



Transforming Manufacturing and Procurement

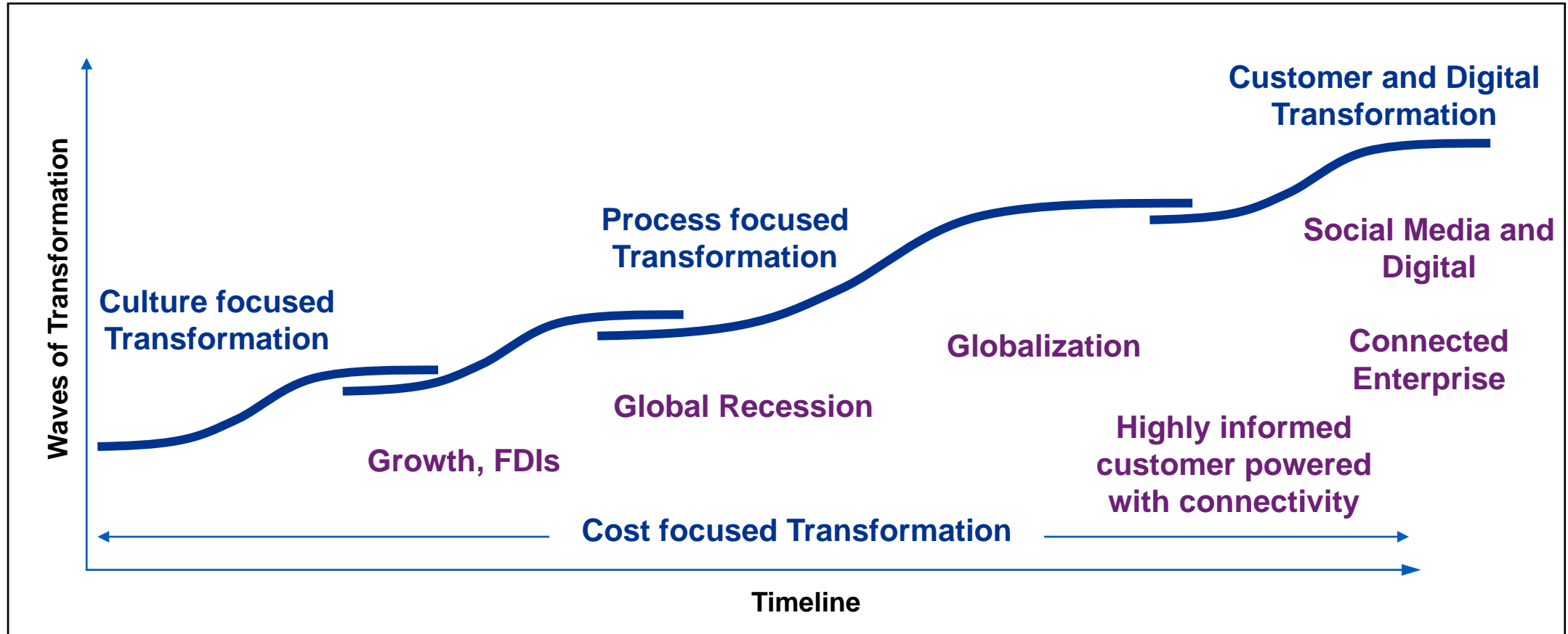
AmCham Vietnam
March 2019





Focus on Transforming Manufacturing and Procurement

Globally, Industries have witnessed several waves of transformation over last 3 decades across all stages of the value chain



Building blocks for a transformation program

Vision	x	Robust Methodology	x	Resources	x	Skills	x	Motivation	x	Action Plan and Review	=	A Successful Change
✗		✓		✓		✓		✓		✓		Confusion
✓		✗		✓		✓		✓		✓		Low business results
✓		✓		✗		✓		✓		✓		Frustration & slow progress
✓		✓		✓		✗		✓		✓		Anxiety & failures
✓		✓		✓		✓		✗		✓		Gradual change
✓		✓		✓		✓		✓		✗		False starts & discontinuation

