



## Master Class

Latest Development in Purchasing

*13th , 14th , 15th December 2010*

***“Purchasing Contribution to Value Creation”***

### FACULTY

*Professor Richard Lamming*

*Dean of the University of Exeter Business School*

*Professor Corey Billington*

*Previously Professor of Operations Management and Procurement at IMD*

*Previously Director of Corp Sustainability Forum at IMD*

*Professor Paolo Morosetti*

*Director Executive MBA at SDA Bocconi*

# AGENDA

## FACULTY

### Day 1: Professor Richard Lamming Dean of the University of Exeter Business School



Professor Lamming has led the Business School since October 2008. In addition to his role as Dean, Richard is also an active researcher and teacher in the field of supply chain management, with a focus on innovation and sustainable development. Previously he was Director of the School of Management at the University of Southampton. In the 1990s, he was a Professor in the School of Management at the University of Bath where he started the Centre for Research in Strategic Purchasing and Supply (CRiSPS), developing the concepts of environmentally sound supply networks and innovation in inter-organisational relationships. Before Bath he earned his Doctorate at the University of Sussex Science Policy Research Unit, in the field of technological innovation in supply chains. In the late 1980s he was a senior research fellow on the International Motor Vehicle Programme at MIT, conducting research that led to the development of *lean production* and *lean supply* concepts.

Prior to his academic career, Richard worked in the engineering and automotive industries and in management consultancy.

### Day 2: Professor Corey Billington



Corey Billington was a Professor of Operations Management and Procurement at IMD in Lausanne. At IMD, Dr. Billington has researched and developed business process innovation methods. In addition he was Director of the Managing Global Supply Chain program, attended by the procurement heads of multinational companies. Dr. Billington was also the Director of IMD's center for Corporate Sustainability Management.

At HP, Dr. Billington was the corporate head of supply chain services. His organization focused on improving supply chain and innovation performance by furnishing HP with access to a global supply base, managing innovation processes for products and business services, developing strategic supply models and diffusing innovations throughout the enterprise. Before that Corey was Executive Director of Strategic Planning and Modeling for the Product Processes Organization, serving as a key pioneer of HP's approach to supply chain management.

The supply chain and innovation principles developed by Corey and his team are widely used at HP and have been published in a variety of periodicals including *Sloan Management Review*, *Omega*, *Operations Research*, and *Supply Chain Management Review*, among others. In addition, *Business Week*, the *Harvard Business Review*, *Forbes*, and the *Wall Street Journal* have published profiles and highlights about Corey and his team's work. In 2007, the Production and Operations Management Society awarded Dr. Billington the Martin K. Starr Excellent in Production and Operations Management Practice Award. Dr. Billington has numerous patents.

### Day 3: Professor Paolo Morosetti Director Executive MBA at SDA Bocconi



He was born on February 7th, 1973. Laurea Degree in Business Administration from Bocconi University. Teaching fellow in Corporate Strategy at Bocconi University, Professor of Strategic Management and Director of the Executive MBA Program at SDA Bocconi School of Management. Past Managing Director of the Research Center of Entrepreneurship and Coordinator of the AIdAF-Alberto Falck Chair in Strategic Management in Family Business at Bocconi. Main teaching and research areas are: corporate and business strategy, strategic management, family business. He is also a member of the Management Committee of the European Family Businesses Association.



*Day 1*  
*13<sup>th</sup> December 2010*

**FACULTY:** Professor Richard Lamming

**BIBLIOGRAPHY & PRE READINGS**

No pre-readings are specified but references to follow-up reading will emerge during the day. Some of these will be easy for participants to access electronically; others will be supplied by Professor Lamming, via EIPM.

The sessions will explore current, established approaches in supply management and provide the participant with ideas for thinking differently.

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*Monday 13th December 2010*

*9h00*

Morning Session:

The management of value creation in supplier relationships  
Critical analysis of the supply chain concept  
Innovation and its role in supply management  
The concept of value in relationships and ways of mapping

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*Monday 13th December 2010*

*13h00*

Afternoon Session

The concepts of wasteful & non-value-adding activities.  
Lean alternatives to traditional approaches

- Information sharing
- Performance assessment
- Development

*Day 2*  
*14<sup>th</sup> December 2010*

**FACULTY:** Professor Correy Billington

**BIBLIOGRAPHY & PREREADINGS**

“Engineering a Lower Tax Bill” in CPO Agenda  
“Developing the Super Supplier” in CPO Agenda  
“HP cuts risk with portfolio approach” in Purchasing  
“Outsourcing without losing control” in Supply Chain Management Review  
“2006 CSCMP Supply Chain Innovation Award Buy-Sell Process of HP”

And prepare the cases:

- Industrial Stamping



# AGENDA

- Delphi (A & B)

Tuesday 14<sup>th</sup> December 2010

9h00

During our day together we will consider 4 major topics:

- **Supply chain strategy**
- **Procurement risk management**
- **Services procurement and outsourcing**
- **Super supplier concept and the value of supplier loyalty**

We will begin with strategic context and then drill down to specific tactics that can result in significant improvement in supply chain and procurement performance.

