

# Sourcing Temporary Labor On A Global Basis

## ... and Making Cost Savings Permanent

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# Today's Topics

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- **Introduction to Cooper Cameron**
- **Project Objectives & Process**
- **Challenges & Lessons Learned**
- **Q&A**

# Introduction to Cooper Cameron

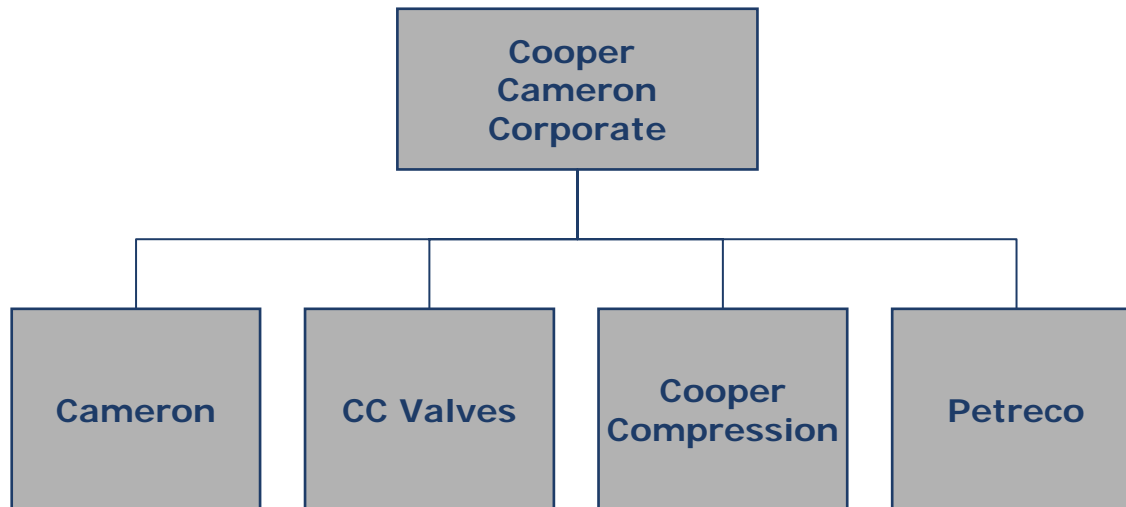
# Cooper Cameron Overview



- **Cooper Cameron is a leading international manufacturer of oil and gas pressure control equipment, including:**
  - Valves
  - Wellheads
  - Controls
  - Chokes and Blowout Preventers
  - Centrifugal air compressors
  
- **2.1 Billion revenue in 2004**
  - Headquartered in Houston, TX
  - Operates in over 115 countries
  - Employees over 10,000 people

**Cooper Cameron has grown through acquisition and has had a corporate culture and organizational structure that is consistent with its decentralized approach to indirect procurement.**

- **Cooper Cameron operates with four divisions: Cameron, CC Valves, Cooper Compression, and Petreco**



- **Parts of Cooper Cameron have been in operation since 1883.**
- **The company has grown through acquisition and has historically operated in a decentralized fashion.**
- **Each business unit had its own P&L with its own organizational structure and had operated autonomously.**

**In 2004, Cooper Cameron's senior management team initiated a corporate wide cost savings program to reduce their indirect procurement expenses by \$2 million.**

## **Challenges**

- **Developing deep, category-specific expertise.**
- **Creation of a "best in class" strategic sourcing process.**
- **Roll out of category implementation program including change management.**
- **Provide on-going category management.**
- **Development of an e-procurement platform.**

## **Potential Solutions**

- **Do nothing.**
- **Build the required internal infrastructure and hire resources to support the program.**
- **Align with a third party procurement services provider for the needed services and technology.**

**Build vs. Buy?**

The Cooper Cameron team clearly defined the scope of work along with the key deliverables that would be required to meet the corporate objectives.

