

# Driving Global Change Through Process Discipline

2011 APQC Member Meeting, November 7-11, 2011

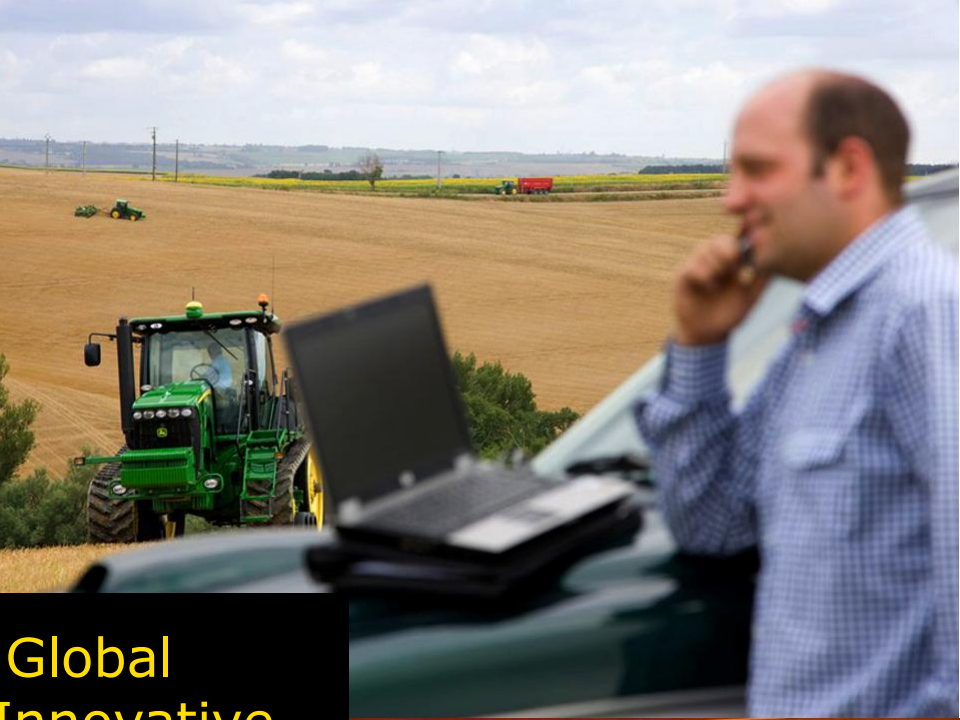


**Ken Dechert – Manager, Enterprise Facilities Engineering Services**  
**Sean Riley – Vice President, Kelley Management Consulting**

