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Actioning a New Sourcing Value Levers Framework at ABF plc

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Abstract

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The purpose of this thesis was to explore and implement the new sourcing framework to achieve financial and non-financial benefits of a more closely aligned sourcing and contract management process at Associated British Foods (ABF) Plc. The company has a decentralized procurement organization but wants to benefit from scale by employing tools and processes other than centralization of procurement. The problem was that central ABF sourcing value leverage (SVL) was not clearly defined or utilized at scale and the value of this was not claimed above individual brand level. Therefore, the aim was set to determine if ABF brands would benefit from leverage in supply, demand, and process leverage driven by the ABF procurement organization. The thesis also aimed at driving clear contract compliance and delivering savings by contracting together between several ABF group companies.

The thesis employed a blended theoretical and action research process for the analysis of the current state. The theoretical framework was based on existing SVL models, models of organizational maturity and strategy at procurement organizations. A set of surveys and interviews were conducted with internal stakeholders and proved the need for change.

As a result of the thesis, a new 4C's SVL framework was proposed specifically for ABF. The new model centers on several distinct levels of brand level communication and purchasing process integration to secure value. The implementation of research was focused on supply management and contracting. A major European pilot study was conducted in June 2022 in the procurement of corrugated containerboard at several diverse ABF brands. A set of unified rules and contracting terms of supplier engagement were applied to meet delivery and service requirements. These actions resulted in a financial benefit of an average of 8% of additional savings versus brands contracting individually. It also assisted with joint communication strategies in finding alternative sources, consolidating supplier strategy in Europe, and determining the best value total cost of ownership (TCO) in the corrugates category.

Keywords: Sourcing Value Levers (SVL), Demand Management, Supply Management, Performance-based Contracting and Supplier Collaboration, Design-to-Value, Purchase-to-Pay (P2P).

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Definitions and abbreviations

Capital Expenditure (CapEx) and Operational Expenditure (OpEx) – CapEx is a major investment that is designed to enable long term use, e.g., building, automotive or machinery. OpEx is a day-to-day expense to sustain operations.

Chartered Institute of Procurement & Supply (CIPS) – a British organization of procurement professionals that aims to lead on procurement excellence and serves as a qualification body for purchasing and supply related professions.

Continuous Improvement Programme (CIP): Also known as Continuous Improvement (CIP) is a constant process of optimizing value delivery.

Chief Procurement Officer (CPO): An administrative executive role within a medium to large organization that focuses on sourcing strategy, purchasing decisions and supplier management.

Design-to-Value (DTV): An approach of product development that seeks to maximize value for the customer and minimize the cost to the vendor.

Enterprise Resource Planning (ERP): Software that facilitates Electronic Data Interchange (EDI) and other procurement processes such as Vendor Managed Inventory (VMI).

Environmental, Social and Governance (ESG): A series of non-financial factors and responsibilities that are part of company strategy.

Independent Chemical & Energy Market Intelligence (ICIS): A market intelligence company.

Key Performance Indicators (KPI's): A set of metrics.

Long Term Capacity Management (LTCP): A process that supports supplier capacity building over an extended planning period (over 1 year) and includes 2nd tier vendor management, production tooling, logistics planning and business continuity related activities.

Purchase to Pay (P2P): A process which refers to the whole end-to-end procurement procedure from requisition to payment.

Responsible, Accountable, Consulted and Informed (RACI): A matrix of stakeholder names compiled for a task or a project that aims to define their roles and responsibilities. It should also help to manage interdependencies.

RFx: A process by which information is requested from a potential vendor either through the Request for Information (RFI), Request for Quote (RFQ) or Request for Proposal (RFP).

Rules of Engagement (RoE): A document that defines rules for an RFx event.

Service Level Agreement (SLA): A document defining the expected metrics of performance from a supplier.

Specific, Measurable, Agreed, Realistic and Timed (SMART): A criteria to setting objectives that are clear, well defined, reviewed, agreed and time specific.

Sourcing Value Levers (SVLs): Tools available to purchasers that generate product value or improve the purchasing process.

Strategic Sourcing: A full procurement process aimed at generating the lowest total cost in the long term from activities including market research, data collection, tendering, negotiation, contracting and SRM.

Supplier Relationship Management (SRM): An organization wide vendor appraisal and review process that encompasses and promotes long term value-oriented activities including building mutually beneficial relationships, LTCP, strategic planning and supply management.

Value Engineering (VE): An organized and managed approach to a project, process or a product to improve its overall value for the supplier or the buyer.

Work Breakdown Structure (WBS): The WBS breaks down project work into individual manageable tasks. A useful tool for any project or pilot study.

1 Introduction

In this thesis the goal was to study how a theoretical framework of Sourcing Value Levers (SVLs) can be applied at Associated British Foods (ABF) plc. to develop a cooperative contract management solution for its group of companies. At the beginning of this process in 2021, a contract template was accessible for best practice, but no common contracting solution existed.

In his book, A.J.v. Weele (2014) identifies procurement as a significantly evolved function within a modern business. A business must possess a mature procurement organization to manage the bottom line effectively. The function must utilize much more than a simple Purchase-to-Pay (P2P) process. Most major companies will now set purchasing objectives around strategic category management. The Chartered Institute of Procurement & Supply (CIPS, 2021) define category management as a process of segmenting spend strategically to identify areas of consolidation or synergy. To realize the opportunities within these areas and increase product value or reduce costs, buyers must use sourcing leverage.

O'Brien (2009, p. 129) has defined sourcing leverage as a critical part of category management in procurement. Adapted from the Porter's Five Forces model, it may be gained from three key areas of governance. These are defined as demand management, supply management and process management. Leverage is often expressed as a set of tools that form the strategic Sourcing Value Levers (SVLs) framework and that a procurement organization may use to gain a value advantage from its activities. See Figure 1 for a version of the sourcing value levers framework that gives examples of the three areas of governance. However, I believe there are several inefficiencies in this sourcing leverage model within the changing role of procurement in diversified multinational business organizations.

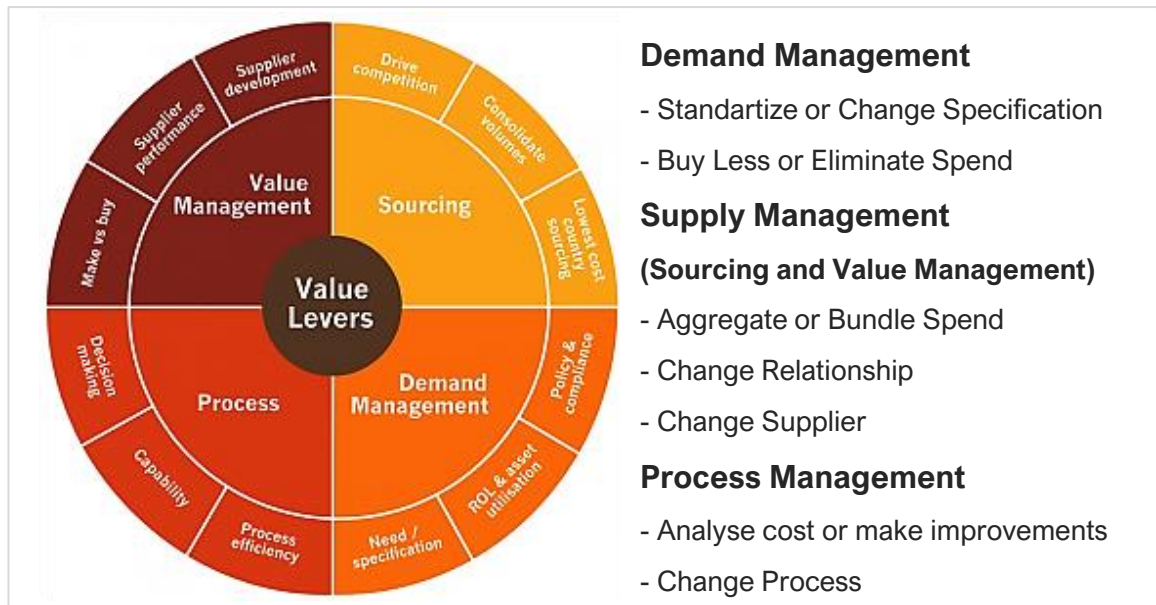


Figure 1. Centralized Sourcing Value Levers framework as defined by O'Brien (2009, p. 129) and CounterPoint (2021).

The model is aimed at centralized procurement organizations as defined by the terms 'consolidate', 'aggregate' and 'standardize'. My aim was to develop and test a new universal leverage framework model for ABF using action research. The evaluation was to centre on management and rules of supplier engagement as part of supply leverage. This was aimed at delivering a set of agreed rules for strategic supplier engagement that meet the requirements of several diverse brands and manufacturing sites at ABF. It is aimed at delivering the benefits of increased scale, without centralizing ABF.

1.1 Case Company Background

Associated British Foods plc. is "a diversified international food, ingredients and retail group listed on the London Stock Exchange" (ABF Accounts, 2020). ABF operates in over 50 countries and has several divisions employing over 140,000 people with a combined revenue of over £15bn per annum. ABF brands are split into 5 major divisions and over 70 individual brand companies in grocery, sugar, agriculture, ingredients, and retail (ABF, 2021). Each brand company has its own management and financial structure.

ABF employs a small central procurement team with an aim of synchronizing the delivery of material savings as well as synergizing information flows between brand owners. The role of the central procurement team is therefore complex with several dotted reporting lines into the procurement structures of those businesses. ABF procurement is a small but pivotal structure that links the purchasing activities between these firms. Figure 2 encompasses the current central procurement structure.

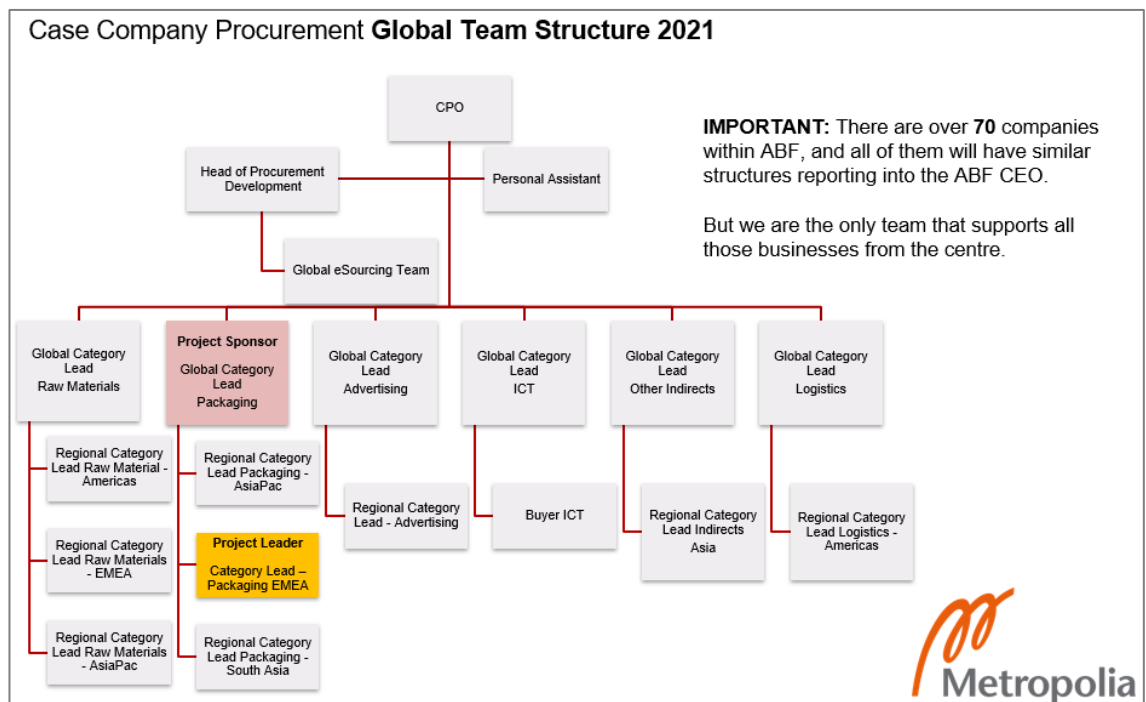


Figure 2. Procurement Team Structure at ABF plc.

It is the responsibility of the central team to successfully deliver a set of objectives that are both dynamic and SMART to generate financial and non-financial procurement value for the brand owners. The task is not undemanding, as it also needs to consider the external business environment, that will have different pressures in different regions and business areas. The stakeholders and processes outside ABF plc. evolve and change, some of them faster than us. Globalization, digital procurement innovation, increased supplier agility and market consolidation as well as the rise of importance of Environmental, Social, Governance (ESG) factors strongly influence the activities of the team.

I am a member of this team and hold the position of a strategic sourcing lead for packaging in EMEA. I look after the spend of approximately 140m EUR, split between the categories of paper, plastic, glass, metal, and other packaging materials. My role is to find synergies in communication, collaboration, and synchronization in categories where ABF buys comparable materials from comparable vendors. My remit includes organizing sourcing events, workshops, performing market research, strategic supplier relationship management (SRM) as well as leading innovation and sustainability projects. I have limited my thesis research to direct packaging spend used in the manufacture of tangible fast-moving goods in my region.

1.2 Problem Statement

The problem is that the model in Figure 1 is not clearly defined or utilized within the team at ABF and is difficult to apply to organizations that have a decentralized procurement structure. O'Brien's leverage framework assumes that the regional category manager at the centre can apply several solutions and strategies to supply, demand and process decisions. This in turn helps to engage the market more effectively and increases the level of organizational maturity. A mature procurement function is the future of an effective business organization. It must rely not only on the personal competence of sourcing professionals within it, but also on the up-to-date procurement theory, tools and processes that allow value to be gained.

This is not the case in companies such as ABF where decision power rests solely with its companies and brands. Instead, the central team at ABF act as a set of internal consultants for brand companies. For example, in supply management, brands consult the central team to segment vendors using the Kraljic Matrix and recommend different selective supplier relationship management (SRM) strategies, pricing and operational models of supply. Decisions are taken independently and out of sync with other brand owners, despite this being one organization.

To perform their role, the central procurement team utilizes the ABF 'Pyramid of activities' model (Appendix 1) that are performed by me or my team members. The variety of tasks and the ambiguity as to who is responsible or accountable for the result (RACI) of a task or a project may be confusing. It also means that category leaders may have a weakened ability to apply effective leverage for their spend areas. The biggest issue is that contract management and compliance is out of sync between brand owners. This means that it is difficult to combine site spend and align their strategies to maximise the opportunity for execution, including meeting obligations in service and savings delivery (Figure 3), purchase-to-pay process optimisation and optimal cost determination.



Figure 3. Contract Management (Four Business Solutions, 2013).

During a procurement leadership team meeting in October 2021, I therefore submitted a proposal to my line manager and the Chief Procurement Officer (CPO) to conduct research on our central leverage options in supply, demand, and process management. In the proposal, I have also highlighted that action research in supply management for contracting and supplier market engagement could bring actionable and measurable benefits of scale to ABF. In contracting together, our organization would increase its organizational maturity and prove the need for change, without centralizing the procurement function at ABF and taking any power away from brand company owners.

1.3 Research Aims

My proposal was aimed at determining if ABF would benefit from research on sourcing value leverage (SVL) and an action research study that included supplier engagement and contract management. A clear central value leverage framework could then be relied upon for setting demand, supply and process objectives that are linked to developing category strategy, managing product portfolios, and enabling an effective Supplier Relationship Management (SRM) process. It was also aimed at driving clear contract compliance and delivering savings by contracting together between several ABF group companies.

A workshop with me, my line manager and the CPO in November 2021 produced a clear aim of research findings. My aim was to produce results that are quantifiable, replicable and transferable across our organization, as described by McNiff and Whitehead (2009, p.132). The first step was determining the need and the priorities for a new leverage framework through an analysis of the current state. The next stage of my research was set to be the development of an actionable leverage framework that would benefit our central team as decentralized category leads for spend areas within ABF. The focus on implementing this framework was supply leverage implementation through a pilot study for collective supplier market engagement and contract management for one of my key packaging categories within ABF plc. A successful implementation of the pilot study was aimed at proving and justifying the need for change at ABF by establishing a clear contract management process and providing a model for doing so.

Based on discussions with my line manager in November and December 2021, the action research was aimed at fulfilling several secondary aims. This consisted of identifying the basics of how to define the value of the ABF central team, how we aim to deliver value, 'what good looks like' and what competitive advantage may be gained or lost by enabling a central buyer to identify and use certain sourcing leverage options. According to the ABF responsibility report that was discussed earlier (2017), 'the centre is small and uses short lines of

communication to ensure ... that business activities are appropriately monitored and supported'. Therefore, the new framework was aimed at identifying and clarifying the role of our procurement team and acquiring the benefits a clear contract management process. Finally, it was aimed at touching upon the possible discrepancies of business priorities for different ABF brands.

The scope of implementing group contract management was limited to my area of packaging procurement in EMEA as this is the main area of my work. This was conducted through a real time pilot study for a selected packaging category of corrugated containerboard where I have chosen several key ABF group businesses to participate in its assessment. The options that I have considered (a set of universal terms or rules of engagement) needed to enable leverage through group supplier engagement as outlined in Figure 3.

1.4 Research Questions

The research questions directly relate to the root causes identified in my problem definition and statement (as discussed by Jonker and Pennink, 2010, p. 11):

1. What competitive advantages can be gained by utilizing sourcing leverage in a procurement organization?
2. How should the Sourcing Value Lever's framework be developed for the use of a decentralized procurement organisation of ABF plc.?
3. What financial and non-final benefits a new sourcing value lever's framework brings to the procurement of ABF plc. and how can these benefits be measured across:
 - Supply management
 - Demand management
 - Process management
4. How could the new Sourcing Value Lever's framework be implemented in ABF plc. based on a pilot study in contract management and group supplier engagement?

1.5 Metrics

Both quantitative and qualitative metrics were developed to measure success of the thesis work (Table 1). The metrics are linked to the theoretical framework developed in the thesis which is reviewed in more detail in Chapter 4. The success is determined by implementing an action research pilot case in Chapter 5. The aim of the pilot case was to enable direct category savings of up to 10% by applying a new vendor contracting process. The chosen contracting solution was also aimed at targeting activities of supply strategy rationalization, supplier selection, and product portfolio optimization. The success of the qualitative maturity metric is determined by stakeholder feedback measured before and after the pilot study. The pilot study was undertaken in Jun 2022. The benefits that have been identified are delivered by end of the year 2022.

Table 1. Metrics of Implementing the new Sourcing Framework

| Model of Operation | Contracting Mechanism | Quantitative Metric | Estimated Value | Qualitative Metric | Estimated Value |
|---|---|-----------------------------------|---|---|---|
| Current State – No Sourcing Leverage | Individual contract requirements (dates, term, price mechanism) | Direct savings value (% on spend) | 5-10% on processing and conversion costs | Organizational Maturity (Figure 9, Table 2). New SVL Framework (Level 1) | Tactical and Operational, Passive. Communicative. |
| New Model of Operation – A New SVL Framework | Aligned rules of engagement between brands on contract dates, term, and price revision mechanism. | Direct savings value (% on spend) | Up to 10% additional on processing and conversion costs due to economies of scale of single contracting entity. | Organizational Maturity (Figure 9, Table 2). New SVL Framework (Level 2). | Strategic, Supportive, Consultative. |

These measure of success for the pilot study were aimed at providing a strategic incentive to suppliers and brands that exceeds individual brand owner contract negotiation efforts. The quantitative metric was based on greater economies of scale (increased volume – increased bargaining power) between multiple brands and establishing new SRM and account management practices

across the supplier base. It also aimed at setting the scope for future development of innovative supplier products (led by a central ABF and strategic suppliers). The practice of combining brand requirements across ABF has existed in the past, but without a formal contract mechanism. The result of this is a misalignment on contract conditions, negating efforts. The KPI of additional 10% of direct material savings is a SMART (specific, measured, agreed, realistic and timed) objective that can be replicated in other categories after the implementation of the pilot case. A successful result was aimed at validating the need for change through practical, measurable, and objective means.

The qualitative metric was used to evaluate the success of my development project with the feedback collected from an ABF stakeholder survey before and after the pilot study. It targeted the internal ABF procurement team, procurement directors and brand buyers. The combined measurement of financial savings and the qualitative survey feedback was aimed at producing a clear proof of concept that was aligned with the aims of my research. This also ensured that the new theoretical framework developed during the thesis process carried actual value for ABF plc. and accomplished the purpose of developing a clear new value levers framework and contracting process.

1.6 Research Methodology

I have used Jonker and Pennink (2010, pp 87-94) to pick my research methodology. The thesis uses a blend of theoretical and action research to pursue a systematic investigation into an assessment of existing sourcing value theory and new model development and testing at ABF. Action research consists of planning, identifying research participants, gathering data, producing and implementing a proposal and reflecting and evaluating results. Changes are only proposed and implemented after gathering evidence from research participants. According to Jonker and Pennink (2010, p. 94) the value in action research rests on testing the validity of existing and new knowledge and allowing business stakeholders to critically assess and scrutinize the solution before it is implemented.

Planning begins with identifying available resources and putting together a research strategy along with timelines. Data is first gathered through a literature review that analyses existing theory and identifies gaps in the body of knowledge (Flick, 2015, p. 58). It also provides the basis along which primary research will be conducted (Saunders et al., 2009). Knowledge gaps can exist in several areas, but the researcher must be selective to direct resources to the research problem. A selection is also made at this stage between quantitative and qualitative primary research methods. According to Flick (2015, p. 12), collecting quantifiable survey responses can provide a quick generalization of the overall situation and narrow down research interests. This is necessary to prioritize further areas of research and solution development.

On the other hand, my subject matter of procurement sourcing value is already highly specialized. Research participants may have an expert opinion and produce exact answers and ideas to resolve the research problem. Therefore, it is necessary to also consider qualitative research methods. Semi structured interviews and focus groups can use previously gathered quantitative survey data to encourage two-way communication and allow a deeper dive into sourcing leverage. Respondents can openly share their expert opinion and help determine an optimal future state for ABF. In the final stage, it is critical to evaluate their feedback to the proposed solution, and another survey may be used to gather responses that validate findings.

1.7 Research Design and Action Plan

My research design (Figure 4) consisted of a literature review, primary surveys, semi-structured interviews and focus groups. The literature review (Chapter 2) investigated sourcing value leverage and produced a comprehensive overview of existing theory. This was complemented using a primary research survey and a set of semi-structured interviews and focus groups to obtain feedback from a group of ABF procurement stakeholders and establish the current state. It was also aimed at establishing the need and the value of a new sourcing value framework at ABF and determining the desired future state.

In the primary research design, I have used cluster convenience sampling in December 2021 to cluster a group of procurement stakeholders by division and type of brand owner. They were to be surveyed and asked to participate in interviews and focus groups. The questions of the survey and the interviews have sought to answer my research questions and avoid priming or leading the respondents to the 'right' answer (Liu, 2019) around the need of the new framework. All responses were also designed to be anonymous for GDPR purposes. The complete survey design is available in Section 3 and Appendix 2.

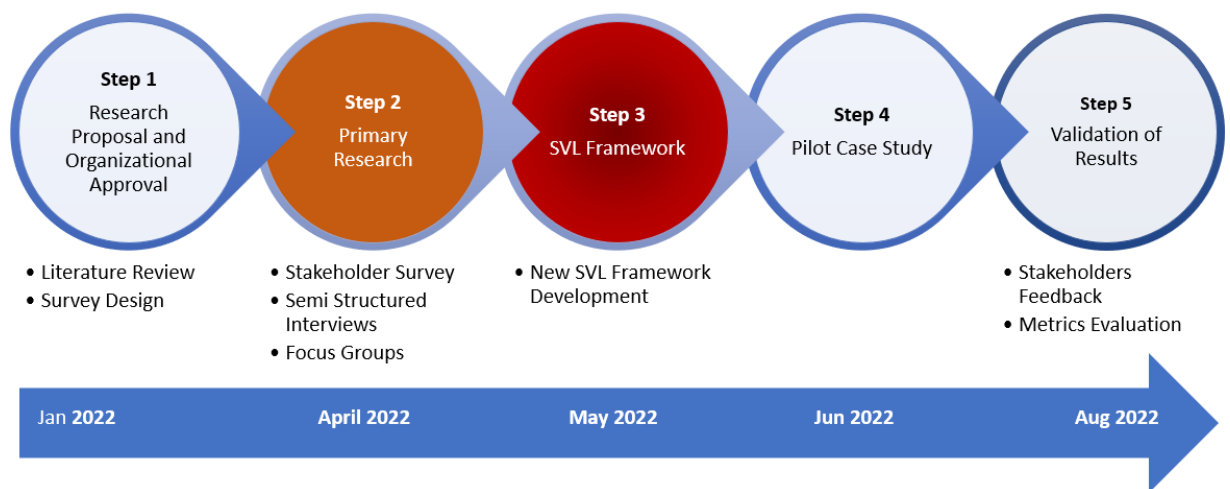


Figure 4. Research design – a strategic sourcing value framework for ABF plc.

The results of the survey and interviews helped determine the current state and were used to develop an updated sourcing leverage model for ABF plc. The value of the new model was tested via a pilot case study in June 2022. The pilot study was a real-life example of the use of the new SVL model of in a commercial packaging sourcing exercise study. It was designed to identify and distinguish clear quantifiable benefits from using the new centrally establish contracting process. The final stage was the verification of results with brand directors and buyers through a follow up survey of qualitative responses that produced a quantitative and qualitative cost-benefit analysis. A complete research proposal was submitted to my line manager in December 2021 and secured business approval. I have then proceeded to the literature review.

2 Literature Review

2.1 Porter's Five Forces

The main theoretical models that I aimed to discuss relate to the establishment and application of acquiring sourcing value in a procurement organisation. The first theoretical model is known as the Porter's Five Forces model (Figure 5). O'Brien (2009, p.128) has referenced this model as the predecessor to establishing sourcing value leverage. Porter's Five Forces references external competitive dynamics that determines the attractiveness of a specific industry sector (Schermerhorn, 2010, p. 146). It evaluates both the present rivalry of the competitors, as well as the bargaining powers of buyers and suppliers. It also helps determine how likely new entrants are to disturb the industry and how easy would it be to substitute the product for an alternative. Schermerhorn argues that a comprehensive understanding of these forces will help set a strategy of cost leadership or product differentiation. This can help to gain and retain an overall competitive advantage.



Figure 5. Porter's Five Forces model (Child, 2006).

Whilst Porter's theory is typically targeted at sales or management teams, it may also be evaluated in relation to procurement theory and activities. Based on the model in Figure 5, Kew and Stredwick (2009, p. 41) argue that several concepts should be examined in the process of assessing the bargaining powers of buyers and suppliers. These concepts include backwards supply chain integration (own in-house production of components), individual component cost measurement in relation to the cost of a finished product, supplier-buyer co-dependence, and costs of switching suppliers. The result is used to weigh power in favour of either the buyer or the supplier. Several of the concepts can clearly be applied in procurement to gain sourcing leverage along the sourcing process (also known as purchase-to-pay (P2P)).

