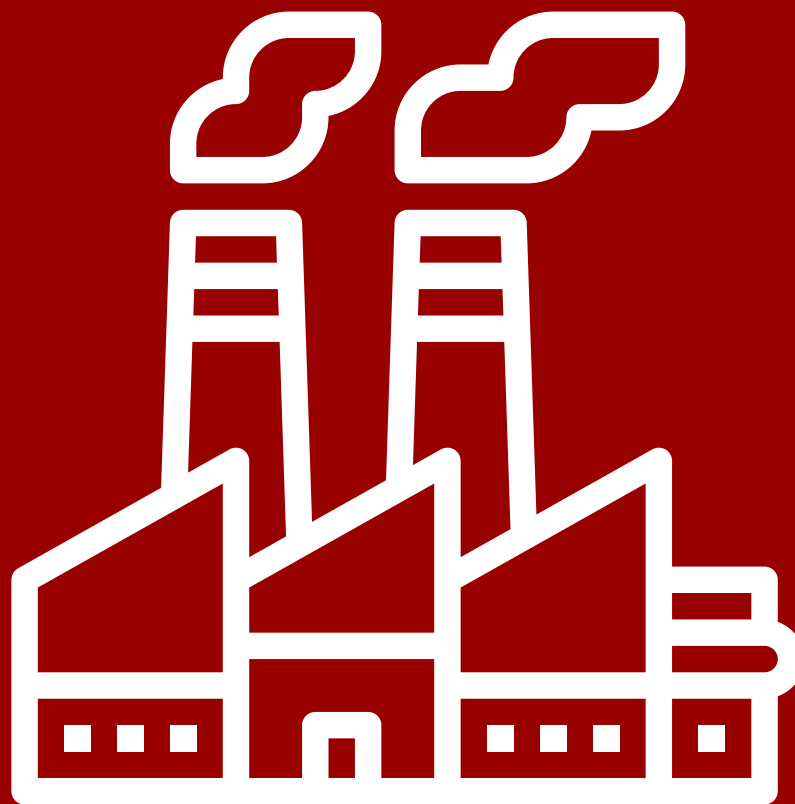


Ok! We are setting up a new factory!



Key considerations for The Head of Procurement when setting up a new factory



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#1

THE WHY

The decision to set up a factory in a new location is a significant investment. Make sure you understand the reasoning.

Some justifications for a new factory.

- Take advantage of political incentives
 - Tax breaks
 - Grants (Think Inflation Reduction Act)
- Close to customer/market
- Customer mandate
- Risk management
- Lower cost
- Access to highly skilled labour
- Additional resource needs