Driving the organization with an empowering vision

$$D * V * F > R$$

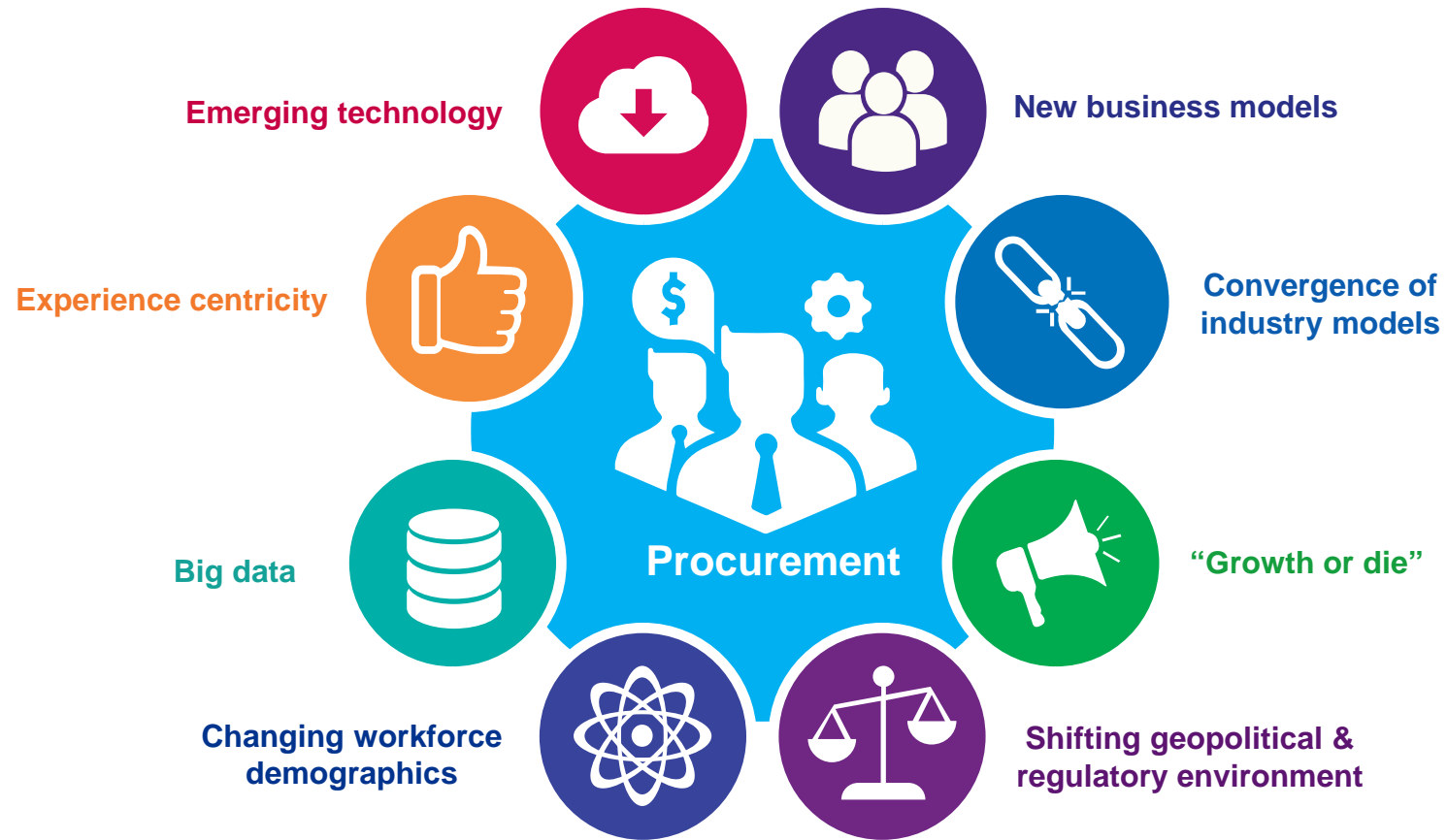
- D – DISSATISFACTION with the present situation
- V – VISION positive picture of what is possible in the future
- F – FIRST STEPS people can take toward reaching the vision
- R – RESISTANCE TO CHANGE