2.2 Sourcing Value Leverage

The typical strategic sourcing value process or P2P (Figure 6) consists of several steps where procurement leverage can be applied. This includes demand and supply analysis, sourcing strategy and supplier selection, contracting, implementation, order process management, and supplier review, which forms part of supplier relationship management (SRM).



Figure 6. Strategic Sourcing Process, also known as P2P (Adapted from ThunderQuote, 2017).

At each of these stages, value can be created through volume-based savings, working capital improvement, product value engineering or other continuous improvement (CIP) activities. The Sourcing Gemstone Model (Figure 7) by A.T. Kearney (AIPTS, 2021) describes some of the potential value benefits that can be found and applied during the process of SRM to exercise power over suppliers and create a competitive product or process advantage.



Figure 7. Sourcing Gemstone Model adapted from A.T. Kearney (AIPTS, 2021).

O'Brien (2009, p.128) has applied Porter's Five Forces to create his SVL model (Figure 1). It describes the value of the model in three clear and distinct areas of procurement category management. It also references the power of a buyer to make decisions concerning demand management, supply management and process management. The first area is demand management and concerns specifications of a finished product, which influences what components need to be procured. The second area is supply management and concerns the selection of and the relationship with the supplier. The final area is process management which concerns the whole supply value chain, including onboarding new suppliers, the ordering process and SRM. Weele (2014, p. 16) recommends the use of these three leverage areas to combine individual site strategies and procurement spend to maximise the benefits of savings or other value delivery along each step of the P2P process.

One example that Weele has described as offering significant value in the strategic sourcing process is the consolidation of several suppliers that would offer best supply terms due to greater economies of scale. Another example is the rationalisation of Enterprise Resource Planning (ERP) systems at several manufacturing sites that would help to streamline and simplify the order process and reduce the number of planning roles and tasks. The key strategy is to find synergies that exist anywhere across the P2P value chain (Figure 6).

2.3 Kraljic' s Purchasing Portfolio

To further understand sourcing value, it is also important to consider the Kraljic Matrix (Figure 8). It identifies leverage options within a purchasing organization based on profit impact and supply risk. It is one of the most well-known procurement tools and is used to 'segment a supplier base' (Webb, 2017).

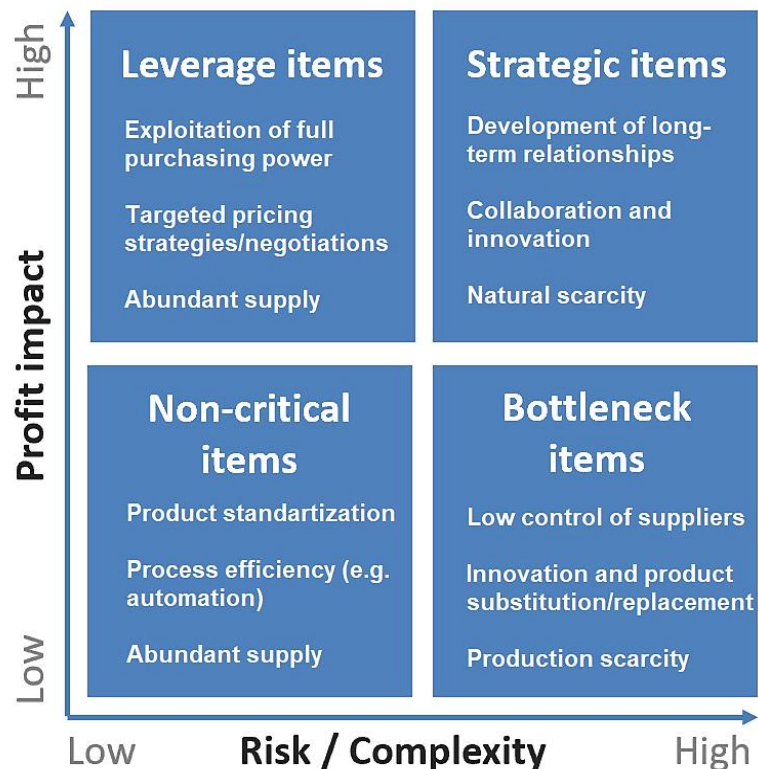


Figure 8. Kraljic Matrix by Peter Kraljic (Adapted from Forbes, 2017).

The Kraljic Matrix can therefore be used to hedge and manage risk during the supplier assessment phase of the strategic purchase-to-pay process (P2P). This involves several possible risk prevention strategies. The first area is a price strategy, which means ensuring that supplier pricing is stable throughout the supply period. The second area is the hedging of future stock, which means securing materials using physical or financial hedging processes. The third area is structural hedging, which means informing and managing internal stakeholders so that product demand can be managed if there are shortages. These clearly relate to the same areas identified by O'Brien (2009, p. 128) – i.e., demand, supply and process management.

2.4 Procurement Organization Maturity Assessment

Based on the previous three tools, a sourcing strategy may be established. However, the chance of it succeeding also depends on the level of procurement organizational maturity. Procurement maturity will also be linked to the maturity of the wider organization, particularly involving the integration of people, process, and technology in strategic planning (Coupa, 2021, p. 2).

According to Coupa (Figure 9), there are several different levels of procurement organization maturity. If procurement chooses suppliers for one-off purchases and concentrates on order processing and invoice approval, the procurement organisation is classified as Tactical or Operational (Stage 1). Here, buyers have little influence and do not drive any substantial value out of procurement activities. Suppliers also do not see value in developing a strategic relationship or offering significant savings or new product development opportunities.

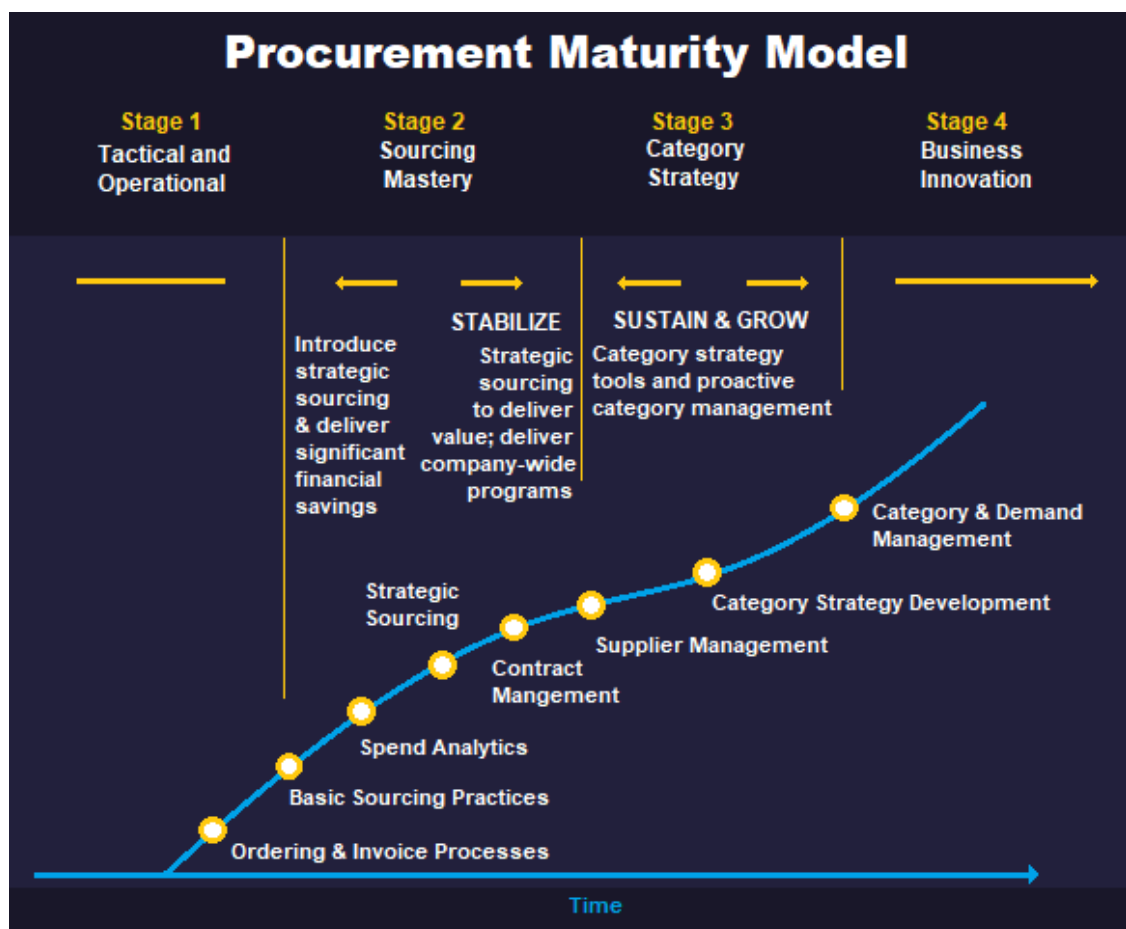


Figure 9. Procurement Maturity Model (Adapted from Coupa, p. 3, 2021)

According to Coupa, when practices, analytics, contracting and SRM practices are introduced, the organization is claimed to have reached Stage 2 or Stage 3. If there is a clear procurement and category strategy which is implemented by sourcing leads to drive long term innovation, the organization reaches Stage 4. A stage 4 organization will be supported by trained procurement professionals. It will also have a detailed P2P process and will seek to utilize the latest digital procurement technology. It will be proactive and have a clear program for procurement value delivery, as described previously. Another model of organizational maturity was developed by Schweiger (2015, p. 17), who has assessed multiple existing maturity models developed by other authors to produce a simplified maturity framework that categorizes organizations as either passive, independent, supportive, or integrative (Table 2).

Table 2. Maturity Levels Assessment by Schweiger (2015).

| Maturity Levels (Reck/Long: Strategic stages in Purchasing) | | Description of maturity level (Excerpt) |
|--|-------------|---|
| 1 | Passive | The purchasing function has no strategic direction and primarily reacts to the requests of other functions. |
| | | High proportion of purchaser's time is spent on quick-fix and routine operations. |
| | | Purchasing function and individual performance are based on efficiency measures. |
| | | Little interfunctional communication takes place because of purchasing's low visibility. |
| 2 | Independent | The purchasing function adopts the latest purchasing techniques and practices. |
| | | The strategic direction of PSM is independent of the firm's competitive strategy. |
| | | Performance is primarily based on cost reduction and efficiency measures. |
| | | Coordination links are established between purchasing and technical disciplines. |
| 3 | Supportive | The purchasing function supports the firm's competitive strategy by adopting purchasing techniques and practices. |
| | | Suppliers are considered a resource which is carefully selected and motivated. |
| | | Markets, products and suppliers are continuously monitored and analyzed. |
| 4 | Integrative | Purchasing's strategy is fully integrated into the firm's competitive strategy and PSM implements a strategic plan. |
| | | Cross functional training of purchasing professionals. |
| | | Purchasing performance is measured in terms of contribution to the firm's success. |

Schweiger's model roughly corresponds to the Coupa model in Figure 9 and lists a mature organization as having an integrated strategy, professional training, and performance measurement tools in place. The difference is that the Coupa model also lists a Stage 4 organization as innovative. In my assessment of the current state at ABF in Chapter 3, I have utilized both models in the context of the role of the central function and in the context of its independent companies and brands that seek to drive their own bottom-line value. I have also utilized Porter's Five Forces, the SVL model developed by O'Brien (2009, p.128) and the Kraljic's Matrix to complement my assessment.

3 Current State Analysis

This chapter assesses the current state at ABF plc. to find examples if and how sourcing value leverage is currently applied. It is important to highlight again that ABF does not seek to centralize its procurement activities. As described in Figure 5, a typical strategic sourcing process (P2P) in an otherwise centralized organization employs several steps. These are idea generation, demand and supply analysis, supplier selection, contracting and relationship management. At ABF, I lead idea generation, market analysis, and initial supplier selection, but typically do not supervise contracting or local relationship management. This power is devolved to individual brand owners comprised of brand procurement directors, buyers, and supply chain leads, whom I would typically advise and consult. In total, here are over forty ABF brands in Europe, Middle East, and Africa (EMEA), which I oversee. The task is complex, as sourcing requirements of group companies within ABF are often different.

My role in the central ABF procurement team is therefore to use soft power and influence to recommend sourcing or risk management strategies to our group companies. In my analysis of the current state, I was therefore assessing our existing influence concerning the three areas of sourcing value leverage – demand, supply, or process management. The aim was to prove what value may be delivered by combining our group requirements and making it possible to source components and contract together as a set of ABF companies.

As discussed in the literature review, there are several key benefits that may be delivered by successfully identifying and applying strategic sourcing value levers. O'Brien (2009, p. 135) claims that there is control to be gained over complex supply dynamics, some of which I currently lack. A structural application of leverage may allow me to work with suppliers at a group level and identify shared benefits between ABF brands. For example, direct savings may be identified by using the economies of scale to raise our market share with the supplier. It could also help enable stronger cost avoidance strategies when it comes to handling material inflation and direct the focus to shared cost or process simplification in production, as well as supply network optimisation.

If leverage is not applied successfully, there is a greater potential loss of trust, power, and strategic positioning according to the Kraljic Matrix (Figure 6). To give an example of not being able to apply Kraljic's purchasing portfolio model fully now, I can mention that a strategic packaging boxes' supplier has recently reassigned ABF to a lower tier of customer preferencing. The supplier suggested that we stop a central product redesign project that aimed to deliver line efficiency and sustainability benefits but was only accepted by a few ABF production sites. They also changed my contact from a global sales manager to a local sales manager. Therefore, ABF plc. have lost the status of a strategic key customer account. As referenced in this example, there may be a direct material cost and an opportunity cost for not sourcing packaging items as a group. There is also a loss of customer positioning, according to the Kraljic Matrix. If a supplier no longer considers partnering on important innovation or sustainability material projects, this may affect the competitiveness of ABF.

In the maturity assessment Coupa (2021, p.7) suggests that a Stage 3 or 4 organization should also have single spend management, contracting and payments and expenses' platform across all entities. There is a spend review platform at ABF, however, it does not include all brand entities and spend categories, therefore ABF cannot claim full maturity and value from it. Contracts with suppliers are usually managed independently by local brands, and expenses are managed by individual companies or by division. Procurement

organization performance is also not measured on the group level. Finally, each company has their own brand strategy that guides an individual procurement strategy. These factors influence the weak maturity of ABF and affect my role and aim to claim sourcing leverage from 'best-in-class' industry models. My aim in my role at ABF is to claim group procurement value and leverage from being integrative (Schweiger) and innovative (Coupa). As part of idea generation and market analysis, I help write category strategies on behalf of our brands, aiming to establish best practice across the group. ABF has also tasked me to organize and attend professional procurement training on 'futureproof procurement' and 'procurement innovation'. However, these are not enough to achieve maturity and claim leverage according to O'Brien's SVL model.

Based on the analysis of existing literature and review of the current state, my aim was therefore to generate a new model that could establish options of leverage for ABF. This framework was therefore to be aimed at identifying the role of the central ABF organization in securing shared sourcing value, and present leverage options that are available in a decentralized setting. The model was also aimed at highlighting this leverage, whilst continuing to use soft power, influencing and communication. To test the model, I have devised a pilot study that would bring savings by utilizing economies of scale.

3.1 Aims of New Theoretical Framework

Following the literature review, I have outlined the key sourcing levers that the new framework for ABF plc. was aimed at considering. The primary research survey and interviews in Section 4 were aimed at reviewing how ABF plc. can utilize supply levers, demand levers and process levers defined below and available in Figure 10. The resulting framework was aimed specifically at decentralized organizations to help buyers drive value and raise their organizational maturity. It was also aimed for this ability to be adapted into a new theoretical model to be utilized by professionals in a similar role to myself overseeing a large and decentralized procurement organization:

Supply Management levers:

- Market research and sourcing – the survey was designed to establish whether a central procurement team should use leverage to lead more sourcing events that promote the central strategy (organize spend, gather specifications, conduct market research) or whether they should support and encourage local buyers to do so (by offering best practice in an expert support role).
- Contracting – the survey was also designed to consider whether a central lead should or should not communicate business awards to suppliers. It was also aimed to ascertain whether they should or should not sign group contracts or service level agreements. Should a central category lead also follow up on the awards process and participate in SRM meetings or hand this over to the local buyer?

Process Management levers:

- Category strategy - should a central ABF category lead write category strategies for each of their spend areas, or should they encourage and coach brand buyers to write the strategies with ABF lead acting in a supporting role as a reviewer or advisor?
- Market intelligence - should the ABF procurement team simply sign-up market intelligence companies for brand buyer utilization and only look after the commercial relationship, or should they also analyse, compile and present market data to local buyers and procurement managers?
- Working capital administration - what is the role of the central ABF team in measuring and gathering non-financial working capital benefits e.g., centralizing or not centralizing payment terms, inventory management systems and Electronic Data Interchange (EDI) functionality?

Demand Management levers:

- Product development - should central procurement lead technical projects to optimise specifications, or should they bring best practice to

the table only when asked by brand owners? Or, alternatively, should they delegate this to individual buyers and coach them through the process?

- Sustainability and innovation - should central procurement teams be the lead experts on sustainability and innovation in the group? Should procurement leaders in my position have a budget for sustainability/innovation work, workshops, training? Or should only conduct activities that are free-of-charge?

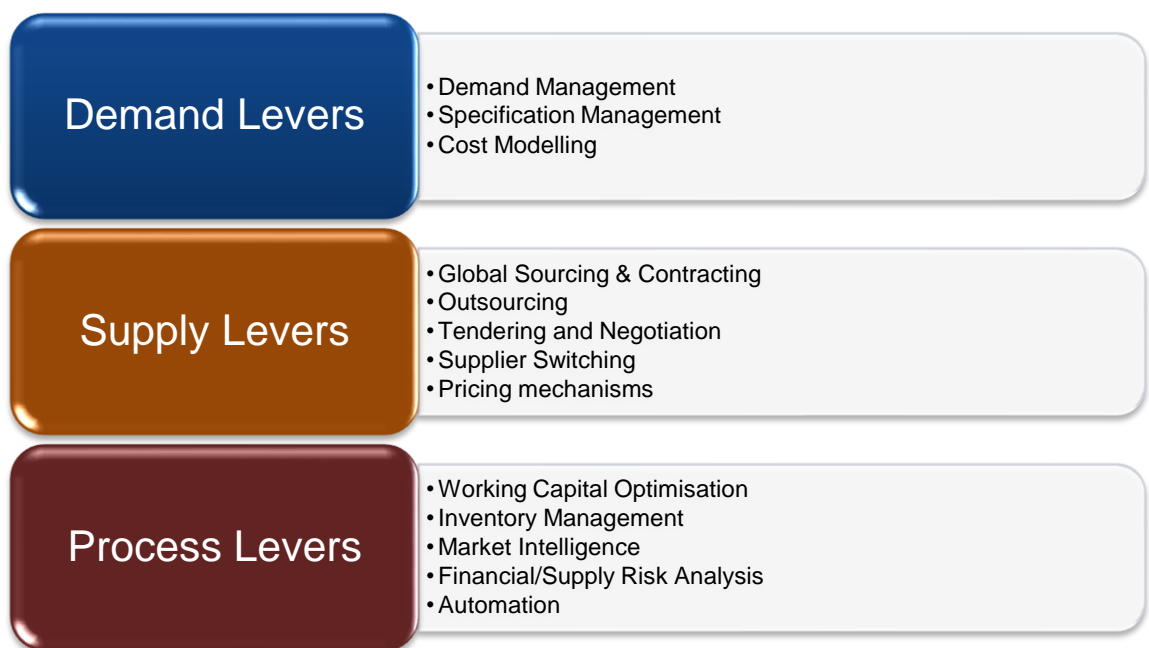


Figure 10. Additional sourcing value levers (Adapted from Nurmi, 2020).

Additional levers in Figure 10 consist of cost modelling, implementing joint pricing mechanisms and managing stock inventory. Establishing such leverage was not aimed to centralize the procurement function at ABF as a whole and not to interfere with regular operations. The next stage of research required clear survey responses from existing brand owners and individual procurement leads around these leverage options. The first step was to compile survey questions, perform and summarize results and to use the outcomes from this research to inform the development of a new SVL model for ABF plc.

3.2 Data Collection and Analysis

The primary data collection was comprised of a survey process designed to test the organizational maturity of ABF and took place in April 2022. The respondents were comprised 50 company brand buyers, 30 brand procurement directors and 15 members of the internal ABF procurement team (Figure 11). The reason for segmenting the audience into three groups was to compare their responses based on their roles and responsibilities in their respective procurement organizations. It was also interesting to find links between the three groups and understand if they see ABF differently from each other.

The initial survey consisted of 10 questions that are available in Appendix 2. The target was to receive responses from a minimum of 40 % respondents per group. The survey process was aimed at understanding the utilization of existing central procurement leverage to secure value in demand management, supply management and process management. It was intended to help ABF determine the future objectives of its central procurement team and question how it can help enable sourcing leverage through shared activities.

| Week 1: Survey 1 - ABF Procurement Team | Week 2: Survey 2 - Procurement Directors | Week 3: Survey 3 - Buyers |
|---|--|---|
| <ul style="list-style-type: none">•15 members of the ABF Procurement Team.•Advantage to use as a 'test' group and option to make adjustments.•Option for focus group. | <ul style="list-style-type: none">•30 Individual brand Procurement Directors.•First internal customer group of ABF procurement.•Option for focus group | <ul style="list-style-type: none">•50 Buyers for Company Brands.•Most important customer group.•Contacts to be used for 1:1 interviews. |

Figure 11. Survey Design – three parts released in a sequence of 3 weeks.

The survey was followed with participants volunteering to attend semi-structured interviews or focus groups. I scheduled 4 individual interviews with buyers in April 2022. The interviews followed the structure of the survey (Appendix 2), whilst also allowing me to ask additional follow up questions and lead an open discussion on the topic of current and future ABF sourcing value.

Simultaneously with the interviews, I also scheduled two focus groups with the members of ABF internal procurement team and brand procurement directors that agreed to take part. This stage of research was conducted to enable discussion between group members. Whilst a concept of a focus group removed the anonymity aspect to previous responses, I hoped that a discussion can help present and contest any opposing views. There were 5 respondents in the first focus group (ABF internal team) and 3 respondents in the second focus group (procurement directors) that volunteered to attend.

In my consideration of the survey tools, I have reviewed Google Forms and SurveyDisco but finally chose SurveyMonkey based on its popularity and ease-of-use (SurveyMonkey, 2022). SurveyMonkey is also the preferred choice of survey software at ABF, as our company holds a company subscription account. The aim of the survey design was to avoid bias, leading questions and allow for open responses where possible. Full survey responses to all questions are available in Appendix 3.

I also followed GDPR regulations and emailed participants stating that the survey is anonymous, and no personal data was to be collected in the main body of the survey. According to Cleave (2021), anonymous surveys help to increase the response rate and lower the social desirability bias. The aim of the anonymous survey was to ensure that the responder can freely make suggestions for improvements at ABF and to generate value for their brands. However, anonymity had a major disadvantage in not letting respondents to be identified for the follow up interviews. Therefore, an option was given for participants to leave their name at the end of the survey and requesting consent to store their data for two weeks to schedule interviews, and then be destroyed according to GDPR.

In analysing survey responses in Section 3.3, I have selected the most relevant questions and responses for discussion. The rest of the survey responses are available in Appendix 3. Results to surveys are presented as percentage (%) response rates to make results directly comparable. Interview responses are available in Section 3.4 and focus group responses are analysed in Section 3.5.

3.3 Current State Survey Results

3.3.1 Results of Group 1 – ABF Procurement Team Survey

Out of 15 members of the ABF Procurement team, 13 responded to the survey (a response rate of 87%). The first question that prompted defined action in responses was question 2 (Figure 12). There was a clear indication of wanting new legal instruments from central ABF to secure leverage with suppliers. This included strong support for all options in having sharing contracting requirements, signing a short contract or a master supply agreement, or having an operational Service Level Agreement (SLA) to measure supplier performance.

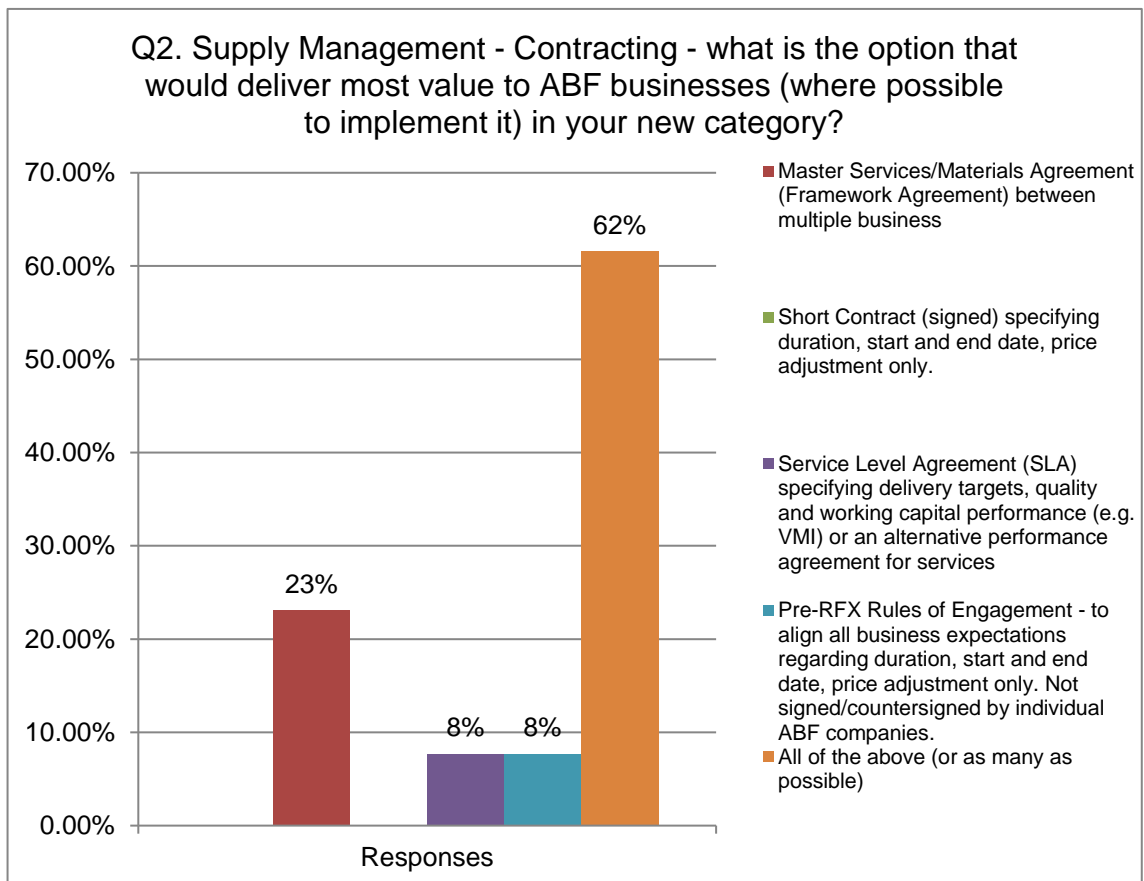


Figure 12. Q2 Response from the ABF Procurement Team.

