


# InVision

A look **inside**.  
A look **ahead**.



## MODERN-DAY MANUFACTURING



How do we bring value to our customers? Do our products provide better features than those of our competitors? Or do they provide similar features at a lower cost? To win in today's global market, we must ask these questions and make strategic business choices. This is what modern-day manufacturing is all about: aligning *people*, *processes*, and *technology* to support *business strategy*.

### People

Building strong teams capable of creating and executing sound business strategy is my highest priority. Developing our brightest, most engaged, and most energetic team members into future leaders is at the top of my list as well. In this issue, you'll meet two new leaders in the Automotive Group, whose skills and experience are critical as we move past our initial \$1 billion sales goal and on to the next billion. You'll also read about Manufacturing Day. Aimed at attracting young talent, L&P's involvement in Manufacturing Day is literally an investment in our future.

### Processes

It's also critical that we implement robust processes aligned with our business strategy. Efficient demand and supply planning, production, and distribution are virtually impossible unless supported by disciplined business processes like S&OP (Sales & Operations Planning) or its modern equivalent IBP (Integrated Business Planning).

Turn the page and you'll read about the Business Process Transformation (BPT) program in the Automotive Group. The goal of this program is to optimize the Group's global operating model to increase efficiency, extend the team's planning horizon, and enhance decision-making. While information technology will enable these improvements, the process design and discipline are key to realizing the benefits.

### Technology

Finally, we must also select the proper technology to support our strategy, whether in the office or on the shop floor. For example, to execute a cost strategy, we may need to operate in a low-cost country with automation of critical process steps. To execute a differentiation strategy, we may need to operate close to our customers with highly flexible manufacturing cells. Either way, we need to be aware of the latest technologies and choose the right one for the job.

As you read this issue of InVision, I encourage you to think about what modern-day manufacturing means to you and your business unit. I look forward to hearing your thoughts!

Before closing, I want to personally thank Bill Bola and Tony Norko for their incredible contributions to L&P. Bill delayed his retirement again this year to help kick off the BPT program. And Tony will also be retiring after many years of circling the globe to build supply chain capabilities in the Automotive Group. Their excellent work will endure for years to come!



Mitch Dolloff, President of  
Specialized Products & Furniture Products



As a diversified manufacturer, we turn ordinary materials into extraordinary products. We've been enhancing people's lives for over 130 years and we're still going strong.



## Business Process Transformation: Roadmap to Success in the Automotive Group

Growth is not only a future goal of the Automotive Group, but also a current state. Sales are up, facilities have recently opened in China and Mexico, and a major expansion just wrapped at a plant in Canada. Operationally, each region is doing well...but rapid expansion is threatening to overwhelm the disparate, labor-intensive systems used across the Group.

"We now operate Automotive as a single global business," says Mitch Dolloff, President of Specialized Products, "but the lack of robust, common systems hampers productivity and visibility. These challenges will only increase as our business continues to grow."

Brandon Lin, Director of Business Process Transformation for the Automotive Group, adds, "We started by questioning if the way we run our business today will support achieving our growth targets tomorrow. We've been hugely successful to date in operating the various businesses around the globe, but we quickly determined that our future growth targets would be difficult to sustain given the variation in our current processes and systems – hence the Business Process Transformation program."

The monumental BPT program will be tackled by a group of more than 25 dedicated employees across four workstreams between now and 2021. Consultants from KPMG, Siemens, and Microsoft are crucial to the project as well.

Eventually the BPT program may expand beyond the Automotive Group's pilot program and bring all of Leggett's operations onto one global system.

"The scope of the BPT program is a bit intimidating," admits Mitch. "This is a radical change across a high-growth part of the Company and we have to be sure not to disrupt ongoing operations. However, the upside of streamlined processes, better decision-making ability, and capacity for continued growth make it well worth the challenge."

### Signs of Success to Come

Many enabling technologies will be employed to help manage our future business. For example, an early success from the BPT analysis is a simple data control system which links customer demand data with regional lead and transit times and inventory plans at L&V in China.

According to Bill Bola, a long-time process improvement leader for the Automotive Group, "The demand and supply planning process at L&V was disjointed. Implementation of a new database created a common platform for all three L&V facilities, allowing for faster response times, synchronized planning, and better visibility for management. A once hours-long task is now completed in minutes."

### What Is Business Process Transformation (BPT)?

Earlier this year, L&P launched a pilot program within the Automotive Group to optimize and standardize business processes. By designing better workflows and then incorporating universal IT systems, the Automotive Group plans to automate routine tasks, unify operations, and, in turn, free up team members to focus on higher-value activities.