## Scope of Services

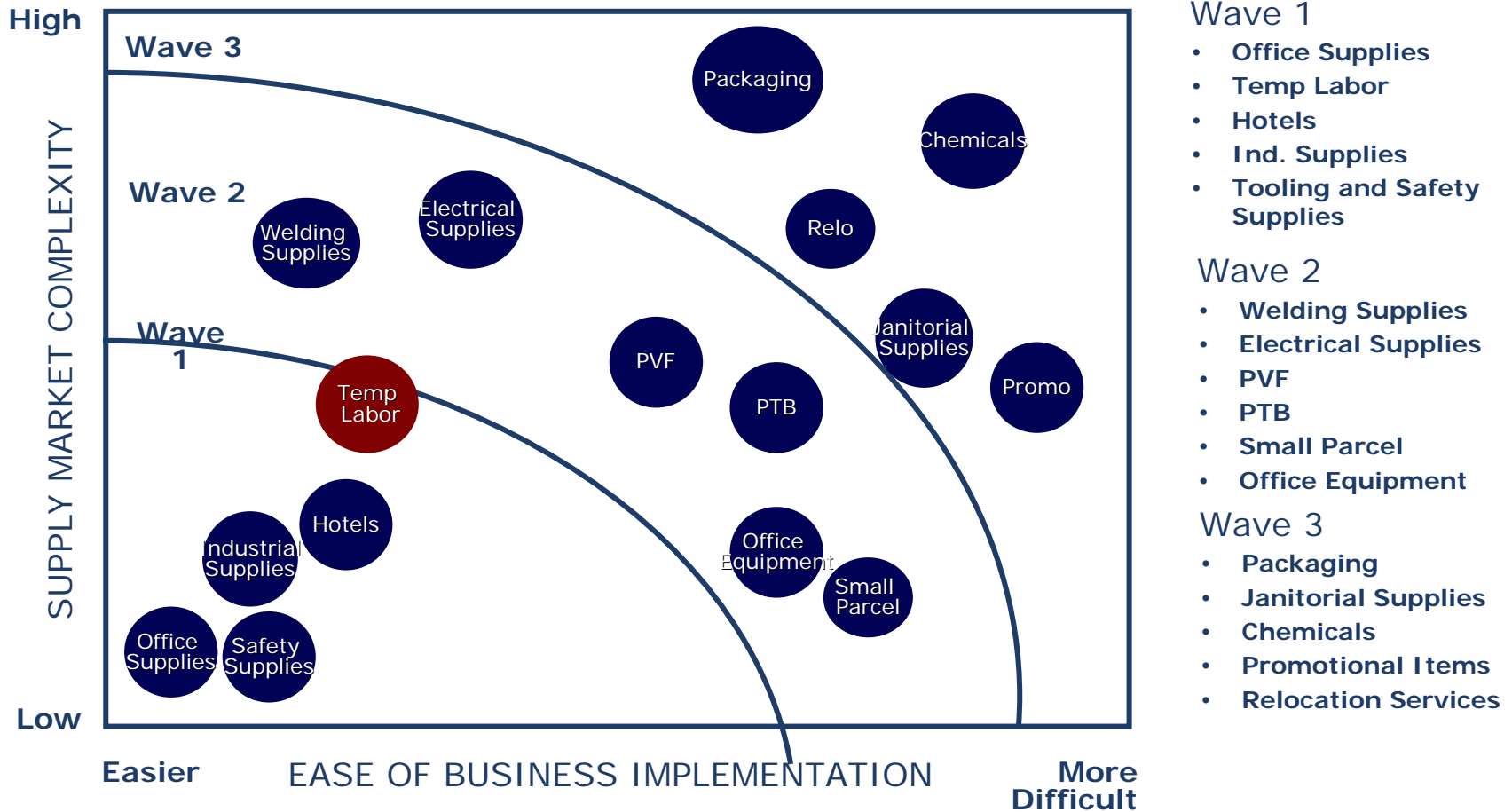
- Focus on the complete procurement process.
- Provide support and expertise for whole process:
  - Spend analysis
  - Sourcing experts
  - Implementation
  - Technology and Catalog development & management
  - Compliance management

## Major Deliverables

- Strategically source 16 spend categories.
- Accelerated savings realization.
- Electronic catalog development and maintenance (with EBP).
- Ongoing category management.
- Compatible with Six Sigma philosophy including ongoing controls.

**Strategic sourcing alone would not allow the team to meet the goal.**

After assessing Cooper Cameron's spend, the project team identified \$60 million of indirect spend that would be in-scope and sourced in three separate sourcing waves.



**Temp labor was one of many categories that were part of the broader cost savings initiative.**

## Cooper Cameron had managed their temp labor programs by location or division with little cross-business unit collaboration or leverage.

Observations	Details
<b>Decentralized Purchasing</b>	Most purchasing activities were being conducted by the functional stakeholders in the form of tactical sourcing at the plant or division level resulting in a highly fragmented supply base.
<b>Limited program level visibility</b>	Little to no purchasing line item data available, limiting Cooper Cameron's ability to manage the category and execute effective sourcing.
<b>Varied purchase to pay processes</b>	Cooper Cameron's purchase-to-pay process varied greatly by location depending. Most processes were manual/paper-based processes.
<b>Limited process standardization</b>	Each location had their own processes for establishing requirements, ordering process, time keeping, job descriptions and approvals.
<b>Limited use of formal contracts with the temp labor providers</b>	Each location had their own contract or no contract. There were no corporate-managed contracts.

# Project Objectives & Process

# The three key objectives for this project were to reduce costs, improve current processes and drive organizational synergies.

## Drive Organizational Synergies

- Create consistent and standard service levels and requirements.
- Develop fewer more meaningful supplier relationships.
- Standardize the requisition process across divisions.
- Standardize the workflow approval process.
- Standardize the timecard submittal process.

## Improve Current Process

- Automate the purchase to invoice process.
- Define standards, metrics, performance measurement reporting, and processes to generate efficient, effective, and consistent results for both Cooper Cameron and suppliers.
- Enhance reporting capabilities.
- Establish on-going category management.

## Reduce Cost

- Reduce current mark up rates.
- Increased spend visibility by un-bundling cost components: pay rate, mark up, drug-screening, background checks.
- Leverage category spend across all divisions.
- Establish a competitive and clear national pricing structure with preferred suppliers.

