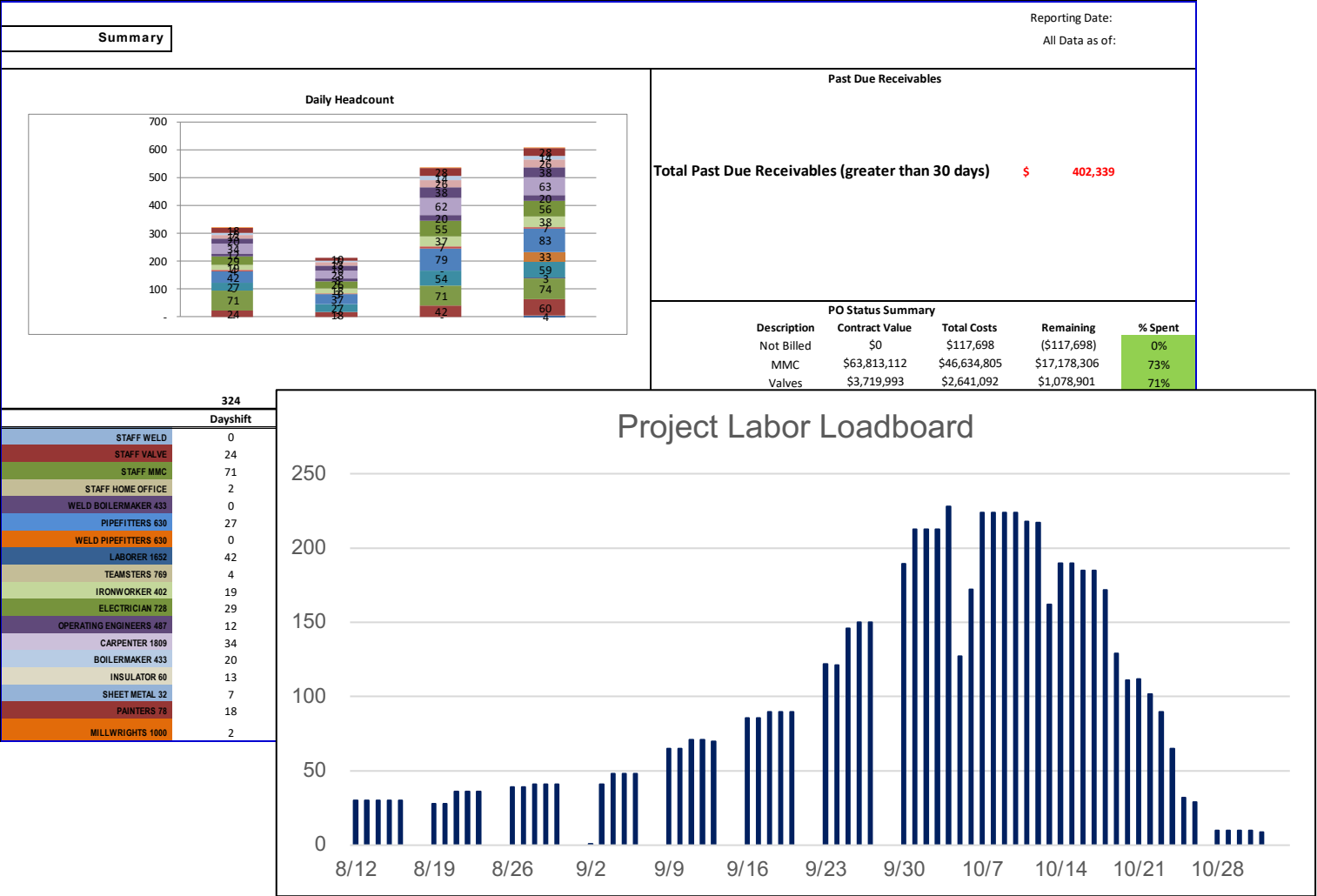
Helps your Project Managers... manage.

SPI & CPI

PM's must do this and FI should be reviewing to anticipate cost or schedule impacts... vs. waiting for surprises.



... you DON'T need software to do this (does help however).



Use reports to...

- Monitor your cash position, and its relevant functions
- Load boards
- Daily head count
- Past dues, PO status, impacts, etc.

All effect your cash and must be visualized and transparent to the business.



Procurement synergies are well understood, yet few organizations are positioned to capture value. Companies that do enjoy the benefits of a critical and **differentiating competitive advantage**...