Efficient Procurement

Procurement must disrupt itself to grow and stay in front of change



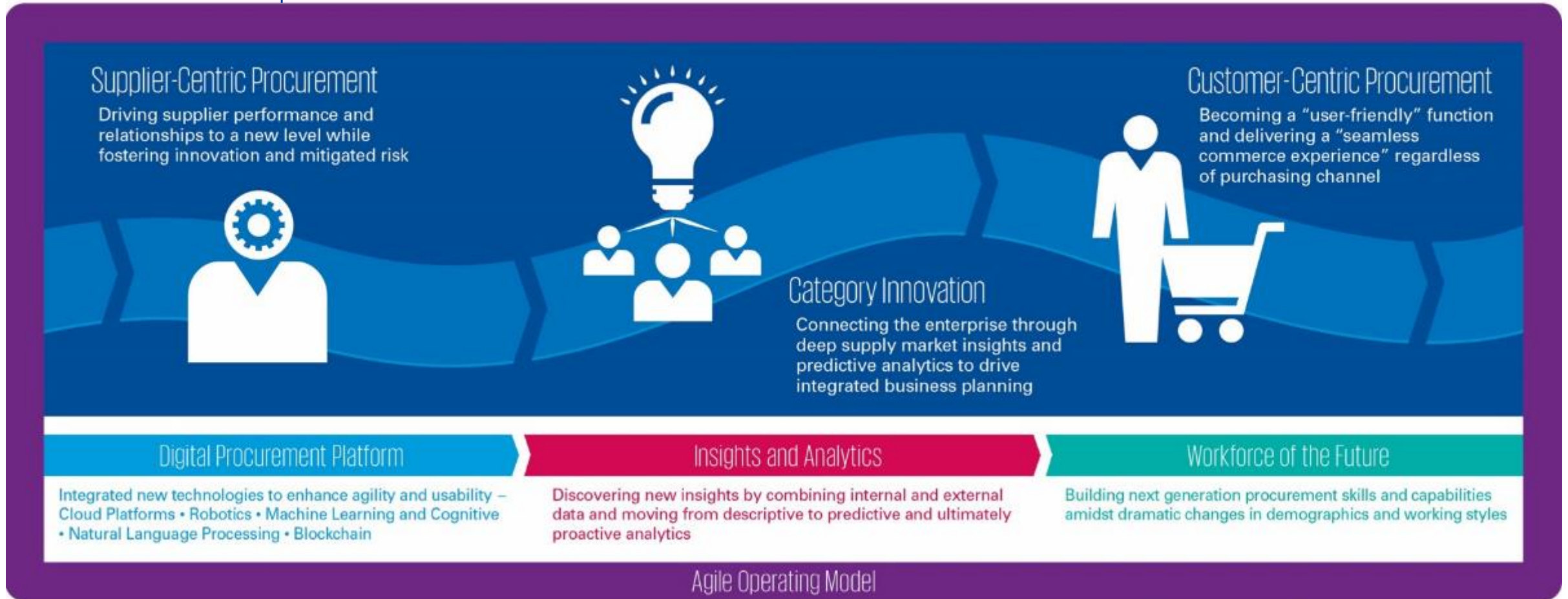
These disruptors are changing the demands of procurement and procurement as we know it

Procurement will...

The art of the possible...

