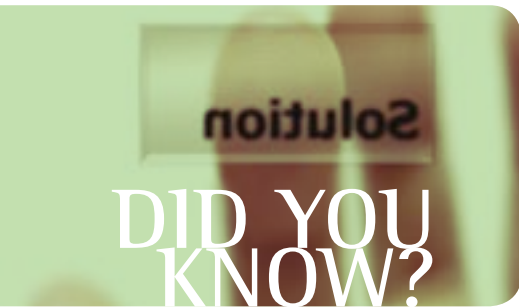








# the SOURCE

YOUR QUARTERLY GUIDE TO LONESOURCING



## LONESOURCE SOURCES AN ENDLESS ARRAY OF PRODUCTS FOR CUSTOMERS INCLUDING:

-  Diapers for Telamon's Head Start programs
-  Vacuum cleaner replacement bags for Security Finance
-  17" blue rubber bands for Kimley-Horn
-  Replacement caster wheels for Carquest
-  Self-healing 36"x48" cutting mat for drafting purposes at the request of Kimley-Horn
-  Infrared visitor door chime for Carquest

## Beginner's Mind: A new approach to mergers & acquisitions

A few weeks ago, I had the privilege of speaking at the ZwiegWhite Mergers and Acquisitions Summit in Palm Springs, Calif. Standing at the podium in front of several hundred architecture, engineering and construction company executives, my goal was to simply share a few thoughts and perspectives for those encountering corporate transition.

I am sharing these same thoughts with you to perhaps introduce a new approach for those facing organizational change.



*Bradley King, CEO*

As many of you know, mergers and acquisitions are an effective tool for strategic growth and ownership transition, but traps that lead to failure lurk for those with a "that's the way we've always done it" approach. In the spirit of football and winter weather, I believe that leaders can learn a lot by taking a page from Emmitt Smith's playbook.

The former NFL star, a three-time Super Bowl champion who holds the world's all-time leading rushing record and is considered one of the greatest football players to ever play the game, is an example of how to exercise the "beginner's mind" approach. Instead of joining his colleagues in the broadcast booth, Smith faced the opportunity of retirement with a fresh outlook.

He took inventory of his life and examined what was missing. That process led to his next adventure – donning a satin dancing outfit to compete, and win, on "Dancing with the Stars." Company leaders can learn from his experience. If you allow the past to dictate what you do in the future, you may miss out on a new opportunity.

If a successful, growing company has not experienced a sale or acquisition, chances are good that the future will foster such an opportunity. Yet more than half of all mergers fail to achieve the anticipated benefits.

While the upside potential is obvious, executives should be prepared to deal with a myriad of issues which include supervising employee relations, dealing with the unavoidable challenges in operational efficiency and integration, and managing both the hard and soft issues of bringing two disparate organizations together.

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continued — *New Approach to Mergers & Acquisitions*

Even if you have experienced a merger or acquisition in the past, executive leaders should recognize that they are creating something new. This is what I call approaching challenges with a "beginner's mind." You must realize that a company is being created that has never existed before.

It's best to work through the tedious details of transition with a fresh perspective, giving up any assumptions that the way it worked in the past or the way it is described in a textbook will lead to success. You must give up arrogance. Leaders should approach each task as if it is being done for the very first time.

Having a beginner's mind starts with a process of asking a lot of questions and inviting input from many people. Creating a productive dialogue captures the essence of leadership and increases chances for success. Follow this step with careful analysis of what is in place for the new company as well as what is missing. This process can now dictate what is needed to achieve success.

Compliance with business processes and companywide procurement practices in the "new" company is typically challenging and difficult to manage, often distracting employees from their primary responsibilities. Challenges are magnified if there are branch offices and relationships with multiple vendors, which can generate a significant burden on finance and accounts payable departments.

Often, realizing the true synergies of combining organizations is less about integration of systems and instead, more about integrating processes with centralized oversight. Outsourcing some of the tasks, such as consolidating, standardizing and simplifying corporate spending for non-mission critical items can enable top executives and department leaders to focus more on the cultural and human side of the business.

In the future, if your company is part of a merger or acquisition, try applying a beginner's mind. Corporate transitions provide many challenges and like other executive leaders you may consider developing a spend management solution with our veterans at Lonesource. Together we can help your new company discover fresh opportunities.