Reduced supply chain management **risk** and **disruption**

*Once the exception – now the norm; companies experience **2 – 3 supply chain disrupting events annually***



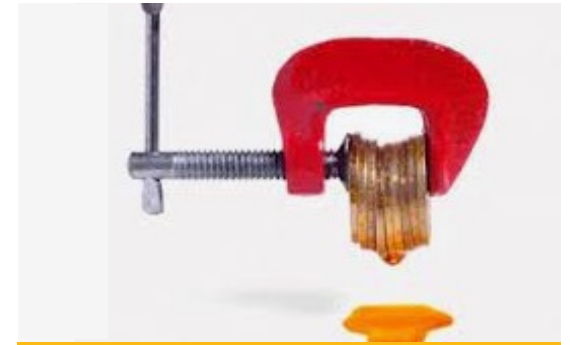
Streamlined and more **scalable** procurement **administration**

***Poorly designed processes and lacking automation** are the greatest barriers to scalability*



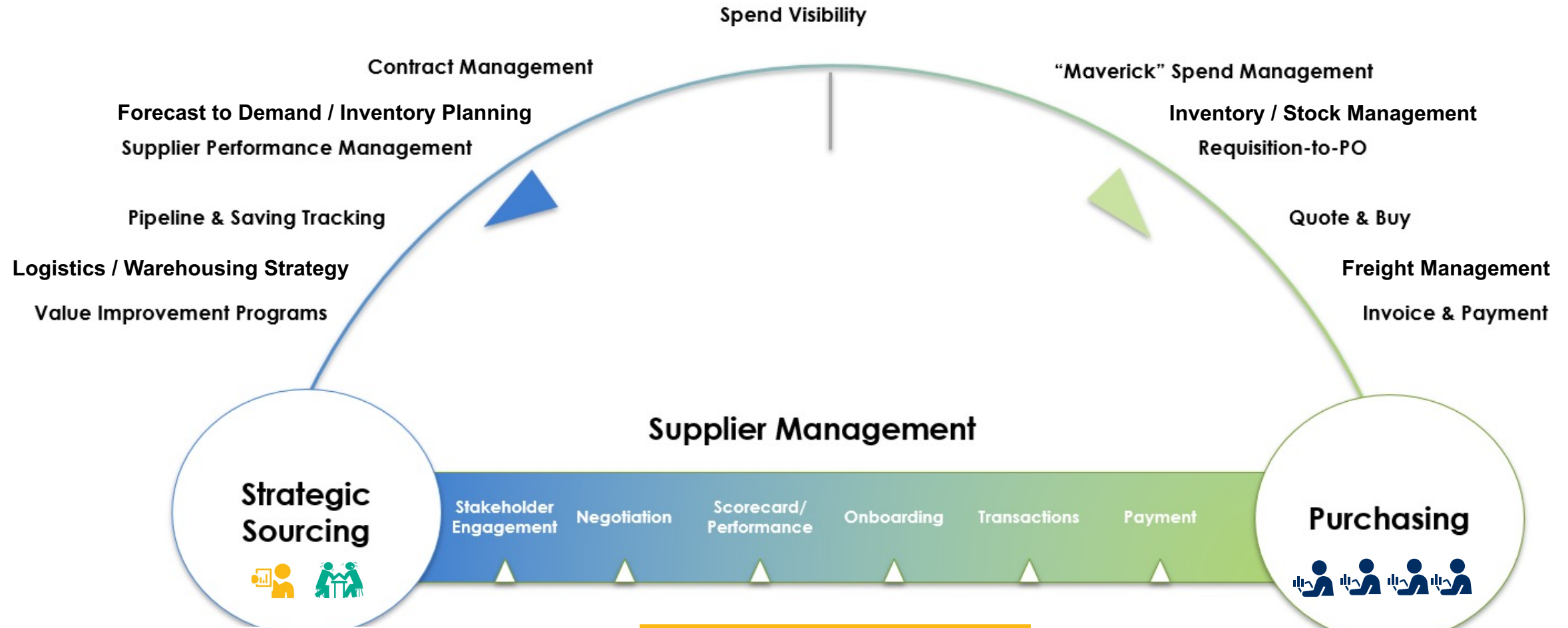
Improves supply partner **relationship management**

*~80% of companies with **high-performing supply chains** achieve **revenue growth greater** than the average within their **industries****



More **competitive cost**

2% - 5% lift in net income



A structured and objective process for supplier selection, negotiations and management. The goal is to achieve optimal alignment between organization needs and wants and the most capable supplier in the market.