Help drive the innovation agenda	New approaches to spend transformation
Proactively lead supplier management	Cornerstone of performance, innovation and risk mgt.
Employ 70% less labor	Emerging technologies will change the nature of source to pay processes and delivery models
Enable business agility	Cloud everywhere and dominant platform
Increase speed of insight	Amazon's "Alexa" provides instant information
Act as role model of collaboration	Procurement connecting the front, middle & back office
Improve spend/ supplier analytics accuracy	Artificial intelligence (AI) processes big data
Develop new skills and talent	Procurement professional as a true business partner

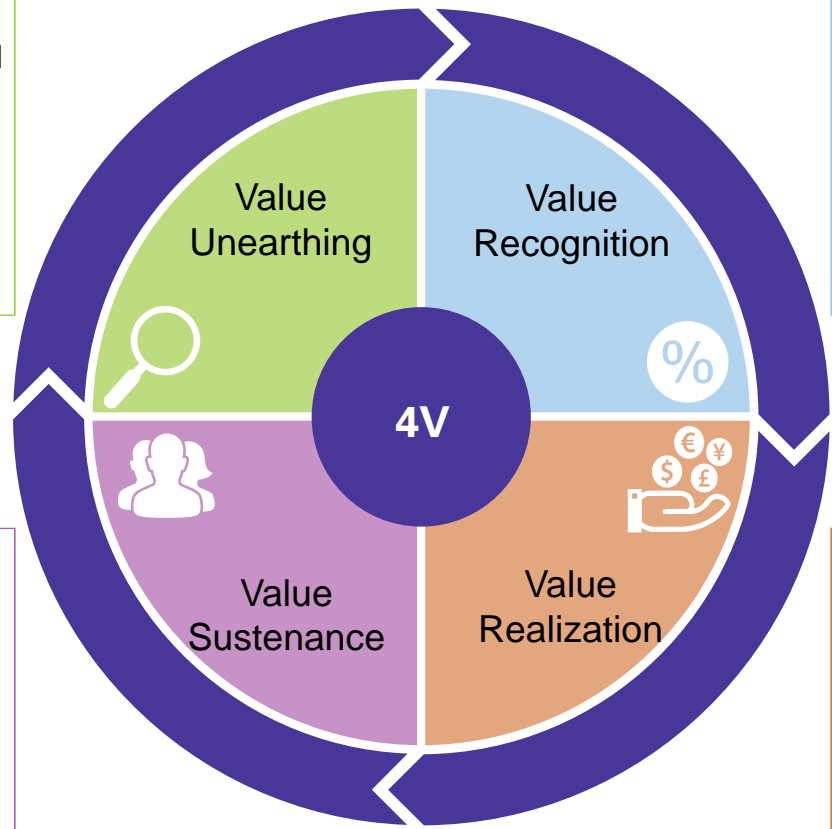
Leading procurement organizations have developed an agenda to deal with disruption



Adapting the role of procurement and foundational structure to support the agenda for the future – organizational simplification • Less hierarchy • Better governance • Performance management

KPMG's 4V Framework helps to efficiently transform procurement to realise sustained benefits

- **Unearth cost reduction opportunities** - across different levels through detailed diagnosis, deployment of tools, benchmarking
- **Outcome:** List of cost reduction opportunities and expected time to realize