**Obtain all three key objectives while maintaining the quality of labor.**

# The team segmented the temp labor project into three distinct phases: **Source**, **Enable** and **Manage**.

<b>Source</b>	<ul style="list-style-type: none"><li>• Utilize a comprehensive five-step strategic sourcing process.</li><li>• Help develop corporate standards for the temporary labor program.</li></ul>
<b>Enable</b>	<ul style="list-style-type: none"><li>• Assess current temp labor buying process.</li><li>• Re-design “req-to-check” temp labor buying process.</li><li>• Implement and roll-out a web-based, vendor-neutral services e-procurement platform.</li></ul>
<b>Manage</b>	<ul style="list-style-type: none"><li>• Clearly establish program metrics and incorporate into new supplier agreements.</li><li>• Provide on-going program &amp; supplier management techniques.</li></ul>

Cooper Cameron utilized ICG Commerce's five-step strategic sourcing methodology to drive process and cost savings.

## Five Step Sourcing Process



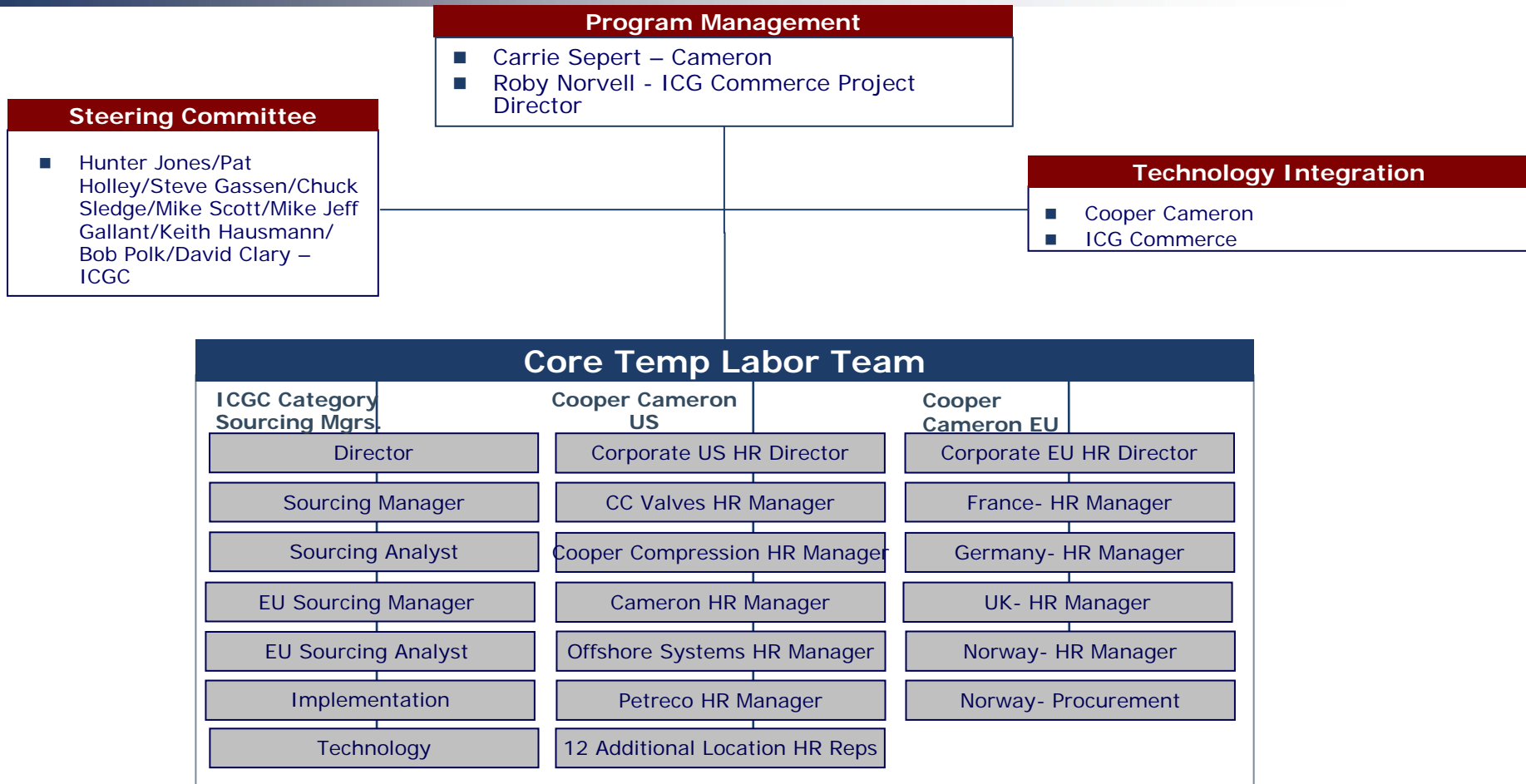
### The Five Steps: Gateway to More Effective Procurement Operations

- Analyze internal and external factors to draw the right insights into “true” Cooper Cameron needs.
- Utilizing internal resources to develop an appropriate strategy for long-term requirements and standardization.
- Executing the sourcing plan through a rigorous, systematic approach to supplier negotiations.
- Employing proven implementation processes and tools to ensure benefits capture and success.
- Continually assessing supplier performance with aggressive and robust measurement techniques.

