

The Purchasing Pipeline

August 2012



Institute for supply management

N.A.P.M.—OKC, INC.
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NEGOTIATION STRATEGIES AND TACTICS

Our NAPM August 14, 2012 monthly meeting will feature Tommy Nicholson as our guest speaker. Mr. Tommy Nicholson will share negotiation strategies and tactics that he has learned while working at Tinker Air Force Base. Mr. Nicholson is Chief of the Contract Logistic Support Branch, OC-ALC/GKSK, Oklahoma City Air Logistics Center, Tinker Air Force Base. He is responsible in assisting and acting on behalf of the Contract Logistic Support Division OC-ALC/GKS concerning acquisition, policy, and all facets of contracting in support of 26 platforms to include Tankers, VIPSAM and Air Force One to name a few.

Mr. Nicholson was hired under the Air Force PACER II program in Oct 1984. He began his career as a Contract/Cost Price Analyst in the Competition Advocate Directorate. In 1988, Mr. Nicholson was promoted to GS-11 in the Contract Administration Branch and obtained his Contracting Officers Warrant and in 1989 was promoted to GS-12. In 1992, he rotated to the TF33 Pratt & Whitney Contracting Section procuring spares and in 1996 he began procuring overhaul/repair requirements where he saved the Air Force \$41.5M for a first time repair of TF33 Fuel Manifolds for internal leakage. In Jul 00, Mr. Nicholson was asked to staff the Acquisition Support Team Office (AST), providing acquisition strategy for major source selections and was the Contract Repair Enhancement Focal Point (CREP) for the center. In Sep 01, Mr. Nicholson was promoted to Chief, F100 Modules Contracting Section, where he led a group of 18 employees and reduced the customers MICAP hours from 2.1M to just a little over 230K. In Jan 05, Mr. Nicholson was asked to lead the \$500M Maintenance, Repair & Overhaul Program Source Selection for implementing lean/cellular transformation for all organic repairs for the center. In Dec 05, he was promoted to Chief of the Manufacturing Contracting Branch. His responsibilities included overseeing the Maintenance, Repair & Overhaul Program, Maintenance-to-Maintenance Contracts, partnering and Weapon System Support Center Contracting in support of the 76th Maintenance Wing. In Feb 08, Mr. Nicholson was asked to lead the 747 Aircraft Sustainment Group Contracting Division for B-1, B-2, E-3 & ATCALs major programs. In Oct 10, Mr. Nicholson was asked to lead the Contract Logistics Support Branch which includes 26 major platforms for sustainment and aircraft modifications which include Tankers, VIPSAM and Air Force One aircraft where he currently resides.

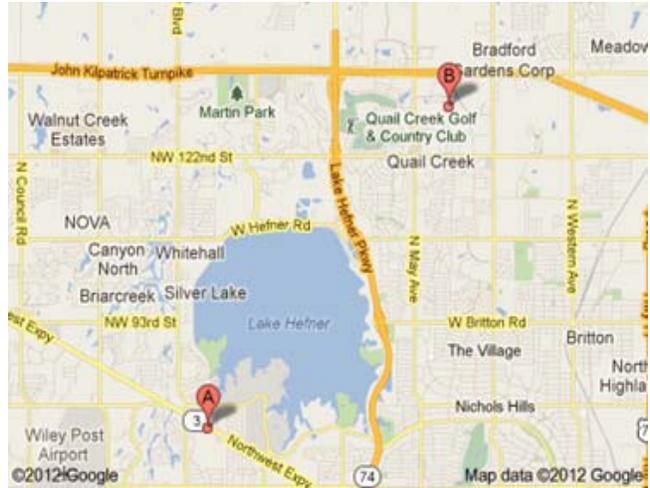


While serving in support of OC-ALC/GKSK, Mr. Nicholson has earned several certifications including the Certified Federal Contracts Manager through the National Contract Management Association and most recently Air Command and Staff Certification through the United States Air Force Seminar Program.

Mr. Nicholson has received a Bachelor's Degree in Computer Science/Business from Central State University and a Master's Degree from the University of Central Oklahoma in Edmond OK. In 2008, Mr. Nicholson attended the United States Air Force Seminar Program where he received Air Command and Staff Certification.

Be sure and mark your calendar for the August meeting at our new meeting spot at Fairfield Inn & Suites on Tuesday Aug. 14th, 2012.

New Meeting Location:
Fairfield Inn & Suites
5700 NW Expressway
Oklahoma City, OK 73132
(See map & directions)



Travel on NW Expressway: Head to the Fairfield Inn and Suites located at 5700 NW Expressway (Flag A). It's located between Meridian and MacArthur. We will be meeting in the Warr Room.