Mitch explains, "This is a fundamental rethinking of our business. We're focused on optimizing how we run the business to improve efficiency, support continued growth, and enhance long-term planning."

"The BPT process began with a high-level analysis of our current processes and technology to identify opportunities," says Brandon. "It's not a matter of how we actually manufacture our products – although we look at that daily through our continuous improvement efforts – but rather, how we can streamline and globalize our business processes, then build up our IT infrastructure to support our optimized state."



Over the next five years, expect to see big changes within the Automotive Group, with equally big benefits:

### Standard Processes

By creating master data sets, including assigning universal parts numbers, customer and supplier codes, and financial blocks, all Automotive Group facilities will start speaking the same language.

"We want to make sure we are referring to the same things and doing them the same way," says Mitch.

The BPT team is also working closely with all of the Automotive facilities to utilize the Group's "Best Practices," along with industry "Leading Practices," to develop and implement the most efficient model for managing its operations.

Brandon explains, "By developing a more efficient model for operations across the entire Group, we can reduce non-value-add work, ensure more consistent results, and save time and money in how we interact with one another."

### Shared Platforms

"Many employees are already familiar with the Phase One rollout of Microsoft Dynamics AX," explains David Young, Staff Vice President of Business Unit Services. "BPT shares a similar goal of replacing outdated technology, and we'll certainly use some of the designs and lessons learned from the implementation of AX. Still, this project has a broader scope and a distinct set of goals."

Today, the Automotive Group uses four different Enterprise Resource Planning (ERP) systems across its various geographical regions. At the end of the BPT process, all branches will utilize one ERP system – Microsoft Dynamics 365. But a complex network of enabling technologies, including Master Data, Demand/Supply Management, Financial Planning, and many other systems, will collectively support Automotive's new processes.

"This is much bigger than an ERP system," clarifies Mitch. "We aren't simply buying a software package and trying to fit into its capabilities. Instead, we are determining how we can best run the business, and then we will design a technology system to support those processes."

### Common View

New technologies and new business practices will drive more adaptability to market changes and more efficiency overall, but perhaps the largest benefit will be increased visibility across the entire Automotive Group.

"At the end of the day, we will have so much more information from our global operations," says Brandon. "Compiling and analyzing that data will lead to better decisions for the Automotive Group as a whole."

## Meet the New Faces in Automotive



Steve Henderson, President  
of the Automotive Group

In September, **Steve Henderson** joined L&P as President of the Automotive Group. Steve brings to Leggett a vast knowledge of the automotive industry after serving in a variety of leadership positions at Dow Automotive Systems for over 30 years. In his L&P role, Steve will work closely with the Automotive Group leadership team and many other Leggett partners to guide the Automotive Group through continued growth.



Denis McAuliffe, Vice President  
of Purchasing for the Automotive Group

In October, **Denis McAuliffe** joined L&P as Vice President of Purchasing for the Automotive Group. With previous experience from Oshkosh Corporation, Faurecia Automotive Seating, and Valeo SA, Denis has delivered results within the purchasing field in the automotive industry. At L&P, Denis will help lead the global teams responsible for purchasing and supply chain performance for the Automotive Group.



## There's Always a Better Way: Lean Manufacturing at Winchester Spring

As one of our core values, Continuous Improvement affects everything we do at Leggett & Platt. According to CEO Karl Glassman, "The potential for ingenuity is present in every business unit, facility, and position here at Leggett & Platt. We're all counting on one another to keep improving and keep looking for a better way."

For the team at Winchester Spring, finding a better way has certainly paid off.

### Starting a Lean Pilot Program

Several years ago, the Bedding Group recognized a need to improve our competitive position, increase profits, and retain valuable employees. Eric Rhea, President of the Bedding Group, proposed an initiative for a lean pilot program, and Winchester Spring in Winchester, Kentucky volunteered to be the first to participate.

According to Chuck Deniso, Branch Manager, "The idea of implementing lean tools really complemented everything we'd been trying to accomplish at Winchester. I raised my hand because I wanted to get in at the ground floor of something new and exciting."



Chuck Deniso

Howard DeCelis, Staff VP of Continuous Improvement, was charged with starting the lean program at Winchester Spring. A lean program, just one of many continuous improvement methods, is the systematic process of identifying and eliminating waste. So, in 2016, a cross-functional Corporate team and a small team at Winchester began to do just that.

After overview training and employing basic tools and principles, they found numerous areas of opportunity. Howard admits, "We quickly learned that we exposed more problems than we had resources to address them."