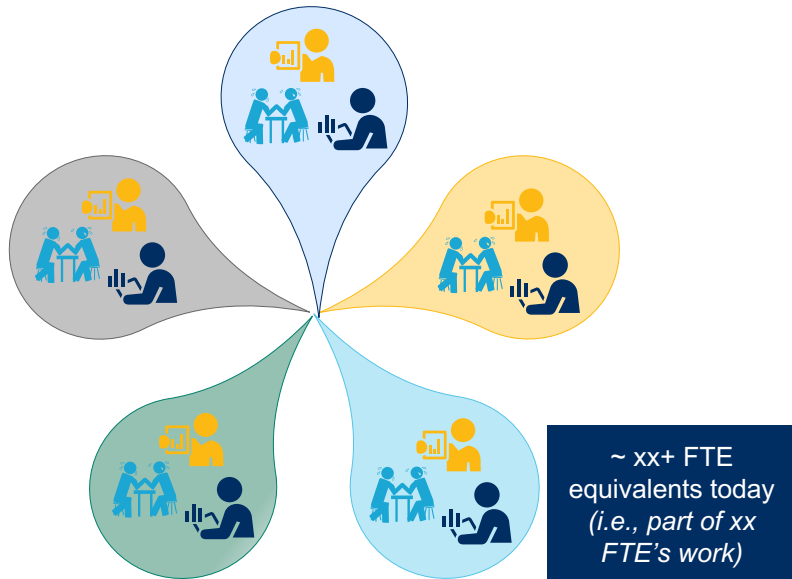
Goal – maximize organization value

- Not the same thing; and,
- Disappointing result when mixed.

Tactical day-to-day transaction level management of requirements, new purchase orders, open order management, receipt... to payment.

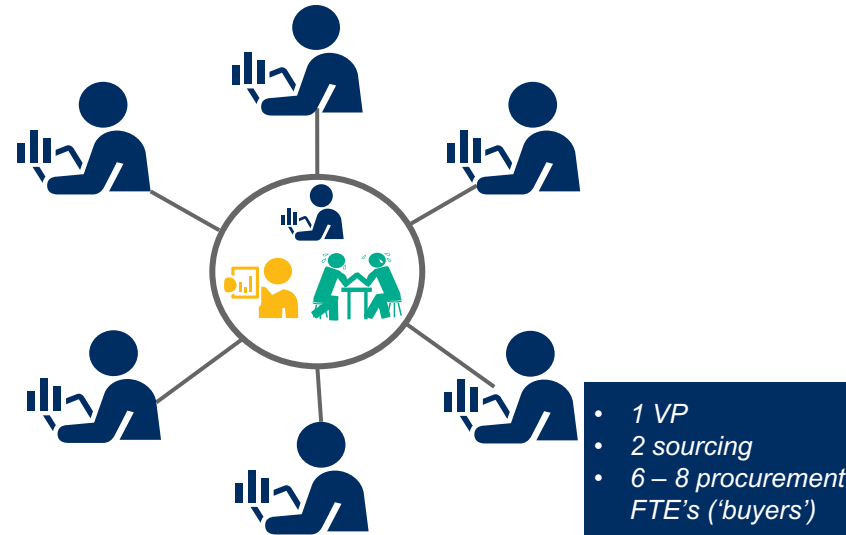
Goal – responsive, accurate and efficient transactions

Critical to find the **right balance** of efficiencies without squandering stakeholder independence.



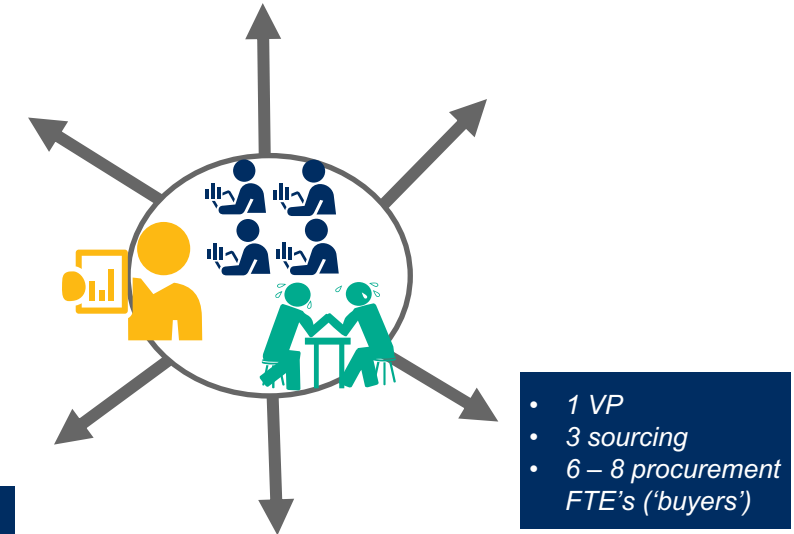
- Transactional procurement disparity managed across the business; and,
- No apparent strategic sourcing
- Presumably, good service level, customized and responsive; however, unscalable, poor structure for supplier / risk management and low levels of synergy capture