In question 4 (Figure 13), the ABF team indicated their preference to have someone central at ABF for breaking down market information to the buyers. This option calls for a new function or team within ABF that would look after analysing market intelligence information. This would require central financing.

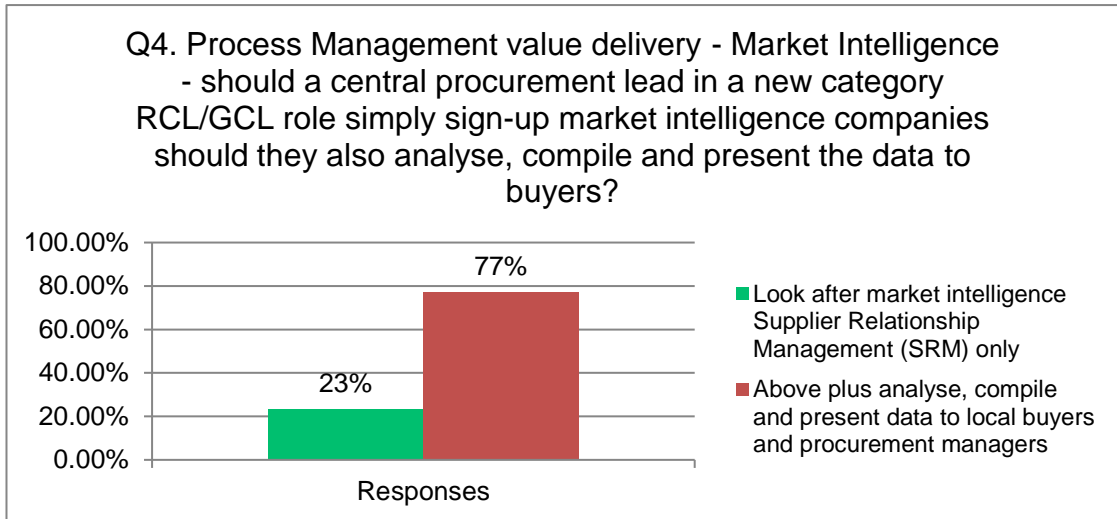


Figure 13. Q4 Response from the ABF Procurement Team.

In question 5 (Figure 14), half of the ABF central team indicated that in operational process management, they would prefer brands to align payment terms. This is not currently practiced. The question also allowed open responses as additional comments. One respondent suggested that payment term alignment should be practiced in categories that are bought by multiple brands. Another participant commented similarly, however they also said that it may be difficult to align payment terms, inventory, and ordering practices whilst this remains a brand-led local function. This has highlighted some of the familiar challenges that I have known about aligning operational management practices.

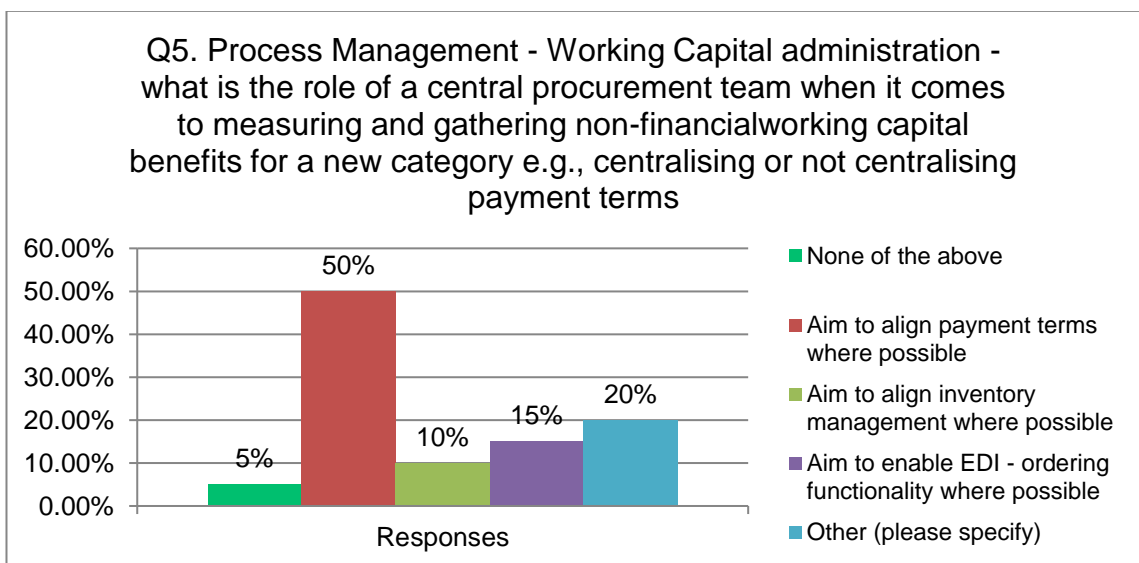


Figure 14. Q5 Response from the ABF Procurement Team.

Based on the results to these three questions, there was a clear indication to align contracting terms, payment terms and data analytics. There were also several comments posted at the end of the survey about options of additional leverage. Participants suggested having more ABF control in strategic SRM, improved central data governance, visibility, and engagement in cross functional team communications, and consolidating material volumes and benefits where it makes sense for economies of scale. At the same time, there were reservations about leading all market events centrally or making technical project decisions in demand management, with the ABF internal procurement team preferring to leave these responsibilities to local brand owner teams.

3.3.2 Results of Group 2 – Procurement Directors’ Survey

The second group to respond was brand procurement directors. 14 out of 30 responded, which gives a response rate of 47%. To understand some of their responses, it is important to mention again that ABF brands retain their own sales, marketing, and procurement structures and manage their own bottom line. Therefore, it may be assumed that procurement directors have an interest in retaining their independent management position and not give up this responsibility to ABF. This has been reflected in some of the responses. However, they are also facing inflationary market pressures and understand that working together with the rest of the ABF group may bring additional value in the period of uncertainty. In the results this is clearly noticeable. For example, responses to Question 1 in Figure 15 indicate that procurement directors are asking for more central coaching and training support to local brand buyers.

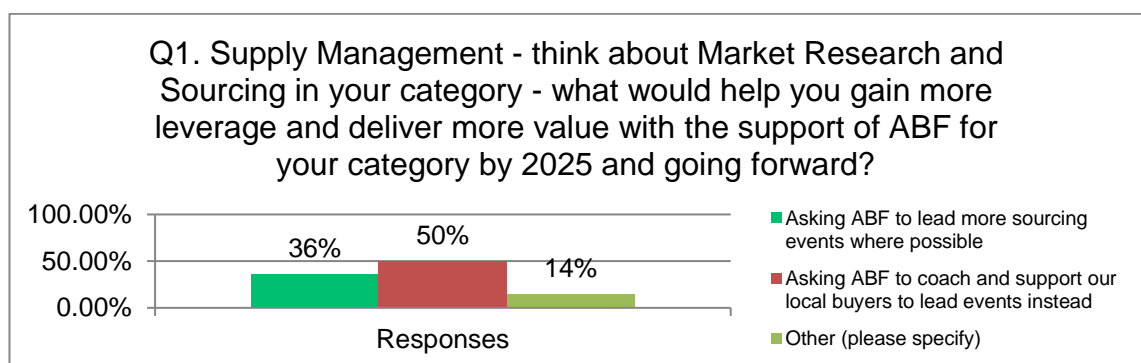


Figure 15. Q1 Response from Brand Procurement Directors.

In the next answer to question 2 that asked about the value and availability of legal instruments in contracting (Figure 16), there was a clear alignment with the ABF procurement team (Group 1). All given alternatives for negotiating and enforcing contract compliance were considered as important to have.

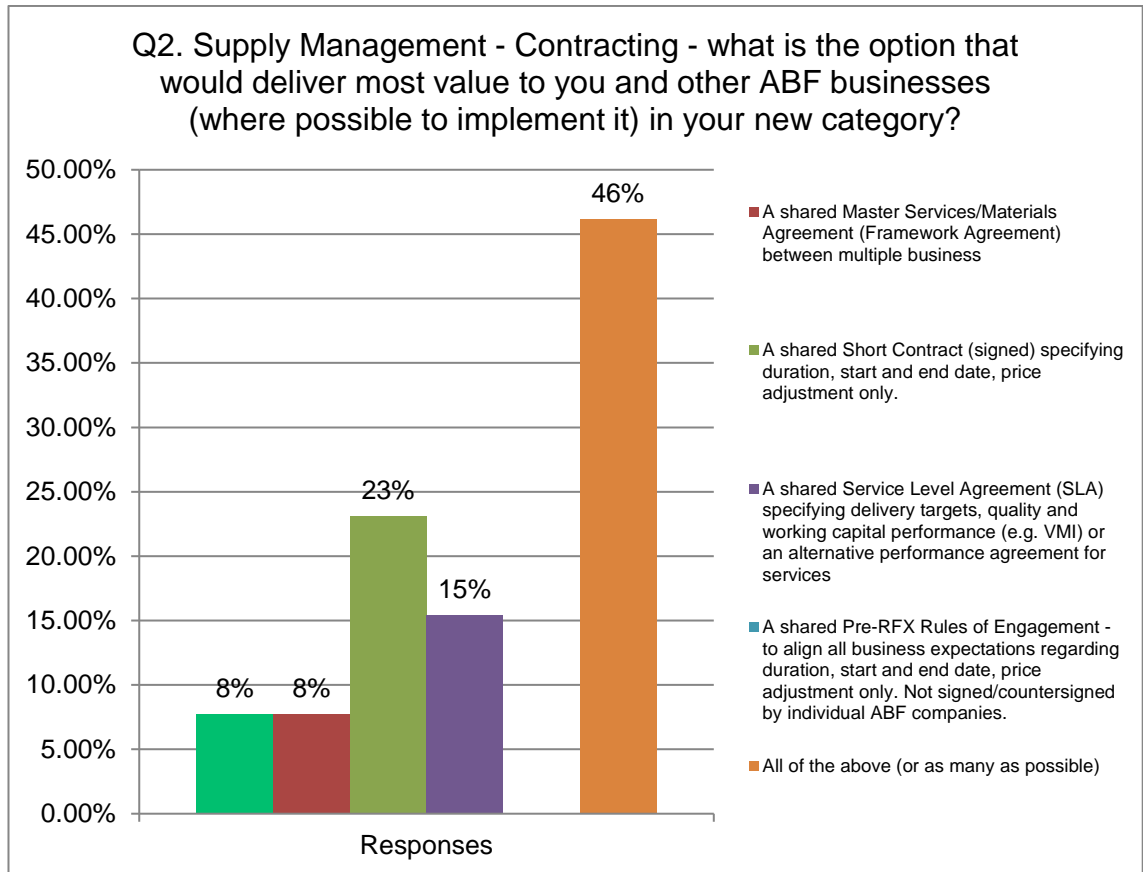


Figure 16. Q2 Response from Brand Procurement Directors.

Further alignment with the responses from the central ABF team was also observed around market data analysis and optimizing payment terms. However, several directors would also prefer to align inventory management processes and EDI ordering systems. In a noticeable difference to the previous group, the directors also responded to say that our central procurement team can also lead more technical design projects. In the comments, they have asked ABF for support with developing 'enhanced' strategic supplier relationships and consolidating common technical and innovation expertise within the group. All responses from this group are also available in Appendix 3.

3.3.3 Results of Group 3 – Buyers' Survey

Brand buyers were the final group to respond in the April 2022 questionnaire. They form the largest contingent of internal procurement customers to the ABF central team. A total of 19 responses were recorded out of 50 participants, which is 38% and just under the targeted response rate. This is perhaps due to the expanded reach of responsibilities, less direct communication with me as the regional category leader in ABF, and me failing to fully explain the scope or the value of the survey in the initial survey research invitation email.

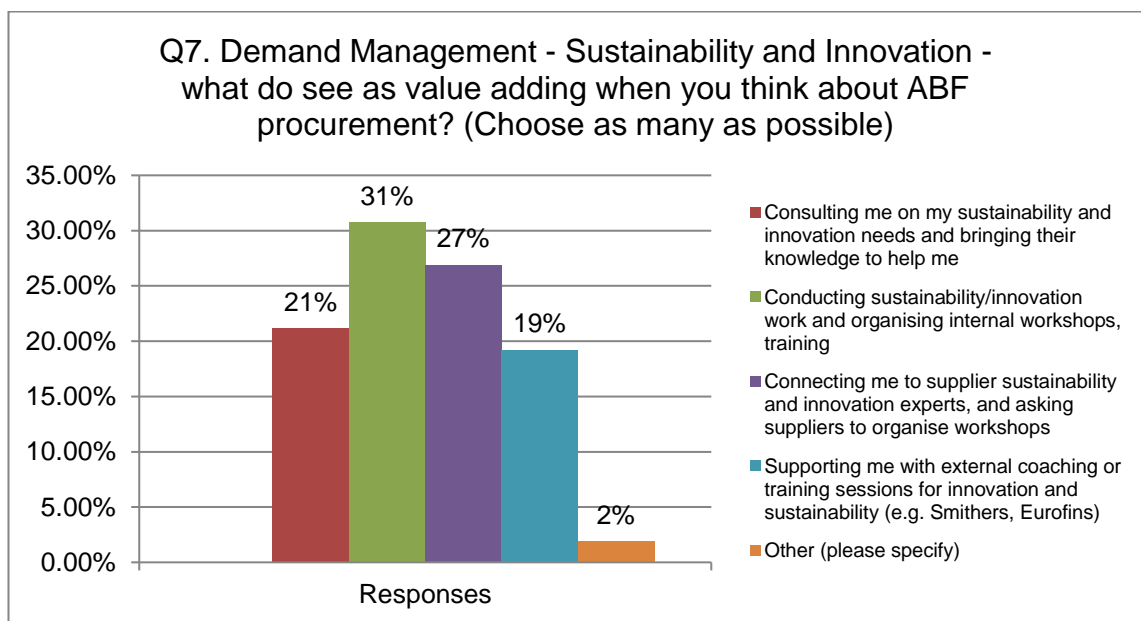


Figure 17. Q7 Response from Buyers.

Out of their responses, there was again alignment on Q2 in legal contracting options. The buyers also wanted closer collaboration in sustainability and innovation areas in Q7 (Figure 17). The most noticeable difference was in Q1, where more buyers opted for the ABF procurement team to lead market sourcing events, with them in a supporting role. Of the additional comments in the final question, the buyers asked for support in market research, competitor analysis, trend analysis, sharing best practice and the consolidation of volume between brands and suppliers to achieve economies of scale. However, they also wanted to retain ownership of their own independent category strategy.

3.3.4 Summary of Survey Results

In total, of the 95 respondents contacted, 44 have responded with a total response rate of 46%. This exceeded the minimum targeted rate. The survey has produced a clear result which measured the overall position of three groups of procurement stakeholders on the options of ABF sourcing leverage. Responses to Question 2 on contract options were clearest suggesting that ABF teams would prefer a range of options in contract management, including ABF group master material agreements, short contracts, service agreements or the rules of supplier market engagement documents (Table 3).

Table 3. Combined Survey Responses – Supply Contract Management.

| Q2. What is the option that would deliver most value to you (where possible to implement it) in your category? | Responses | |
|--|-----------|-----------|
| A shared Master Services/Materials Agreement (Framework Agreement) between multiple business | 14% | 6 |
| A shared Short Contract (signed) specifying duration, start and end date, price adjustment only. | 11% | 5 |
| A shared Service Level Agreement (SLA) specifying delivery targets, quality and working capital performance (e.g. VMI) or an alternative performance agreement for services | 9% | 4 |
| A shared Pre-RFX Rules of Engagement - to align all business expectations regarding duration, start and end date, price adjustment only. Not signed/countersigned by individual ABF companies. | 11% | 5 |
| All of the above (or as many as possible) | 55% | 24 |
| None of the above | 0.00% | 0 |
| Total | | 44 |

There was also a significant interest in ABF group volume consolidation, a clearer alignment on the use of technology, and working together on innovation and sustainability. Whilst there was also a need to maintain independence on category strategy, most respondents preferred a stronger and more optimized group approach to procurement to share best practice and expertise. This makes sense due to the power of economies of scale at ABF. Especially now, in the period of severe inflation, the survey showed a strong combined response towards working in closer collaboration.

3.4 Results from Interviews

Following from the survey completion, I was interested to gain more insight into these responses through semi-structure 30min interview responses. Four survey responders agreed to be interviewed in April 2022. Interviews were transcribed by Microsoft Teams, but not recorded, and all responses remain anonymous. The interviews gave me an opportunity for an in-depth discussion of each area of SVL with a stronger qualitative test of opinion. They also allowed me to explore differences in views that may be related to geographic factors. For example, a buyer from South America felt that there is not enough support or best practice from central ABF procurement that has been offered. At the same time, a buyer from Australia voiced his concern that whilst central ABF support is offered for their region, the requirements for Australia are often too different for alignment with other regions or brands to bring any significant value.

Most interviewees saw options of further leverage within ABF, however, they also emphasized that alignment and combining volumes would work for some but not all categories that they procure. ABF was also seen to bring value when it comes to developing global relationships with suppliers, as individual brands were too small to do it on their own. Finally, most buyers agreed that there should be a way to combine our collective requirements and formalize them with a legal instrument (answers linked to Q2), even if operational requirements (or contract schedules) would be looked after locally. In response to Q4, most interviewees also supported the idea of a central ABF intelligence data analyst but were cautious about how much resource could be allocated and which categories they would be chosen to support. Overall, the response was positive and called for improved cooperation across ABF and its group companies.

3.5 Results from Focus Groups Discussions

Both group discussions lasted for 45mins each with a chance to revisit the 10 questions from the survey. The first focus group discussion took place on the

22nd April 2022 and identified potential challenges of maintaining status quo of the current ways of decentralized working, including the lack of leadership from ABF and shared support between brands. During the period of energy cost inflation in 2022, the internal ABF team reported receiving more requests for support. To maximise resource efficiency, they agreed that a closer relationship is needed. However, closer support was also hard to provide in the last 2 years due to restrictions associated with Covid-19. There were some disagreements over whether ABF should in fact become more centralized in the future. In fact, this was the first time I have found out from the central procurement team that part-centralization of the ABF procurement function was unsuccessfully attempted in the past.

During the focus group discussion, I revealed the survey results of Question 2 from all respondents on having more shared contracting instruments. There was consensus from participants, but concerns were raised about the ability of the ABF legal team to find shared terms that would appeal to each brand. A comment was made that we should take it slowly, but that it needs to progress.

“Ultimately, suppliers will not be happy with signing multiple contract documents when we claim that we act as one ABF”
(Participant 1 of the discussion group 22nd Apr 2022).

Finally, the team commented on the difficulty of having a lack of shared SRM, especially not monitoring supplier behaviour for due diligence and being able to deliver savings value where it would make sense to optimize our supply chains. For example, the requisition (P2P) systems operated by brand companies were criticized. One of the focus team members complained that there’s a high degree of discrepancy of what the brands are being invoiced for by suppliers, vs. the optimal terms under which vendors were prepared to supply. Some local procurement teams are not diligent to monitor this on their own. Finally, respondents suggested that ABF may be falling behind competitors in having advanced procurement software systems, automation, and vendor digitization.

The second focus group meeting took place on the 25th April 2022 with brand procurement directors. They only have dotted reporting lines into the central

ABF procurement function and our CPO, which means that questions can arise around the line of command for decision making. This was noticeable during the discussion, as there was a split of 1 director in favour of procurement function optimization at ABF (creating central category management), another director who was strictly not in favour, and one that remained neutral. Therefore, arguments were presented from both sides on having more shared category sourcing events for components, as well as centrally managed SRM. A suggestion was given that an outside model of decentralized category management and value should be considered – “start by looking from the outside in, rather than make marginal gains internally”. It was also suggested that we cannot hold suppliers responsible for shortcomings seen at ABF.

The directors reiterated that they want all options on the table in contracting (Q2), but that this should not dilute individual brand requirements. On the potential function of having an ABF market analyst, procurement directors commented that this is needed, but that there are options to outsource this externally. The main issue was resourcing this effectively, given the wide scope of categories of components that ABF brands need to procure. Directors had a consensus when it came to ABF being responsible in defining, implementing, and monitoring group sustainability KPI's. Currently, this only happens in some areas such as buying palm oil or observing human rights (e.g., modern slavery).

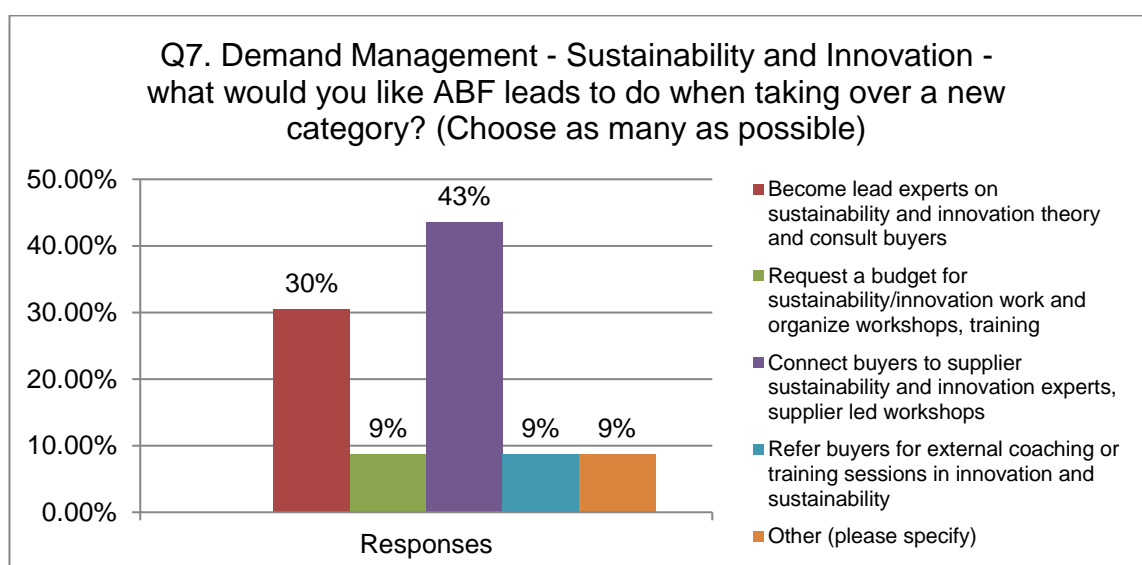


Figure 18. Q7 Response from Procurement Directors

Finally, directors also suggested that ABF should maintain a knowledge base on global sustainability regulations and set best practice precedent; particularly where it affects our share price or there is a risk of negative media attention. However, they reiterated that ABF should also grow the network of sustainability experts at brand level by connecting buyers to external parties and organizing workshops (this is linked to Figure 18 from the directors' survey). A full list of discussion points from both focus groups is available in Appendices 6 and 7.

4 A New Leverage Framework for Decentralized Companies

The survey process has allowed a high degree of anonymity and independent responses within the targeted groups of ABF procurement teams. Therefore, I believe that it has produced a set of unbiased results that have given a lot of good insight into how the different groups view the value of the central organization. Whilst some of the results in surveys and focus groups were mixed on whether ABF plc. should further step into the role of brand buyers, most have shown that there is a significant area of opportunity to optimize our procurement activities and do better to deliver financial and non-financial value. To do so, I have decided to create a new framework for ABF in the three areas of sourcing value leverage:

- **Supply Management** – optimizing vendor requirements where possible, and investing into a strong central contracting framework, including optimising some operational requirements between brands (where it makes sense).
- **Demand Management** – including setting standards in product technology, innovation, and sustainability, implementing best practice, but allowing local brands to define product characteristics.
- **Process Management** – investing into process technology, defining procurement excellence in operations' management, including systems, supply chain standards and the procure to pay (P2P) process.

The theoretical framework and the analysis of the results of the surveys and interviews allowed me to clarify the current-state in our organisation. The first stage was adding all the feedback into a draft Table 4 of considerations that was used to create the final model in Figure 19.

Table 4. Supplementary draft table for my new 4 C's SVL Framework for Decentralized Companies

| Integration Levers | Supply Management | Demand Management | Process Management |
|--|---|--|---|
| Level 1 Integration - Communicative | Sourcing: Network consulted sourcing process, parent informed Contracting: Network consulted contracting and SRM process, parent informed Example: Pre-RFX requirements scoped | Product Development: Network built around design optimisation, parent informed Sustainability and Innovation: Network consulted sustainability and innovation directive Example: Network Forum | Strategy: Network consulted Intelligence Systems: Parent access to shared categories Working Capital: Network consulted operations |
| Level 2 Integration - Consultative | Sourcing: Events above threshold consulted by parent Contracting: Parent formats and SRM templates available Example: Rules of Engagement (RoE) to vendors | Product Development: Coaching and training led by parent Sustainability and Innovation: Parent consulted sustainability and innovation directive Example: Consultative framework non-disclosure | Strategy: Parent consulted Intelligence Systems: Parent access to all systems Working Capital: Parent consulted operations |
| Level 3 Integration - Consolidative | Sourcing: Shared category sourcing above threshold led by parent Contracting: Category contracts countersigned, SRM monitored Example: Short contract or master agreement | Product Development: Parent consulted projects for design optimisation Sustainability and Innovation: Consolidative directive above threshold Example: Stagegate above threshold | Strategy: Parent led above threshold Intelligence Systems: Parent led intelligence Working Capital: Parent led technology for operations |
| Level 4 Integration - Combinative | Sourcing: All sourcing events above spend threshold led by parent Consulting: Fully integrated contracting process, SRM informed Example: SLA utilized | Product Development: Parent led projects for design optimisation Sustainability and Innovation: Single sustainability and innovation directive Example: Single Stagegate | Strategy: Parent led Intelligence System: Central analyst team Working Capital: Parent led operations management |

Based on the Table 3, I have decided to propose the following final 4 C's - 2022 Leverage Framework for Decentralized Companies in Figure 19.

| | Supply Management | Demand Management | Process Management |
|---------------------------|---|---|---|
| 1 Communicative | Network consulted sourcing Network consulted SRM > Pre-RFX requirements scope | Network consulted design, sustainability and innovation > Network forum | Network consulted strategy Parent access to intelligence Network consulted operations |
| 2 Consultative | Parent consulted sourcing Parent format RFX/SRM > Rules of Engagement (RoE) | Parent coaching and training on design sust. and innovation > Group non-disclosure | Parent consulted strategy Parent access to int. systems Parent consulted operations |
| 3 Consolidative | Shared category sourcing (> €) Contracts countersigned, SRM > Master agreement | Parent consulted design opt. Consolidative parent directive > Stagegate (> €) | Parent led strategy (> €) Parent led intelligence Parent led ops technology |
| 4 Combinative | Parent led sourcing (> €) Integrated contracting, SRM > Service Level Agreement | Parent led design optimisation, sustainability, and innovation > Single Stagegate process | Parent led strategy Central intelligence team Parent led operations Mngmt. |
| | Parent led (above € threshold) | | |
| | Parent consulted | | |
| | Network consulted | | |

Figure 19. My new proposed The 4 C's – a 2022 Sourcing Leverage Framework for Decentralized Companies.