# The entire project took approximately 32 weeks from sourcing to implementation of the on-line ordering tool.

	<b>Key Activities</b>	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	
<b>Project Kickoff</b>	<ul style="list-style-type: none"> <li>•Develop Work-plan</li> <li>•Identify stakeholders</li> </ul>	■										
<b>Communications</b>	<ul style="list-style-type: none"> <li>•Conduct Kick-off meeting</li> <li>•Distribute Announcement</li> <li>•Conduct Weekly Core Team Updates</li> </ul>	■										
<b>RFI Submissions</b>	<ul style="list-style-type: none"> <li>•Identify supplier contacts</li> <li>•Distribute RFI request and conduct follow-ups</li> <li>•Complete data collection</li> </ul>		■									
<b>Develop RFP's</b>	<ul style="list-style-type: none"> <li>•Obtain contracts and plant spend information</li> <li>•Document service level requirements</li> <li>•Develop RFP and scorecard</li> <li>•Submit and receive RFP's</li> </ul>		■	■								
<b>Analyze RFP Responses and Negotiate</b>	<ul style="list-style-type: none"> <li>•Analyze price savings and complete scorecard</li> <li>•Shortlist suppliers</li> <li>•Negotiate and develop recommendation</li> </ul>				■	■						
<b>Develop Business Cases</b>	<ul style="list-style-type: none"> <li>•Develop category business cases</li> <li>•Review/approve business cases with Core Team</li> </ul>						■					
<b>Technology</b>	<ul style="list-style-type: none"> <li>•Understand Current IT Infrastructure</li> <li>•Confirm key requirements and processes</li> <li>•Develop and execute test plans</li> </ul>	■										
<b>Implementation</b>	<ul style="list-style-type: none"> <li>•Contracts</li> <li>•Develop and execute training/implementation plans based on category spend and savings by location</li> <li>•Activate production system</li> </ul>							■	■	■		
<b>On-Going Category Management</b>	<ul style="list-style-type: none"> <li>•Go-live and begin roll-out</li> <li>•Monitor supplier performance</li> <li>•Monitor supplier adherence to contracts</li> <li>•Manage and benchmark pricing</li> <li>•Savings reporting and plant compliance</li> <li>•Continuous improvement reporting</li> </ul>										■	

A cross-functional global core team structure was created once the key stakeholders were identified along with a steering committee and a technology integration team.



Roles and responsibilities for all team members were clearly defined.

# An extensive data gathering campaign was kicked-off, 49 RFI's were issued to incumbent suppliers to determine project scope.

## AP Data

Supplier Name	Total
T.R.P. LLC	\$ 1,894,210
WESTAFF USA INC.	\$ 1,555,341
BURNETT STAFFING SPECIALISTS	\$ 1,282,702
CROWN OILFIELD	\$ 846,269
COAPE STAFFING NETWORK	\$ 554,943
MANPOWER INC.	\$ 517,107
SOS STAFFING SERVICES INC	\$ 459,052
EXPRESS SERVICES INC.	\$ 446,559
EXPRESS PERSONNEL SERVICES	\$ 411,204
E G W ASSOCIATES INC	\$ 402,818
LINK STAFFING SERVICES	\$ 212,902
INNOVATIVE STAFF SOLUTIONS	\$ 205,707
STAFFMARK INC	\$ 195,546
SUNBELT STAFFING	\$ 182,709
MILLET CONTRACTORS INC	\$ 181,091
WILSON GROUP	\$ 165,424
TECHNICAL RESOURCE PROVIDERS	\$ 161,053
SHANNON STAFFING INC	\$ 141,984
KEY PERSONNEL	\$ 139,004
ITSQUEST INC	\$ 132,842
N.I.S. TEMPS INC.	\$ 125,167
ALSO TEMPS INC	\$ 120,001
OAKS STAFFING	\$ 118,093
SUPERIOR TECHNICAL RESOURCES INC	\$ 112,572
ELECTRONIC ASSEMBLY SERVICES	\$ 109,640
PRO STAFF	\$ 106,929
CHAMP CONSTRUCTION INC	\$ 104,030
INSTATECH, INC	\$ 94,049
ALL TECH TEMPORARIES INC	\$ 92,697
SNELLING PERSONNEL SERVICES	\$ 87,368
ACCOUNT PROS	\$ 71,217
TPI STAFFING SERVICE	\$ 70,613
SILICON SOLUTIONS INC	\$ 64,673
KEY RESOURCE GROUP	\$ 63,564

Region	Initial Spend	# Locations	# Suppliers
<b>US</b>	<b>\$12MM</b>	<b>54</b>	<b>67</b>
<b>Europe</b>	<b>\$11MM</b>	<b>5</b>	<b>53</b>
<b>Total</b>	<b>\$23MM</b>	<b>59</b>	<b>110</b>

In Scope	Out of Scope
<ul style="list-style-type: none"> <li>■ Admin</li> <li>■ Accounting</li> <li>■ Heavy/Light Industrial</li> <li>■ Field Service</li> </ul>	<ul style="list-style-type: none"> <li>■ Engineering</li> <li>■ IT</li> <li>■ Miss-classified suppliers</li> </ul>

- The RFI was sent to 49 suppliers, 33 suppliers in the US and 16 in Europe.
- Coverage was 95% of the Identified spend