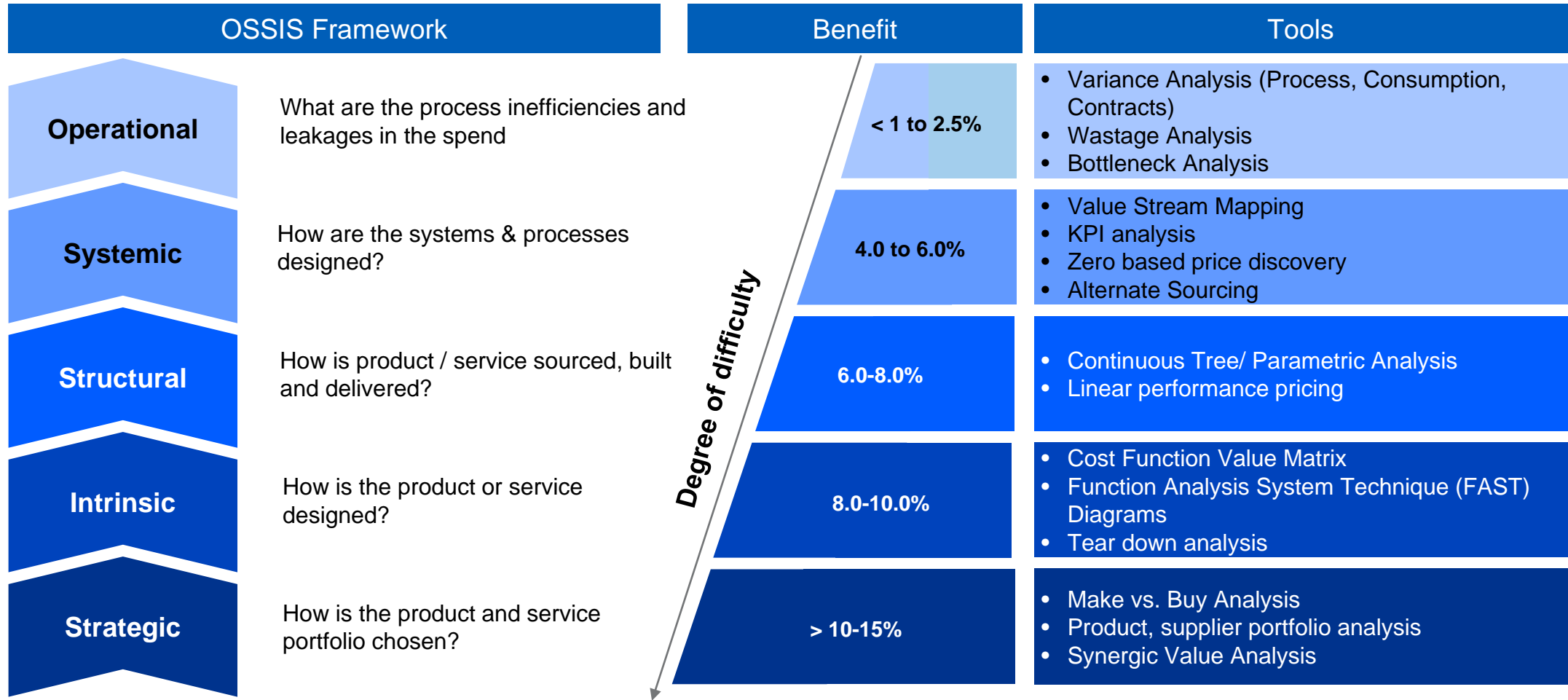


- Value unearthed is verified through virtual/physical/expert validation. Business leaders '*recognise*' and sign-off on the benefits and timelines and set implementation targets
- **Outcome:** Project Charters with plan and responsibility for all opportunities