My new 4'C's Sourcing Leverage Framework partly corresponds to the previously evaluated procurement maturity models (see Figure 8 and Table 2) developed by Coupa (2021, p. 3,) and Schweiger (2015, p. 17). It also compliments existing theories of O'Brien (2009, p. 128) and Weele (2014, p.16). They argue that economies of scale, procurement organization maturity and the value of brand integration correspond to increased savings delivery. It allows an integrative procurement organization to deliver more significant benefits than that of an immature, tactical, and non-strategic procurement organization. However, there is a key difference. The new 4 C's model does not enforce or recommend centralization, unlike its predecessors. It allows for the status quo of separate brands and companies to be maintained, with communication and partnering switched between Communicative, Consultative, Consolidative or Combinative levels in different areas of management.

The Communicative level (Level 1) is the first level of integration for decentralized companies. It applies to companies that have independent management structures and do not envisage setting central strategic direction. At this level, primary leverage may be gained by utilizing the skills of a large network of procurement professionals without interference from the parent company. The Consultative level (Level 2) is the second level of integration. It applies to companies that encourage shared consultation and participation but set a limited central direction. The ownership of functions and bottom line remains with the brands or individual companies. The advantage is gained by utilizing the central resource to enable best practice, to coach and to train buyers. The Consolidative level (Level 3) is the third level of integration. At this level, leverage is gained by parent led activities above a certain EUR spend threshold, set depending on circumstances. Finally, the Combinative level (Level 4) encourages full integration above a nominal threshold. There is a central directive for all projects and categories.

At each level, there are clear ideas and options to deliver value, that correspond to the sourcing value levers model developed by O'Brien (2009, p. 129) (see Figure 1). The model does not discriminate between these levels, allowing companies to maximise value at each level. In Chapters 4.1-4.3 I investigate each section of the model, explain, and define the titles, as well as examine the associated sourcing levers that would have a practical application at ABF plc.

4.1 Supply Management Levers

First, the Supply Management section of the 4 C's - 2022 Sourcing Leverage Framework distinguishes the integration of the procurement organization based on two key leverage areas identified by O'Brien (Figure 1) and Four Business Solutions (Figure 3). At level 1 the sourcing process and the contracting/SRM process is defined as network consulted. This reiterates the need to establish clear networking and communication channels between individual businesses and their buyers. It could be forums, conferences or group calls with the

utilization of technology, such as having joint Microsoft Teams or SharePoint channels. An example is a group requirement scoping review and comparison between brands during network events. This may be done to encourage best practice, when observed. At level 2 these processes become parent consulted. A formal pre-RFX Rules of Engagement (RoE) document is used to collect and streamline buyers' requirements and to obtain savings using the wider group economies of scale. At level 3 the parent company oversees the process of combining largest category spends and establishing a group contracting procedure. The central team also gets involved in the SRM process (e.g., supplier scorecard) and develops templates that are available from the parent company. The legal document that is used is a short contract or a master materials agreement, that combines the pricing model, the contract duration, and terms of revision. At the final level 4, sourcing and contracting is fully integrated above a nominal threshold (for example, sundries below < 50k EUR would still be managed locally) and an operational Service Level Agreement (SLA) is used by the central team to manage SRM.

4.2 Demand Management Levers

The second section is known as Demand Management. It distinguishes product strategies and their integrative characteristics at each level. At level 1 – the network is utilized again to inform an optimized component or final product design, where possible. At this level, the availability and use of communication platforms remain key to success. At level 2 – the parent company is involved with providing coaching and training, and the innovation and sustainability strategy is also parent consulted. The communication flow is now directed through the parent company. At level 3 – the parent is consulted for design optimisation in demand management, e.g., at ABF this may constitute a development of new sustainable packaging that is either recyclable, compostable, biodegradable or uses a monomaterial specification. The parent also sets a directive above a spend or revenue threshold. At level 4, the parent leads design optimisation, sustainability, and innovation projects, and sets a clear central vision, mission, and a set of objectives.

4.3 Process Management Levers

Finally, the Process Management section of the 4 C's - 2022 Leverage Framework distinguishes the role of the central team for the management of category strategy, market intelligence system availability and integration, as well as stock management (for working capital benefits). At level 1, the network once again acts as a consulting body to share best practice in strategy and operations management. The parent's role may be to secure better access to market intelligence channels under the ABF umbrella and obtain discounts or rebates where possible. At level 2 – the parent maintains access to all intelligence systems that brands require. The strategy and operational supply chain management is now parent consulted. At level 3 – strategy and working capital/operations are supported by parent led technology (e.g., SAP or Coupa IT systems). The parent company now leads all intelligence-based activities. At level 4 – the parent establishes a central analyst team that supports all buyers. The parent company also implements best operation management practices and establishes group category strategies.

4.4 Applying the New Framework to ABF plc.

Examples described above can be complimented with other initiatives that can help decentralized companies including ABF to adapt the 4'C's SVL model to a specific organizational setting. As described, a level 1 organization is not categorized as immature. This clearly differentiates the model from competing models. The 4'C's model does not suggest that companies need to completely centralize their activities to achieve leverage from utilizing the network. Brands can remain locally led. In fact, it creates a competitive advantage where suppliers or customers do not always expect group companies to share best practice or intelligence. As discussed previously, the companies can move between levels, or even be positioned at different levels of integration for different areas in supply, demand, or process management.

Based on the current state analysis at ABF, I assessed that ABF generally is at Level 2 – Consultative level. Market intelligence management is already centrally led, and group access is available to systems such as Mintec, ICIS, Fastmarkets and Coupa. This works well, with a central ABF procurement team managing access requests through the ABF intranet portal. The team also negotiates intelligence company contracts with suppliers. ABF also already consults or even leads some category sourcing strategy and events (Level 3), but it does not have the legal tools available to optimize contract management for the majority of spend (Level 1). This may cause misalignment and confusion when it comes to SRM. Suppliers do not always understand the role of ABF.

When it comes to operations and working capital initiatives (process management), there is also a very limited scope of integration (Level 1). There is no centralized enterprise resource planning (ERP) system to combine opportunities in stock management. SAP, Elemica or Coupa may be utilized for this purpose in centralized or fully integrated (Level 4) organizations. In demand management, the parent is sometimes consulted on sustainability, but final decisions are made locally. ABF does not get involved in product design and component specification unless it has global implications to public relations. Therefore, this varies between Levels 1 and 2. However, there are new initiatives under way in the preparation for EU-UK extended producer responsibility (EPR) legislation that is being responded to centrally (Level 3).

Out of this analysis, the biggest gap I identified was that there wasn't a common supply management process with at least a Level 2 integration at ABF. During a period of inflation, as it is now, suppliers may exploit the fact that there are no joint contract mechanisms. This is true even where ABF companies buy large volumes of same or similar products (e.g., salt, additives, yeast, corrugates, cartonboard). The result of this can be uncontrolled price increases, and limited opportunities to negotiate improved supply conditions. Therefore, I decided to pick a common packaging category of corrugated containerboard to validate my 4C's SVL framework by combining our group requirements and volumes under a shared RoE framework agreement. It was also due to deliver the benefits of economies of scale for suppliers dealing with several ABF brands.

5 Pilot Study: Contract Management

To validate my findings against the new 4C's SVL framework, I conducted a corrugated containerboard pilot study in June 2022. Containerboard is a universal secondary packaging product for the transport of finished goods. At ABF, it has the largest combined group volume in tonnage and spend. As category management at ABF remains decentralized, contract conditions are not synchronized between brands. In the corrugate category, contracts are up for renewal at different times and with different conditions. Even if some market events are centrally consulted, several independent contract negotiations with suppliers do not help to drive synergy and commercial value for ABF as a collective purchasing power. Because all agreements are separate, suppliers do not offer incentives such as discounts or rebates for increasing spend.

Therefore, the pilot study was aimed at combining group contract requirements into a single rules of engagement document for vendors (RoE) to test Level 2 (Integration – Consultative level) of the 4C's framework in supply management. It was also aimed at collecting feedback from members of my organization to evaluate the usability of the framework. The Level 2 approach is aimed at allowing brand companies to combine their supply requirements and optimize terms such as the contract start date, duration, expected KPI's of supplier performance, quality requirements and pricing mechanisms.

ABF does not currently have a mechanism for contracting under the central legal entity, so a master material supply agreement was not considered in this pilot study. The RoE was the first step aimed at finding and replicating the benefits of a central contract from the perspective of the vendor and ABF. It aimed to deliver financial savings and non-financial added value. The savings target was 10% of total spend and was aimed delivered in the form of a volume-based monetary discount or an annual cash rebate. This objective was based on securing economies of scale in volume of total packaging procured by ABF brands whilst also rationalizing the supplier base from a total of 7 to 4 suppliers. All brand requirements were aimed to be combined signed off in the RoE document after consultation with the brand buyers and procurement directors.

5.1 Pilot Study Project Plan

Large scale activities and changes at ABF are implemented as formal projects. I therefore decided to use the 5-process group Project Management Institute (PMI) approach (PMI, 2008, p. 43) to implement this study (Figure 20) and to formalize my role as a project manager (Parikh, 2019).

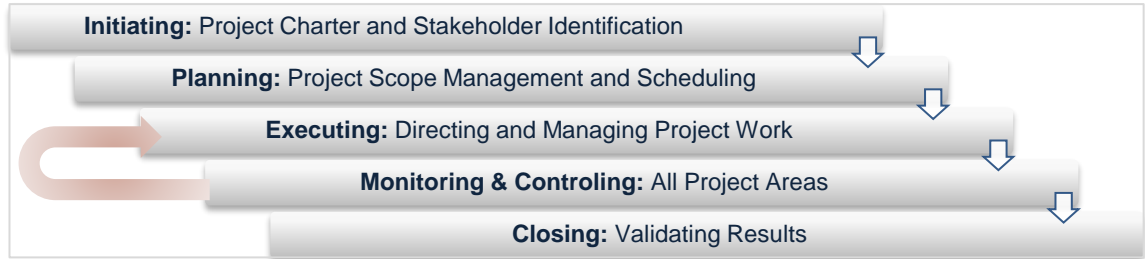


Figure 20. 5 Process Group approach to Project Management (PMI, 2008).

The first step was to develop the pilot study project charter (Table 5) and identify stakeholders that would attend project steering sessions, make contributions, and implement agreed changes in contract management with suppliers. Brand buyers and directors were critical to success by delivering change at the local level. The first steering group meeting took place in May 2022 where the pilot study timeline was presented. Tables 5-8 outline the stakeholders, scope, duration, objectives and as a view on the main limitations and risk of the study Verzuh (2008, p. 60) and Hermajih (2014, p. 32).

Table 5. Project Charter – Developing Supplier Rules of Engagement.

| Project Name and Business Objectives <i>Developing a common supplier rules of engagement for corrugated containerboard at ABF plc.</i> Aligning contract duration, term and agreed pricing mechanisms between suppliers and brands at ABF to secure financial and non-financial value savings. The aim is to collect group requirements and ask suppliers to accept them before submitting bids to tender for the supply of corrugated containerboard from Sep 2022-Sep 2024. | | | Project Scope ABF plc. corrugated containerboard packaging category in Europe | | | | | | | | | | | |
|---|---------------------------|---|--|-------------|-----------------|-------------------------|-----------------------------|---------------------------------|----------------------|--------------------------|---|--|----------------------|-----------------------|
| Preliminary Schedule <ul style="list-style-type: none"> Phase 1 – Project Initiation - Completed - Apr 2022 Project Sponsor Approval - May 2022 Phase 2 – Planning - Business requirements scoped - May 2022 Phase 3 – Execution – Scanmarket Group RFX event - Jun 2022 Phase 4 – Project Monitoring and Controlling - Integrated Change Control – Supplier engagement and negotiations of common group supply and price conditions - July 2022 (proof of concept) Phase 5 – Project Closing – Handover and Implementation in of Contracts in brand companies (Sep 2022 – Sep 2024) | | | Benefits and Measures of Success <ul style="list-style-type: none"> 10% Saving by claiming leverage/ econ. of scale in contracts Clear alignment of requirements between brands for the RFX Clear bidding guidelines for corrugated containerboard vendors Optimized supplier negotiation and relationship management | | | | | | | | | | | |
| Risk and Mitigation Plan <table border="1"> <thead> <tr> <th>Risk</th> <th>Probability</th> <th>Mitigation Plan</th> </tr> </thead> <tbody> <tr> <td>Requirements misaligned</td> <td>Medium</td> <td>Secure agreement between brands</td> </tr> <tr> <td>Slow implementation</td> <td>High</td> <td>Pilot one category for proof of concept</td> </tr> </tbody> </table> | | | Risk | Probability | Mitigation Plan | Requirements misaligned | Medium | Secure agreement between brands | Slow implementation | High | Pilot one category for proof of concept | Project Manager Mindaugas Jocbalis, EMEA Category Leader Packaging Procurement | | |
| Risk | Probability | Mitigation Plan | | | | | | | | | | | | |
| Requirements misaligned | Medium | Secure agreement between brands | | | | | | | | | | | | |
| Slow implementation | High | Pilot one category for proof of concept | | | | | | | | | | | | |
| | | | Category Team Members Responsibilities <table border="1"> <thead> <tr> <th>Role</th> <th>Responsibility</th> </tr> </thead> <tbody> <tr> <td>Category Sponsors/Directors</td> <td>Gate keepers and approver</td> </tr> <tr> <td>Category Team Leader</td> <td>Leadership and Direction</td> </tr> <tr> <td>Category Team</td> <td>Alignment and Approval</td> </tr> <tr> <td>Legal Content Expert</td> <td>Reviewing Legal Terms</td> </tr> </tbody> </table> | | Role | Responsibility | Category Sponsors/Directors | Gate keepers and approver | Category Team Leader | Leadership and Direction | Category Team | Alignment and Approval | Legal Content Expert | Reviewing Legal Terms |
| Role | Responsibility | | | | | | | | | | | | | |
| Category Sponsors/Directors | Gate keepers and approver | | | | | | | | | | | | | |
| Category Team Leader | Leadership and Direction | | | | | | | | | | | | | |
| Category Team | Alignment and Approval | | | | | | | | | | | | | |
| Legal Content Expert | Reviewing Legal Terms | | | | | | | | | | | | | |
| | | | Stakeholders <ul style="list-style-type: none"> Suppliers Procurement Directors/gate keepers Legal | | | | | | | | | | | |

It is worth pointing out that each ABF brand has different requirements for their suppliers and manage their own savings and value delivery, as they are at Level 1 – Communicative stage. Alignment between brands on supply terms is not decided together. The benefits defined in the project charter were to secure financial saving against total combined spend (up to 10% additional) and to ensure the alignment on requirements is sustainable in the long term and used in SRM. The result was aimed to be replicated in other categories (McNiff and Whitehead (2009, p.132) at a later stage. The next stage was the production of a stakeholder map that has outlined stakeholder responsibilities (Table 6).

Table 6. Stakeholder Map, RACI, and Methods of Communication

| Stakeholders | Key Message | Objective | Cadence | Media | RACI |
|--|---|--|---|---|--|
| Project Sponsor | Executive: status, risks, needed actions, decisions. | To support project delivery with resources and communication supplier | Once monthly | Lead executive steering committee meetings | Responsible |
| Project Team – Buyers from ABF plc. brand and Manufacturing sites | Review and implement agreed terms | To willingly participate in the pilot study, keep engaged and active to help secure maximum leverage | Monthly and ad hoc throughout the pilot study | Email, RFP events platform, Teams Channel | Responsible and Consulted for Outcomes |
| Regulatory and Legal | Legal alignment on possible contract terms between individual legal entities | To review risks and possible legal terms that would be included in a common supplier engagement agreement | Monthly | Meetings | Consulted |
| Individual Business Directors and gate keepers | <ul style="list-style-type: none"> - Strategic decisions made on business level (if any) - Progress and outcomes - Needed decisions - Risks, - Costs | <p>The representatives of this groups should form the steering group for the project.</p> <p>Managing closely the buyers and ensure they feel involved and heard</p> | Steering: Monthly, but can be more frequent if needed | <ul style="list-style-type: none"> - Steering meetings - Status emails, when needed | Consulted and Informed. Responsible for end delivery |
| Supplier Account Management | New terms securing leverage based on improved economies of scale | To ensure suppliers know about how change impact and what opportunities there are | When ready | Email Telecommunications RFP participation | Informed |
| SC and Manufacturing teams | Testing leverage options locally at manufacturing level | To ensure they know what is going to change and how it impacts them | Quarterly | Email | Informed |

The responsibilities were categorized using a RACI (Responsible, Accountable, Consulted, and Informed) matrix method. It has also outlined the responsibilities and tasks for me as the project manager for engaging with all internal stakeholders and with external corrugate suppliers. Following this process was necessary to reinforce the chain of command in pilot case study management, as well as later helping to manage expectations for pilot study implementation.

The scope map (Table 7) was aimed at specifying what is in and out of scope for the pilot study implementation. It clarified that the pilot study was aimed at delivering a set of unified rules of stakeholder engagement (RoE) during a single European supplier market corrugated market tender in June 2022 that included engaging brand buyers and directors. It stated that there was an aim to align the requirements of each ABF business such as delivery terms, service, quality, corrugated board specifications and contract terms (Level 2 – 4C's).

Table 7. Scope Definition for Supplier Rules of Engagement (RoE) Document.

| In Scope | Out of Scope |
|--|--|
| <ul style="list-style-type: none"> • Supplier rules of engagement document for the corrugated containerboard packaging category in Europe • All major divisions and brands at ABF that are sold in Europe invited to participate • Document shared with vendors in a major market event in June 2022 • Vendors asked to align to shared ABF brand requirements | <ul style="list-style-type: none"> • No ABF brands or suppliers outside of Europe • The RoE not to contain operational requirements that will continue to be managed locally (e.g., payment terms, delivery terms, KPI's such as OTIF or quality) • No 'unique' specifications for marketing use, e.g., full scale display units, or point of sale packaging. • No other categories apart from corrugated containerboard |

The scope map also listed several limits and exclusions (Out of Scope) that helped me to avoid false expectations and to control the use of resources (Larson and Gray (2011, p. 102). For example, I did not engage with other categories in Europe or collect requirements of non-European ABF brand companies for this project. The pilot study is a 'proof of concept' aimed at testing Level 2 in Supply Management as defined under the new 4 C's SVL Framework. The final tool to present at the first steering group meeting was a clear market event timeline (Table 8) for the RoE European in the corrugated containerboard category. This was a formal work breakdown structure (WBS) with individual tasks that have been identified as a critical path using the Gantt Chart format. In the project schedule identified in Table 8, there are several key stakeholder and supplier engagement activities that needed to be managed and reviewed for contingency planning.

Table 8. Project Schedule – Corrugated Containerboard with RoE

| Project WBS Timeline | | | | | | | | | | | | | | |
|-------------------------------|-------|--------|-----|-----|-----|-----|------|-----|-----|-----|-----|-----|-----|-----|
| Particulars | Start | Finish | Mar | Apr | May | Jun | July | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| Scoping business requirements | | | | ■ | ■ | | | | | | | | | |
| Technical assessment | | | | ■ | ■ | ■ | | | | | | | | |
| Supplier Research | | | | | ■ | ■ | | | | | | | | |
| RoE Signed with Suppliers | | | | | ■ | ■ | ■ | | | | | | | |
| RFX completion | | | | | | ■ | ■ | ■ | | | | | | |
| Sourcing recommendation | | | | | | | ■ | ■ | ■ | ■ | | | | |
| Transfer to trials | | | | | | | | | ■ | ■ | ■ | ■ | ■ | |
| Local go live | | | | | | | | | | | ■ | ■ | ■ | ■ |

The schedule considered contingencies in the timeline in order “to plan against potential resource shortages” (Taylor 2008, p. 66) during implementation. This was aimed at securing procurement and technical personnel for alternative supplier consideration for the corrugated board, once the event was live.

The tools above (Tables 5-8) were presented together with the new 4C’s SVL model at a steering group meeting with procurement directors and buyers held via Teams in May 2022. Five major ABF brands dealing in ambient or frozen food produce agreed to participate, as they had existing contracts due to expire in 2022. They were presented with metrics, i.e., 10% additional savings on contract implementation, vendor optimization and improved brand alignment in SRM, aimed at delivering Level 2 supply management benefits 2 of the 4C’s SVL model.

There were also several risks reviewed during this meeting. This included the possible risk of no alignment between ABF brands on key contract areas to be highlighted in the RoE document, e.g., no common price adjustment mechanism that needed to be agreed with vendors. My mitigation strategy for this risk was to start with the easiest common denominator, i.e., contract term and to find other areas of common interest to follow. The second major risk was a limited savings proposition from suppliers despite brand alignment. The steering team agreed a metric that if there’s no ‘proof of concept’, ABF brands will remain at Level 1 – Communicative approach and the pilot will not be replicated in other categories.

5.2 Pilot Study Implementation

My stakeholder map (outlined in Table 6) detailed regular intervals for reviewing project progress, assigning tasks, reporting to and consulting with stakeholders. Once the project was approved, regular scheduled communication started with the project stakeholders (Table 9) to collect requirements. This was positioned against the WBS using Microsoft Teams as the platform. Communication was a critical area for success. This was centered on collecting the group requirements for the shared Rules of Engagement document (RoE), collecting corrugated containerboard technical specifications, and finally assessing suppliers with capacity and technical capability to supply ABF companies.

Table 9. Regular Communication Plan

Regular Communication Plan (start date May 2022):

| Communication Platform | Recipients | Platform/Frequency |
|--------------------------------------|--|--------------------------------------|
| Steering Group Meeting | Project Team, Project Sponsors, Brand Directors as Gatekeepers | Teams/ First Thursday of every month |
| Email update to Project Team | Project Team | End of Month |
| Monthly Legal Review | Project Team | Last Thursday of every m. |
| Other Communication | Project Team | Ad Hoc Basis |
| Storage, Distribution of Data | Project Team | Microsoft Teams |
| Other Communication | SC & Manufacturing Team | Quarterly during Steering |

The project team was formed of buyers of brands participating in the pilot case. I provided them with monthly updates on key priorities and tasks for the next monthly meeting. I also consulted the legal team on the monthly basis to ensure that suppliers meet legal requirements. The first legal review was held in May 2022 and the last in Nov 2022, before final implementation. The supply chain (SC) management team was invited to attend every third steering group meeting. It was important to keep them informed and ensure they felt that they can contribute or voice concern if necessary. Several of these stakeholders have already participated in project problem research (Section 3 – Current State Analysis), identifying a lack of contract alignment and support from ABF as a clear problem area that needed improvement.

Brand technical specifications and contracting requirements from buyers have formed the document available in in figure 21. The document included several key areas of potential alignment, such as delivery terms, quality, strength and price validity. All five ABF brands were assessed on an equal basis, irrespective of the differences in spend or volume.

Rules Of Engagement (RoE)

RFX Scope / Objective of Sourcing Event June 2022

The RFX scope is to support decisions related to the sourcing and manufacturing of corrugate box, tray and pad products. The objective of this RoE is to validate competitive pricing to utilize as the basis for a long-term sourcing strategy to include multiple, stable, flexible sources of supply with the capacity to meet company and market requirements.

ABF intends to utilize proposals from this RFX event to enable our associated companies in making sourcing decisions for their respective businesses to support our needs for 2 years, against a 1+1-year contract term. The start of this is set to Sep 2022 but is subject to testing and suitability and site trials as required. A review may be held on your proposals to determine right gluing and folding properties.

It is the team's intent to award business to supplier(s) that will provide the best Total Cost of Ownership in procuring the packaging components against the outlined conditions of this RoE document and meet the required specifications for the representative manufacturing facilities that are taking part in this tender activity. Suppliers should also present proposals for the team's consideration that support the geographic footprint.

ABF anticipates that awarding of business to supplier(s) is based on answers to the Request for Information and/or RFX Bid proposals, and respective to local Quality approvals and testing, and/or additional negotiations. ABF companies reserve the right to award the business to more than one supplier per location, or none at all, withstanding the application of these RoE conditions as set out in the Business and RFX Requirements section.

Business and RFX Requirements

Suppliers are to include as part of their proposal:

- Pricing to include DDP and EXW to all given delivery locations (Incoterms 2020)
- Proposals must include pricing formats as requested (GBP / 1000). Please note that alternative pricing formats, currencies or cost grids / models may be requested at a later date.
- Proposals must include:
 - All bids in GBP. Total cost per 1000 units supplied.
 - Lead time of no longer than 5 working days to all delivery locations. OTIF target of 97.5% and quality target of 99.5%.
 - Delivery Minimum order quantities (MOQs), stock, other operational requirements may differ per site and location. Next to your bid (in the Comments column, please specify if there are any specific price conditions).
 - Paper outer liner, fluting and inner liner specifications, if different to the specified requirements. ECT/BCT rating on its own cannot be considered sufficient.
 - Price to be inclusive of pallets, cliché costs, QA samples. There are to be no hidden costs
 - Evidence of valid SEDEX, ISO 9001, FSC 22000, FSC and PEFC certifications.
 - Should a supplier be awarded new business, all cost related to the acquisition of this business, e.g. but not limited to cliché costs, samples, etc., is to be borne by the supplier
- Prices will be considered as binding and firm for a period of no less than 1 calendar year from Sep 2022, as Supply/Pricing Agreements are established. Changes to prices resulting from raw materials, energy, or transport costs may be considered for the remaining 1 calendar year but must be justified. ABF at its discretion may request appropriate documentation to audit supplier's claims. If no amicable decision is reached, pricing will be as per the bid submission.

Figure 21. Extract – Rules of Engagement (RoE) for Corrugated RFX event.

During discussions, it was also important to ensure that all buyers and directors felt that they were listened to and that their needs were listed in the RoE document (Figure 21). If existing pricing models or other conditions were specific to the brand and could not be replicated or removed, they were left for local negotiations after the conclusion of the tender. The next task was for me as the project manager to collect and assess group corrugated board specifications (Table 10) including corrugated board size, gauge (thickness), strength, fibre proportions, pallet type, sizes, delivery quantities and locations.