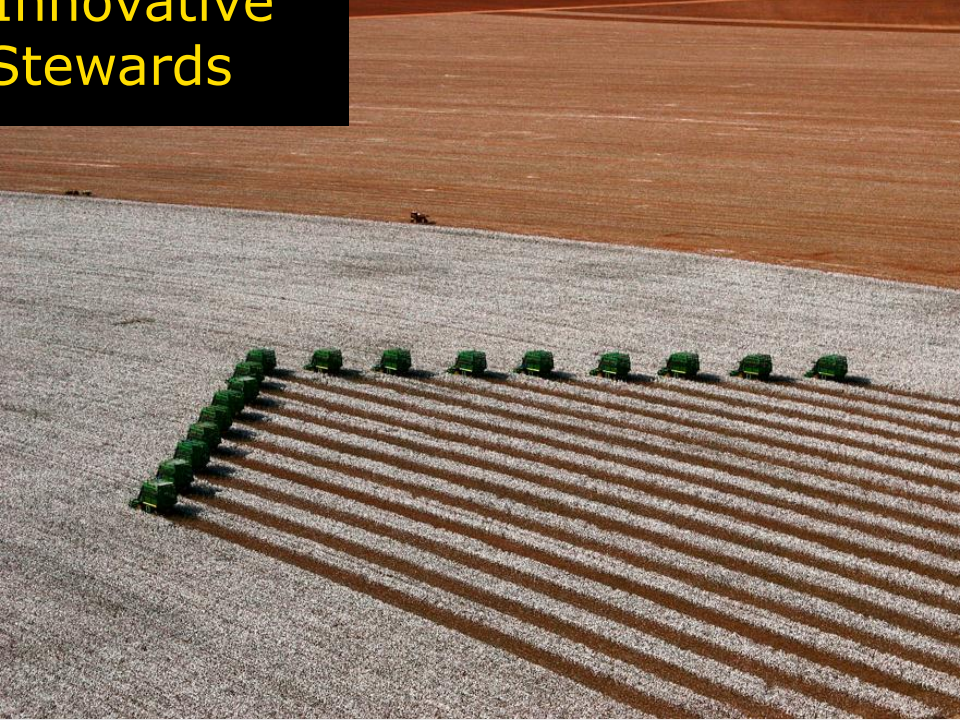
# Discussion Topics

## • Deere & Company Overview

- Global Operating Model – Rationale For Change
- Enterprise Facilities Engineering Services
  - Strategic Alignment / Process Models
- Results Delivered
- Q & A



Vastly Global  
Intensely Innovative  
Vigilant Stewards



# John Deere Manufacturing Locations



Agriculture and Turf 76%  
Construction & Forestry 14%

Credit 8%  
Other 2%

} Split of \$26B Revenue  
(FY 2010)

# John Deere Recognition

- 2011** – Ranked among the 50 most admired companies in the world and first in the industrial and farm equipment category in a survey published by *Fortune* magazine
- 2010** – Chosen again by Ethisphere Institute for its fourth annual list of the World's Most Ethical Companies
- 2009** – Ranked 14<sup>th</sup> globally and 8<sup>th</sup> in North America on *Fortune Magazine's* 2009 list of Global Top Companies for Leaders
- 2009** – Recognized as a 2009 Best Diversity Company by *Diversity/Careers in Engineering & Information Technology* magazine

# 2010 Financial Results

- Company completes strong year with record fourth-quarter earnings of \$457 million and 2010 net income of \$1.865 billion.
- Net sales of equipment operations are up 14 percent for the year – with operating profit of \$2.909 billion.
- Financial services reports net income of \$372.5 million for the year.
- Improvement broad-based with all divisions reporting significantly higher results.
- Performance reflects disciplined execution and sharpened strategic focus.
- John Deere well-positioned to meet world's growing need for food, fiber, shelter and infrastructure.

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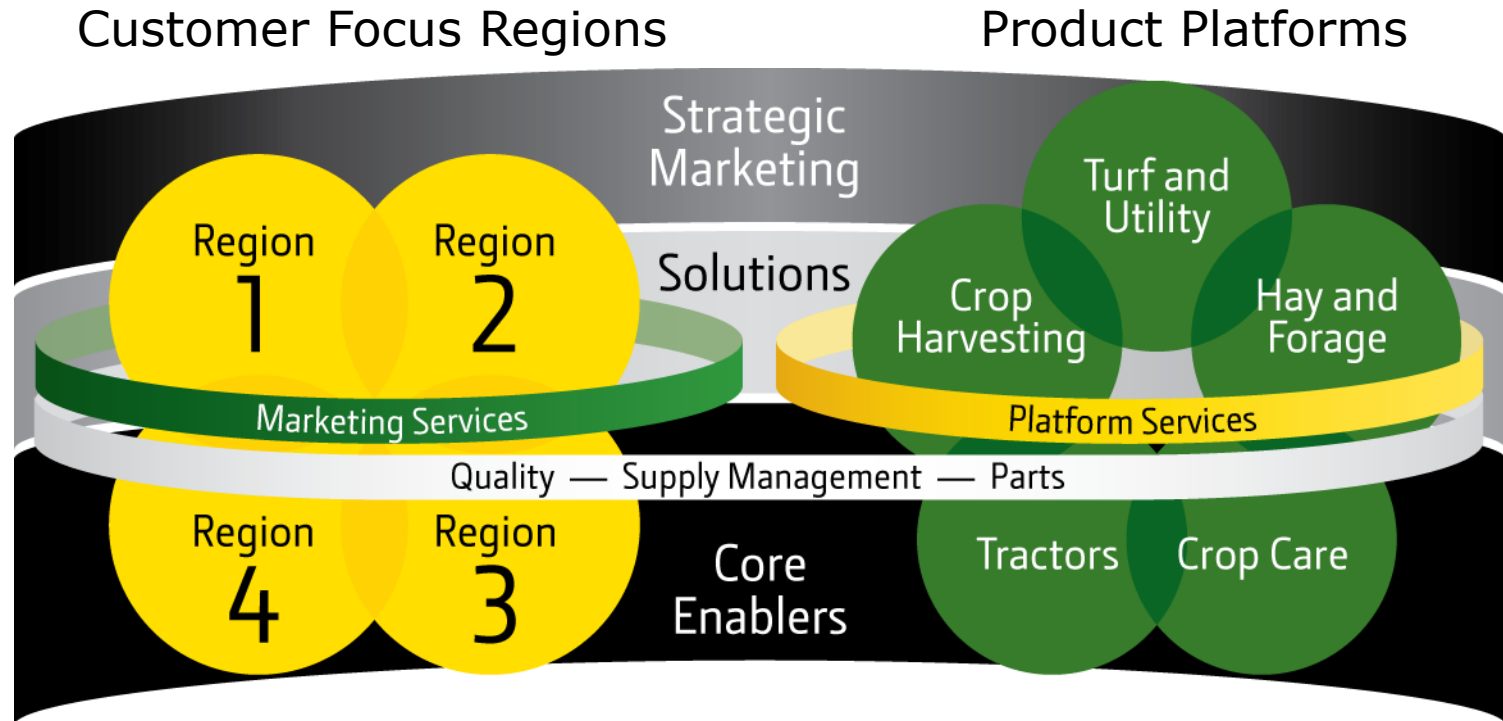
# Global Operating Model - Rationale For Change