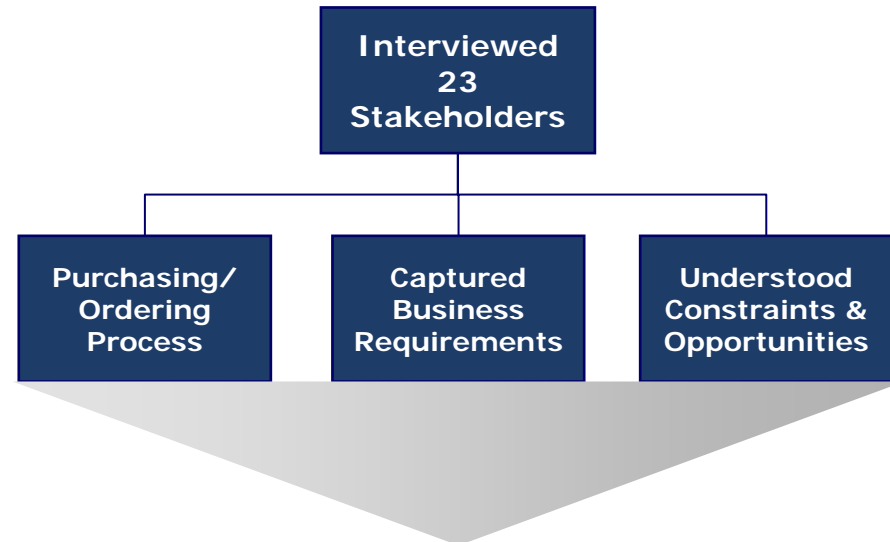
Region	Identified Spend	In-Scope Locations	In Scope Suppliers
<b>US</b>	<b>\$10MM</b>	<b>54</b>	<b>33</b>
<b>Europe</b>	<b>\$6MM</b>	<b>5</b>	<b>16</b>
<b>Total</b>	<b>\$16MM</b>	<b>59</b>	<b>49</b>

# Armed with a comprehensive understanding of the current spend, the team interviewed stakeholders to understand the business requirements for this category.

## Stakeholders Interviews & Business Requirements Planning

Requirement	#	Questions
Spend	1	What is the total annual temporary labor spend for your facility/location? Do you expect this to change in the next year?
	2	On average, how many temp workers do you have at your facility at any given time?
	3	Please provide an estimated breakdown between labor categories you utilize
	4	What kind of work are your temp workers performing?
Current Agreements	5	Who are all of your current suppliers for temporary labor?
	6	Do you have contracts with any suppliers?
	7	What are the penalties for breaking your contracts?
	8	What are your contracted markup rates per labor category?
Hiring Process	9	Describe the hiring process for temporary labor
	10	Do you ever hire temps to fill permanent, full-time positions?
	11	Are OSHA specifications an issue in the use of any categories of temporary labor?
	12	How are pay rates determined for temps?
Payment	13	What payment terms do you require for temporary labor?
	14	How is time tracked for payment of temporary labor?
	15	Do you require consolidated invoicing?
	16	What payment method(s) does your company use for purchases of temporary labor?
Service Level Metrics	17	Days to Fill
	18	Resume Submittal Time
	19	Requisition Response Time
	20	First Day Arrival Rate
	21	On-time Fill Percentage
	22	Number of Resumes Per Request
Other Service Levels	23	Do you require a dedicated representative or 24/7 service?
	24	Do you require an onsite representative from your supplier?
	25	Please list any other services that you receive from your current supplier(s)
	26	What types of reports are received from the current supplier?
	27	Do you require drug testing of your temporary staff?
	28	Do you require criminal background checks of your temps?
	29	Are there any specialized skills that temporary staff will have to be tested for?
	30	Is there currently an assessment period for temporary staff?
Supplier Selection Process	31	Has temporary labor been sourced in the past? If so, when?
	32	What is the process for handling performance issues?
	33	Is there a restriction against single sourcing for temporary labor?
	34	Are there additional constraints that might lead to selecting one supplier over another?
Technology	35	Do you place orders for temporary labor online?
	36	Do you review resumes or other selection criteria online?
	37	Do you receive electronic reporting?

- What are the key service requirements for each location, and how do they vary across our organization?
- What are the stakeholder's opinions on potential savings and improvement opportunities?
- What are the key issues stakeholders are faced with?



**All key business requirements and service level agreements were identified and incorporated into the RFP document.**

A Request for Proposal (RFP) was issued to help the sourcing team identify new potential suppliers, on a global, national and regional basis.

### Request for Proposal

#### Geographic RFP Representation

- The RFP was sent to 33 suppliers from Europe and the United States.
  - Global: 6 Suppliers
  - Pan-regional: 7 suppliers
  - Local/Country: 20 Suppliers

#### Primary RFP Contents

- Customer Service Requirements
- Quality Requirements
- Recruiting, testing and training
- Benefits
- Order placement technology
- Reporting capabilities
- Pricing

### RFP Scorecard

#### Balanced Scorecard Approach

- Understand what each supplier “brings to the table” from a qualitative/service level standpoint.
- Confirm the value proposition the supplier brings in terms of total pricing.
- Used a standardized and objective scoring methodology.

#### Evaluation Criteria

■ Customer Service Requirements	20%
■ Quality Requirements	5%
■ Recruiting, testing and training	10%
■ Benefits	5%
■ Order placement technology	8%
■ Reporting capabilities	2%
■ Pricing	50%
<b>Total</b>	<b>100%</b>

The team conducted face-to-face negotiations for all short-listed suppliers in each country.