NAPM - OKC Officers 2012-

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The President's Pen

Happy August N.A.P.M.-OKC Members,

I hope this finds you enjoying the summertime. This certainly would be a great time to vacations somewhere cooler! We just got back from a week in Florida with the whole family, 22 of us with 2 on the way. I feel very blessed that we are able to spend that kind of time with family. Enjoy your time with family as much as you can. It all goes by so fast.

We are looking forward to another great year for N.A.P.M.-OKC. The Board met on Tuesday, July 24th for our passing of the torch and annual Strategic Planning session for the year.

The exiting Board members passed along helpful hints and poured out their knowledge to the new Board members. We have four new Board members and look forward to having fresh ideas on how to meet our goals and grow our organization. Our goals are very similar to last year and are set to offer educational opportunities to our members and the community, increase our membership, and increase participation in our monthly meetings and seminars. All around we would like to make N.A.P.M.-OKC a better organization for you, our members.

Coming up in the month of August is our Annual Golf Tournament. This is our largest fundraiser of the year. If you are interested in participating or have a company that would like to, contact Roger Teel. I believe we have a few spots still open. The Registration form is in the newsletter.

Please join us for August Dinner Meeting on August 14th. I believe Tommy Nicholson has spoken to us before. I look forward to hearing what he has to say. I hope to see you all at our new location.

Stefanie K. Jones
President
(450) 935-1602
Stefanie.Jones@CHK.com

The Annual Golf Outing Set For August 13, 2012

The annual golf tournament is quickly approaching! The tournament will be held at the Moore Golf and Athletic Club in Moore, Oklahoma. Anyone that wishes to help with the tournament can call or email Roger Teel. It should be another successful and enjoyable tournament this year. See you on the Links!

Roger Teel
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Purchasing Department
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Collaborating With the Competition

Author: Mary Siegfried

(Mary Siegfried is a senior writer for *Inside Supply Management*®.)

March 2012, *Inside Supply Management*® Vol. 23,

Horizontal collaboration allows companies in the same industry to share resources for cost savings and improved customer service.

With ever-changing business challenges such as transportation costs, volatile demand and an evolving customer base, supply management organizations are exploring new and unique ways to use collaboration in their supply chains. One such effort is turning traditional vertical collaboration strategies on their side and may change the way organizations view their supply chain — and their competitors. Referred to as horizontal collaboration, this approach is characterized by manufacturers sharing supply chain assets for mutual benefits. It is collaboration across rather than along the supply chain. Often, horizontal collaboration is between companies in the same industry that, while not competing directly, market and sell to similar customers and consumers. A high-profile example of horizontal collaboration involves the Hershey Co. and the Ferrero Group in North America. Late last year, the two companies announced plans to collaborate on warehousing, transportation and distribution, furthering proof that this supply management practice is gaining in popularity.

Recognizing Benefits

The *North American Horizontal Collaboration in the Supply Chain Report — 2011* notes that the concept is still in the early stages of use in U.S. supply chains. "But the benefits are clearly recognized and there are companies already optimizing their supply chains with this cutting-edge strategy," according to the report by Eyefortransport, a New York- and London-based provider of business intelligence and research for the supply chain and logistics

industries. However, companies considering horizontal collaboration must work with their legal departments to be certain the collaboration complies with U.S. antitrust laws. "Businesses that begin a horizontal collaboration effort often focus initially on transportation because that is the low-hanging fruit," says Chris Saynor, Eyefortransport CEO. "Companies today can't get much leaner, so they are looking at the final miles in the supply chain for new ways to cut costs." But it certainly is not limited to transportation. A supply management organization can prove horizontal collaboration works with savings in the transportation supply chain, and "then use those savings to go deeper into better, more cost-effective forms of collaboration," Saynor says.

Deeper horizontal supply chain collaboration extends into sharing warehousing, distribution and even manufacturing capabilities, says Joel Sutherland, managing director, Supply Chain Management Institute at the University of San Diego. For several years, Sutherland says he has been touting supply chain collaboration between similar companies — long before it was labeled horizontal collaboration. While at the Center for Value Chain Research at Lehigh University in Bethlehem, Pennsylvania, he was instrumental in the development of a collaborative supply chain network among several small- to medium-sized candy companies.

Through his work with the "Confection Connection," Sutherland says he has found that success in horizontal collaboration "is a function of how well people work together both internally and with collaboration partners." For collaboration to work, the companies have to be open and trusting, and be willing to share the pain and the gain, he says.