## Strategic Operating Principles

1. Customer driven
2. Differentiating speed
3. Standard processes
4. Partner collaboration
5. Talent development

# Global Operating Model: Regional and Product Focus



- Managing in a matrix organization
  - Clear roles & responsibilities
- Aligned high performance teamwork and collaboration

# Process Model Guided Our Enterprise Facilities Engineering Services (“EFES”) Implementation



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# Why Drive A Global Change Initiative? -- The 'Case for Change' Was Clear

## Key Drivers Impacting Facilities

- Existing worldwide facility asset base is large
- Manufacturing locations are not fully leveraging Facilities Engineering expertise
- Demand expected to increase to support global growth (new construction, renovations, modernizations, and acquisitions)
- Significant global square footage not being managed under a consistent business strategy



# Essential To Define / Articulate Your Vision Early...

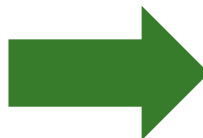
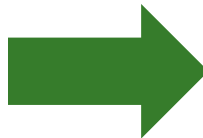
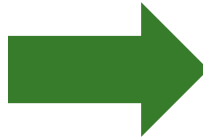
## Core Design Principles Set The Tone

- Deere facilities must be operated effectively to properly manage safety, risk, reliability, quality, and cost
- Work will drive the organization, not the other way around
- Staff expertise will be developed in specific critical skill set areas and effectively deployed
- Alignment with Global sourcing teams is mandatory
- Unique Service Level Agreements (SLA's) will be developed to meet the specific support requirements of the Divisions
  - Service levels will be measurable and maintained at facility level

## ... Also Essential To Define A Clear Value Proposition

### Value Prop

- Shift from a facility-driven (local approach) to a business-driven (divisional) model
- Focus on higher value-add engineering work
- Proactive FE strategic planning consistent with the business requirements



### Benefits

- Opportunity to leverage cost savings and deliver service through Global and Geographic deployment across Platforms and Regions
- Provides for better leverage of resources and more effective use of engineering skills
- Focused, dedicated FE resources aligned to achieve high value, business driven results