### Numerous Projects = Numerous Cost Savings

One early success was a project involving the setup of new, complex, and expensive PA494 machines, which produce the Quantum Edge ComfortCore mattress. A team led by Brian Hill, Caleb Winburn, and Richard Trent underwent a four-day process of observation and analysis to determine how to save time with machine setup.

They utilized a lean tool called a SMED (Single-Minute Exchange of Dies), which is a system for drastically reducing the time it takes to complete equipment changeovers. The result of the SMED was a 67% reduction in hours worked to set up the machines, which added \$372,000 of additional production capacity due to reduced time performing changeovers.

Another recent win came after the branch had received customer complaints about mis-tagged mattresses. As part of the lean program, Howard sent a team for a Rapid Continuous Improvement (RCI) event, which is a 4-day workshop of intense focus. They analyzed step-by-step how the products moved through the tagging process. "We looked at man, machine, materials and method," says Howard. "We brainstormed every possibility that could go wrong with correctly tagging the product, then targeted and eliminated those possibilities."

The result was a huge win. Since "mistake-proofing" the tagging process, the branch hasn't received any additional complaints.

The team at Winchester hopes for more success stories to come. "This lean program has been so good for our branch," says Chuck. "The opportunities for future improvement are endless, and that's been my drive. Change is not optional. If you don't change and you don't improve, you'll get left behind."



The SMED team for the PA494 project.

## Styles of Competition: An Additional Path for Leggett's Long-Term Success

We make a wide variety of products at Leggett & Platt: from box springs to aerospace tubing, office seating to SUV latch releases. As a diversified manufacturer serving such different markets, what brings it all together?

There are many answers to that question – people, values, innovation, and customer service to name a few. But the recent work done in analyzing Leggett's businesses through styles of competition not only highlights the common threads of what makes us successful, it provides a template for future growth opportunities.

### Growing to Meet Our Goals

According to Dave DeSonier, SVP – Strategy and Investor Relations, "In order to achieve our primary financial goal of being in the top third of the S&P 500 for Total Shareholder Return, Leggett will need to increase our sales 6-9% a year. Many of the markets we serve are growing 2-3% a year, and we can increase our sales over that baseline by improved market share, content gains, innovation and acquisitions."

Growing the company through acquisitions has been part of Leggett's playbook for decades. Typically, the businesses we acquire are smaller competitors or companies that make similar products in geographies we don't currently serve, so-called "bolt-on" acquisitions. Dave continues, "But we're also looking to enter new markets in search of revenue growth, and styles of competition will focus our efforts to find those opportunities and increase the likelihood of our success."

### Uncovering Opportunities

Leggett partnered with Boston Consulting Group (BCG) to complete the styles of competition review for our current businesses. Nearly half of our business units were identified as critical components, which account for approximately 70% of Leggett's total earnings. Other styles of competition for our remaining businesses were distribution, commodity conversion, and capital equipment – each with their own distinct characteristics.

Leggett is using the styles of competition framework to search for acquisition opportunities and to screen new deals. According to Russell Iorio, SVP – Corporate Development, "We've worked with BCG to identify five industries within Leggett's styles of competition – industries where we don't currently participate, but share those core characteristics of our most profitable businesses where we feel we could have continued success."

"Ideally, we're looking for a sizeable market leader to acquire with a strong management team that will remain in place as we establish Leggett's foothold in the new space," says Russell. "Then we follow that with smaller acquisitions to build out the platform, creating a strong position from which we could continue to grow organically."

"Fortunately, this isn't a project that we have to complete by the end of the year," says Dave. "The growth prospects for our current businesses over the near term will get us where we need to be. But we're putting significant time and effort into using these styles of competition to supplement that growth and make sure it continues for years to come."

For Leggett's primary style, Critical Components, the styles of competition break down as follows:

Where do we compete?

- Product type – components essential to the end-product's functionality, but making up less than 25% of its overall cost.
- Industry structure – mostly smaller, private companies that serve a few large customers (major brands or OEMs).
- Economics – light manufacturing (not asset-intensive) and a product mix that generates solid returns.

How do we compete?

- Long-term customer relationships, centering on co-designed products for improved functionality.
- Flexible manufacturing processes allowing for custom specs within long product runs.
- Continuous cost improvement increasing our profitability throughout the life of project.



Industry Experts — Shannon Ukena, Greg Matzer, Brayton Rand, Matt Pryor, and Julie Kampling from Corporate Development are Leggett's experts on each of the five industries we've targeted for potential growth. They attend trade shows, make contacts with industry leaders, and investigate the supply chain and distribution channels. These in-house experts also lead the search for acquisition targets, looking for opportunities for Leggett to enter the market.