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A Higher Level

A solid working relationship and the ability to focus on openness and trust have allowed Nestlé USA and Ocean Spray to take horizontal collaboration to a new level as the two food and beverage companies collaborate on manufacturing, procurement and logistics. Collaboration between California-based Nestlé USA and Massachusetts-based Ocean Spray took root about 10 years ago when Nestlé outsourced the production of one of its juice products to Ocean Spray.

Denny Trothing, director of supply chain for Nestlé USA, has worked on the collaboration since its inception, helping guide it as it evolved from an outsourcing agreement into a horizontal collaboration alliance. Both companies recently agreed to continue the alliance for another 10 years. "The initial outsourcing agreement gave each company the opportunity to get to know each other," Trothing says. "It was through that initial arrangement that we realized there was a strong cultural fit between the organizations. We shared consistent business values, especially around customer service and commitments to quality. We realized we did more things alike than differently."

Optimize "Everything"

The collaboration between Nestlé and Ocean Spray grew as the companies began to explore additional ways to work together to improve efficiencies. Trothing says the organizations thoroughly examined opportunities where they could collaborate and "at the end of the day, it was a compelling business proposition." June Youngs, director of North American supply chain for Ocean Spray Cranberries, Inc., says the two organizations discussed various collaboration efforts and did not want to limit it solely to manufacturing or transportation, for example.

The scope of the horizontal collaboration alliance covers:

- Collaborative procurement of common raw and packaging materials, as well as common operating supplies
- Manufacture of some of Nestlé's juice products by Ocean Spray
- Joint sharing of distribution centers to save on operations costs within the alliance.

The result has been cost savings that Trothing says "have exceeded expectations." But, Youngs stresses that the savings go far beyond dollar figures. "What is fascinating for me is how both companies are able to leverage efficiencies of our fixed assets. For example, it's about how much more we can put through that fixed asset of a warehouse or production facility. The savings are realized by how you get the most out of what you have," she says.

Youngs says she often is asked by other companies looking into horizontal collaboration how Nestlé and Ocean Spray can have such a "healthy connection" and still compete when both are in the juice business. "Our belief is, and this is at the senior-most levels, that we optimize everything we can and still compete on-shelf," she explains. "You can compete while collaborating at the manufacturing and execution level or at the warehouse level."

One of the most important steps in a horizontal collaboration agreement — and one where companies often stumble — is the need for supply chain and financial transparency. But trust, a key element in horizontal collaboration, is established by creating transparency, Trothing says. Once the collaboration alliance was officially formed between Nestlé and Ocean Spray, Trothing says the organizations provided visibility to financial information that was relevant to the alliance. "It was a big step, but without that financial visibility there could be the perception that one or the other trading partner is holding back."

Youngs says she understands why companies might be hesitant about providing transparency. "But in this alliance, our sole purpose is to combine commercial efforts for the benefit of the alliance," she says.

"The only way to do that is to be transparent in what you do. If we are producing juice products for Nestlé, details of costs — including utilities and labor — need to be visible to them." Likewise, as Ocean Spray uses some of Nestlé's facilities for warehousing, Youngs says her organization needs to understand Nestlé's expenses.

Strategic Planning

The transparency between the two companies is valuable during planning meetings and quarterly steering committee meetings that Trothing and Youngs say are integral to the collaboration. Each organization has members on a joint planning committee that regularly examines and addresses process improvements, service levels, inventory targets, efficiency and quality issues. The steering committee, which includes the vice presidents of supply management from each company, as well as executives from manufacturing, finance, logistics and planning, holds quarterly meetings. The quarterly meetings are always face-to-face and are held at manufacturing plants or corporate headquarters. "The face-to-face meetings at various locations drive home the magnitude of what we are doing," Youngs says.

"By sharing this problem we both benefited. That's the beauty of horizontal collaboration. You have to be able to shake it up a little bit, start over and make it even better."

The steering committee's work is a key success factor in the horizontal collaboration, Youngs and Trothing agree. It's in the steering committee that the two businesses share financial information and forecasts, discuss the successes and challenges facing each company, review global economic trends that may affect business, examine network capacity and look ahead to future growth. Trothing says if an outsider were to sit in during the steering committee meetings "they would think it was a meeting of employees from one organization."