# ... Resulting in Clear Definition of 'Work'

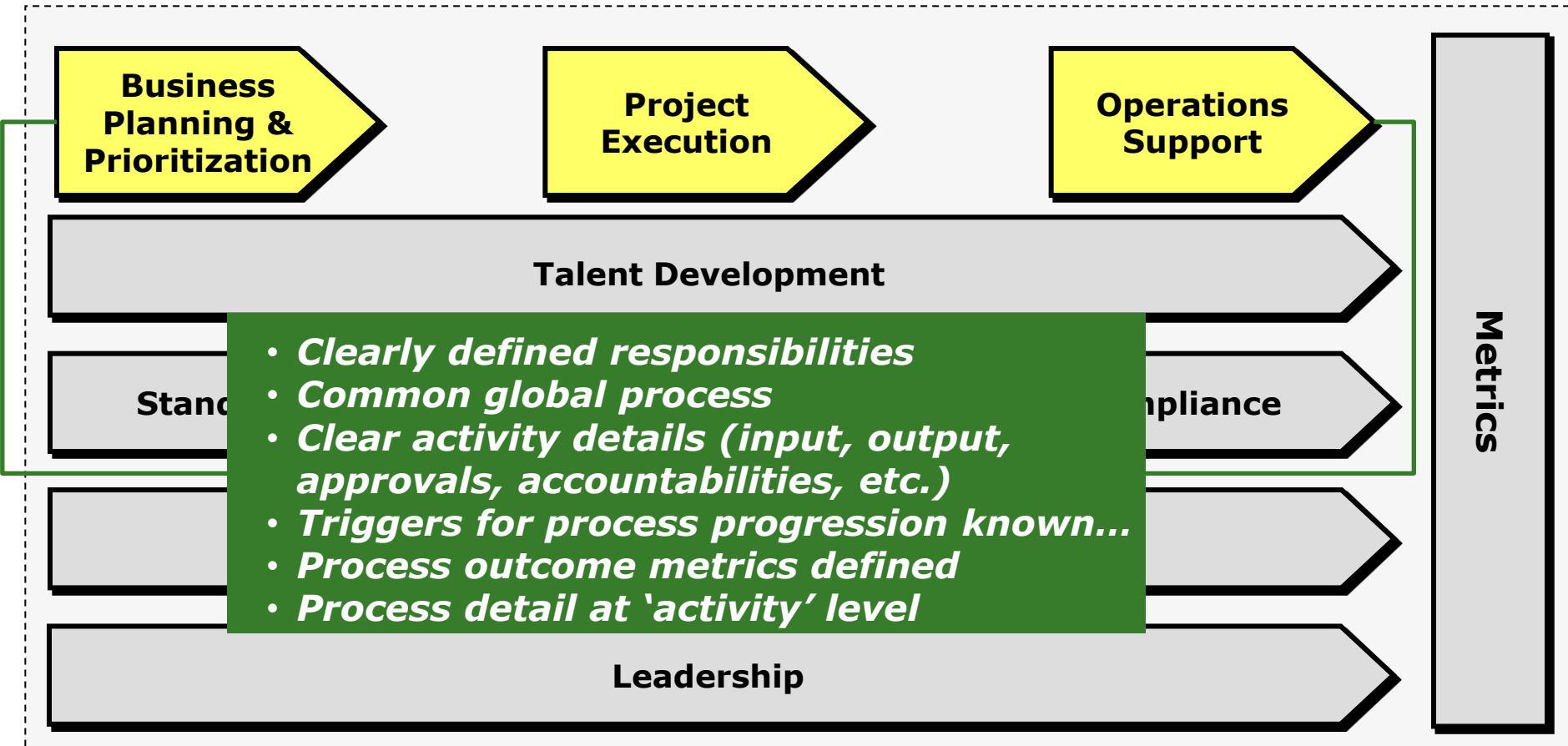
## To Be Work Elements

- Standards Development
- Project Initiation & Planning
- Detailed Engineering
- Engineering Review