**Supply chain strategy:** We will begin by considering how our supply chains are evolving and the trends that are shaping relationships between companies. We will discuss examples from the beverages, electronics, and the fashion industry. We will consider how we can more effectively organize our supply chains and procurement activities.

**Procurement risk management:** We will take a hard look at risk in today's business environment and how it affects our procurement and supply chain setup. By actively managing supply chain risks and providing suppliers with risk services it is possible to create significant savings through the reduce of supply chain waste. We will examine in details how companies like HP have implemented procurement risk management programs.

The objective of this session is to gain a deeper understanding of how to use real options in your procurement activities. Some firms have created significant value from their procurement risk management programs; others have experienced significant disappointments. We will explore methods that procurement groups can use to develop real options and the value that can be created from doing so. Examples will be brought from companies such as Hewlett-Packard, IKEA and Intel.

**Services procurement and outsourcing:** We will examine the challenges of services procurement and outsourcing. After careful analysis of the procurement situation of Compaq and HP, the buy-sell process of HP was shown to be a significant asset that improves a firm's ability to procure services. In fact the buy-sell process was considered one of the top three assets of the HP-Compaq merger. We will how the buy-sell process works, how it allows for more effective procurement, and how it allows firms to greatly reduce their tax rates.

**Super supplier concepts and supplier loyalty:** Much has been made of the value of customer loyalty but supplier loyalty is equally valuable but much less discussed. We will consider methods that have been very successfully used by Japanese automakers against their US competitors. This "super supplier" technique has been used by high tech firms as well. This method allows procurement groups to create competitive advantage for their firms beyond traditional price take-down.

If you wish more details:

"A Real Options Perspective on Supply Chain Management in High Technology" in Journal of Applied Corporate Finance by Billington et al

"Services Supply Management" in California Management Review



*Day 3*  
*15<sup>th</sup> December 2010*

**FACULTY: Professor Paolo Morosetti**

M&As are a key element of many firms strategies to maximize value and create sustainable competitive advantage. Yet dealing with acquisitions requires a mix of competences to design the deal, negotiate it and manage the integration between organizations.

This one day course helps you to determine a strategic rationale, to perceive the difficulties in making a valuation, and to think through integration issues. A real case study, the acquisition of Sendit by Microsoft, supports the discussion and a bibliography helps you to examine deeper this topic.

**BIBLIOGRAPHY&PREREADINGS**

Articles:

- Collis D. J., Montgomery G.A., Competing on Resources, July-August 2008, Harvard Business Review (*prereadings*)  
Langford R., Collis B., Making M&A pay: lessons from the world's most successful acquirers, Strategy and Leadership Vol 32, N. 1 2004 (*prereadings*)  
Harding D., Lemire C. Rovit S., A simple M&A model for all seasons, Strategy and Leadership Vol 32, N. 5 2004

Books:

- Collis D. J., Montgomery G.A., "Corporate Strategy: A Resource Based Approach", Second Edition, MacGrawHill  
Price C., Fubini D., Zollo M., Mergers: Leadership, Performance and Corporate Health, Palgrave, 2006

Case Study (*prereadings*):

- Sendit A  
Sendit B

Tuesday 14<sup>th</sup> December 2010

9h00

Morning Session:

Morning session is splitted in two parts. After a short introduction about the theoretical strategic framework leading the M&A operations at the corporate level, the class discuss the case study Sendit A in plenary. After a short break, the participants will be divided in small groups and they continue examining the deal on Microsoft side or Sendit side.

Main learning goals of the morning session are the following:

- Illustrate the framework to determine the strategic rationale of an M&A operation (*assessing the strategic gap*)
- Examine the challenge of choosing between an alliance and an acquisition (*comparing strategic tools*)
- Illustrate the difficulties in making a valuation of a young high tech firm in a fast-changing environment and market
- Illustrate the negotiation logic between parties in order to fix a price
- Illustrate the importance of the context of negotiation to fix a price
  
- Plenary discussion of the case study Sendit A. Guideline questions:
  - What is Microsoft's strategy for Internet and mobile markets? Has Microsoft a strategic gap?
  - What mode of diversification can Microsoft choose for this particular technology?
  - How attractive is Sendit for Microsoft

# AGENDA

- Discussion in small groups of the case study Sendit B. Guideline questions
  - "Sell side groups"
  - How much Sendit worth?
  - What do you have to believe in order to justify this acquisition?
  - What are the main difficulties of making a valuation?
  - "Buy side groups"
  - How much Sendit worth?
  - What do you have to believe in order to justify this acquisition?
  - What are the main difficulties of making a valuation?

Tuesday 14<sup>th</sup> December 2010

13h00

Afternoon Session:

Afternoon session is focused on the organisational challenges of an M&A operation, in particular the quest of the integration between independent organisations and managerial styles. The case study Sendit C gives a chance to examine these relevant aspects.

Main learning goals of the afternoon session is the following:

- Examine the different value creation strategy in the acquisition and the different integration strategy

Discussion in small groups of case study Sendit C. Guideline questions:

- What are the main managerial challenges in the integration of Sendit?
- What do you suggest to Microsoft not to destroy the value creation potential during recombination of assets (the post-acquisition integration)?

Sessions will be closed by summarizing the main takeaways of the day.