# CASE STUDY:

## Engineering a Successful Spend Management Strategy

### THE SITUATION:

Kimley-Horn is one of the most comprehensive and respected engineering and land planning firms in the nation. With more than 2,000 employees in 65 offices, Kimley-Horn offers consulting services in a wide range of disciplines, including aviation, the environment, intelligent transportation systems, forensic engineering, landscape architecture, land planning, transit, transportation, roads and bridges, urban redevelopment, water resources and wireless communications.

Fortune magazine named Kimley-Horn one of the "100 Best Companies to Work For" in 2005, 2006 and 2007. Civil Engineering News cited Kimley-Horn as the best civil engineering firm to work for in 2004 and 2006.

Kimley-Horn is a rapidly growing company. Organic growth has been driven by commercial development and building. The company's success has triggered tremendous expansion, adding more than 700 employees in the past year. In addition to management and financial employees, its staff includes civil, transportation, and systems engineers, urban and land planners, environmental specialists, landscape architects and urban designers, and computer systems specialists.

During the period of rapid growth, Kimley-Horn's biggest challenge was the autonomy of individual offices for accounts payable procedures and standards. Office administrators and managers in the 65 locations operated well and were cost conscious, but they used their own controls and practices.

### THE SOLUTION:

Lonesource initially met with Kimley-Horn Chief Financial Officer Nick Ellis to learn how the company operates and to share relevant experience working with distributed organizations to consolidate, standardize and simplify corporate spending.

"We embraced the opportunity to show Kimley-Horn the dramatic impact that technology-based spend management systems could deliver," says Mark Hartley, vice president of national accounts for Lonesource.

Ellis quickly matched Lonesource with Debbie Todd, assistant controller at Kimley-Horn. Working together, two primary objectives were established for the

relationship. First, reduce the number of invoices to process, and then drastically reduce the total supplier base. To demonstrate her situation, Todd showed Lonesource a 40-foot-long wall at the Kimley-Horn corporate office lined with filing cabinets stuffed with thousands of invoices. She estimated 10,000 invoices a year came to the corporate office for office-related products. After learning about the Lonesource system, Todd and her AP team recognized that Lonesource provided an efficient spend management solution.

Lonesource provides a hosted, Web-based technology for companies to optimize and manage corporate spending across all departments and locations, to increase profitability and to dramatically simplify procure-to-pay processes. The company offers centralized management with real-time visibility of every transaction, enhanced enterprise connectivity, and improved controls and service levels that greatly reduce the workload for finance teams.

The solution features a single user interface (customized buyer platform), a single set of processes (custom configuration of the hosted site), a single invoice and a single point of contact for customer service (the Lonesource call center). Companies can implement the solution to establish procurement standards, control spending on indirect goods, and refocus internal resources on mission-critical processes and strategic spend categories.

The Lonesource buyer platform is typically used by a majority of departments across an organization, including administration, human resources, sales and marketing, facilities, information technology, manufacturing, and research and development departments. The platform is also customizable to meet specialized departmental needs. Kimley-Horn's initial use of the buyer platform is for its administrative personnel responsible for making all office supply purchases.

### THE IMPLEMENTATION:

To implement the solution, Lonesource completed a detailed analysis of Kimley-Horn's spend practices, buying trends and suppliers. From identifying system users and establishing billing codes, the necessary information was captured to configure the new system. Lonesource customized a Buyer Platform that establishes uniform procurement practices throughout the company. The Buyer Platform delivers custom catalogs, predetermined general ledger code reconciliation, approval routing, real-time reporting and invoice consolidation.

Lonesource provided Web-based and on-site training, as well as on-site "Lunch and Learn" sessions in which Lonesource staff gave presentations about how its solutions are different from standard office supply companies.

The initial implementation took 60 days, and the initial deployment was for a handful of system administrators and 60 users. Today there are 75 locations in the system and 218 individual users. At first, Lonesource put a simple system in place for administrative departments that addressed conventional business and office supplies. After the success of this initial deployment, Lonesource focused on engineering departments and started adding specialized products and categories of products such as toner products for wide format printers and wide format paper for engineering drawings. In addition, a comprehensive set of engineering supplies was added for surveying teams.