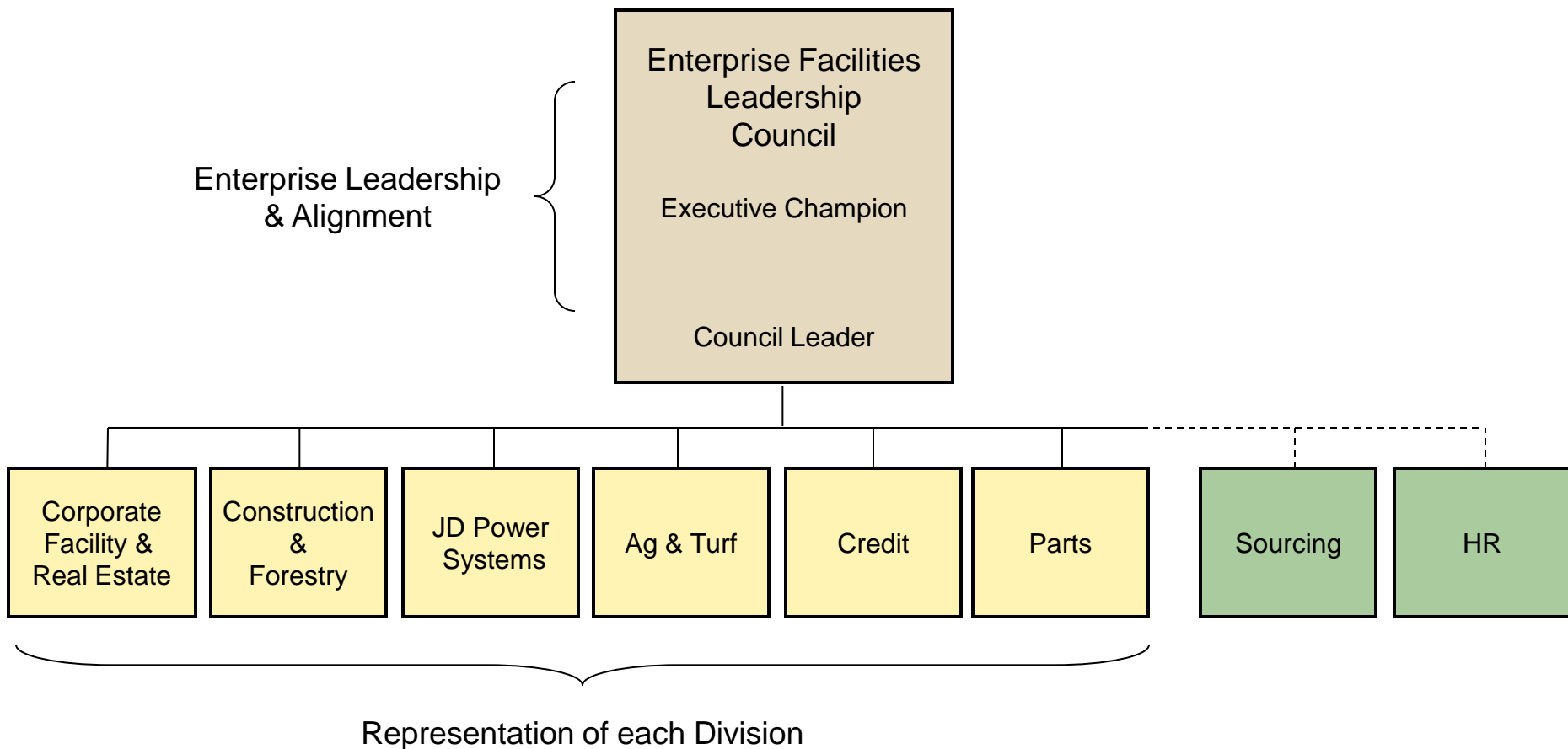
- Construction Management
- First Response
- Second Response
- Commodity Management