## Negotiations Summary: Finalist Selections

Location	# Supplier Meetings	Selected # Suppliers
US-Houston	8	8
Norway	4	2
Germany	7	5
France	3	1
UK	2	1
Total	24	16*

### Positive Negotiations Outcomes

- Complete geographic and sub-category coverage was accomplished.
- Identified total cost savings of 10% vs. 8% goal.
- All Service level requirements were met.
- Manpower was selected as the supplier with the most spend in the US and EU.
- Norway and Germany selected niche suppliers for their specialty sub-categories.
- Eight suppliers in the US covered all the specialty sub-categories.

### Negative Negotiations Outcomes

- No one-supplier global solution was possible.
- From short-list to selection there was no major change in number of suppliers.

\*Note:

One supplier was selected to support both France and Germany

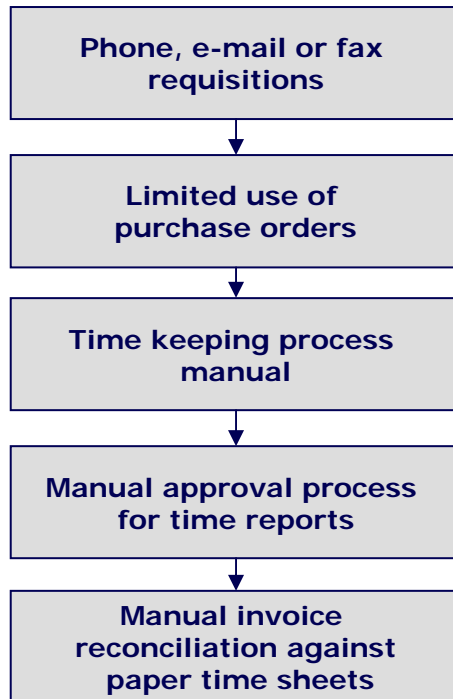
# The final award scenario provided Cooper Cameron with a number of key improvements to their temporary labor program.

Outcomes	Detail
Cost Reduction	<ul style="list-style-type: none"> <li>■ Total identified savings: 10% of the overall spend (\$1.583MM).</li> </ul>
	<ul style="list-style-type: none"> <li>■ Total US savings: 7% of total US spend (\$750K).</li> </ul>
	<ul style="list-style-type: none"> <li>■ Total EU savings: 15% of total EU spend (\$833K).</li> </ul>
Reduction In Supply Base	<ul style="list-style-type: none"> <li>■ Supplier base was reduced from 110 to 16 (8-US and 8-EU).</li> </ul>
	<ul style="list-style-type: none"> <li>■ Standard contracts were established with each supplier in the US and Europe, with standardized contract terms and conditions by region or country.</li> </ul>
Process Standardization	<ul style="list-style-type: none"> <li>■ In the US, drug and background screening policies, temp to hire provisions and job descriptions were standardized across all divisions.</li> </ul>
Automation of the Ordering Process	<ul style="list-style-type: none"> <li>■ The US implemented an automated online ordering solution, which standardized the process for all division and aids in program compliance.</li> </ul>
Improved Invoicing Process	<ul style="list-style-type: none"> <li>■ With the on-line tool, significant process improvements were achieved when switching from manual time-invoice verification to an establish workflow approval.</li> </ul>

**Sixteen supplier partners were selected to support Cooper Cameron's global temp labor requirements.**

# The team reviewed the current buying process and identified a number of focus areas for improvement.

## Existing Buying Process



## Improvement Opportunities

- Streamline and standardize requisitioning process.
- Establish a multi-level approval process for requisitions.
- Establish a three-way match (PO-timecard-invoice).
- Develop comprehensive ad-hoc reporting capabilities.
- Automate the time card submittal and approval process.
- Create a more efficient invoice reconciliation process.

**Automation will drive efficiencies.**

## Cooper Cameron made a number of improvements to their buying process by implementing an on-line services procurement platform.

<b>Benefits</b>	<b>Details</b>
<b>Vendor Neutral Application</b>	Provides long term supplier selection flexibility, de-coupling technology from sourcing decisions allowing for true supply base optimization.
<b>Cost Savings</b>	Increased program compliance, strict compliance to contracted rates.
<b>Streamline Communication</b>	Improved communication between stakeholders and suppliers dramatically reduced cycle times.
<b>Greater Control Over Spending</b>	Configurable work flow and approval can limit spending by user, project, job-type or a number of different variables to meet customer requirements.
<b>Improve Spend Visibility</b>	Provides a more accurate view of total spend, spend by business unit, spend by supplier which can lead to improved category management.
<b>Standardizes &amp; Improves Processes</b>	Transitions processes from paper-based to online. Provides consolidated invoicing and billing that can span multiple services categories.