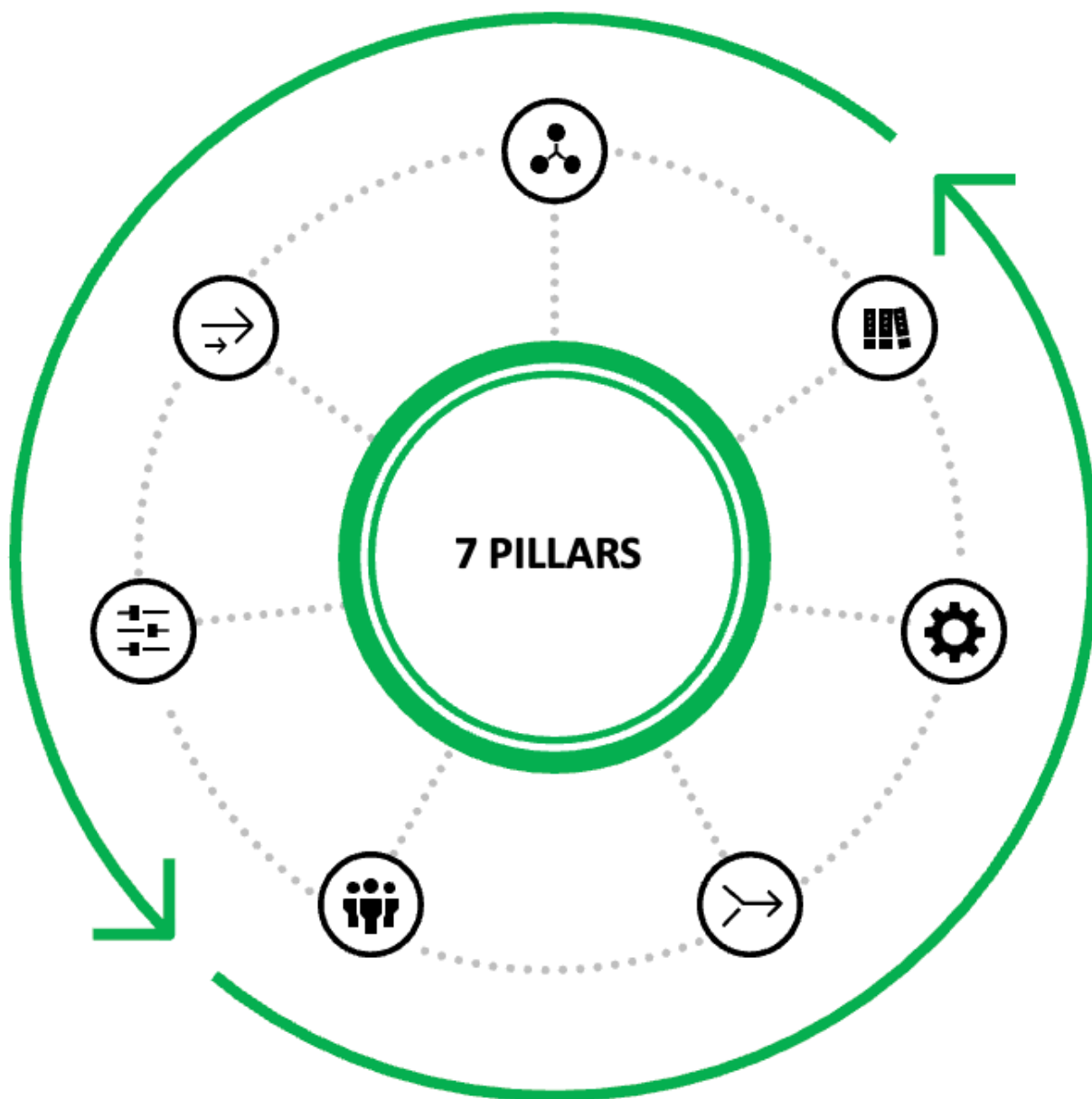
Swipe



#2

STRATEGIC PRIORITIES

7 key pillars to consider



The Requirements –
what has been agreed



The Team –
right people, right role



The Aligned Roadmap –
a plan that meets the need



Knowledge Transfer –
learning from current factories



Secure the Supply Chain –
local, sustainable, protected



Delivery of Concept –
fit for purpose today and tomorrow



Sustainability –
in everything we do

Lets dive in to each in detail

Swipe



#3

THE REQUIREMENTS

What has been committed and needs to be achieved? The “What”

- Collate the requirements from all stakeholders
- Ensure the requirements are documented and agreed
- What has the business committed to date?
- What is the business case?
- What is the timeline for the first production?
- Are there specific ESG obligations?
- For companies new to a country are there specific laws that need to be considered?
 - E.g. for Canada...
 - Fighting Against Forced Labour and Child Labour in Supply Chains Act
 - Language laws

Swipe



#4

THE TEAM

Getting and keeping the right people at the right time

- Securing the best people for the right roles
- Identify and embed the management team before hiring individual contributors
- Ensure resource ramp-up is aggressive but not “padded”
- Strategically consider identification of future resource pool with the management team
 - Current network
 - Employees from other locations
 - Associations
 - Recruitment consultants
- Consider how to embed the corporate culture
- Focus on retention strategies
 - Fair remuneration?
 - Is there a development path for all roles?