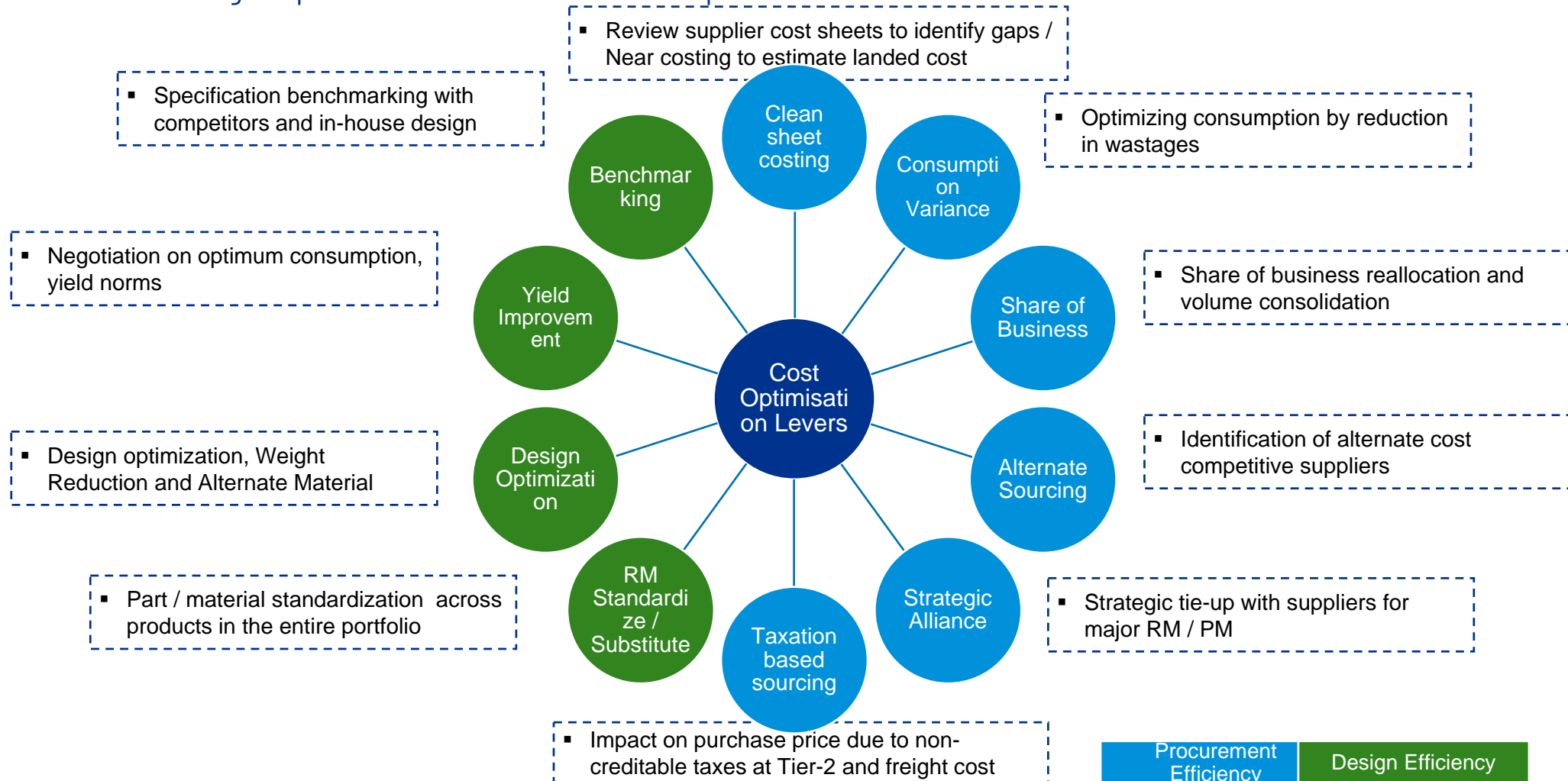
- Workshop on tools/methodology, structural amendments and governance mechanisms to ingrain a cost reduction culture and '*sustain*' benefits
- **Outcome:** Organisation structure, KPI's and business targets

- Governance, progress monitoring, Implementation, governance and issue resolution to '*realise*' the identified benefits
- **Outcome:** Realised benefits

KPMG's OSSIS Framework and associated tools help analyse different costs through various lenses to unearth maximum optimization potential



We use multiple levers to increase procurement and design efficiencies and thereby optimize the overall procurement cost