... likely Current State



- Centralized strategic sourcing and with a combination of centralized and center led transactional procurement personnel
- Policies, processes and governance are center-led and managed
- More scalable management structure with better controls and synergy capture balanced with fewer barriers and speed to day-to-day decisions / transactions (i.e., *negotiate global – execute local*)

Center Led



- A single centralized department for all strategic sourcing & procurement decisions and transactions
- Policies, processes and governance are center-led and managed
- Most scalable with highest levels of control and synergy capture; however, can become disconnected from the business and overly bureaucratic if not thoughtfully managed

Centralized

The difficulty of overcoming organizational pride is underestimated and can bring a program launch to a stop quickly. If you do not have support of your Executive leadership team – don't bother. Other implementation roadblocks include:

- Lack of organizational adoption;
- Fear over contract disruptions;
- Easier to not change and “we are different/special” complex;
- Discount the monetary impact sourcing can make;
- Have tried and failed in the past;
- Over or underestimate the time and resources needed.

What matters most is that...

...what is created
aligns with your
strategy

...we make
stakeholders live
easier and **add**
tangible value

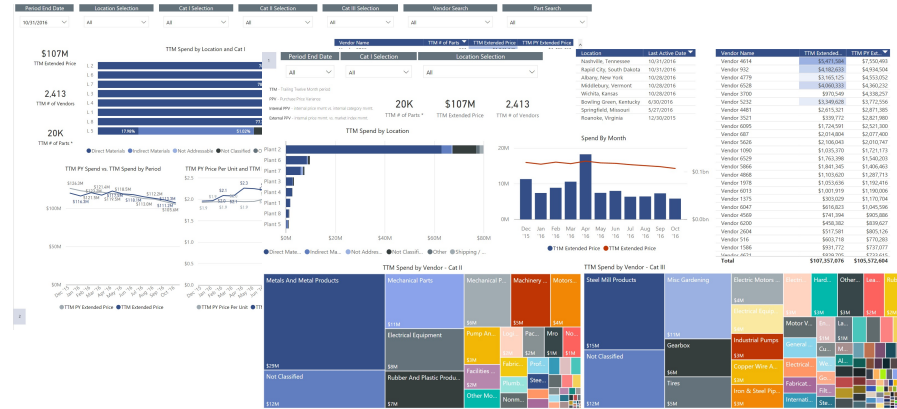
...we achieve
alignment across
your **leadership**
team

... have a **clear**
execution plan
and **tech**
strategy

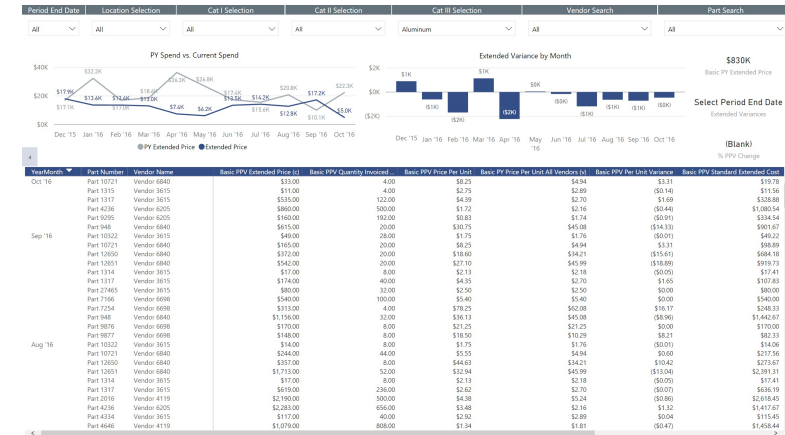
The Power and Value of Spend Visibility

An analysis platform is used by sourcing teams to monitor spend and identify opportunities. Some tools can compare vander purchases against a dynamically calculated internal index and a relevant external index.

3rd Party Spend Analysis: 20k ft. view to 5k ft.