# MFG Day: Inspiring the Next Generation of Manufacturers

Every year, manufacturers across the United States celebrate Manufacturing Day, also known as MFG Day, by opening their doors to showcase the potential of modern manufacturing.

Why do manufacturers do this? Put simply, U.S. manufacturers need future manufacturers. On a national scale, numerous studies forecast that nearly 3.5 million manufacturing jobs will have to be filled in the next decade. However, because of natural economic expansion and the large number of expected retirements, nearly 2 million of those jobs will remain unfilled.

## What Is MFG Day?

MFG Day was created in 2012 and promoted by the National Association of Manufacturers (NAM), which is the largest manufacturing association in the United States. The NAM is the leading advocate for a policy agenda that helps manufacturers compete in the global economy and create jobs across the U.S.

MFG Day occurs on the first Friday in October. It's a day meant to celebrate modern manufacturing and inspire the next generation of manufacturers. Manufacturing locations across the United States register to host events for their local communities. In 2016, MFG Day events garnered over 500,000 visitors – over half of whom were high school and college students. This year, in 2017, over 2,400 manufacturing locations hosting community events anticipate an even larger turnout.

These MFG Day events are meant for anyone who is curious about modern manufacturing and would like to see what happens in manufacturing facilities. Typically, groups of students, educators, media, and civic leaders are among the primary visitors, but many events are open to the general public as well.

## MFG Day at L&P

Leggett & Platt began holding MFG Day events in 2016 at two branches near Corporate. Between the two locations, they welcomed nearly 250 students, community members, and local civic leaders.

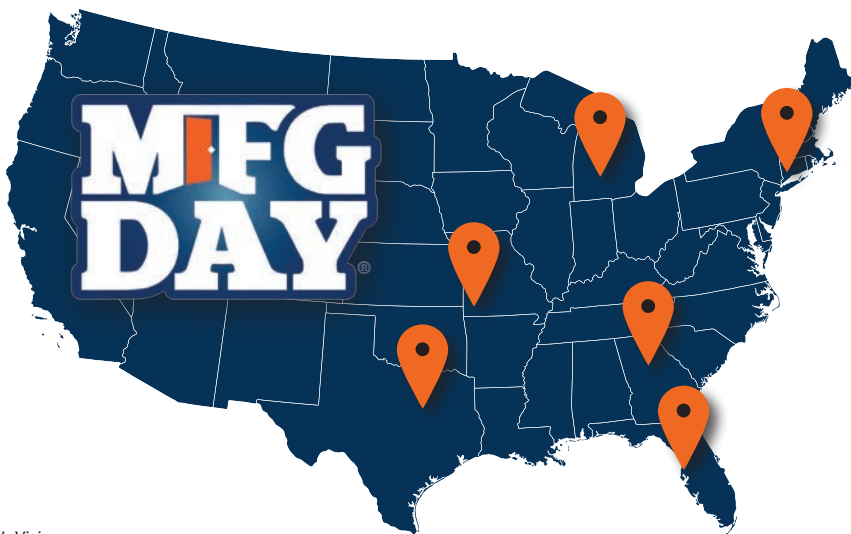
These MFG Day events included a variety of experiences, from presentations about Leggett & Platt, facility tours, exhibits of road-ready vehicles featuring our automotive seat components, to recognition and remarks from state dignitaries. Many locations also featured displays of finished products and offered lunch or snacks to visitors. Because one goal of MFG Day is to promote career opportunities with L&P, guests received brochures containing website links, branch information, and key contacts.

Leggett & Platt is committed to ongoing participation in MFG Day, and we hope to see even more locations participating in the years to come.

If your branch is interested in hosting a MFG Day event next year, contact Jennifer Little at [jennifer.little@leggett.com](mailto:jennifer.little@leggett.com).



John Corrigan, Machining Manufacturing Manager, gives a tour. He's been with Pegasus for over 20 years and knows his way around a shop floor.



This year, eight L&P locations hosted MFG Day activities:

Carthage Spring – Carthage, Missouri

Ennis Spring – Ennis, Texas

Monroe Spring – Monroe, Georgia

Pegasus – Middletown, Connecticut

Flex-O-Lators – Carthage, Missouri

Davidson Plyforms – Grand Rapids, Michigan

Genesis Seating – Grand Rapids, Michigan

Adjustable Bed – Spring Hill, Florida