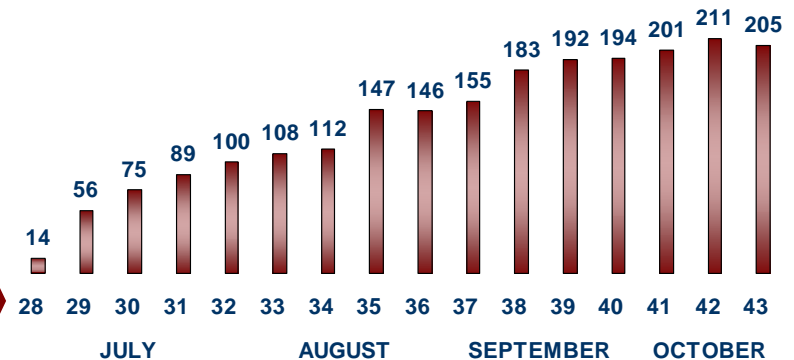
# A rigorous and comprehensive implementation of the on-line tool took place resulting in 75% monthly compliance in only 4 months.

## Implementation Highlights

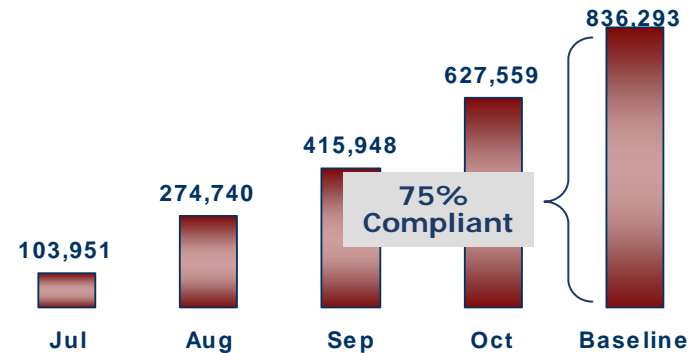
- 310 Cooper Cameron users trained.
- 47 Cooper Cameron locations in phase 1.
- 19 locations in phase 2.
- 8 suppliers trained in different sessions.
- 20 on-site "live" training sessions, covering 80% of the spend.
- 6 webex session for remote locations.
- 8 webex refresher trainings after go-live.
- 84 calls made to inactive end users after first month of go-live.

Results

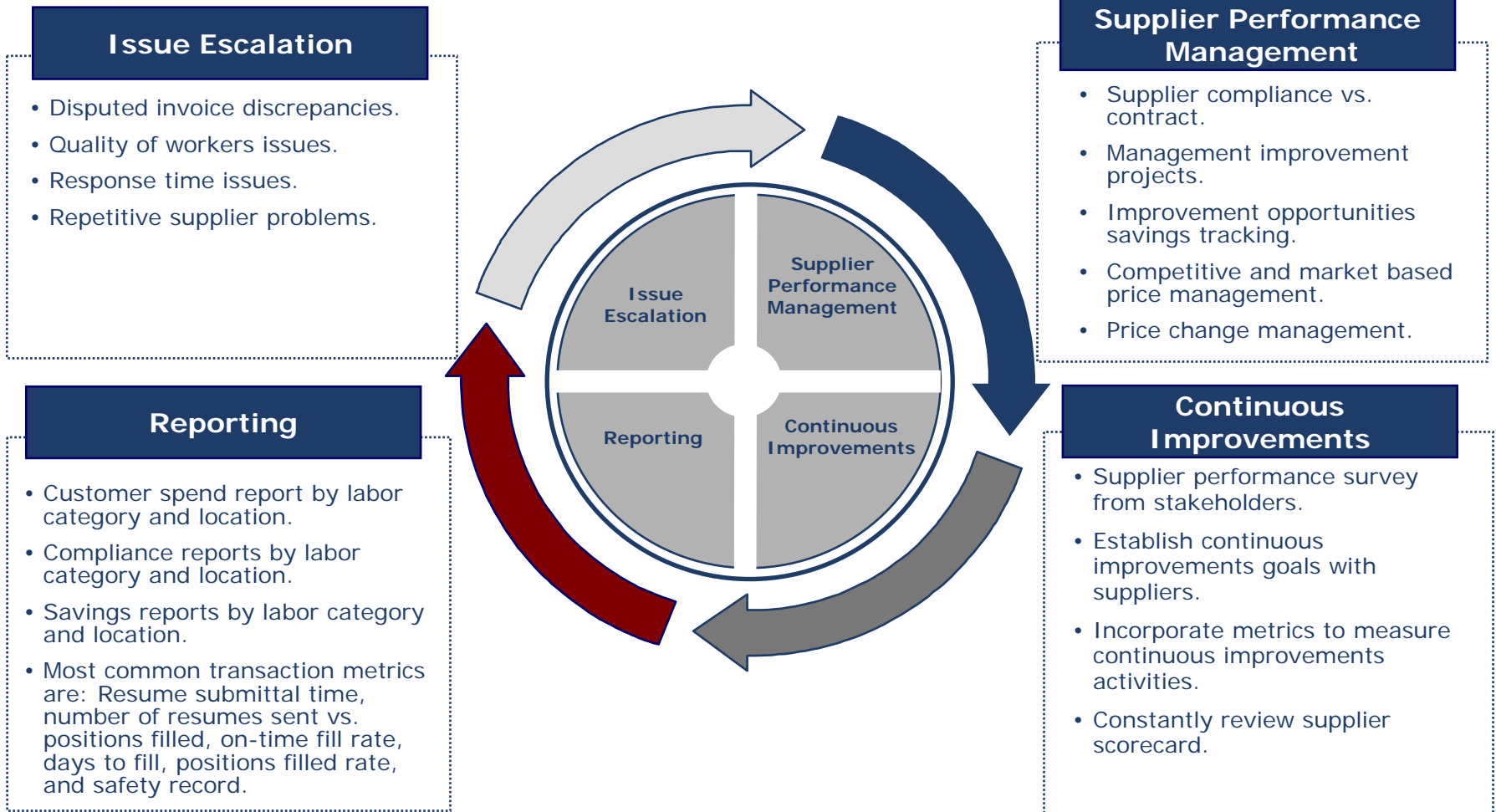
## Weekly Requisitions Filled



## Monthly Invoiced \$



**With adequate measures in place, the team can evaluate savings performance on a monthly basis, while identifying best practices that can be exported to enhance continuous improvements.**