However, that's not to say the collaboration alliance hasn't hit any speed bumps along the way. Trothing says there have been disagreements, "and, quite frankly, I think that is healthy." Growth, mergers, acquisitions and new product development all can put pressure on asset utilization between partners, Trothing says. "But it's important to identify and address those issues early on. The bottom line is both parties need to be flexible and willing to make changes as needed."

Handling Challenges

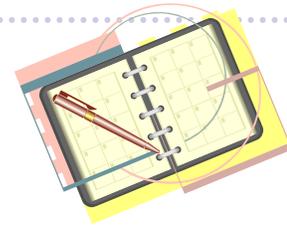
Youngs says challenges can occur as companies deal with major shifts in their business. For example, Ocean Spray was using a portion of one of Nestlé's distribution centers, but, after an acquisition, Nestlé needed use of the entire space. She says Trothing told her about Nestlé's opportunity and what it would mean for her organization. "As a supply chain executive, you are always looking out for your company, so my first reaction was to really dig in my heels," she recalls. Instead, she took a step back and remembered that the collaboration's purpose is to focus on the best commercial effort for all involved.

Both parties worked on a solution and found another warehousing alternative that offered Ocean Spray the space it needed as well as the ability to optimize overflow during certain times of the year. "By sharing this problem, we both benefited. That's the beauty of horizontal collaboration. You have to be able to shake it up a little bit, start over and make it even better."

Trothing says horizontal collaboration creates opportunities to access capabilities that may be beyond the reach of a single organization, such as a technology investment or a capital improvement. "That's why you want your partner to be as strong as you, but to complement your business in areas where you might not want to invest," he says. Youngs believes that horizontal collaboration will continue to grow as today's global economy demands greater, broader partnerships to meet customer demands. "The consumer doesn't care if a product came from a shared warehouse," she says. "And we feel the same way. As people let go of the control they think they need, it opens up success at all levels."



Upcoming ISM Seminars



Below is the list of ISM seminars for the months of **September** and **October 2012**. These seminars qualify for recertification Continuing Education Hours (CEHs). For seminar details, please call the ISM Customer Service Department at 800/888-6276 or +1 480/752-6276, option 8, or visit the ISM website at www.ism.ws and select Education & Training and then [Face-to-Face Seminars](#).

September 2012	Date	Location
NEW! Category Management: Cost and Leveraging Strategies for Supply Professionals #4222	September 10-12, 2012	Chicago, IL
Contracting for Purchasing and Supply Management: Beyond the Basics #4422	September 13-14, 2012	Seattle, WA
Legal Considerations of Software Licensing and Other Technology-Related Agreements #4553	September 13-14, 2012	Baltimore, MD
Fundamentals of Purchasing: The Building Blocks of World-Class Professionalism #4520	September 17-19, 2012	Charlotte, NC
Fundamentals of Purchasing: The Building Blocks of World-Class Professionalism #4528	September 25-27, 2012	Tempe, AZ
Driving Down Costs Through Cost/Price Analysis #4509	September 27-28, 2012	Las Vegas, NV
Commodity Teams: Leveraging Value Across the Entire Organization #4442	September 27-28, 2012	Chicago, IL
October 2012		
Legal Negotiations #4276	October 1-2, 2012	San Diego, CA
Performance-Based Statements of Work (SOWs): Maximize Supplier Performance #4569	October 11-12, 2012	Nashville, TN
Administering Contracts: From Start to Finish #4306	October 11-12, 2012	Pittsburgh, PA
Finance for the Supply Management Professional #4516	October 17-19, 2012	Las Vegas, NV
Legal Foundations of Supply Management (formerly <i>Legal Aspects of Supply Management: The Basics You Need to Succeed</i>) #4388	October 22-24, 2012	San Diego, CA
Power Negotiations: Unlock Your Powers of Influence and Persuasion #4580	October 22-24, 2012	Denver, CO

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Break through the competition with an ISM certification - CPSM[®], CSM[™] and CPSD[™] — and earn more (see ISM Salary Survey). ISM certifications are globally relevant and demonstrate that you have current skills in strategic supply man-



Prove you have broad-based knowledge in all the major components of supply management. ISM's newest credential, Certified in Supply Management[™] (CSM[™]), was developed to allow practitioners a way to demonstrate knowledge in supply management, regardless of whether they have a college degree. It validates your supply management body of knowledge and skills in areas such as *finance, supplier relationship management, organizational global strategy and risk compliance*.



Transform yourself and make the move to gain supply management's most prestigious designation. ISM launched the Certified Professional in Supply Management[®] (CPSM[®]) program in May 2008. The CPSM[®] is the credential that surpasses the demands of the international marketplace with multi-faceted skills in areas such as *finance, supplier relationship management, organizational global strategy and risk compliance*. It can give you the edge you need in this global marketplace along with the **potential to earn 23 percent more** (ISM 2011 Salary Survey).