### THE BENEFITS:

Kimley-Horn's number of invoices and suppliers has been reduced dramatically. Before the implementation of the Lonesource solution, Kimley-Horn processed about 10,000 invoices per year. From November 2005 to November 2006, Kimley-Horn processed 6,161 transactions through the Lonesource platform and generated only 12 invoices. In addition, the number of vendors has been consolidated from 375 to 250.

As a result of working with Lonesource, Kimley-Horn:

- Streamlined its accounts payable processes and achieved widespread compliance with these processes
- Gained total visibility of administrative spending with detailed analysis and reporting
- Improved operational and regulatory compliance
- Increased the efficiency of bill-back expenses
- Established company-wide buying standards through the private catalog that started with more than 2,200 items and today is down to just over 700
- Gained the ability to track credits and match them to invoices
- Increased operational efficiency

"During a period of rapid growth, Lonesource enabled Kimley-Horn to adopt and manage a companywide spend-management solution. The Lonesource platform saves both time and money for our operations and provides a platform to manage growth more efficiently in the future," said Todd.

# No Matter What, Where, When or How –The Lonesource Sourcing Desk Will Find the Answer!

spotlight  
Lonesource Sourcing Desk



Lonesource recently announced a new service for its customers called the Sourcing Desk. The new service provides a dedicated resource to source and deliver business products outside a customer's core business or procurement processes.

For instance, one Lonesource customer, a non-profit organization that provides human services to populations not easily or readily served by government institutions, was expanding its early childhood development programs. As part of the initiative, the Head Start programs required a large supply of diapers for its daycare centers in five states. Obviously, the request was outside the norm, but the Lonesource Sourcing Desk quickly responded and identified a wholesaler of the product with national distribution capabilities. In a matter of days, the product was successfully incorporated into the customer's catalog. Orders are now submitted electronically for fulfillment and delivery, and the diapers appear in the consolidated monthly invoice.

Over the years, Lonesource has always responded to special sourcing requests

from its customers, and the Sourcing Desk is a formal evolution of this service. By placing experienced professionals at the Sourcing Desk for special orders, Lonesource customers are able to maintain focus on their core businesses by avoiding the time-consuming distractions associated with these often challenging purchases.

Tim Young is the latest addition to the Sourcing Desk, and prior to joining Lonesource he was a procurement specialist with one of the world's largest hardware and software companies. Young was responsible for managing special sourcing requests for company personnel across the nation and as a result developed skills to quickly assess, source and deliver custom purchase requests. With Lonesource, Young routinely works with front-line customer service to source and deliver any products outside a customer's normal purchasing catalog.

"With the Sourcing Desk, Lonesource furthers its commitment to be a single resource for its customers by addressing the increasing demand to locate hard-to-find products, often called 'uniques, specials, one-offs and spot-buys,'" said Rebo Sullivan, director of strategic sourcing at Lonesource. "The Sourcing Desk is staffed by procurement experts who understand procurement and finance department procedures to provide skilled, experienced handling of special purchase requests within a customer's established corporate procurement procedures."

A North Carolina-based engineering firm needed a roll-up wall map of a county in North Carolina. For civic planning purposes, the map needed sufficient white space

around the border to allow for detailed planning. Similar to initial sourcing efforts from the company, every map found by the Lonesource Sourcing Desk included surrounding counties or maps of the entire state. The map sought by the customer did not exist. Instead of concluding the search, the Sourcing Desk arranged for and managed the process to have the map custom made for its customer.

In addition to sourcing products for simple one-time orders, the Sourcing Desk also offers complete project management for complex procurement requirements. From start-to-finish, the Sourcing Desk can manage all aspects of fulfillment including coding the items to a customer's existing order system, placing and tracking the orders and getting the products into the hands of the customers when they need them.

"The Sourcing Desk helps locate products that customers would not normally find. Our collective experience simplifies complex processes, saves valuable time and integrates special request purchases into client procurement and accounting systems," added Sullivan. "The Sourcing Desk service aligns directly with our company mission – to be the only source our customers need, period."

No matter what, where, when or how, we will find the answer. To contact the Sourcing Desk call 888-380-7799 (Ext. 244) or e-mail [sourcing@lonesource.com](mailto:sourcing@lonesource.com).