Table 10. The collection matrix of specifications for the RFx event.

| Item ID | Material or Item Code | Product Description | Description of board style and/or code | Portfolio type [A = > than 150k, B <n 150k/PA) | Item ID |
|----------------------------------|--------------------------|--------------------------|--|--|------------------------|
| Flute Type | Outer liner | Fluting | Inner Liner | ECT/BCT Strength Rating | Printing Technology |
| No of Colours | % of ink coverage | Artwork/Drawing Provided | Call-Off or Delivery quantity | Made to Order or Made to Stock (MTS) | MTS Rules & Stock-hold |
| Lead-Time from order to delivery | Quantity per pallet (EA) | Pallet Type | Stretch wrapped Y/N? | Top Board Y/N | 2 or 4-Way Strapping |
| Approx. Annual Volume | Company Name | Delivery Location | Hand / Machine Erect | Glued | Total Footprint shared |

This table is important as it identifies several possible variations in requirements per type of board, and the complexity that the RoE document seeks to observe. The next stage was for group buyers to conduct research and identify a list of capable vendors to supply ABF group companies. I have also contacted Beroe, an external market intelligence company to add vendors to the list. Out of the 9 suppliers the project team has assessed (Figure 22), 7 were incumbent to some of the ABF group companies, which meant that there was a current relationship.

| Participating Businesses Europe | | | Incumbent Suppliers |
|--|--|--|---|
| Corrugated Containerboard RFX Scanmarket June 2022 | | | Supplier 1 |
| | | | Supplier 2 |
| | | | Supplier 3 |
| | | | Supplier 4 |
| | | | Supplier 6 |
| | | | Supplier 7 |
| | | | Supplier 8 |
| | | | New Suppliers (Beroe) |
| | | | Supplier 5 |
| | | | Supplier 9 |
| Key Actions | | | - Submit Specifications in Format Requested (Excel file) by end of May'22 |
| | | | - Proceed to supplier RoE engagement where contracts expire in '22 |
| | | | - Create Scanmarket RFX event (completion by end of June 22) |

Figure 22. Steering Group Review Slide – June 2022. Supplier Research

However, only 4 European suppliers met the conditions of the RoE for future supply and were selected to participate in the market RFX (Table 11). 3 of the 4 suppliers also already supplied one of the five brand companies. Excluded suppliers had limited capacity or could not be approved for technical (board did not meet criteria) or service reasons (they could not meet delivery standards).

Table 11. Supplier Assessment Matrix against key criteria for RFX event.

| Assessment Criteria | Supplier 1 | Supplier 2 | Supplier 3 | Supplier 4 | Supplier 5 | Supplier 6 | Supplier 7 | Supplier 8 | Supplier 9 |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Current supply | Brand D | Brand B | Brand E | Brand A | | Brand D | Brand C | Brand C | |
| Capacity for at least 25% volume? | | X | X | | X | X | X | X | |
| Meets service and quality needs | X | X | X | X | X | X | X | X | |
| Meets other outlined RoE conditions? | X | X | X | X | X | | X | X | |
| Brands agree to trial if successful | X | X | X | X | X | | X | | |
| Invite Sent | | X | X | | X | | X | | |

The following task was to prepare and launch an e-sourcing based market RFx event for the 5 brands A-E. Suppliers had to sign and electronically accept RoE conditions before they were allowed to view and fill out the bid list for participating ABF brands. There were minor legal issues with the RoE document that were highlighted by suppliers, i.e., the price validity term, strength requirements, and the need to take part in our continuous improvement programme (CIP) or value engineering (VE) activities as outlined in the document. After these issues were resolved, all 4 suppliers have agreed to sign it. In the event, suppliers were first asked to fill out a technical and operational request for information (RFI) questionnaire that further determined their capability to supply our total volume. The template is displayed in Figure 23.

| | |
|---|----------------------|
| + 1. Terms of this RFx (100%) | 0 out of 2 answered |
| + 2. Details of your organization (0%) | 0 out of 1 answered |
| + 3. Financial information (0%) | 0 out of 6 answered |
| + 4. Health & Safety - Environment (0%) | 0 out of 4 answered |
| + 5. Business Activities (0%) | 0 out of 6 answered |
| + 6. Technical specifications that we will ask you to quote upon (0%) | 0 out of 10 answered |
| + 7. Production capabilities (0%) | 0 out of 12 answered |
| + 8. Service and price (0%) | 0 out of 8 answered |

Figure 23. Questionnaire Design – Corrugated Containerboard Jun 2022 RFx.

Suppliers were then asked by the buyers to indicate their pricing per each specification, per manufacturing site and for the total portfolio. Finally, suppliers were requested to indicate any additional % discount if they were to secure supply to two or more brands together, against the signed ABF RoE supply conditions. The bids were submitted on all lines by the end of Jun 2022. Individual percentage savings against incumbent pricing have been identified in Table 12. The full pricing matrix is available in Appendix 8.

Table 12. Final Pricing Bix Matrix comparison against current pricing.

| Brand | Site/Line | Incumbent Supplier | Supplier 2 vs Incumbent | Supplier 3 | Supplier 5 | Supplier 7 |
|---------------|-----------------|--------------------|-------------------------|------------|------------|------------|
| Brand A | Scotland Site 1 | Supplier 4 | -2.8% | -1.0% | -23.6% | -6.2% |
| | Scotland Site 2 | Supplier 4 | -19.8% | -5.8% | | -4.1% |
| Brand A Total | | | | | | |
| Brand B | Spain | Supplier 2 | -3.9% | | | -3.1% |
| Brand B Total | | | | | | |
| Brand C | England Site 1 | Supplier 7 | -22.8% | -36.1% | | -1.2% |
| | England Site 2 | Supplier 7 | -20.5% | 17.8% | | -1.9% |
| | England Site 3 | Supplier 7 | -17.6% | -15.5% | -13.5% | -3.8% |
| | Poland Site 4 | Supplier 8 | | -3.0% | | |
| Brand C Total | | | | | | |
| Brand D | England Site 1 | Supplier 1 | 48.5% | -11.1% | -4.1% | 12.4% |
| | France Site 2 | Supplier 6 | -47.1% | -1.2% | | -13.7% |
| Brand D Total | | | | | | |
| Brand E | England Site 1 | Supplier 3 | -1.9% | -1.0% | 11.4% | 35.7% |
| | England Site 2 | Supplier 3 | 1.9% | -3.5% | 2.5% | 11.5% |
| | England Site 3 | Supplier 3 | -11.1% | -2.6% | -6.8% | 24.2% |
| Brand E Total | | | | | | |

Several suppliers were competitive against incumbent vendors, with savings against current prices ranging from -1 to -47% (highlighted in green). Some prices were higher (red text). Parts of portfolios were not bid for by suppliers, especially for international ABF brand sites in Poland and Spain. In fact, only one supplier has bid to supply our Polish site (not an incumbent). However, the main aim of this assessment was to highlight that vendors 2, 3 and 7 proposed additional financial savings to collectively supply two or more ABF brands or manufacturing sites (Table 13). This was the main intention of the pilot case. These suppliers highlighted that their offer is based on supplying larger collective volumes to the ABF group against the rules highlighted in the RoE document. Their offer was conditional on brands continuing to observe agreed supply terms throughout the duration of the contract. Some suppliers added supplementary comments or indicated that there may need to be additional conditions of providing this discount (e.g., a total volume or spend threshold).

Table 13. Additional discount for using the RoE process (defined as Level 2 in the 4C's SVL Framework).

| Brand | Site/Line | Incumbent Supplier | Supplier 2 | Supplier 3 | | Supplier 5 | Supplier 7 |
|-----------------|-----------------|--------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | | | Additional % for at least 2 brands | Additional % for at least 2 brands | Additional % for at least 3 brands | Additional % for at least 2 brands | Additional % for at least 2 brands |
| Brand A | Scotland Site 1 | Supplier 4 | | | -8% | | -4% |
| | Scotland Site 2 | Supplier 4 | | | | | -1% |
| Brand A Total | | | - | | | | |
| Brand B | Spain | Supplier 2 | -7% | | | | -9%* |
| Brand B Total | | | -7% | | | | |
| Brand C | England Site 1 | Supplier 7 | | | | | |
| | England Site 2 | Supplier 7 | | | | | |
| | England Site 3 | Supplier 7 | -6% | -8% | | | -9%* |
| | Poland Site 4 | Supplier 8 | | | | | |
| Brand C Total | | | -7% | -8% | | | |
| Brand D | England Site 1 | Supplier 1 | | | | | -2% |
| | France Site 2 | Supplier 6 | | | | | |
| Brand D Total | | | | | | | |
| Brand E | England Site 1 | Supplier 3 | -6% | -8% | | | -9% |
| | England Site 2 | Supplier 3 | -5% | | | | -9% |
| | England Site 3 | Supplier 3 | | | | | -5% |
| Brand E Total | | | -7% | -8% | | | -9%* |
| Total Portfolio | | | -7% | | -8% | NA | -11% |

*Based on major brands only

The pilot exercise and the use of the RoE document has highlighted a significant improvement versus vendors bidding to supply individual brands or sites as previously observed in Table 12. An average of 8% of additional discount was offered for combining ABF group volumes. The final stage was to award the business to suppliers that have submitted the lowest total cost of ownership (comparing the prices and the technical specifications of board that they can supply). The highest total saving for supplying individual sites was offered by Supplier 2, whilst the highest additional volume discount for contracting all brands together under the RoE agreement was offered by Supplier 7. Supplier 3 provided an incentive of 8%. Figure 24 contains the final recommendation that was made by the steering group. The recommendation was for Supplier 3 to supply all sites from Brands A, C, and E with prices reduced by an additional 8% under their RoE proposal. Supplier 2 was also to be trialed as an alternative with the 7% savings proposal.

Final Recommendation **Corrugated Containerboard RFX Scanmarket** June 2022

| Brand | Incumbent Supplier | Recommendation | RoE Discount |
|----------------|--------------------|-------------------------------|--------------|
| Brand A | Supplier 4 | Supplier 3 | -8% |
| Brand B | Supplier 2 | Incumbent* | |
| Brand C | Suppliers 7 and 8 | Supplier 3 | -8% |
| Brand D | Supplier 1 and 6 | Incumbent** | |
| Brand E | Supplier 3 | Supplier 3 (Incumbent) | -8% |

* Failed trials. ** Trials suspended over fire end of Jun 2022.

- Metrics**
- Highest supplier RoE discount recommended was 11% vs 10% targeted
 - Implemented 8% discount across Brands A, C and E
 - Supplier 2 is under trial with Brands B and E for 7% discount on part of the volume
 - Rationalized supplier base for 80% of the volume 4 suppliers (1, 2, 3 and 6)

Figure 24. Sourcing (trials) recommendation from June 2022 RFX.

Following on from the commercial bid exercise and steering group recommendation, vendors were asked to undergo technical trials of their proposed corrugated board products. Trials were conducted with suppliers 2 and 3 for sites A, C, D and E at the end of June 2022. Supplier 2 failed trials due to lower gauge paper liner material samples that they provided. Contract agreements have therefore been signed with Supplier 3 for supply from Sep 2022 for 2 years. A small part of the volume has been retained (< 20%) with existing suppliers for risk management.

6 Validation of Results

6.1 Economic Implications of the Study

Table 14 contains the original metrics. This section validates the quantitative savings metric and section 6.2 reviews the qualitative maturity metric. To validate the quantitative results of the new SVL framework, I used the pilot case example of implementing a central RoE document to achieve Level 2 Consultative supply status for the corrugate category. The project team engaged a group of vendors for an e-sourcing market event in Jun 2022. Savings were achieved by applying the 4C's model to implement a joint RoE agreement with Supplier 3, and an additional value of 8% was secured for contracting a larger group volume and making use of the economies of scale.

Table 14. Metrics of Implementing the new Sourcing Framework

| Model of Operation | Contracting Mechanism | Quantitative Metric | Estimated Value | Qualitative Metric | Estimated Value |
|---|---|-----------------------------------|---|---|---|
| Current State – No Sourcing Leverage | Individual contract requirements (dates, term, price mechanism) | Direct savings value (% on spend) | 5-10% on processing and conversion costs | Organizational Maturity (Figure 9, Table 2). New SVL Framework (Level 1) | Tactical and Operational, Passive. Communicative. |
| New Model of Operation – A New SVL Framework | Aligned rules of engagement between brands on contract dates, term, and price revision mechanism. | Direct savings value (% on spend) | Up to 10% additional on processing and conversion costs due to economies of scale of single contracting entity. | Organizational Maturity (Figure 9, Table 2). New SVL Framework (Level 2). | Strategic, Supportive, Consultative. |

The 8% of additional savings were close to the original metric of 10%, falling short due to the choice of supplier (Supplier 7 proposed 11%). In the steering group review after the e-sourcing event in June 2022, the metrics and risks were reviewed. Brand buyers were satisfied with the results but stated that this was a new process to them and that there is no precedent in operating under the group RoE agreement. Hence, they asked for my support at ABF to hold regular reviews with the chosen supplier to ensure that they do not compromise the agreement and upkeep their discount, even if demand was to decrease.

As we were in the period of severe inflation, there were further risks of price increases due to energy surcharges or labour rate increases. Other events such as the war in Ukraine or recession may be of future concern. As a project manager, I have reminded brand owners that they are still responsible to sign local commercial contracts with Supplier 3 and to monitor contract compliance, but that I would monitor the situation on the group level. In the future, ABF may also want to consider moving to Level 3 due to market risks, i.e., consider an ABF wide commercial contract agreement. However, this has strong legal implications as ABF does not currently have a single legal entity for contracting.

6.2 Stakeholder Feedback

The collection of stakeholder feedback was aimed at validating the qualitative maturity metric on the success of the framework development project and pilot. The first stage was to collect verbal stakeholder feedback on the 4C's SVL framework and the use of the RoE document from two select groups of procurement stakeholders via two Microsoft Teams meetings held in July 2022. Group A consisted of the RFX event participants (Group A) in the June 2022 Corrugated Containerboard event. Group B consisted of the ABF procurement team, procurement directors and brand buyers that did not participate in the pilot. The second stage consisted of a survey on the use of the RoE document and was launched at the end of July 2022. Questions and answers to the survey of 14 participants from Group A are presented in Figure 25.

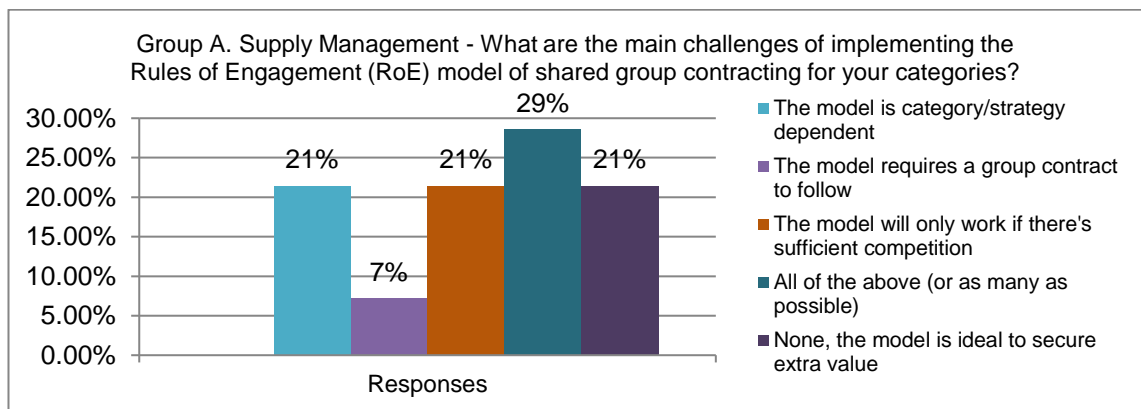


Figure 25. Group A Survey - stakeholders that took part in the Pilot.

Brand stakeholders from Group A were happy with the result of the RFX market event in corrugated containerboard. They also wanted to replicate the RoE model in several other category areas - labels, laminates and shrink film. However, they also indicated that it may be more difficult to implement the wider 4C's SVL model at ABF, especially in demand management. Their feedback suggested that products and categories that brands procure may be too distinct from each other. In process management, they suggested that it would require a shared ABF group investment into operations management to implement EDI or ERP. Finally, they have also questioned the model asking if there was an intention by ABF to move from level 1 to 4 when it came to supply, process, or

demand leverage. This prompted a review of how best to describe the levels so that it does not indicate the level of procurement maturity inside individual brand organizations. I have described this as a general measurement of the level of communication and consultation with ABF and other brands.

Group B discussion was also held in early July 22 and was attended by 28 participants. Several brand directors and buyers suggested trialling the RoE process on the primary cartonboard packaging category next, as part of a project to integrate supply with 2nd tier vendors. However, they were keen to emphasize that it may be challenging to align on distinct component types that purchased by ABF brand companies. In the Microsoft Teams survey of Group B (Figure 26), several participants indicated that the RoE model in supply leverage has several issues that need addressing.

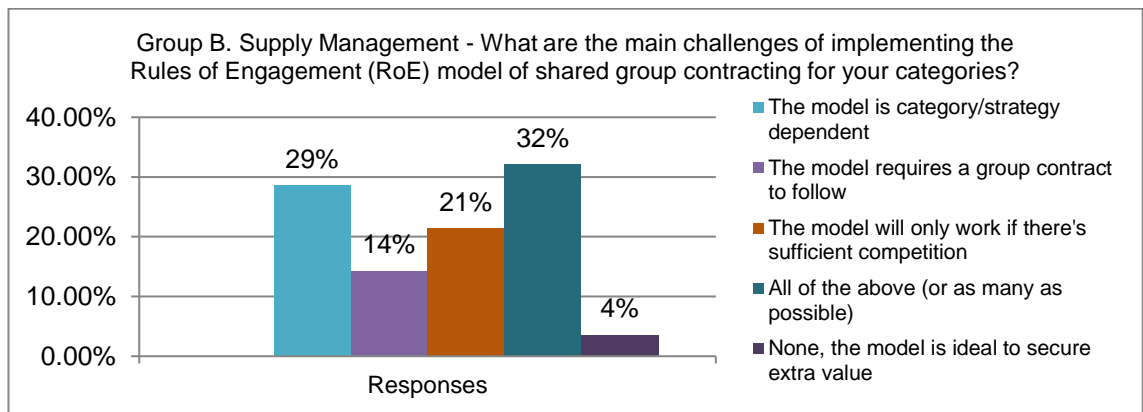


Figure 26. Group B Survey - stakeholders that did not take part in the Pilot.

Doubt was higher than in the previous group. This may be because they have not observed a direct practical savings example for their brand or category. They have also questioned the arbitrary nature and criteria of deciding which 4C's SVL framework level a category or process belongs to. I have explained that the model is subjective as observed from the ABF central team's point of view, however there should be a collective discussion and agreement with brand stakeholders to consider amendments. Despite this set back, the new SVL framework was found to be of interest and received positive feedback.

7 Conclusion

In conclusion, I have aimed to self-evaluate my approach, research methods, and reflect on the sources of literature. My approach consisted of blended applied and action research. I have started my research with a literature review that allowed me to reflect on best practice and theory. It also identified gaps in existing knowledge on sourcing value that I have addressed through action research at ABF. Having a clear action research framework to test ideas has worked very well and allowed me to schedule research tasks and test proposals. ABF business stakeholders that participated in research saw how their input shaped my proposal, how it was tested and what results it achieved.

I also applied a blend of quantitative and qualitative research to evaluate stakeholder motivation and support for a new tool in central sourcing value leverage at ABF – the 4'CS framework. I have reflected both on numerical data and on expert opinions to shape the final proposal. I believe that this multifaceted approach has added value to my research and enhanced research validity and reliability. However, having multiple approaches and a complex research structure has led to some difficulty. This complexity was not always well understood by all stakeholders based on the feedback received. Due to a compound structure of SVL's, the scope of this work was also too limited to test and evaluate each critical aspect of supply, demand, and process management at ABF procurement.

The proposed 4C's framework reflected and built on several existing theories, including leading models by O'Brien, Weele, Porter, Coupa and Kraljic. The framework integrated the knowledge I have gathered from these sources and adapted them to the ways of working at the decentralized ABF procurement organization. I also believe that the model could be further adapted to other ABF categories, functions, and processes and replicated in other decentralized organizations, joint ventures, new mergers, and parent-child companies that struggle to define and apply group sourcing value.

My framework addressed several sourcing levers that were identified by three groups of procurement stakeholders. The resulting pilot study proved the potential of the 4C's integrative leverage framework in utilizing a RoE tool of shared contracting that did not require the centralization of ABF procurement function. The pilot study in supplier management achieved 8% additional category savings, when compared to brands contracting independently with suppliers of their choice. However, the feedback obtained from ABF group stakeholders has also identified additional challenges and risks with the new model. Requirements can differ more significantly in other categories or areas of procurement. Despite this, there are clear benefits in testing new approaches in areas of demand, supply, and process management.

Organizations such as ABF need to constantly research internal and external areas of procurement knowledge and leverage to secure best practice processes and procurement excellence. Otherwise, they may be vulnerable to several external factors such as supplier market consolidation, shortages, regulation, and price inflation. Working together, it is possible to not only secure economies of scale, but also to design shared KPI's, and work on collective CIP and VE benefits. Large suppliers are likely to recognize the value of ABF as a network or a business that seeks synergy in new product or process development. There are also opportunities to set standards in Environment, Social & Governance (ESG) programmes with suppliers. Finally, the aim of all businesses is to maximise the profit of their shareholders. Using sourcing value leverage strategically can help them keep more profits by reducing the spend on raw materials, packaging or other direct and indirect spend categories.

In reflecting my work, I recognize that the model was not yet tested in its entirety. Therefore, it is my aim to conduct further action research at ABF in areas of demand, supply, and process management. I want to obtain further feedback, to develop and to adapt the 4C's SVL to benefit the ABF procurement organization. I believe that it will help to fulfil the strategic aims of ABF as modern global organization, deliver future value for its procurement function, ground and justify my role as a central category lead for packaging.

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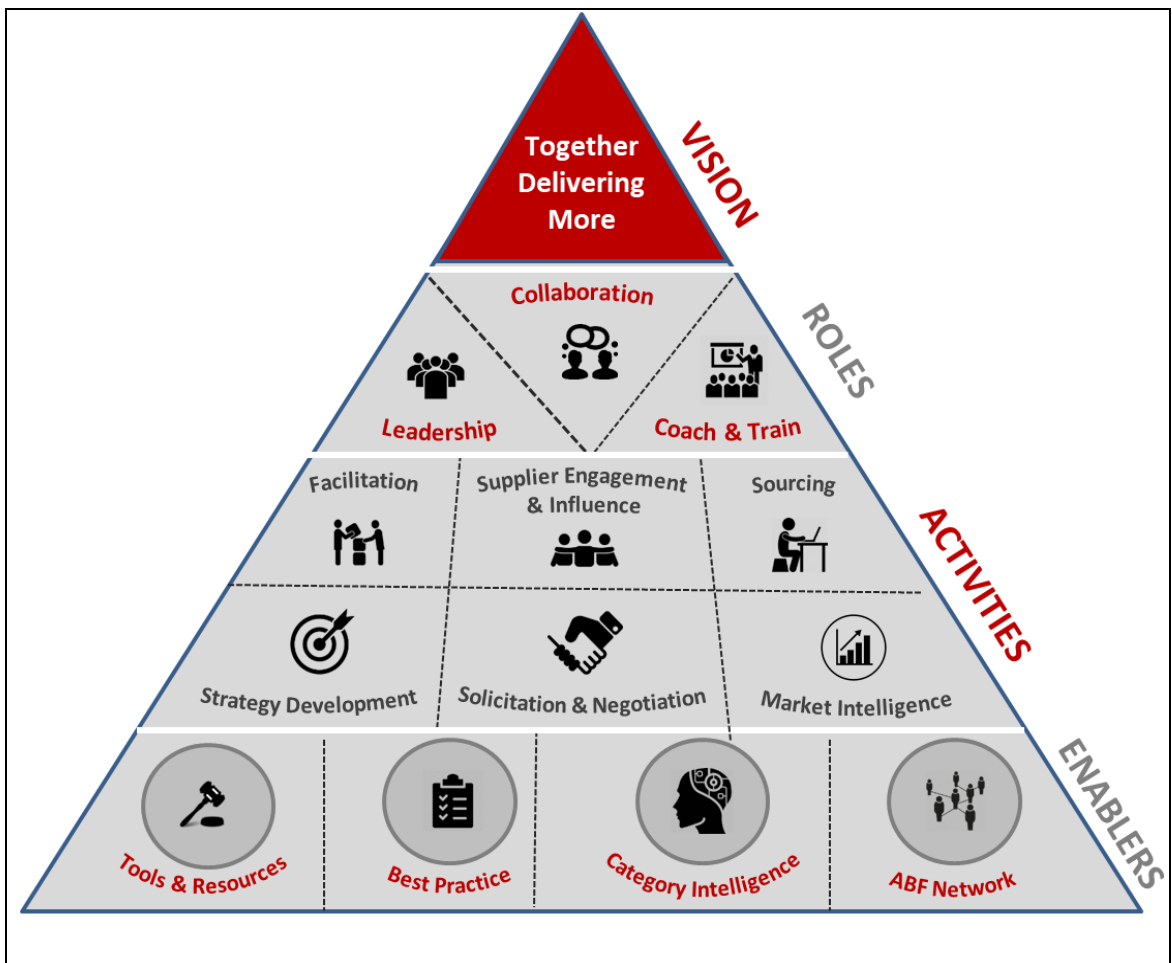
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Appendices

Appendix 1. ABF Pyramid

The ABF 'Pyramid of activities' was self-developed in 2018 by our team to showcase a number of roles and activities we play in our roles at the central procurement team. It does not govern or identify any specific objectives or rules of engagement with brands or suppliers.



Appendix 1. ABF 'Pyramid' of activities for decentralized procurement teams in all categories (ABF Intranet, 2020)

Appendix 2. Survey Design

Title: **'ABF Buyer Survey 1 - Packaging Sourcing Category Levers 2025 - Short Questionnaire 5 Minutes'** - Survey Design (10 questions in 3 sections).

Q1. Supply Management - think about Market Research and Sourcing in your category - what would help you gain more leverage and deliver more value with the support of ABF for your category by 2025 and going forward?

- Join more of ABF's sourcing events where possible
- Our business to lead more events with the coaching and support of ABF and group colleagues
- Other (please specify below)

Q2. Supply Management - Contracting - what is the option that would deliver most value to you (where possible to implement it) in your category?

- A shared Master Services/Materials Agreement (Framework Agreement) between multiple business
- A shared Short Contract (signed) specifying duration, start and end date, price adjustment only.
- A shared Service Level Agreement (SLA) specifying delivery targets, quality and working capital performance (e.g., VMI) or an alternative performance agreement for services
- A shared Pre-RFX Rules of Engagement - to align all business expectations regarding duration, start and end date, price adjustment only. Not signed/countersigned by individual ABF companies.
- All of the above (or as many as possible)
- None of the above

Q3. Process Management - Category Strategy - should your business align to a single joint ABF category strategy with your inputs, or should there be separate individual category strategies per business (with individual requirements) that ABF would help to support, review and advise?