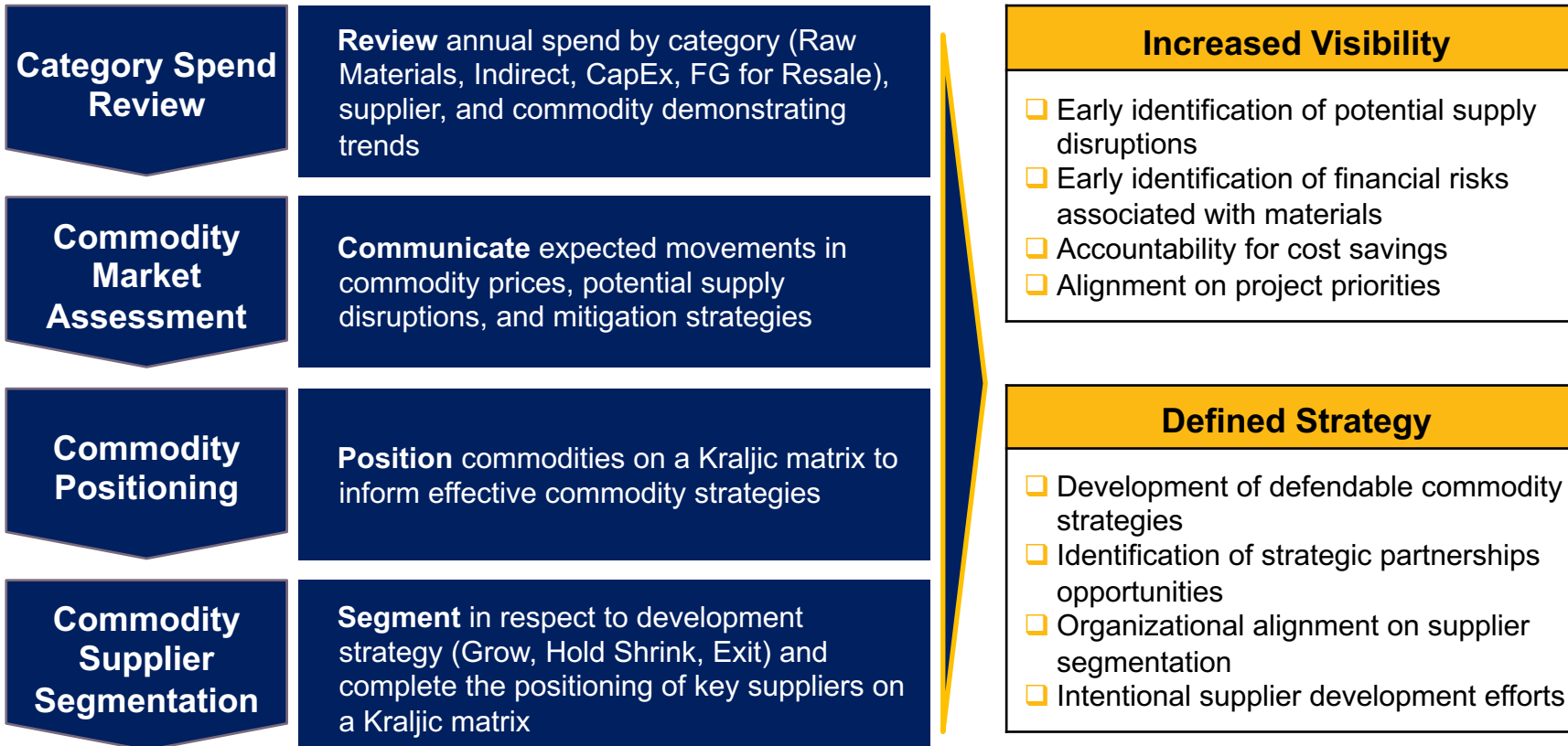


Direct Material Price Trends: historic vs. current actuals



You Need To Build A Plan

Leveraging a common strategic sourcing planning framework will help ensure you are working on the right things and align the organization.



This effort can be completed simply leveraging a simple ledger of company's suppliers. Important that you survey the organization to understand three (3) baseline elements:

- What we use ABC supplier for
- If a formal contract is in place
- Who manages the relationship

Once teams are dialed in on 'addressable spend' three (3) areas of opportunity take shape...

Spend category initiatives

- Phase 1: Specific targets that appear to represent quick, meaningful wins (e.g., general supply categories and telecom)
- Phase 2: More strategic categories (e.g., direct items)

Vendor direct initiatives

- Phase 1: Stabilizing and looking for quick wins in existing relationships
- Phase 2: More aggressively growing and eliminating existing relationships
- Phase 3: Supplier development / management

Demand management and process improvement initiatives

- Focused on areas that can be improved in internal processes (e.g., “maverick” spend and “leakage”)

Supplier Development / Relationship Management

The door opener to great deals / make early deposits to allow for future withdrawals...



- Pre-emptive work for future sourcing activities
- Market intelligence: gather insight from the supplier on potential disruptions (pricing, delays, impacts, and industry changes)
- Establish ongoing relationships with supplier for future program & supply chain initiatives
- Provide project-level support for issue resolution where appropriate
- Reduce disruptions, proactively gain insights into supply impacts
- Improve collective buying power and add value to projects
- Improves efficiency in logistics and warehousing
- Ensure material quality

Negotiating improved commercial terms (e.g., better pricing) in many cases is easier than keeping the benefits created:

- 'cost-plus' contracts with customers
- poor standard costs systems
- lacking sales governance processes and hurdle margins frameworks
- poor quoting and estimating processes with lacking accountabilities

... results in negotiate benefits passing through a companies P&L to the client.

