

## **Transcript Episode 18**

### **Innovation made from SCM US – rethinking CVE methods**

**Moderator: Thomas Holzner, Guests: Rodrigo Junqueira and Pete van Caulil**

Intro: The DigiPodcast – Digital trends in Supply Chain Management

#### **Thomas Holzner**

Combining best of two worlds, commodity management and custom value engineering for buying something that you buy totally different, sounds this great, I think yes. And this time we are quite international. I have two colleagues from the Americas here, Rodrigo and Pete and they did something totally new, innovative approach at Siemens US, which led to more cost transparency in terms of IT services. What they did exactly they will tell you now. Hi Rodrigo, hi Pete, great to have you here.

#### **Rodrigo Junqueira**

Thank you, Thomas for your invitation.

#### **Pete van Caulil**

Hi and thank you as well from my side.

#### **Thomas Holzner**

Thank you that you make it possible to join. I've already mentioned that direction the podcast will go this time. But first of all, you are both working for Siemens Americas. Please give us a short insight for what you're responsible.

#### **Pete van Caulil**

My role is cost and value engineering at the corporate level. I am located in Orlando, Florida and have responsibility for the Americas region. I've been working with Siemens in a wide range of roles for 39 years.

### **Rodrigo Junqueira**

And this is Rodrigo. I am an IT commodity manager for the region Americas, located in Alpharetta, Georgia. And also one of the orchestrators of the SCMG network in the same region. I've been working for Siemens for 12 years.

### **Thomas Holzner**

Great. And I think we are already killing the first prejudice that people in the US do a lot of job hopping: 39 years, wonderful Pete, that's amazing! And Rodrigo 12 years from Brazil. Also international: Bavaria, Brazil and Florida couldn't be better. So, you both started a total new approach, which brings a lot of efficiency to Siemens. Why did you implement it and what's the reason behind?

### **Rodrigo Junqueira**

To Explained that I need to strike out a bit. I'm part of a reverse mentorship and my partner is a factory manager. Once he told me about a successful Cost and Value Engineering workshop in which the team replaced copper items with aluminum and had great price reductions as a result. I started thinking, how could I apply this to my IT services category? I reached out to Pete with the idea of applying CVE to IT services. Something like this was never done before. The changing of a material is easier than changing a service. Pete was immediately enthusiastic of the idea.

### **Pete van Caulil**

That's right Rodrigo, even though it was a tough one, our SCM management fosters an environment of creativity. So even though we didn't have a solution yet, we had our motivation to find a pioneering way to make this work.

### **Thomas Holzner**

And that sounds even more interesting. So, what were your first steps and how did you find and develop the solution?

### **Pete van Caulil**

For the first time here at Siemens, Cost and Value Engineering methodologies were applied to IT services. External suppliers provide the complex Technical Support required to ensure efficient operation of software applications.

Like SAP, this project added value by improving the user experience, introducing world class interfaces and lowering overall support costs while maintaining a trustful relationship with the providers. Through a cross functional collaboration workshop, the participants systematically analyze the current scope of work. The joint team then applied CVE tools and techniques to generate cost transparency, which led to improvement ideas and digitalization and innovation Road map.

### **Thomas Holzner**

You mentioned cross functional, so you were not alone on this journey. Who supported you in implementing this project?

### **Rodrigo Junqueira**

The project was implemented by a cross functional team, which included procurement, CVE, IT service owners, IT technical experts and also the Americas CIO. But that was not all. The project also required the participation of our suppliers, including their management, their sales and technical teams.

### **Thomas Holzner**

Sounds like a really big project and how is it used? And can also external customers benefit from this approach?

### **Pete van Caulil**

Well, they definitely can. The CVE methods have been applied to metal and plastic parts for years, but they had never been applied to IT services. So, when Rodrigo and I first looked at this project, we realized there was a big piece missing. It was as though we had just reached the side of a river without any means of getting across. We were used to working with engineering tools and methods like bills of material and manufacturing cycle times, but these were not applicable for IT services. And so, we started building our own bridge by adapting the tools that did not work for us. For example, instead of using Bill of Materials, we investigated each of the 28 contract performance activities, including subtasks. And instead of looking for manufacturing cycle time reductions, we consider robotic process automation opportunities. This ideation phase took several iterations over several weeks, but once we clearly defined the project scope. We selected two CVE methods: first the cost breakdown to better understand the effort from the suppliers' perspective and afterwards we selected the Supplier Workshop format to engage all the functional experts in the upcoming optimization process. And this can be done by any company for any service activities.

**Thomas Holzner**

I remember quite well when we had a digital network meeting in the US and Rodrigo told me about the idea and I was totally stunned, because for me that's a kind of breakthrough and you did it. I think I'm really proud of you both. So, in what other areas can this be applied?

**Pete van Caulil**

Well, this innovative application of CVE methods is proven to reduce costs not only in products, but also in labor-based services. It's now applied to all indirect commodities, including logistics, mobility services, advisory services, temporary labor, office and factory supplies and others. And this is useful for all Siemens and potentially other companies as well.

**Thomas Holzner**

So, my statement is you developed something really great and thank you for being so assertive and innovative because it was not an easy job and the result is outstanding. Coming back after this very international discussion to my favorite question, who is Rodrigo and who is Pete? So, what are you doing next to Siemens? Is there life outside Siemens?

**Rodrigo Junqueira**

I'm a Brazilian, proud father of two kids actually the third one, Thomas, is on the way. With a mechanical engineering background working on IT, but during the weekends I really enjoy cooking and doing barbecues for my family.

**Pete van Caulil**

And I was born and raised in the Netherlands. My wife and I have two children, both of whom are now grown and living on their own. And in addition to woodworking and home repair projects, I just last week brought home a nearly 30-year-old Chevrolet Corvette which I will be restoring to get it back on the road.

**Thomas Holzner**

Wow. So, I'm again stunned with the Corvette. And regarding the woodwork I had would have some ideas where you could support. And Rodrigo, Congrats to the third child. Again, you're productive and being brilliant administrator, I know you quite well. And by the way, he is also regarding empathy, definitely a benchmark and leading regarding innovation.

So, a brilliant team from the US. Thank you both for your time and your sharing of this experience. Looking forward to hear more use cases like this.

I hope you and also our listeners enjoyed our episode of this DigiPodcast. If you have questions or you want to find out more information about the SCM Network reach out to our Internet page [siemens.com/network](https://www.siemens.com/network). I'm looking forward having you as a listener at our next episode. Yours Thomas Holzner from the Siemens SCM DigiNetwork. Goodbye.