-- ISM exists to lead and serve the supply management profession --



CPSM/CSM Exam Preparation Classes Begin August 27th!

NAPM Members will be able to take advantage of CPSM / CSM Exam Preparation classes that are planned for Devon Energy Supply Chain personnel beginning on August 27, 2012.

The plan at the moment is to have a series of three class sessions for each of the three exams. The first set of sessions aimed at preparing for Exam #1 is scheduled for August 27, 28 & 30 from 4:00 to 6:00 pm each day. These sessions will be held in Multipurpose Room #1 of the Devon Energy Center. Dan Gatewood will be facilitating the sessions.

The intent of these sessions is to help prepare those interested in pursuing the CPSM or CSM certification for taking the exams.

These classes will not be teaching the actual body of knowledge which will be on each exam. That focus is up to each individual to ensure their own success.

Additional sessions for Exams 2&3 will be scheduled at a later date and that information will be communicated to the NAPM membership via future editions of this newsletter.

There is limited space, but if you are interested in attending any or all of these sessions, contact Dan Gatewood directly at Dan.Gatewood@dvn.com.



Oklahoma Economic Condition

Oklahoma: The Business Conditions Index for Oklahoma slumped to 52.7 from 56.8 in June. Components of the leading economic indicator for the July survey of supply managers in the state were new orders at 56.6, production or sales at 51.5, delivery lead time at 53.2, inventories at 50.1, and employment at 52.3. “With drought conditions in all of the state’s 77 counties, it was not surprising to measure a decline in Oklahoma’s leading economic indicator. With feed costs rising, livestock producers in the state are selling off their herds. Thus, businesses linked to agriculture, especially livestock where there is not crop insurance, will experience slower to no growth in the months ahead. I do expect Oklahoma’s growth to remain positive but much slower in the months ahead,” said Goss.

Professor Ernie Goss, Ph.D.

Creighton University

Jack MacAllister Chair in Regional Economics

Mid-America Indicators Sink to Recession Lows: Drought Weighs on Region

July survey results at a glance:

- Leading economic indicator fell below growth neutral for the first time since 2009.
- New export orders drop to lowest level since August 2009.
- Business confidence takes biggest one-month plunge since 1994.
- Drought impacting ethanol and food processing plants.

For additional info., historical data, and forecasts for the months ahead, visit:

<http://www2.creighton.edu/business/economicoutlook/>

Did you know you can register for most upcoming events on our website? www.napm-okc.org



Meeting Information:

**TUESDAY, AUGUST 14th,
2012**

Dinner Meeting

Fairfield Inn & Suites
5700 NW Expressway
Oklahoma City, OK 73132

6:00 – 8:00 p.m.

Hope you'll join us!!



**institute for
supply management**



For More Information,
Please Contact: Craig Foster
Email: Craig.foster@dvn.com



Supply Management

Maximizing Opportunities. Managing Risk.



Who Do We Represent?

Our members represent the following companies. Thank you for your support.

Access Midstream
Astellas Pharma Tech
Autocraft Industries
Autoquip Corporation
Beam's Industries
Big D Industries Inc.
Borets Weatherford
Bradford Industrial Supply Co.
Cameron Compression Systems
Carlisle Foodservice Products
Cass Polymers Inc.
Chapparral Energy Inc.
Chickasaw Nation Div of Commerce
City of Oklahoma City
Cleveland County
Conoco Phillips
Cooper Compression
COTPA
Coughlin Equipment
Covercraft Industries Inc.
Devon Energy
Dolese Bros. Co.
Enviro Systems Inc.
Fife Corporation

Franklin Electric Water Transfer System
George Fischer Central Plastics
Halliburton
Heartland Pathology Consultants
High Mount Exploration and Production
Industrial Gasket
Integrus Baptist Health Center
J & E Supply & Fastener Co.
Johnson Controls, Inc.
KimRay Inc.
Knights of Columbus
KP Supply
Linn Energy
Lopez Foods Inc.
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Pioneer Telephone Cooperative Inc.
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Smart Lines LLC
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SORB Technology Inc.
Southwest Electric Co.
Surface Mount Depot
T D K Ferrites Corp.
Universal Well Site Solutions
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US Silica Co.
USA Compression
Vaughn Foods, Inc.
Walker & Sons Enterprises Inc.
WellMark Co