Key Takeaways

- Focus on what you can control and build robust processes and shepherd your customer through them
- Define your cashflow cycle during the estimation / proposal phase - align with operations AND your customer to streamline functions prior to billing
- Construct data flows to understand Earned Value (revenue recognition) as close to real-time as possible
- Shine the light on costs through proper allocation and reporting and LEAD to keep on the cost schedule
- Be a leader in the accountability process
- Empower those who generate your revenue with data insight, planning, and your experience
- Professionalize strategic sourcing and procurement practices

Thank you

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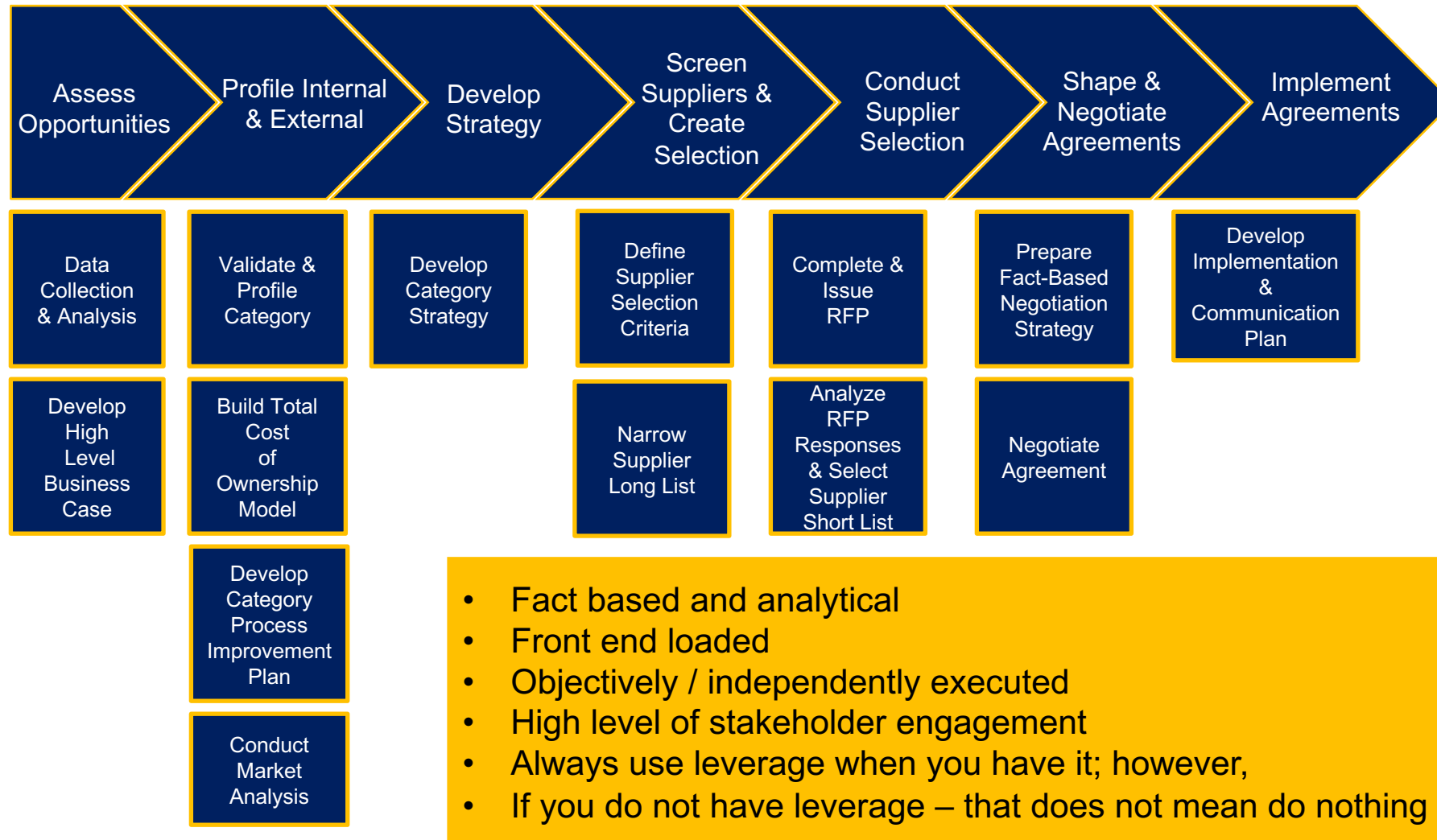
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Appendix

Basic Seven (7) Step Sourcing Process

No process = no impact + frustrated stakeholders.