- Align to a single joint ABF category strategy that is consulted with inputs from different ABF businesses
- There should be separate individual category strategies per business (with individual requirements) that ABF would support?

- Other (please specify below)

Q4. Process Management value delivery - Market Intelligence - should ABF secure more access to a variety of market intelligence sources for you? Or should they instead concentrate on a couple of sources and use them to help me analyse, compile and present data for my business?

- Secure more access to a variety of market intelligence sources so I can utilize them
- Concentrate on a couple of existing sources and help me understand, analyse, and present data

Q5. Process Management - Working Capital administration - what is the role of ABF when it comes to measuring and gathering non-financial working capital benefits for your categories between multiple businesses e.g., payment terms, inventory management systems and EDI functionality? (select as many as possible)

- I would want to align payment terms where possible with other buyers from ABF businesses
- I would want to align inventory management where possible with other buyers from ABF businesses
- I would want to align EDI - ordering functionality where possible with other buyers from ABF businesses
- Other (please specify)
- None of the above

Q6. Demand Management - Product Development - should ABF initiate more technical projects to optimise specifications, or should they only bring in best practice and experts to the table when asked by you? Or, alternatively, should they organise more technical workshops so you could lead those projects for your team?

- Initiate more technical projects to optimise specifications where possible
- Bring best practice to the table only when asked by me or my business
- Organise more technical workshops so I could lead those projects for my team and business
- None of the above

Q7. Demand Management - Sustainability and Innovation - what do see as value adding when you think about ABF procurement (select as many as possible)

- Consulting me on my sustainability and innovation needs and bringing their knowledge to help me
- Conducting sustainability/innovation work and organising internal workshops, training
- Connecting me to supplier sustainability and innovation experts, and asking suppliers to organise workshops
- Supporting me with external coaching or training sessions for innovation and sustainability (e.g., Smithers, Eurofins)
- Other (please specify below)
- None of the above

Q8. What other Sourcing Value Levers would you like ABF to utilize to drive value for your category and your business? Be as specific as you can

- No other Sourcing Levers
- I would like to enable these levers (please specify below)

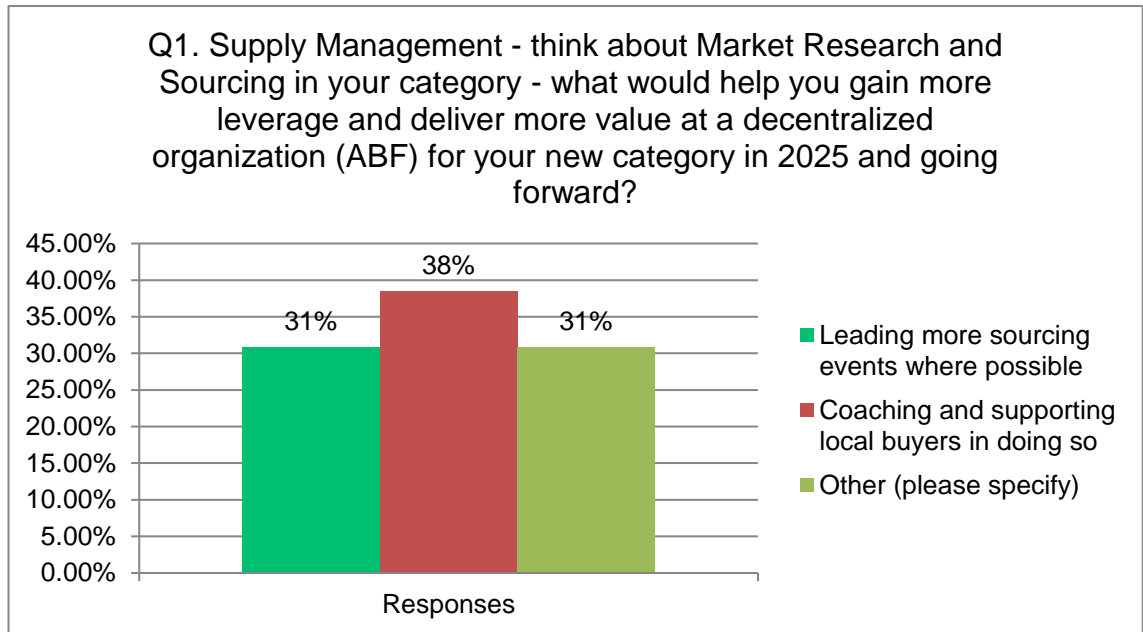
Q9. Thinking about the ABF procurement, where do you think they need to focus in the next 3 years to deliver most value for your business?

- Mostly in Supply Management - e.g., helping me with restructuring my supplier base, increasing competition, and improving performance or relationship management
- Mostly in Demand Management - e.g., helping me to specify best products, aggregate spend and deliver aligned standards or guidelines for compliance within ABF
- Mostly in Process Management - e.g., helping me drive process efficiency, supporting logistics, EDI or our technological procurement capabilities (e.g., access to market intelligence)
- Other (please specify)
- None of the above, they should spread their efforts equally across all three areas

Q10. Do you have any further comments? Leave your name if you don't mind being contacted for a further 10-minute discussion. Your previous answers will remain anonymous

- No further comments
- I have some comments! Enter here: _____

Appendix 3. Survey Group 1 Results – ABF Procurement Team



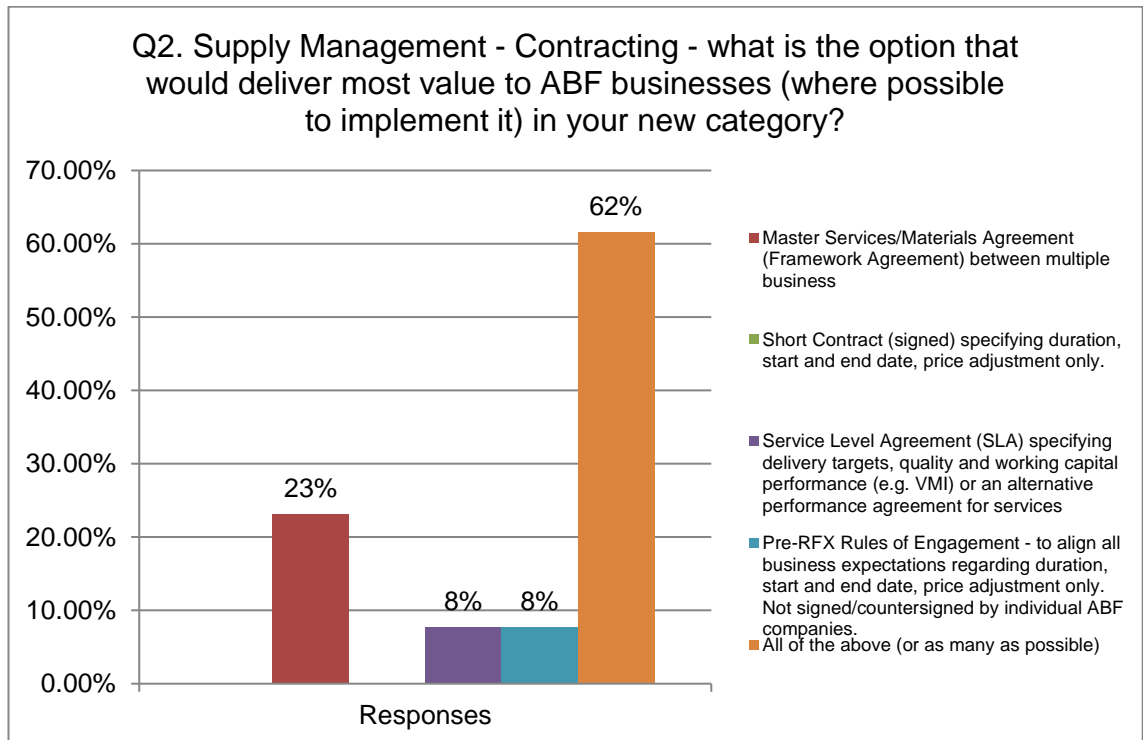
Q1. Comments

Combination of the above

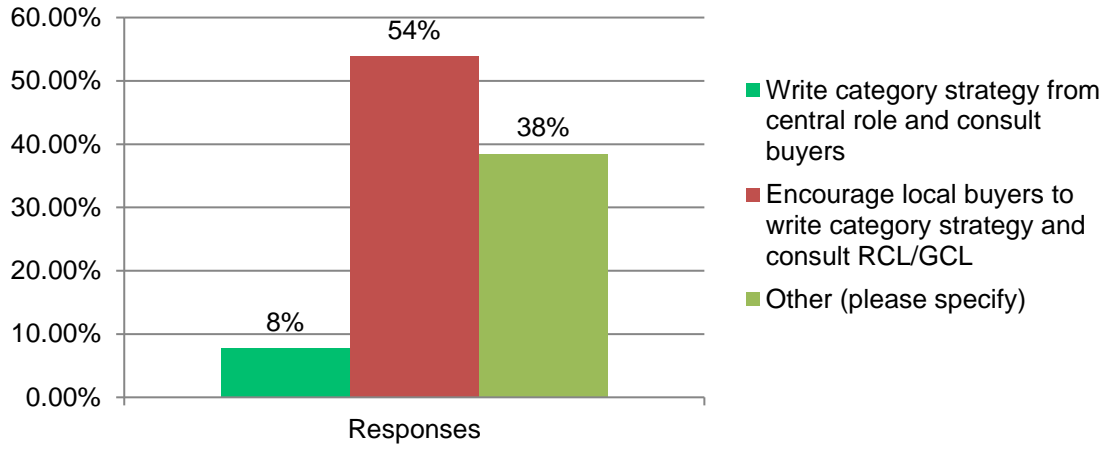
New / alternative supplier approval

It depends on spread of spend & importance to individual businesses (both will apply) - not a simple to say all one way or the other.

Both.



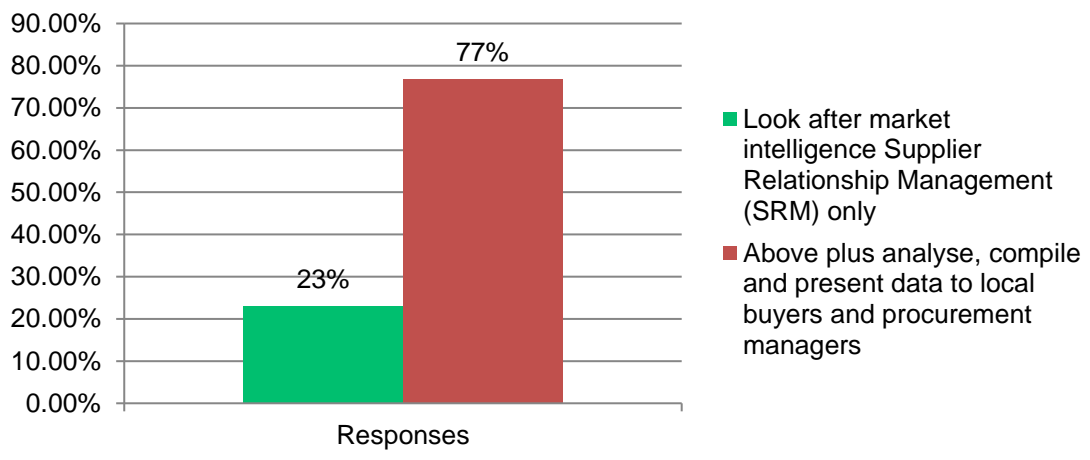
Q3. Process Management - Category Strategy - should a new central category lead write category strategies for each of their spend subcategories, or whether they should encourage and coach more buyers to write the strategies with them in a supporting role a



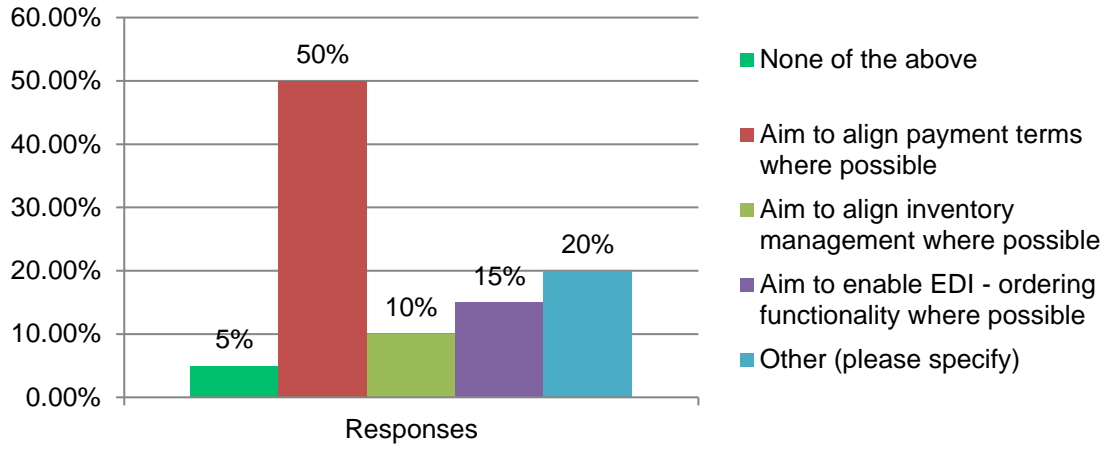
Q3. Comments

Encourage local buyers to write and consult RCL/GCL but RCL/GCL to help up front with considerations and a degree of standardization (in approach) across businesses
 More encouragement a local level & automation of strategy creation - strategy is dynamic
 It depends on spend breadth & importance for the business (hence ownership)
 Both
 Hybrid - lead centrally and allow buyers to flex/bespoke to their individual needs/case

Q4. Process Management value delivery - Market Intelligence - should a central procurement lead in a new category RCL/GCL role simply sign-up market intelligence companies for business utilization and look after their SRM or should they also analyse, comp



Q5. Process Management - Working Capital administration - what is the role of a central procurement team when it comes to measuring and gathering non-financial working capital benefits for a new category e.g., centralising or not centralising payment terms



Q5. Comments

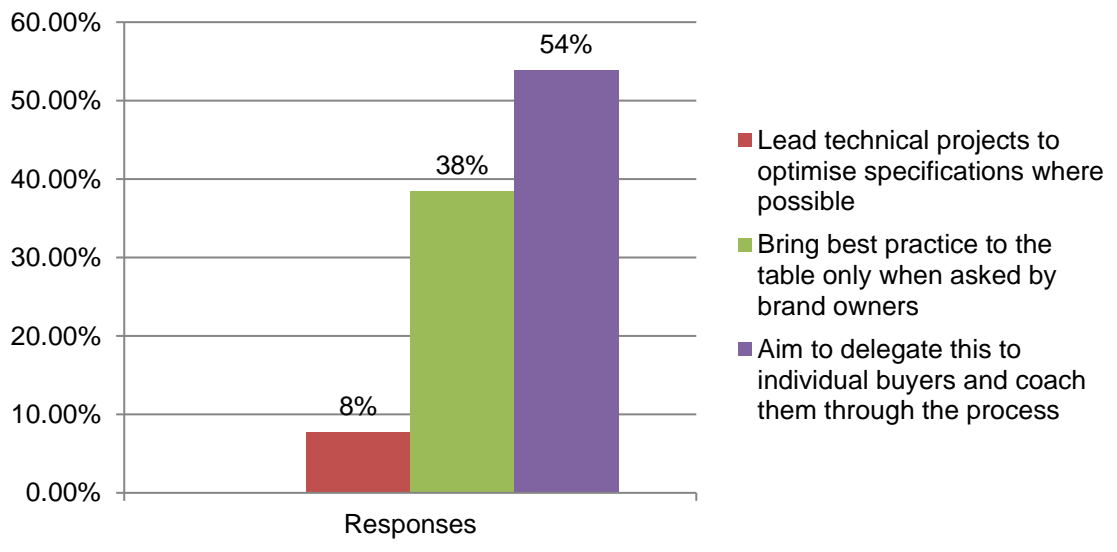
Aim to align payment terms while being cognizant if the businesses has traded something else however to achieve these

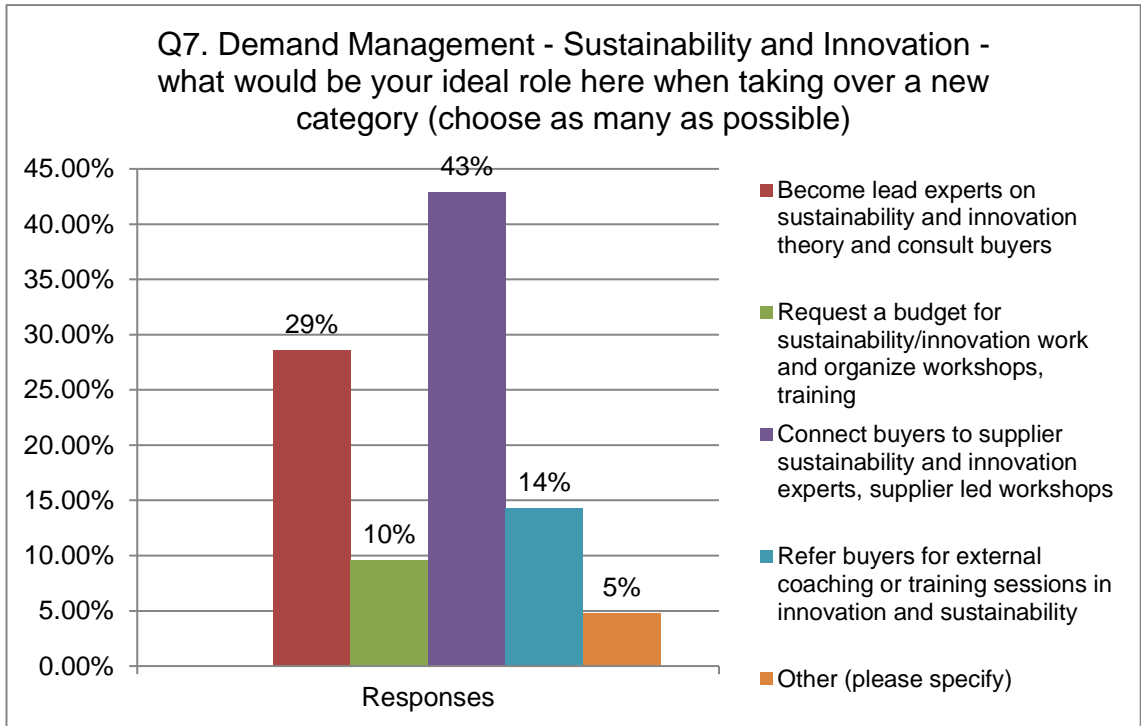
Depends on commonality of items & systems in place within the businesses

EDI and inventory management is always going to be led at a business/divisional level in ABF rather than by group procurement. However, we should actively push for best practices

Really could not say, sorry.

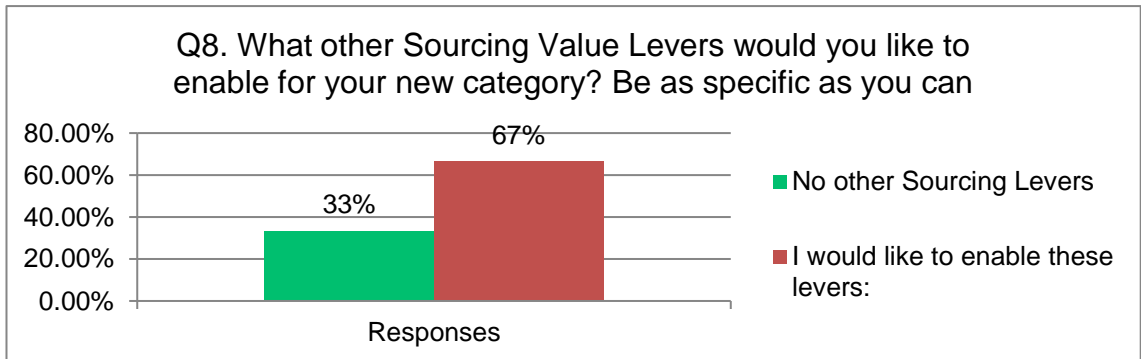
Demand Management - Product Development - should central procurement lead technical projects to optimise specifications, or should they bring best practice to the table only when asked by brand owners? Or, alternatively, should they delegate this to indivi





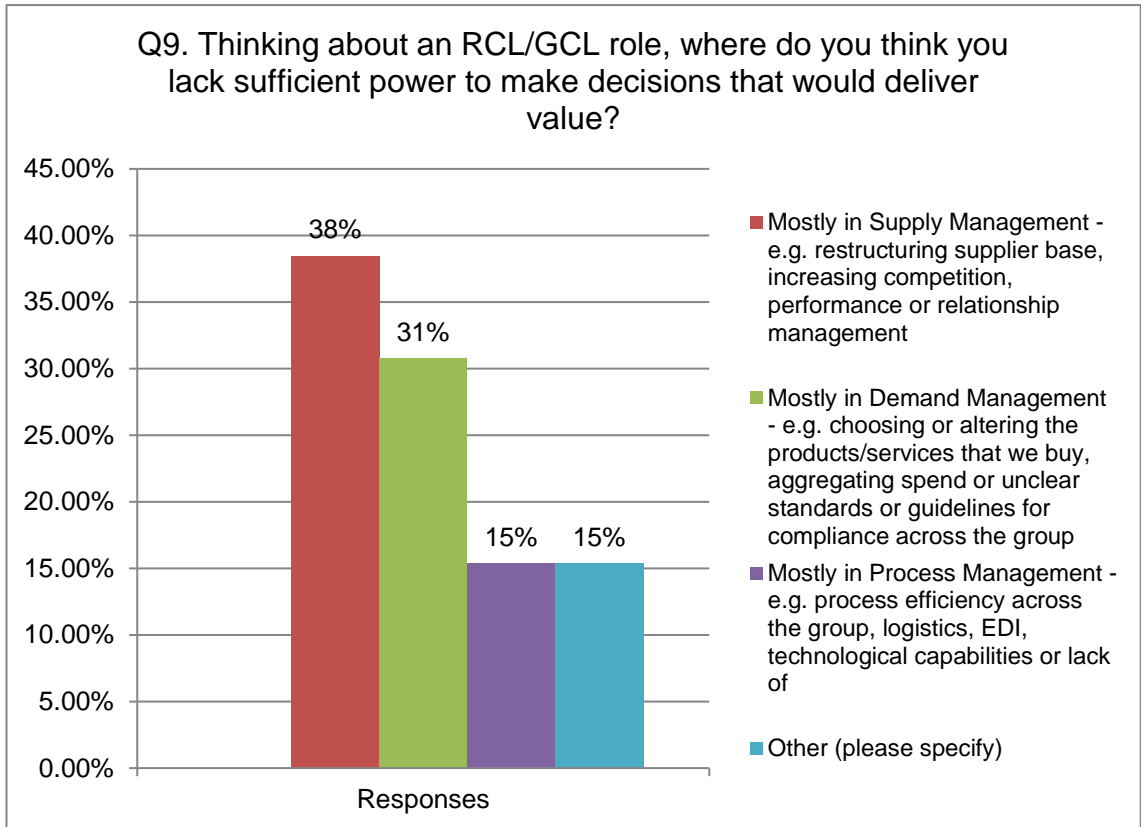
Q7. Comments

Need a high level understanding & also 80/20 insight to where opportunities lie. Then influence BU's / buyers



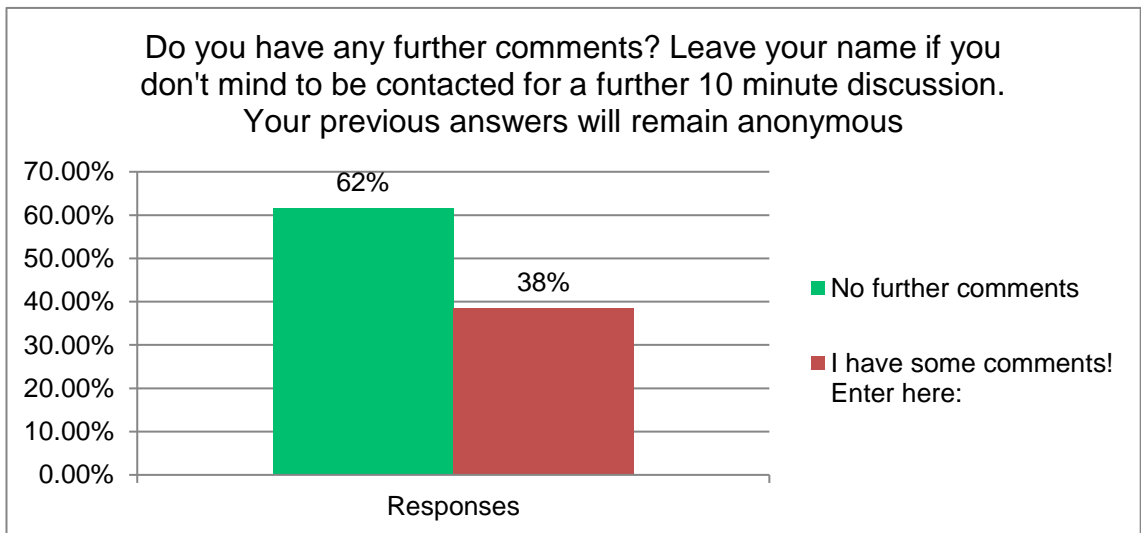
Q8. Comments

Supplier Management (Change Relationship/Supplier) - I think having a more central control of some supplier relationships could be more beneficial. But the key is the alignment between the businesses
 Better data visibility & management (not sure where this fits into the value levers wheel !)
 Work to engage stakeholders and get buy-in.
 be able to access market input specifically innovation in sustainable packaging
 I like the high level Pay Less, Use Less, Alternative, Abolish: Most covered above, but always worth a think about what opportunities in Alternative/ Abolish?
 Work with in-business cross functional teams to identify relevant & alternative levers of value
 As per Academy Value Levers wheel - may opportunities in both Buy Better and Spend Better activities
 Consolidated volumes and benefits