Swipe



#5

RESOURCE LOAD

An example of the resource need

Immediate Need for the Next 12 Months

Role	Explanations
SQEs	Supplier audits
	Supplier selection
	APQP / PPAP
Buyers	Category and sourcing strategies
	Supplier identification
	Secure contracts and development of relationships
MRPCs	Track and expedite delivery of material / services
	Optimize shipping and freight / testing
Planners	Clear signal from operations to Buyers and MRPCs
Logistics	Design of routes, customs processes and supplier selection
Warehouse	Strategy for set up and optimization
Manager	Supplier Quality co-ordination
Manager	Logistics and Planning
Manager	Warehouse
Manager	Head of Commodity

- The core team set up for SCM
- Expect a ramp-up of resource
- Identify approximate hiring dates
- Budget fully burdened costs
- Full-time v Contract?

Support From Other Teams

Role	Explanations
Export / Compliance	Guidance and support on sourcing, license applications etc.
Legal	Country specific contract support (if entering new geography)
Tax	Ensuring full tax compliance - e.g. tooling ownership at vendors etc.
Sustainability	Reporting / tracking
Data Science Team	Support for process optimization / automation
Central procurement	Rules, tools, knowledge transfer
Finance	Cost tracking
HR	Hiring
Engineering / R&D	Alignment of technical roadmap
Manufacturing	Alignment of design set up to understand support needed

- Support needed from other functions
- Support needed from other locations
- Identify approximate hours for loading and budget

Swipe



#6

THE ALIGNED ROADMAP

Development of a plan that meets the need

- Completion of a supply chain roadmap
- A high-level right-to-left plan that will include
 - Construction milestones for facility
 - Key milestones to get to production ramp up
 - Milestones for all of the 7 pillars
- The plan should meet the “required timeline”
- The plan should be fully integrated with key stakeholders (including the other functions)
- The plan should be risk assessed

Swipe



#7

HIGH LEVEL PLAN

		2024						
Theme	Detail	Jan	Feb	Mar	Apr	May	Jun	Jul
Strategy	Understand strategy to date - factory plan / investment commitments / budget / BOM etc.							
	Understanding of SCM requirements for Canada (conflict, geopolitical, supply chain [e.g. Forced and Child Labour Act], Scope 3 etc.)							
	Establish Governance for program reporting (stakeholders / risk etc.)							
	Create supply chain strategy							
	Create supply chain sustainability strategy							
	Understand status of supply chain process and tech							
Resource	Hiring key resources for Construction Phase							
	Management team							
	Strategic buyers							
	Supplier quality engineers							
	Logistics controllers							
	Planner							
Knowledge	Knowledge transfer - technical (product)							
	Knowledge transfer - structural (process)							
	Training of team (process, supply chain due diligence etc.)							
Planning	Sales and Operations Planning							
	Understand and embed the master schedule							
	Align BOM's for production							
	Cascade ERP to plan and line up construction and industrialization							
Direct Supply	Direct Materials supply							
	Identify supplier							
	Supplier due diligence / approval							
	Supplier selection							
	Contract							
	Approve product supplied and complete first article							
	Place rate orders							
Indirect Supply	Indirect supply (tooling / machines)							
	Identify supplier							
	Supplier due diligence / approval							
	Supplier selection							
	Contract							
	Approve product supplied and complete first article / commissioning							
	Place rate orders							
Logistics and Support	Support / logistics / warehouse							
	Identify supplier							
	Supplier due diligence / approval							
	Supplier selection							
	Contract							
	Approve product supplied and complete first article							
Recycle	Place rate orders							
	Reverse logistics - create strategy for recycled content							