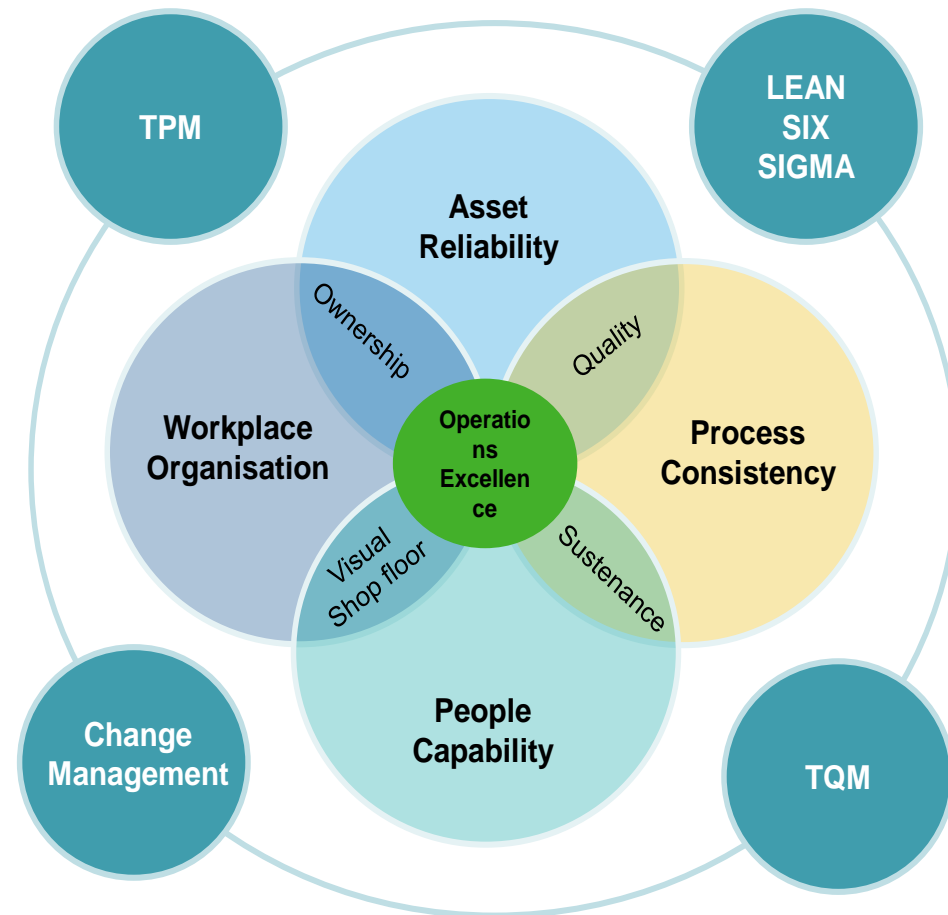
Procurement Efficiency | Design Efficiency





Efficient Manufacturing

Manufacturing Excellence is a journey that focuses on 4 key aspects



Impact Areas

Asset Availability & Adequacy

- Improvement in Productivity
- MTBF and MTTR improvement
- Reduction in Energy Consumption
- Reduction in Production Cost
- Exploitation & Elevation of Constraint

Process Capability, Flexibility & Valuable

- Improvement in Throughput, OEE, OTIF
- Supplier performance improvement
- Reduction in stock-outs, WIP
- Improvement in production plan adherence
- Manpower optimization
- Increase in Yield, Reduction in rejections and rework