Q9. Comments

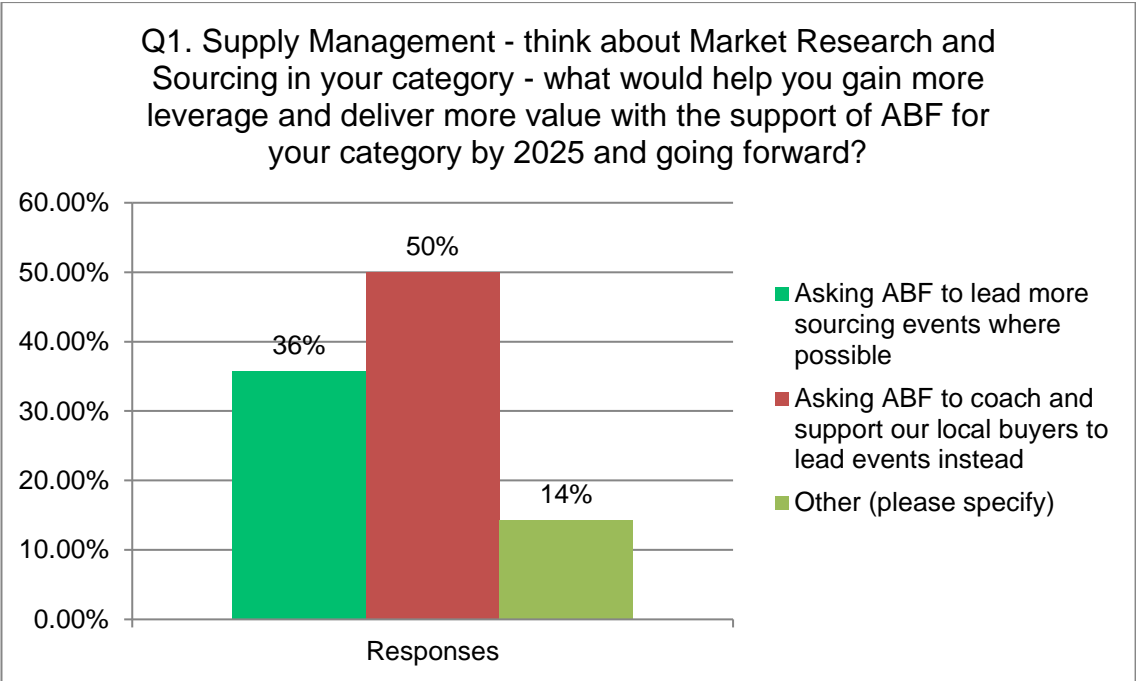
I would say getting that visibility of the new role and what procurement does. Not about our power - but about businesses ability to engage & pull on all available levers



Q10. Comments

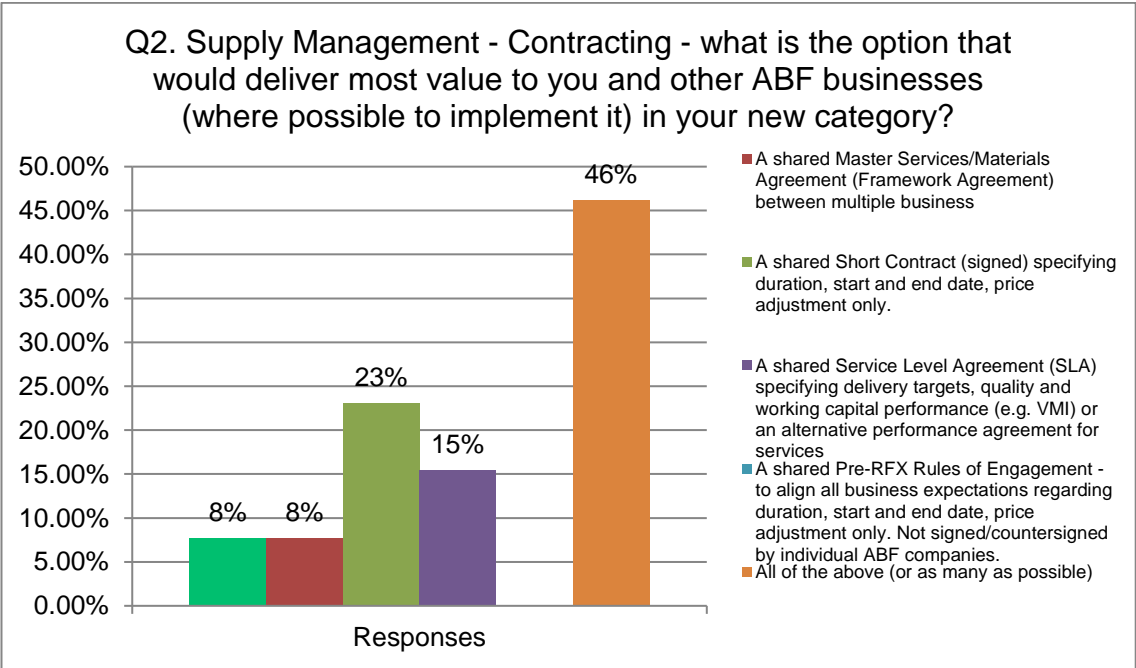
Names (deleted for data protection)

Appendix 4. Survey Results – Group 2: Procurement Directors

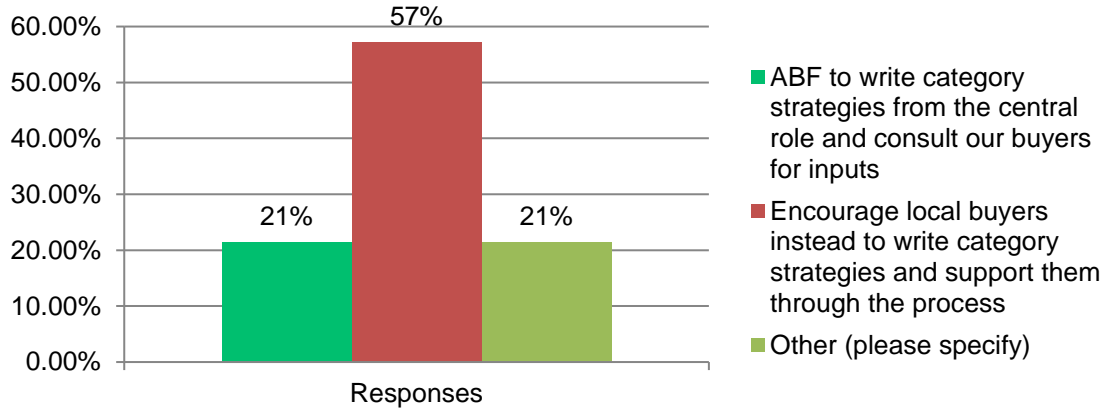


Q1. Comments

I think it is good for ABF to lead events where appropriate, i.e. where multi businesses have similar requirements for a product group, e.g. corrugate and reeled flexibles. I think this is a combination of both - for big common areas then yes ABF lead and align contracts and T&C's manage the supplier relationships to ensure leverage - smaller more ancillary stuff probably just needs support on.



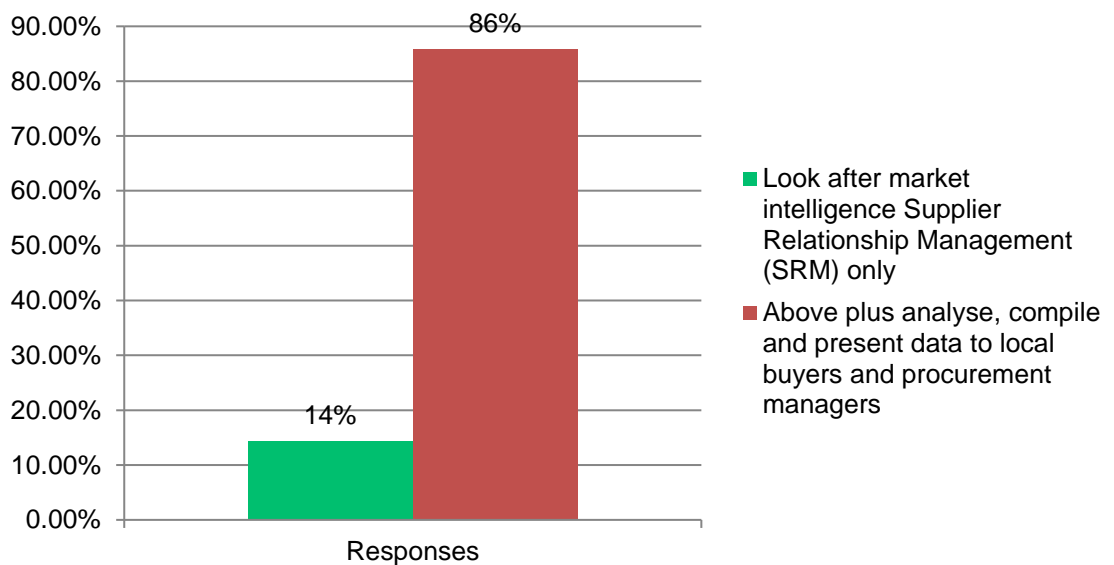
Q3. Process Management - Category Strategy - should ABF write category strategies for each of their spend subcategories, or should they instead encourage and coach more buyers to write the strategies with them in a supporting role as a reviewer or advisor?



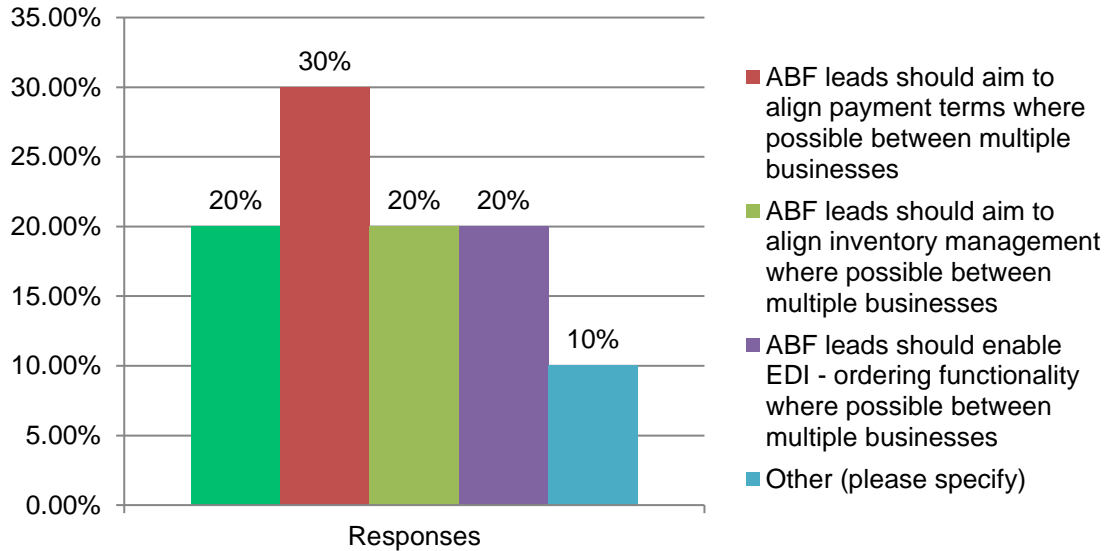
Q3. Comments

How do you keep category strategy live & with minimum workload in terms of creation?
 Depending on the material group and specification either of the above can work
 ABF to write but as part of people development key people should be brought into to learn and understand best practice / how to do these things with experts

Q4. Process Management value delivery - Market Intelligence - should an ABF category lead simply sign-up market intelligence companies for your business utilisation and look after their SRM or should they also analyse, compile and present data to local bu



Q5. Process Management - Working Capital administration - what is the role of an ABF category lead when it comes to measuring and gathering non-financial working capital benefits for a new category between multiple businesses e.g., payment terms, inventory

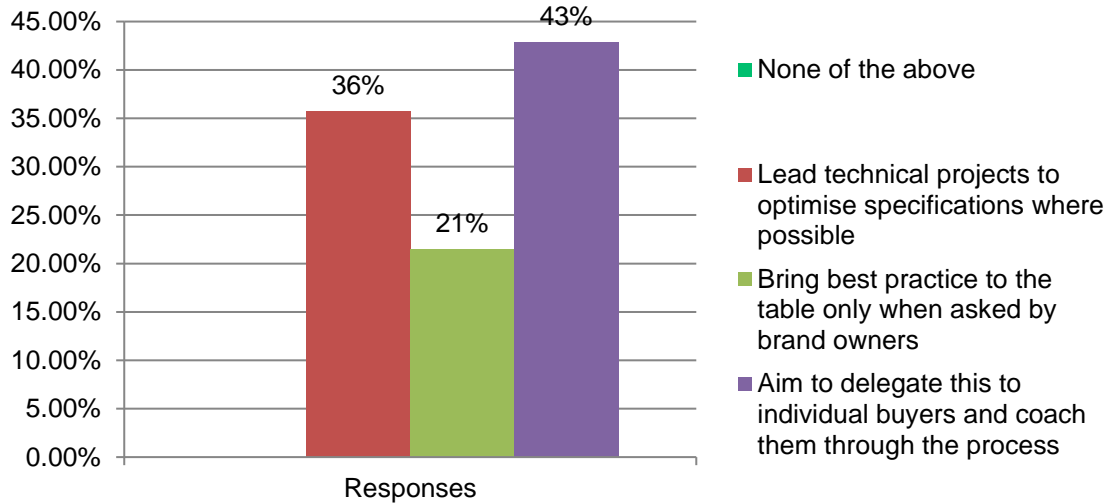


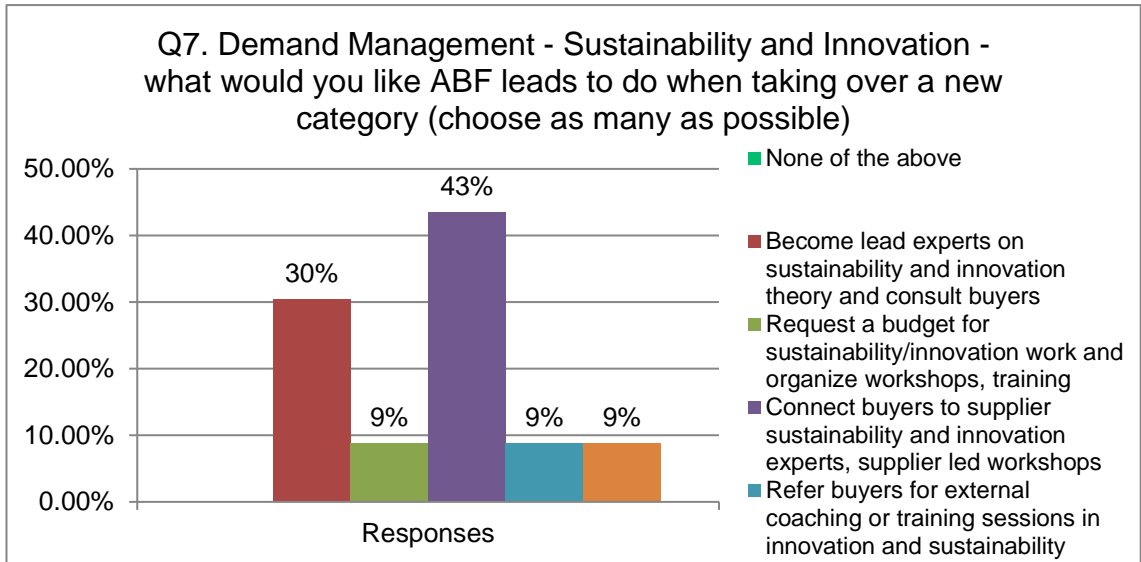
Q5. Comments

Make best terms & access to EDI / Inventory Management available; BU's then to follow up

Lead and coordinate best practice and deliver benefits to but meet different needs (not that easy) - including operational and financial

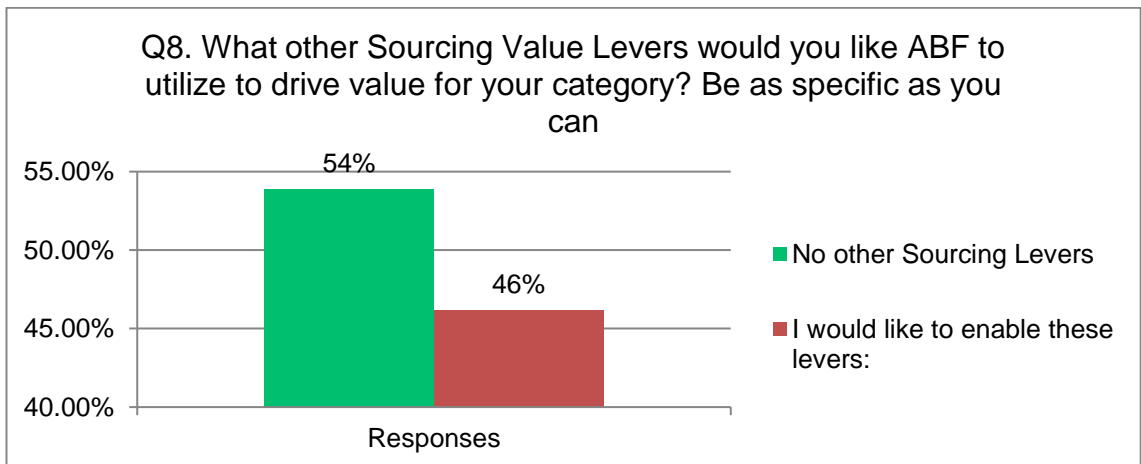
**Q6. Demand Management - Product Development - should an ABF procurement category lead initiate technical projects to optimise specifications, or should they only bring in best practice and experts to the table when asked by brand owners?
Or, alternatively,**





Q7. Comments

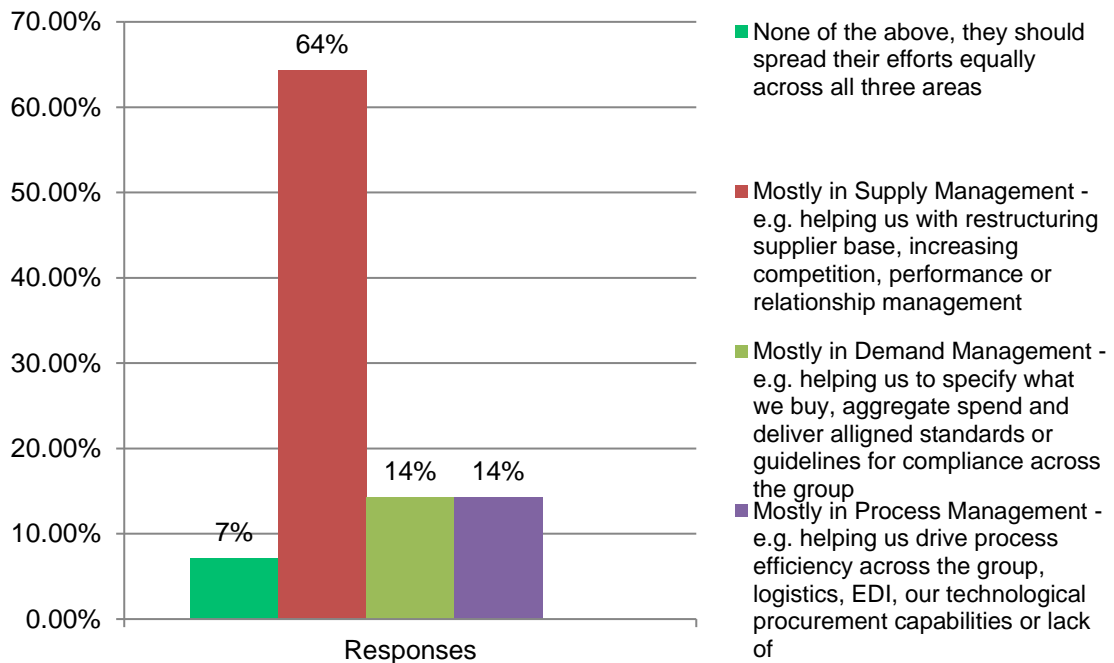
ABF Should have knowledge of sustainability issues relating to the category. We need some linkage to technical know how and operational machine requirements / capabilities



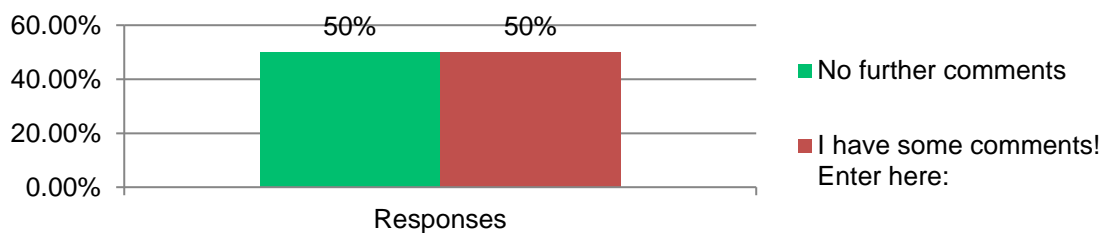
Q8. Comments

Not sure immediately, but whatever can add significant value to the category Highly impactful engagements and solutions which combine Procurement and Packaging Technology to achieve the best outcomes from technical leverage coupled with commercial leverage.
 Link between packaging machines and substrates (to reduce waste, improve productivity, use less) 'Spend better'
 Enhanced Supplier Relationships
 Most are indeed covered above, consolidation, extended payment terms due to good credit, expertise, SRM
 Market capacities (up and downstream) and substitution availability, process operational capabilities to match business requirements, structured well run SLA / KPI / SRM development meetings with key suppliers

Q9. Thinking about the ABF procurement team, where do you think you they need to focus in the next 3 years to deliver most value for your business?



Q10. Do you have any further comments? Leave your name if you don't mind to be contacted for a further 10 minute discussion. Your previous answers will remain anonymous



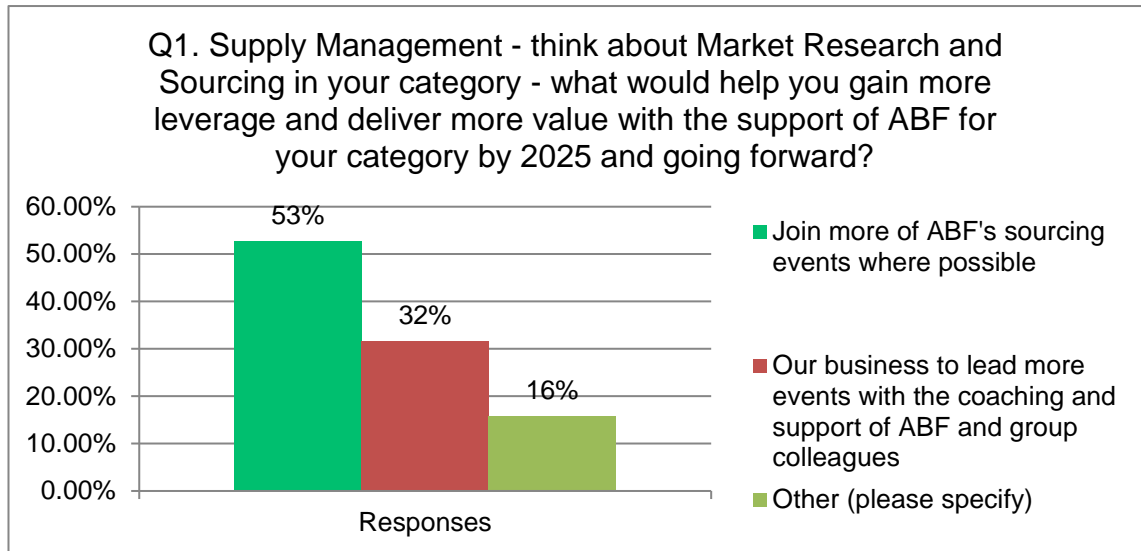
Comments

Happy to discuss the role of the ABF Packaging Team from our business perspective. The challenge for an ABF Category Lead is the devolved nature of the group. If there are identified synergies between business that you see through benchmarking then it is the Leads role to build a case for change. They in my view are SMEs that have breadth within a category, see the supply chain (end to end), support the businesses and look at the wider market issues including ESG.

Happy to be contacted further if I can help you in any way.

For our business, sourcing on packaging is brand new area, all above strategies will be relevant and will add value considerably but categories will be at a very different level of maturity.

Appendix 5. Survey Group 3 Results – Buyers

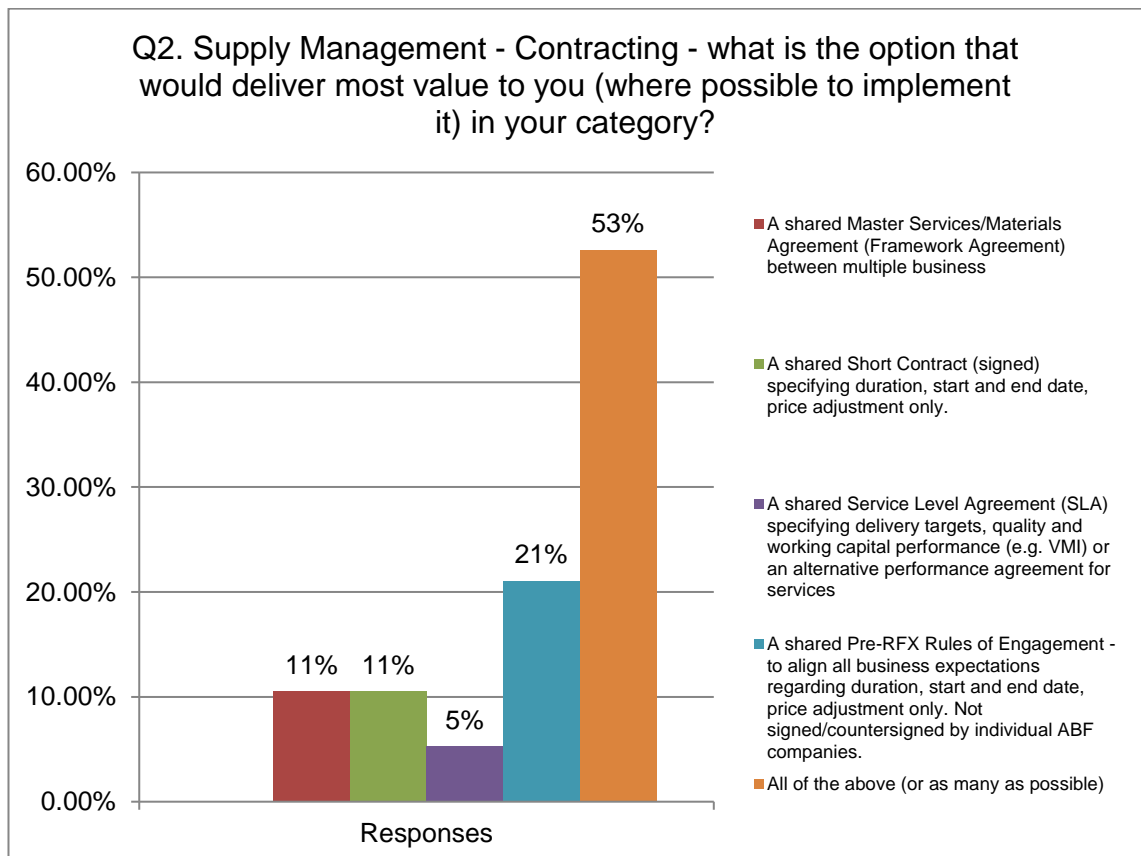


Q1. Comments

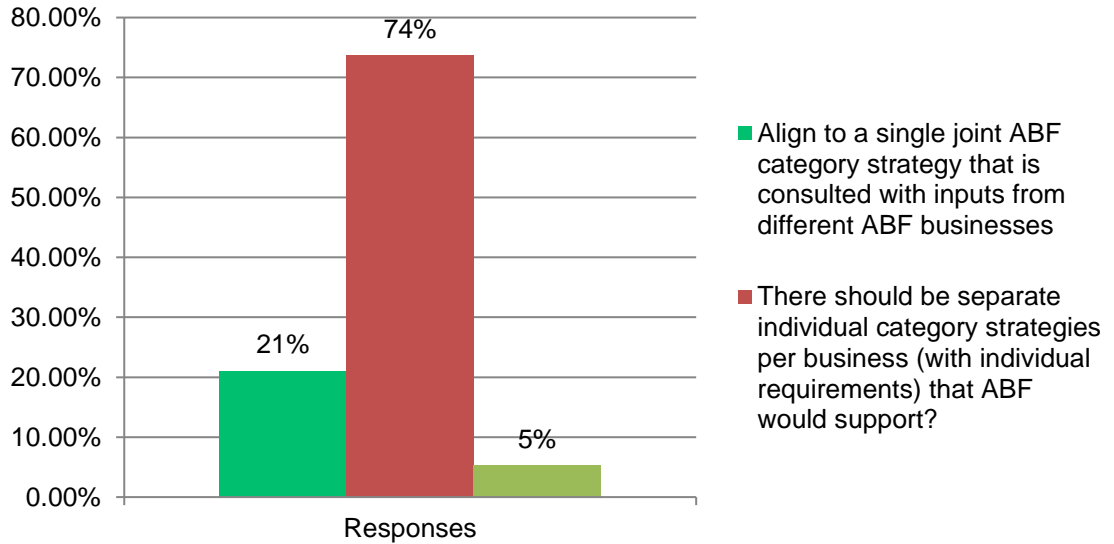
Working across all businesses to build a common requirements format to allow synergies and differences to be identified along with understanding the broader requirements associated with complexity and change management protocol

Join ABF global events where there is leverage potential, not just as an exercise.