A Sourcing Gemstone Approach - Niul Burton, '98

Sourcing approaches considering both 'exploiting buying power' and 'creating advantage strategies' levers should be analyzed.

Strategies to Exploit Buying Power

Volume Concentration

- Reduce/consolidate number of suppliers
- Pool volume across business units
- Redistribute volume among suppliers
- Combine volume from different sourcing groups
- Develop alliances among purchasers
- Rationalize/standardize parts

Best Price Evaluation

- Benchmark internal prices
- Renegotiate/rollback prices
- Un-bundle prices and model should-costs
- Threaten-back leverage
- Use competitive bidding
- Use commodity hedging/trading
- Index/cap prices
- Compare TCO among potential suppliers
- Base pricing on profitability
- Develop long-term contracts

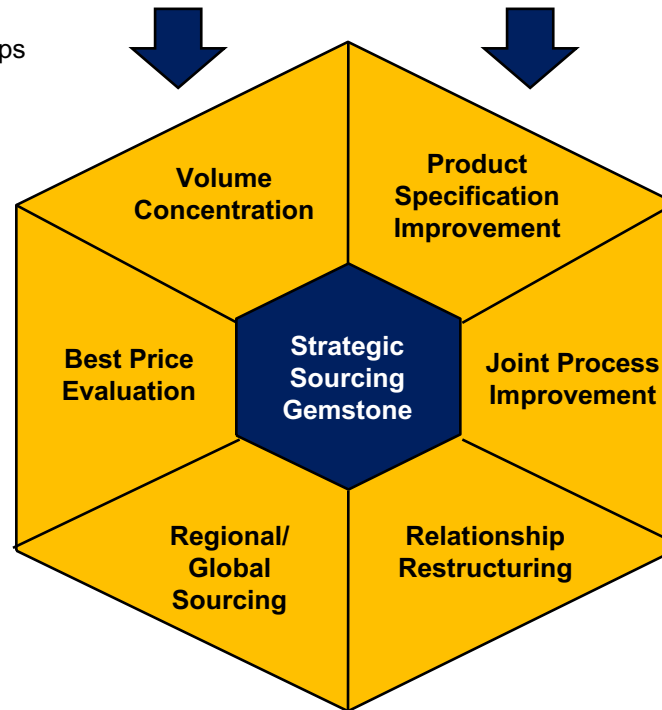
Regional/Global Sourcing

- Expand geographic supply base
- Examine new suppliers
- Capitalize on currency fluctuations
- Take advantage of trade incentives
- Optimize counter trade
- Leverage second-tier suppliers

Sourcing Approaches

Exploit Buying Power

Create An Advantage



Strategies to Create an Advantage

Product Specification Improvement

- Rationalize/standardize parts
 - Substitute materials/parts
- Apply product value analysis
- Apply product value engineering
- Use functional/black-box buying
 - Examine life cycle costs
- Develop long-term contracts

Joint Process Improvement

- Reengineer joint processes
- Optimize physical material flow
 - Integrate logistics
- Support supplier operations improvement
- Use simultaneous engineering/joint R&D
 - Develop long-term contracts
 - Share productivity gains

Relationship Restructuring

- Analyze core competencies
- Examine strategic make vs. buy decisions
 - Adjust degree of vertical integration
 - Create market entry alliances
 - Establish joint ventures
- Employ strategic alliances/partnering
 - Establish/develop key suppliers

Systematic Management

We are systematic and in control when operational and technical requirements are:

- ✓ documented, well understood;
- ✓ Practiced with clear accountabilities in place;
- ✓ competencies are defined and demonstrated; and,
- ✓ conformance is verified and documented.



Process Maturity

Level 5
Optimizing

- Focuses on continuous improvement.
- KPI's are actively monitored and drive strategy.

Level 4
Managed

- Measured and controlled.
- Data driven with performance improvement objectives.

Level 3
Defined

- Inter process integration. (across company)
- Processes are documented, well understood, and practiced at the organizational level.

Level 2
Repeatable

- Intra process integration and optimization.
- Processes are documented, well understood, and practiced at the individual or team level.