# Cooper Cameron Case Study: Temp Labor

## Customer Situation

- **Industry:** Oil & Gas Equipment Manufacturing
- **Category:** Temp Labor
  - \$16 mm in 2004 global spend
  - 59 locations
  - Geographic Coverage:
    - North America: US & Canada
    - Europe: Germany, France, UK & Norway
- **Objectives:**
  - Develop fewer more meaningful supplier relationships.
  - Standardize the process across divisions.
  - Automate the workflow approval, ordering, timecards and invoicing processes.
  - Enhance reporting capabilities.
  - Establish on-going category management
  - Reduce cost.
- **Challenges:**
  - Limited use of corporate contracts in place, very decentralized.
  - Limited spend visibility.
  - Each location with different processes.
  - Gaining buy-in & process compliance from regional contacts.
  - Cultural and language barriers.

## Delivered Results

- **Employed process/strategy**
  - Collected RFI data from 49 suppliers capturing 95% of spend.
  - Interviewed key stakeholders to understand Client's purchasing process and to collect key service levels.
  - Standardized job descriptions across divisions
  - RFP was issued to 33 suppliers, a mix of global, national and regional.
  - Standard contracts were put in place with 16 suppliers.
  - An online procurement solution was implemented.
- **Delivered Results**
  - 24% average savings globally on addressable spend.
  - Implemented the online ordering and time keeping tool at 66 locations and trained 310 users with 75% adoption within 4 months.
  - Reduced the number of suppliers from 110 to 16
  - Electronic consolidation of invoices eliminated the time consuming paper process.
  - Ordering process was standardized across divisions.
  - Improved visibility of total spend.

# Challenges & Lessons Learned

# The team was confronted with a host of organizational, cultural and supply base challenges throughout the project.

Type	Challenge	Actions
<b>Organizational</b>	<ul style="list-style-type: none"> <li>■ Multiple divisions and locations with no standard processes</li> <li>■ No standard job descriptions</li> <li>■ "My current supplier meets my need"</li> <li>■ Complex and slow decision making process</li> <li>■ Understanding the different services provided at each location</li> </ul>	<ul style="list-style-type: none"> <li>■ Communication was key, bi-weekly team meetings were instituted</li> <li>■ Compiled, compared and standardized job descriptions</li> <li>■ All concerns were attended to immediately to limit issue escalation</li> <li>■ Twenty three stakeholders were interviewed to gather all location specific data</li> </ul>
<b>Cultural</b>	<ul style="list-style-type: none"> <li>■ Language barriers</li> <li>■ Different labor law's by country</li> <li>■ Understand the difference in TCO by country</li> <li>■ Fast paced vs. slower paced countries</li> <li>■ Cultural differences- work style differences</li> </ul>	<ul style="list-style-type: none"> <li>■ RFP's and negotiations took place in English, German and French</li> <li>■ Different labor law's by country</li> <li>■ RFP quotes reflected the different style of quotes per country</li> <li>■ Extensions were given to European suppliers</li> <li>■ Team meetings were scheduled considering EU time zones</li> </ul>
<b>Industry</b>	<ul style="list-style-type: none"> <li>■ Increasing statutory costs</li> <li>■ Increased employee benefit costs</li> <li>■ Increased demand for temporary staff</li> <li>■ Pricing power beginning to shift to suppliers</li> </ul>	<ul style="list-style-type: none"> <li>■ Leverage spend across divisions and geographies</li> <li>■ Created a competitive environment</li> <li>■ Used a fact based negotiation approach</li> </ul>

# There were a number of key “Lessons Learned” from this project.

## Cultural

- Understand each countries labor laws. (Germany and France do not use “Payroll”).
- Develop separate timelines for each region.
- Be conscious of language barriers, whenever possible execute negotiations in local language.
- Clearly define internal terminology to account for divisional differences.

## Analytical

- Category scope should map to supply base – engineering vs field services.
- Include drug screening and background information in the RFI (included vs. not).
- Develop the analysis following the companies’ P&L structure.
- Analysis should be done by country (Germany does not separate pay rate and mark up).

## Change Management

- Ensure clear communication to all cross functional team members and over-communication to their constituents at key project millstone.
- Corporate mandate is key to obtain stakeholder buy-in.
- Communicate the TCO savings both at the corporate as well as division level.
- Ensure all stakeholders are represented and that cross-functional team members speak for all of their constituents.

## Implementation

- There is no such thing as “over communication” of the program benefits.
- On-site training is invaluable.
- “Train, train and re-train”. (pre-go-live, & post-go-live). Proactively contact users that have not used the system.

**Q&A**