An example of key SCM activities

*note specifics will change based on factory/industry

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#8

KNOWLEDGE TRANSFER

Learn from past experience

- What is the key knowledge that needs to be transferred from other facilities
- Ensure you capture the “secret sauce”, black book of how components are **really** made
 - This not only helps with the timeline but also the quality of the output
- Is there a clear QMS that can be transferred?
 - Specifications
 - Methods of manufacture
 - Standard operating procedures
- Are the functional processes able to be moved across?
- Previous lessons learnt
- Training plan for onboarding the team
- Incorporation of common tech stack (ERP+)

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#9

SECURE THE SUPPLY CHAIN

Continuity of supply

- To hit production targets it is essential to ensure that the supply chain is primed
- Secure critical capacity with key suppliers;
 - Tooling
 - Materials
 - Service
- Ensure due diligence is completed on all suppliers (Code of conduct, financial health etc)
- Validate capacity is available to meet immediate and ramp up needs
- Contractual agreements in place with service and performance clauses
- Note supplier contracts may be needed to release key funding

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#10

DELIVERY OF CONCEPT

Fit for purpose today and tomorrow

- Where the planning and preparation pay off!
- Product, service and support from suppliers is delivered;
 - On time
 - At the right cost
 - Meeting the quality expectations
- Functions are in place with key team members that have the right capability at the right time
- Process are developed to support the medium and long term

Swipe



#11

SUSTAINABILITY

Future proofing

- Considering the current and future legislation requirements on the specific industry
- Contracting with suppliers transparency and reporting requirements
- Consider integration of product design and the supply chain;
 - Recyclable/re-usable product
 - Usage of recycled input material
 - DFX events with key suppliers
- Supply chain design to optimize logistics routes and locations for emissions reduction
- Usage of green power for facility and suppliers

Swipe



#12

RISK MANAGEMENT

Identify and treat risks throughout

- It is essential to identify risks throughout the project and ongoing ramp-up stages
- To effectively run a risk management process identify the criteria for probability and impact in advance
- Run cross-functional risk identification sessions
- Identify the probability and impact of the risk occurring
- Filter risks based on ranking
- Begin treating risks to bring them to a reasonable risk level

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#13

KPI'S TO MEASURE

You get what you measure

Align KPI's to all elements of the plan

Theme	Type	KPI
SCM Plan	Project Completion Rate	% adherence to critical milestones
People	Hiring Plan	Absolute adherence to hiring plan
Cost	Budget Adherence (Opex)	\$ adherence to budget resource
	Budget Adherence (Capex)	\$ adherence to tooling and build
	Material cost per unit of production	\$ adherence to product cost
Contract	Suppliers onboarded	% adherence to contract plan
Quality	Onboarding / Compliance	% adherence to due diligence assessments
	PPAP	% adhere to PPAP plan
	Defect rate in received goods	% of materials received that don't meet quality standards
	Risk	Absolute risk score
Planning	Forecast Accuracy	% difference between forecast demand and actual demand
	Fill Rate	% demands met by immediate stock availability
Delivery	On time delivery	% on time in full on request (OTIFR)
	Lead time	Long Pole tracking (absolute material over x days)
Logistics	The right inventory	Inventory turn
	Gross inventory	\$ value of inventory being brought in
	Freight cost	\$ average cost per unit delivered and received
	Freight emissions	kg CO ₂ per km
Warehouse	Dock to Ship	Elapsed time from receipt to readiness for shipping
	Shipping accuracy	% of order lines shipped without errors
Knowledge	Process	% adherence to learning plan - role specific process training
	Transfer	% adherence to technical pack handover
	Tools	Absolute milestone adherence for tool set up
Sustainability	Transparency	% suppliers with full transparency to source
	Emissions	% suppliers with targets to support CO ₂ target
	Recycled content	% suppliers with targets to support % recycled content

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An example of KPI's used for factory set up

*note specifics will change based on factory/industry

#14

USEFUL?

Follow for more tips on leveraging your supply chain!

Are you the Head of Procurement and have just been asked to put together a strategy for a new factory?

Or your company wants to open a new facility and you are not sure where to start on the Procurement side?

We may be able to help!

Swipe →