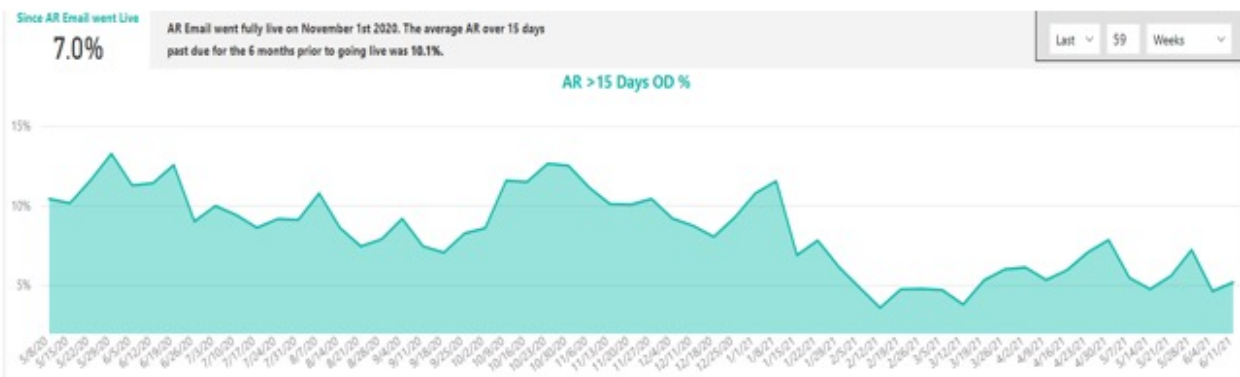
Level 1
Initial

- Processes are unpredictable, poorly controlled, and reactive.

You cannot sustain growth at this level

Accounts Receivable Initiative - ~1.5MM

- AR Days Overdue % has decreased to 7.0% from 10.1% prior to initiative implementation

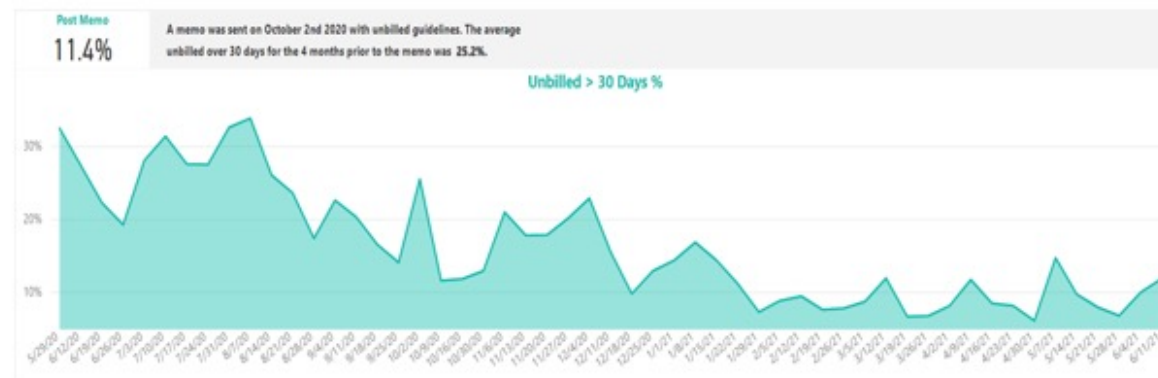


Invoice Turnaround – Ongoing

- With continued focus on moving to draft-less invoices and modifying the billing cycle, the original goal of reducing the days to bill by 8 days is achievable

Unbilled Initiative - ~2.4MM

- Unbilled > 30 Days % has decreased to 11.4% from 25.2% prior to the 10/2/20 unbilled guideline communication



Initiative Cash Flow Impact

| | |
|--|-----------------|
| Accounts Receivable Initiative | ~\$1.5MM |
| Unbilled Initiative | ~\$2.4MM |
| Invoice Turnaround Initiative | ~\$2.1MM |
| Total Initiative Cash Flow Impact | ~\$6.0MM |

Principles of 'Lean'

1. **Value.** Value is always defined by the customer's needs for a specific product.
2. **Value stream.** Once the value (end goal) has been determined, the next step is mapping the "value stream," or all the steps and processes involved in taking a specific product from raw materials and delivering the final product to the customer.
3. **Flow.** After the waste has been removed from the value stream, the next step is to be sure the remaining steps flow smoothly with no interruptions, delays, or bottlenecks.
4. **Pull.** With improved flow, time to market (or time to customer) can be dramatically improved.
5. **Perfection.** Accomplishing Steps 1-4 is a great start, but the fifth step is perhaps the most important: making lean thinking and process improvement part of your corporate culture.

Eight (8) Types of Waste

1. **Transportation.** the distance that information must travel to get approvals , signatures, this can include emails.
2. **Inventory.** Unbillable labor.
3. **Motion.** The required routings that items take to get to the final customer, required forms that enter data repeatedly.
4. **Waiting.** Approvals, inboxes etc.
5. **Overproduction.** Reports that are created that no one consumes.
6. **Over Processing.** Reports and other communications (emails) that are sent to multiple receivers with information that's not needed.
7. **Defects.** Office defects are redoing reports, making changes over and over to documents.
8. **Non-Utilized Talent.** Limiting the authority of middle managers by requiring frequent approvals from owners, or upper managers, before projects can continue.