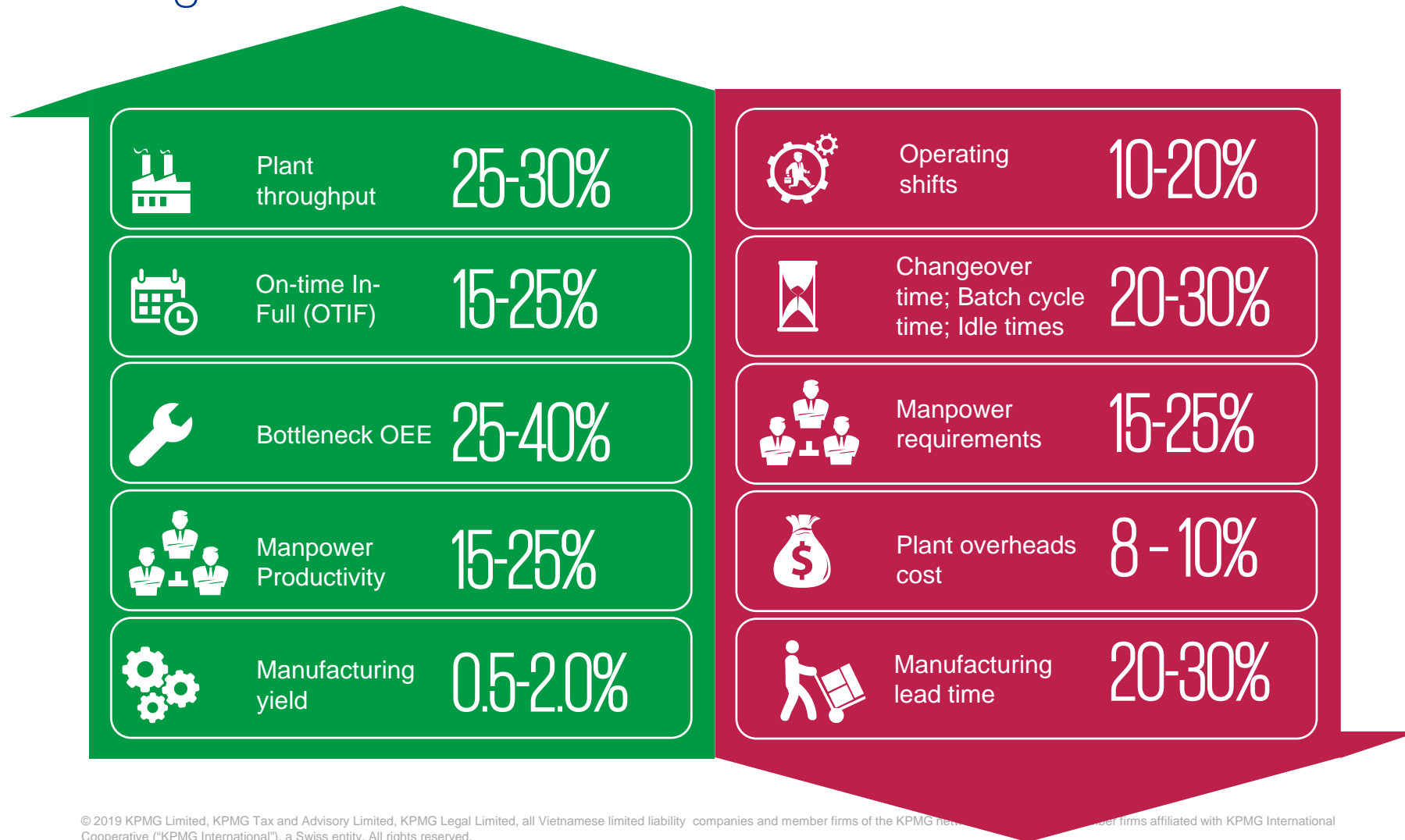
People Capability

- Problem solving capabilities
- Increase Employee Involvement
- Reduce Accidents
- Workplace Organisation -5S

Change Management

- Cross functional Teamwork
- Leadership Development
- Change Agent Development
- Continuous Improvement Mindset

A wide variety of benefits accrue from implementing a well designed Manufacturing Excellence solution





Managing Transformations

Creating Successful Transformations (1/2)



**Do it Once
Do it Big
Do it Right**

Smaller standalone initiatives running in silos make limited impact

“~20 Projects instead of 500 small initiatives”



**Create Strong Organization
Commitment**

*A transformational journey requires
commitment right from Top management
to staff members*

*“Executive Sponsor supported by project
champions and core teams on the ground”*

Creating Successful Transformations (2/2)



Integrated programs with executive level trade off decisions

Functional initiatives often are at loggerheads, its important to have organization level decision making

“Interlinked impact of all projects with company-level optimization instead of individual teams chasing local optima”



Maintain a defined program with end point

It is important to have a smart plan with milestones and deadlines

“18 to 24 months plan with milestones for baselining, initiative planning, quick wins, long-term initiatives and sustenance”

Avoid Stagnation



Nguyen Tuan Hong Phuc
Head of Customer & Operations,
Digital Consulting, KPMG Vietnam
Email: phuctnguyen@kpmg.com.vn
Mobile: (+84) 937105539



Amit Kavathekar
Director Operations Consulting,
KPMG India
Email: amitkavathekar@kpmg.com
Mobile: +918600147757



kpmg.com/socialmedia

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2019 KPMG Limited, KPMG Tax and Advisory Limited, KPMG Legal Limited, all Vietnamese limited liability companies and member firms of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