		Electrical															
		MV / HV Power Dist	Metering	Data Center	Generation	Power Coordination	IT / AV / Comm	Test Cells	Fac. Infrastructure	Mtce. Strategy	Motors & Drives	Conveyors	LV Power Dist	Lighting	Bldg Automation Sys	Controls	General Electrical
A&T Roles To-Be	Standards:	ENT	ENT	ENT	ENT	ENT	ENT	ENT	ENT	ENT	ENT	ENT	ENT	ENT	ENT	ENT	EXT
	Proj. Initiation & Pln'g:	Src'd	Src'd	Src'd	Global	Global	Global	Src'd	Global	Global	Global	Geo	Global	Global	Global	Geo	
	Detailed Engineering:	Src'd	Src'd	Src'd	Src'd	Src'd	Src'd	Src'd	NIS	Src'd	Src'd	Src'd	Src'd	Src'd	Src'd	Src'd	
	Engineering Review (of detailed design):	Src'd	Src'd	Src'd	Global	Global	Global	Src'd	NIS	Global	Global	Geo	Global	Global	Global	Geo	
	Construction Management:	Src'd	Src'd	Src'd	Global	Global	Global	Src'd	Mnt.	Geo	Geo	Geo	Geo	Geo	Geo	Geo	
	Eng. Support for Mtce.:																
	First Tier Response:	Mnt.	Mnt.	Mnt.	Mnt.	Mnt.	Mnt.	Mnt.	Mnt.	Mnt.	Mnt.	Mnt.	Mnt.	Mnt.	Mnt.	Mnt.	
	Second Tier Response:	Src'd	Src'd	Src'd	Global	Global	Src'd	Src'd	Global	Geo	Geo	Geo	Geo	Geo	Geo	Geo	
	Commodity Management:																

# Process Detail Enabled Accelerated Adoption



# Leadership 'Process' Is Critical To Sustain The Change and Value Achieved



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# Facilities Infrastructure Assessment

Facilities Infrastructure Assessment (Example Data)						
<u>Assessment Criteria</u> - Potential loss of production/reliability - Safety - Major replacement capital cost - Operating cost reduction - FM Global recommendations	Points Awarded	Points Available	Notes	Recommended Facilities Site Spend Plan & Target Scores		
				2013	2014	2015-17
<b>Mechanical</b>				\$ TBD	\$ TBD	\$ TBD
Air Compressors, Air Handling (HVAC), Boilers & Heating Systems, Fire Protection Systems, Utility Reliability	! 5	9		! 6	✓ 7	✓ 8
<b>Electrical</b>				\$ TBD	\$ TBD	\$ TBD
HV Switchgear, Power distribution Systems (Substations/cabling/standby generators), Power Factor Performance, Utility Reliability	✓ 7	9		✓ 8	✓ 9	9
<b>Structural</b>				\$ TBD	\$ TBD	\$ TBD
Material Handling Equipment Condition, Roofing System Conditions, Paving Condition	✗ 2	9		✗ 3	! 4	! 5
<b>Factory Mutual Score</b>				Spend plan for FM related items is with above categories		
green box - riskmark score and FM site visit audit finds	✗ 2	10 = 100%	% of maximum points available at this location (expressed on 10 point scale)	✗ 3	! 4	! 5
<b>LEGEND</b>						
<b>Factory mutual assessment of property loss risk. Which includes aspects of operational and maintenance practices as well as facility equipment condition.</b>	✓	>=67% (6/9)				
	!	<67% (6/9) or >=33% (3/9)				
	✗	<33% (3/9)				

# EFES Monthly Metric Report – November 2011

## Enterprise Facilities Engineering Services (EFES) Factory Metric Report Sep 2011

Contact and Site Information			
Factory	PX00/Monterrey	Total EFES Projects Completed YTD	2
Factory Manager	N.C.	Total EFES Projects Active	8
Factory/Unit Point of Contact	L.L.	EFES Geography Leader	A.H.
EFES Point of Contact	R.G.	EFES Enterprise Leader	Ken Dechert

IM&S Savings	
Enterprise Spend Under Strategy	XX%
Enterprise Fac. and Main. Cost Reduction	\$XX
Mexico Facilities and Maintenance Cost Reduction	\$XX