Have access and more information available for markets of different categories (eg. glass, cardboard cans)



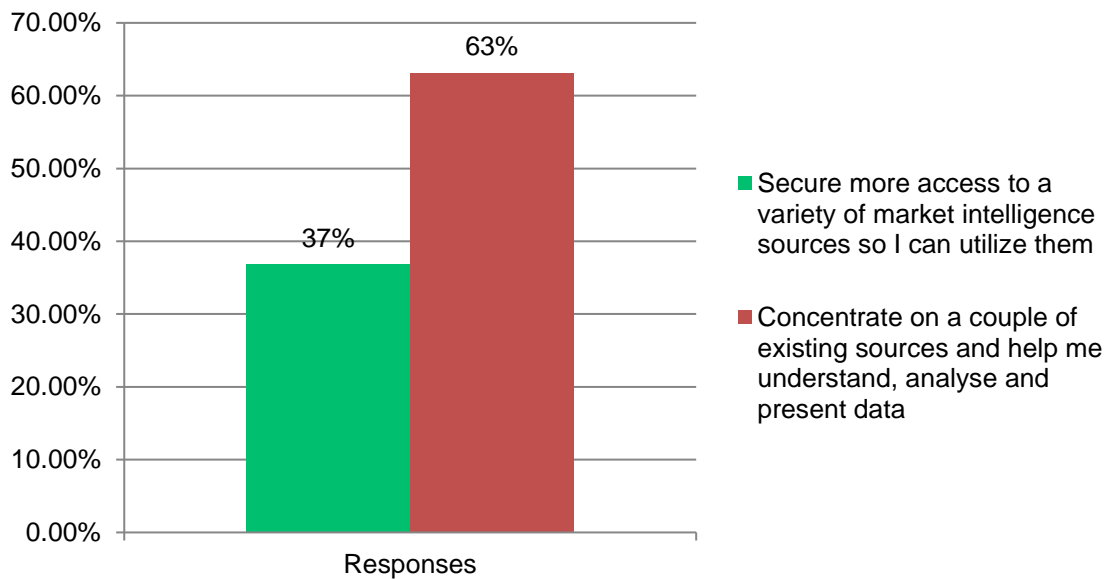
Q3. Process Management - Category Strategy - should your business align to a single joint ABF category strategy with your inputs or should there be separate individual category strategies per business (with individual requirements) that ABF would help to



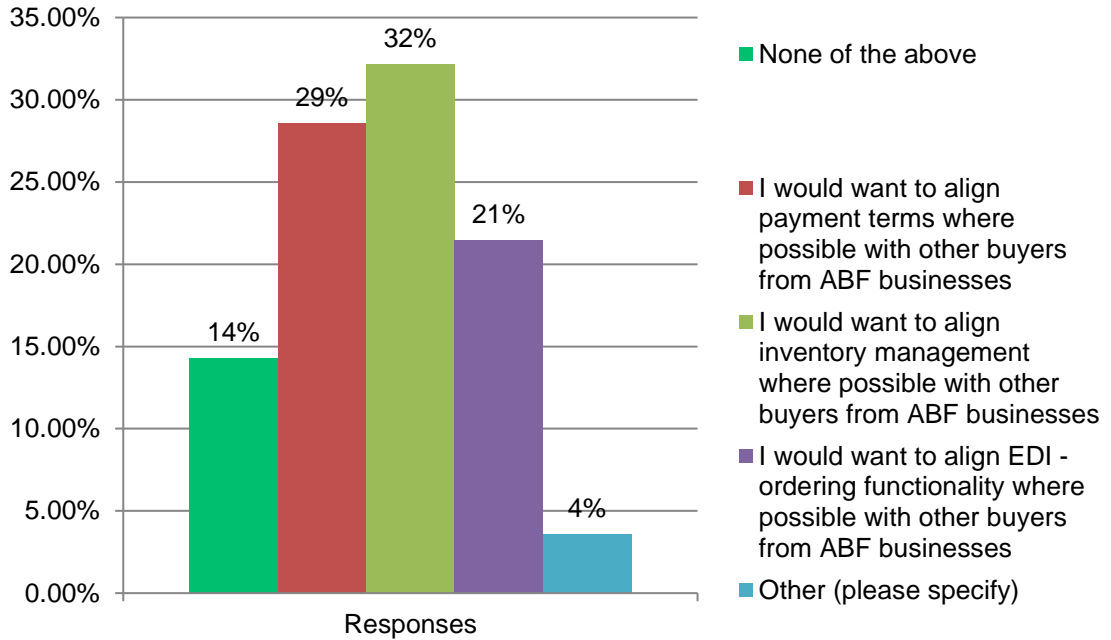
Q3. Comments

This depends on categories.

Q4. Process Management value delivery - Market Intelligence - should ABF secure more access to a variety of market intelligence sources for you? Or should they instead concentrate on a couple of sources and use them to help me analyse, compile and present



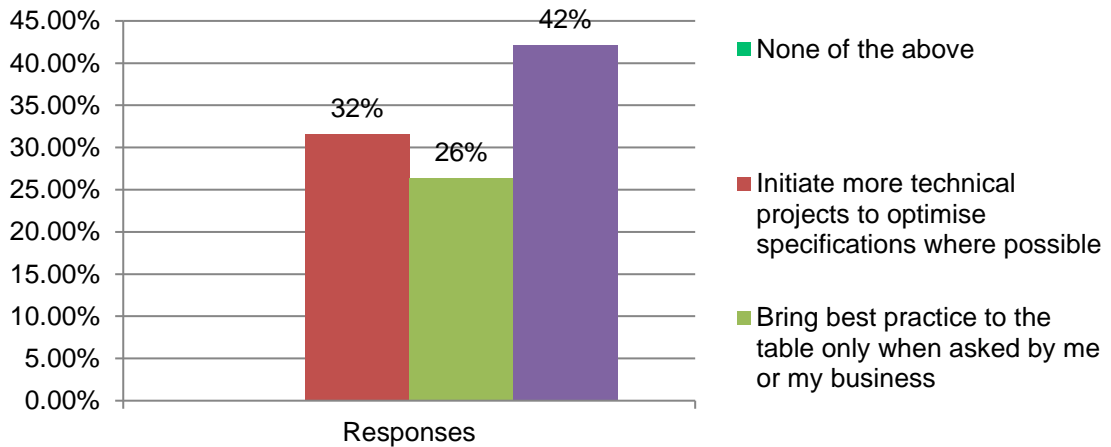
Q5. Process Management - Working Capital administration - what is the role of ABF when it comes to measuring and gathering non-financial working capital benefits for your categories between multiple businesses e.g., payment terms, inventory management syst

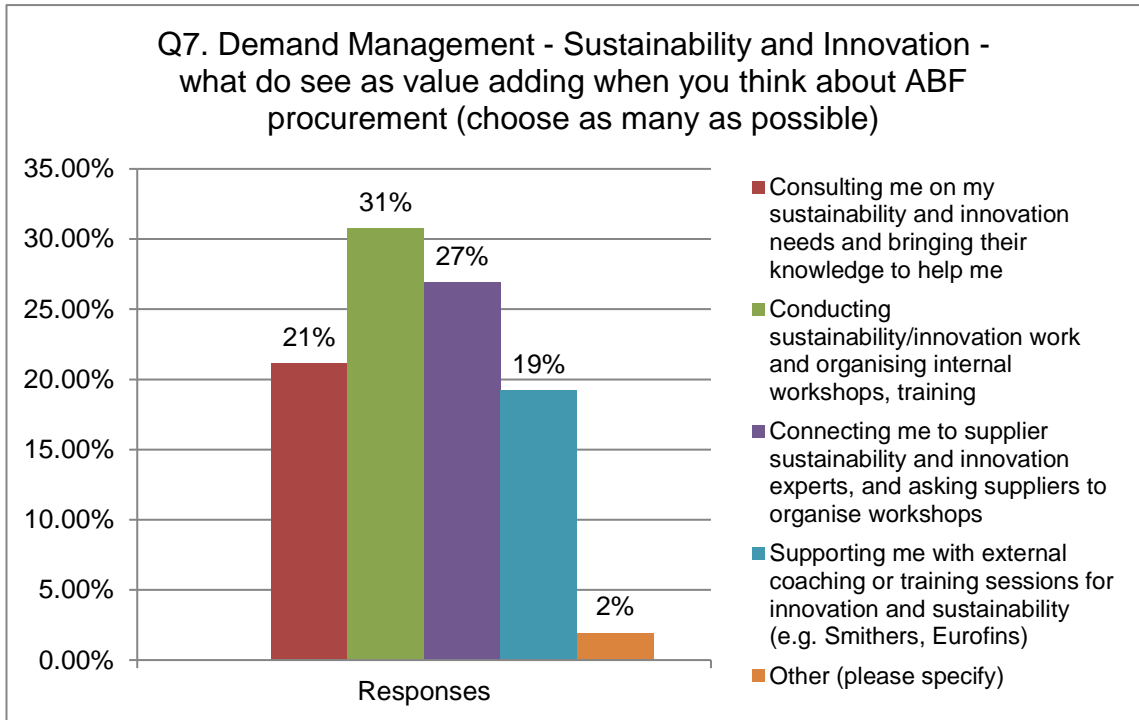


Q5. Comments

Align Terms & Conditions

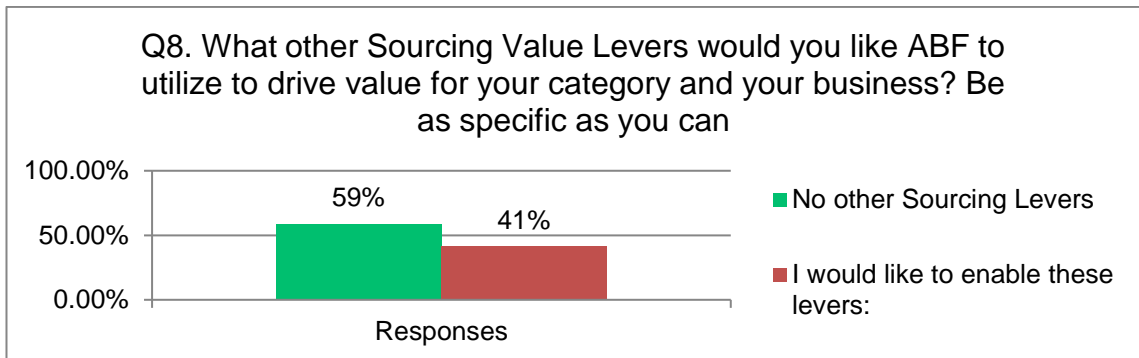
Q6. Demand Management - Product Development - should ABF initiate more technical projects to optimise specifications, or should they only bring in best practice and experts to the table when asked by you? Or, alternatively, should they organise more techni





Q7. Comments

Standardisation of processes and procedures along with ways of working provides a sound foundation upon which to tender for the varied range of requirements across our businesses, we should standardise the things that we are able to so as to be able to generate a more accurate and concise requirements piece.



Comments

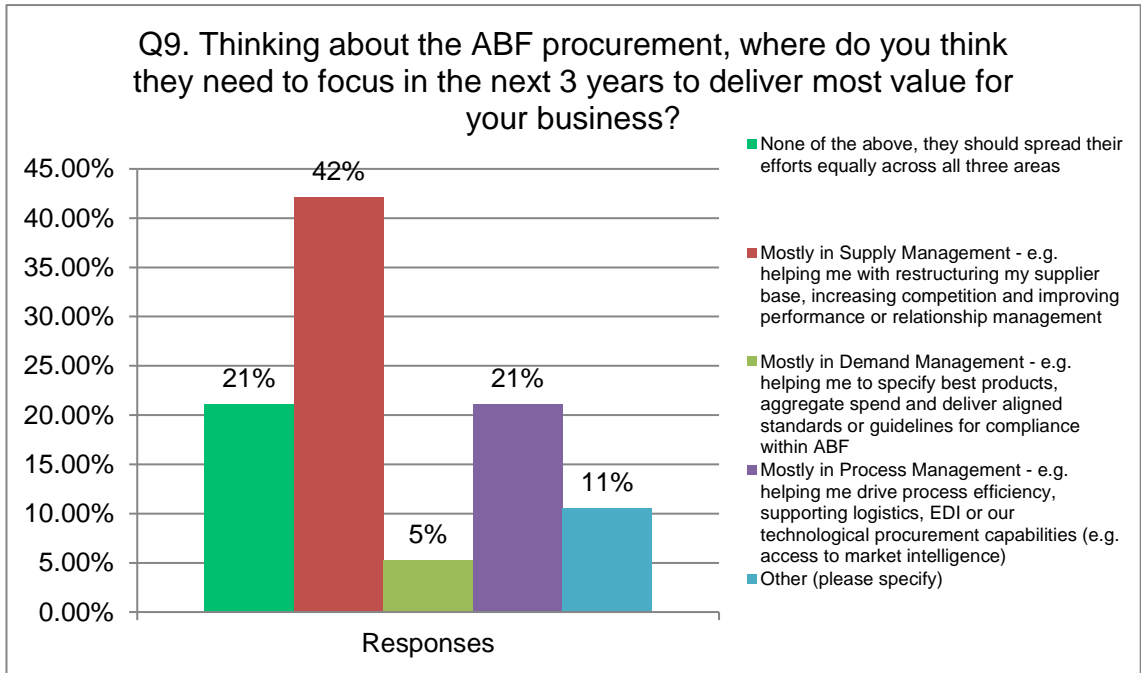
Continue on market scanning and market research of packaging producers that would fit future sourcing activities. Focus on Europe/ other regions, if makes sense, as much as UK. Competitor analysis for ABF Businesses in order to align specs with the market and support in the implementation.

Market Trend Analysis.

Sharing best practice, Australia trails many other jurisdictions and could gain from knowledge share

Define sourcing tactics to achieve savings, riskmanagement = learn to anticipate possible upcoming sourcing problems and avoid them, value engineering

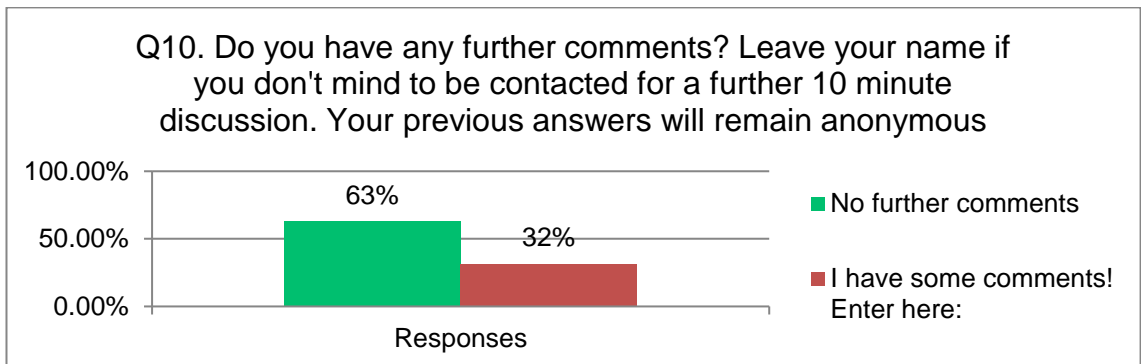
Consolidate volumes.



Q9. Comments

Both in demand management and process management the two areas can be developed simultaneously both would add value.

Help identify packaging trends & ways we can apply these to our business specific packaging to reduce cost and drive sustainability goals.



Q10. Comments

Sustainability - being key topic, additionally to question 9.

If we are to unlock the opportunity's of ABF then we should look to at least appear to be one organisation that works to common goals and follows similar processes.

Suppliers should not have to be reminded that Separate businesses are part of ABF it should be apparent by the similarity they see when working with us; Structure, Process, Ways of working, Forecasting, Order placement, Stock control, Inventory management, Payment terms. We will all have areas where we are strong but doubt whether any business is the best that it could be in all areas?

Implement sustainability (on all levels) will be a must to be competitive in the future and be recognised by cutomers and consumers.

Appendix 6. Focus Group 1 – ABF Procurement Team

1. Supply Management - think about Market Research and Sourcing in your category - what would help you gain more leverage and deliver more value at a decentralized organization (ABF) for your new category in 2025 and going forward?

- Combination of leading/supporting local buyers
- More requests coming in from buyers. Buyers need to be aware
- Depends on categories, teams, people profiles
- Getting back to F2F time with stakeholders is important to understand needs
- Our function is evolving, business requirements are changing, we are still learning
- Time is a precious resource, but our role is better in coaching/supporting to make their procurement functions strategic
- Our function is limited on time to handle each brand and directly sourcing for each ABF company
- Local teams understand internal businesses and their requirements better, some of those would be lost by central sourcing
- Philosophical position of ABF role as 'supporting the buyer' rather than buying

2. Supply Management - Contracting - what is the option that would deliver most value to ABF businesses (where possible to implement it) in your new category?

- Contracts may be broad, and not business requirement specific
- If we don't enforce our T&Cs, suppliers will enforce theirs
- We need more detailed contract templates
- Start with templates for each specific category
- No alignment between legal terms, hard to manage under a single entity
- Option to retain individual business contract templates, but they should be pre-determined for each category
- National agreement options exist in certain functions - those are then implemented locally
- Suppliers not always happy with signing multiple documents when we claim we act as ABF
- Single business as the main entity, with other businesses tagged on to the agreement, other businesses agreed to be bound by same terms (board minutes)
- Legal need to have a role of enforcing, maintaining terms between businesses
- Who is the signatory once common terms have been agreed?

4. Process Management - Category Strategy - should a new central category lead write category strategies for each of their spend subcategories, or whether they should encourage and coach more buyers to write the strategies with them in a supporting role as a reviewer or advisor?

- Main strategy and ABF level, then this is distributed to individual business
- Diffusion on terms/local additions/
- Where different requirements exist - this is then taken over by local business

- Central team has a strong role to play as exemplars to lead the source plans
- Depends on how bespoke the category is, where there is synergy - ABF should lead
- Whatever can be specified collectively as a single specification - that would drive most value

4. Process Management value delivery - Market Intelligence - should a central procurement lead in a new category RCL/GCL role simply sign-up market intelligence companies for business utilization and look after their SRM or should they also analyse, compile and present data to local buyers and procurement managers?

- Maybe a case for business analyst (if it can be funded and recharged)
- Unless it is a specific distinct/unique category
- We pull from some buyers as experts where the category is the largest
- Would businesses act on the information resourced by ABF?
- How big is the analyst team - can they cover the main categories?

5. Process Management - Working Capital administration - what is the role of a central procurement team when it comes to measuring and gathering non-financial working capital benefits for a new category e.g., centralising or not centralising payment terms, inventory management systems and EDI functionality? (select as many as possible)

- Where its possible and adds value, we should
- Part of bidding terms?
- May not be possible across each category
- What is the value - working capital - is it measured?
- Or is it a nice to have?
- Need to consider elements such as interest rates for payment terms
- Currently no req. to pay in some functions - risk at the centre.
- Discrepancy risk - spend approval not sorted out.
- The values are not matched to contract agreement - because our systems are not aligned
- Lack of systems, automation, digitization in 2022 - which is gap. What can we do when we are not centralized? Need better alignment of T&Cs at least so we can align operational terms, not just commercial terms
- Regional

7. Demand Management - Sustainability and Innovation - what would be your ideal role here when taking over a new category (choose as many as possible)

- We need to lead from ABF
- We can source expertise in sustainability to build group knowledge

- Our businesses need guidance on an external network and leadership from the central point of view
- Experts can
- Top leadership do not want to centralize
- Best if led locally - but we can share insight to make informed decisions

Appendix 7. Focus Group 2 - Procurement Directors

1. Supply Management - think about Market Research and Sourcing in your category - what would help you gain more leverage and deliver more value with the support of ABF for your category by 2025 and going forward?

- Segmentation is important for categories
- Makes no sense to have several distinct events for shared categories
- Scope is important, but ABF needs to maximise the leverage for best aggregate outcome
- No mandate for ABF - businesses are allowed to independently, efficiency falls down
- No mandate, consensus and using leverage to add businesses
- Leverage and not allow to distort the value chain
- Start from the outside looking in - develop an optimal model - then implement via dialogue, rather than marginal gains
- It is not a suppliers problem that we have multiple ABF businesses, we have to make it our problem
- Is the decentralized model used for not going things?

2. Supply Management - Contracting - what is the option that would deliver most value to you and other ABF businesses (where possible to implement it) in your category?

- All options should be on the table, suppliers walk away from obligations
- No adequate library of agreements available
- Individual could be possible, but ABF should not refuse to contract
- Enforcement and compliance to contracts could be a challenge if signed by ABF
- Suppliers may be the ones challenging - are the contracts useful in the context of total leverage?

3. Process Management - Category Strategy - should ABF write category strategies for each of their spend subcategories, or should they instead encourage and coach more buyers to write the strategies with them in a supporting role as a reviewer or advisor?

- Depends on segmentation
- Maximise the scope and leverage to the maximum
- Use both in combination
- Cannot dilute the scale of individual requirements
- Important to develop capability in individual businesses
- Ideal is to support local buyers to improve learning

4. Process Management value delivery - Market Intelligence - should an ABF category lead simply sign-up market intelligence companies for your business utilisation and look after their SRM or should they also analyse, compile and present data to local buyers and procurement managers in your business?

- Most effective procurement businesses have analyst services
- Category areas worthy of analysts, centralized resource is appropriate

- Resourcing is open to question, part of category manager role, or outsourcing?

5. Process Management - Working Capital administration - what is the role of an ABF category lead when it comes to measuring and gathering non-financial working capital benefits for a new category between multiple businesses e.g., payment terms, inventory management systems and EDI functionality? (select as many as possible)

- Payments terms is the only preference
- Other options are nice to have but not essential
- How to leverage rather than align?
- Maximise the opportunity?

6. Demand Management - Product Development - should an ABF procurement category lead initiate technical projects to optimise specifications, or should they only bring in best practice and experts to the table when asked by brand owners? Or, alternatively, should they delegate this to individual buyers in your team and coach them through the process?

- Ask for support where appropriate
- Organize networking events as the best option
- Standardize specifications where appropriate
- Technical experts not procurement

7. Demand Management - Sustainability and Innovation - what would you like ABF leads to do when taking over a new category (choose as many as possible)

- ABF team should have sustainability knowledge and expertise
- We are not product innovators
- Certain standards - palm oil exists
- Yes it should - where it affects share price
- ABF has been called out before

8. What other Sourcing Value Levers would you like ABF to utilize to drive value for your category? Be as specific as you can (Comments).

- Take much more of an external view, outside in
- Deliver procurement excellence, and only discount certain elements that conflict with culture
- Indirects currently not management appropriately
- Capital projects managed extremely loosely, sea freight also
- IT is centralized, other areas are currently not observed, there is a lot of opportunity here that is not being realized
- Leverage ABF scale better
- Hybrid model that we need to get better at
- Need stronger leadership

Appendix 8. RFX Results in Corrugated Containerboard – Group RoE Application Jun 2022

| Brand | Site/Line | Incumbent Supplier | Supplier 2 | Additional % for at least 2 brands | Supplier 3 | Additional % for at least 2 brands | Additional % for at least 3 brands | Supplier 5 | Additional % for at least 2 brands | Supplier 7 | Additional % for at least 2 brands |
|-----------------|-----------------|--------------------|------------|------------------------------------|------------|------------------------------------|------------------------------------|------------|------------------------------------|------------|------------------------------------|
| Brand A | Scotland Site 1 | Supplier 4 | -2.8% | | -1.0% | | -8% | -23.6% | | -6.2% | -4% |
| | Scotland Site 2 | Supplier 4 | -19.8% | | -5.8% | | | | | -4.1% | -1% |
| Brand A Total | | | | - | | | | | | | |
| Brand B | Spain | Supplier 2 | -3.9% | -7% | | | | | | -3.1% | -9%* |
| Brand B Total | | | | -7% | | | | | | | |
| Brand C | England Site 1 | Supplier 7 | -22.8% | | -36.1% | | | | | -1.2% | -9%* |
| | England Site 2 | Supplier 7 | -20.5% | | 17.8% | -8% | | | | -1.9% | -9%* |
| | England Site 3 | Supplier 7 | -17.6% | -6% | -15.5% | | | -13.5% | | -3.8% | |
| | Poland Site 4 | Supplier 8 | | | -3.0% | | | | | | |
| Brand C Total | | | | -7% | | -8% | | | | | |
| Brand D | England Site 1 | Supplier 1 | 48.5% | | -11.1% | | | -4.1% | | 12.4% | -2% |
| | France Site 2 | Supplier 6 | -47.1% | | -1.2% | | | | | -13.7% | |
| Brand D Total | | | | | | | | | | | |
| Brand E | England Site 1 | Supplier 3 | -1.9% | -6% | -1.0% | -8% | | 11.4% | | 35.7% | -9% |
| | England Site 2 | Supplier 3 | 1.9% | -5% | -3.5% | | | 2.5% | | 11.5% | -9% |
| | England Site 3 | Supplier 3 | -11.1% | | -2.6% | | | -6.8% | | 24.2% | -5% |
| Brand E Total | | | | -7% | | -8% | | | | | -9%* |
| Total Portfolio | | | | | -7% | | -8% | | NA | | -11% |

* Only with another major brand

End of Assignment

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