

Driving Innovation in CMS Contracts

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Raytheon CMS Program at a Glance

Scope of the CMS program

- 45 sites
- 98% of Raytheon N. America chemical spend
- Chemicals (direct/indirect/facility), gasses (bulk/cylinder/specialty), waste (hazardous, mixed)

Scope of Services

- Automated ordering, chemical gate-keeping, consolidated sourcing
- On-line MSDS and EHS data for reporting
- Chemical use and waste generation tracking
- E-Procurement and electronic inventory management
- Off-site inventory management and JIT delivery to points of use
- Waste management with electronic tracking to disposal
- Process efficiency improvements to reduce chemical use and waste
- Full quality and certification flow downs

Innovation Examples for Second CMS Contract

- Contract efficiency
- Address specific business/industry requirements
- CMS provider incentives
 - Gainshare price incentives
 - Gainshare process improvements
- Metrics
 - Identify key metrics to drive performance
 - Penalties
- Reporting
 - Frequency
 - Delivery

Contract Process Challenges

Internal

- Stakeholder participation – Supply Chain, Operations, EH&S, Legal
- Complexity due to broad coverage – 7 divisions, 45 plants, and across multiple business process operations, covering chemicals, gases, wastes and value-added services
- Consolidating local requirements from many plant locations into a common set of requirements outlined in a Statement of Work
- Creating exhibits for plant specific requirements that are not consolidated
- Time and geography

External

- Negotiating terms & conditions
- Balancing and trade-offs for costs and program enhancements
- Time and resources

Gainshare for Process Improvements

Challenges

- Collecting baseline data
- How to share savings and for how long
- Management/process owner approval
- Validating that savings are sustained

Benefits and Examples

- Business Process Improvement – automation of labor-based, material management processes (gate keeping, handling, etc)
- Manufacturing Process Improvements

<u>Examples</u>	<u>Reduced Cost</u>	<u>Reduced Usage</u>	<u>Reduced Waste</u>
Precious metals recovery	X		X
Technology transfer for chemical stripper process modification	X	X	X
Changed mode of chemical delivery (pipeline to on-site storage)	X	X	