Project Information								
Project Name	A06316 Fire protection improvements, includes large water tank & sprinklers - Monterrey CI	A06386 Ventilation improvements Bays 8AgE_7_8 - Monterrey CI	A06388 Warehouse increase for Hood Guards - Monterrey CI	A07652 Monterrey warehouse expansion - Monterrey Gral	A07977 Offices B14 & 15 relocation and B13 remodeling - Monterrey CI	A08120 Structure reinforce - Monterrey Curt	A08133 Fire protection system improvements - Monterrey CI	A08428 Andromeda installation - Monterrey CI
Customer Name								
<b>INVESTMENT</b>								
Budget [US\$]	\$XX	\$XX	\$XX	\$XX	\$XX	\$XX	\$XX	\$XX
Budget Performance								
<b>SCHEDULE</b>								
Target Completion Date	Sep-2011	Sep-2011	Sep-2011	Sep-2011	Oct-2011	Sep-2011	Sep-2011	Oct-2011
Schedule Performance								
<b>PROJECT RESULTS</b>								
Cumulative Hours	240.5	108.5	188.5	289.0	48.5	76.5	89.5	23.0
Customer Sat (1-10 scale)	8.3	9.6	8.6	9.2	9.4	9.3	8.9	9.1
<b>ADDITIONAL INFORMATION</b>								
EFES Project Engineer								
Comments								

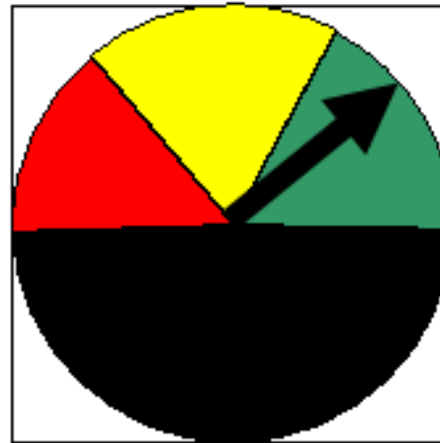
Performance Color Code Key	Green	Meeting budget/schedule
	Yellow	Not meeting budget/schedule, plan in place to meet
	Red	No plan to meet budget/schedule goals

# Global EFES 2011 Scorecard – 7 Nov 2011

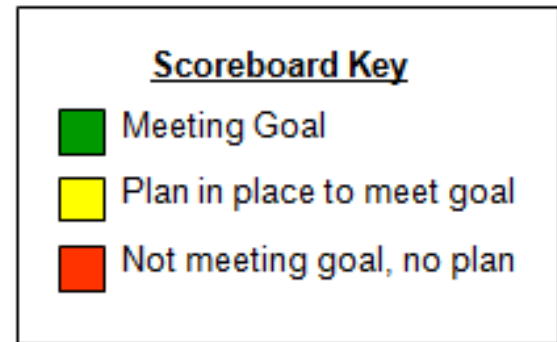
**Wildly Important Goal (WIG):  
Project Management  
Excellence – as measured by  
end of project survey results;  
goal is 10% improvement  
over 2010**

**Key Leading Indicators  
(Actual-to-Date)**

Goal = 9.2



Actual = 9.3



**Process & Standards**

# of Standards developed by the GTT and deployed by EFES

Charters Created for all active discrete/strategic projects

Goal = 10



Actual = 1

Goal = 100%



Actual = 81%

**Talent Development**

% of staff with completed internal resume and personal development plan

# of EDP/Intern rotations in EFES

Goal = 100%



Actual = 88%

Goal = 5



Actual = 3

**Supply Management**

Global Spend Under Strategy

Global combined FE/Maint cost reduction goal

Goal = XX%



Actual = XX%

Goal = \$XX



Actual = \$XX

# EFES – One Year Later... Strategic Benefits to our Business Model

- Core service offerings being delivered as expected
- Engineers actually doing engineering work (consistent with their salary grade level)
- Scope is expanding due to demand and efficient process capabilities
- Career mobility / progression is a reality now...
- Shift to regional focus on cost management yielding value (overall % of spend \$\$ “under strategy” is higher)
- Leadership Council providing strategic guidance on cross-divisional opportunities and leverage

# Critical Success Factors In Guiding Global Change

- Separate myth from fact, and link your actions to clear impact on the business
- Develop a shared understanding and "buy-in" among your team and constituents
- Always define the work first...work requirements drive all other activity and focus
- Staff future organization with resources involved in initial design and strategy development to ensure ownership and sustainability
- Support for the concept is not support for implementation...marshal true alignment among all key constituents
- Deploy structured program management and implementation tracking metrics to insure long term results

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# Questions?



**JOHN DEERE**



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