My journey with Investment Recovery (IR) and the Investment Recovery Association began in 2007. At first I thought IR was only about the revenue, but as I dug deeper to evaluate exactly what we were doing at Duke Energy, it became apparent to me that we were operating one heck of a giant recycling operation. Tens of thousands of tons of scrap metal, wire, cable, transformers, oil, and the list goes on. This stuff wasn’t junk—this was sustainability and recycling in action. Wow! Who would have ever thought that working for a regulated utility would suddenly become a journey in “Green”?

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The true value of investment recovery

I’m a “glass-half-full” person. So when I occasionally hear an IR colleague make a statement that their recovery business feels like an insignificant blip on the corporate radar, an afterthought, or is perceived as the junk business, I want to help fill up their glass. The precipitating notion of IR going unrecognized by business leaders and therefore unimportant is akin to the famous line by the late Rodney Dangerfield: “I don’t get no respect!”

That thinking makes me shudder a bit, perhaps because of my years in outside sales. Their core obstacle is their self-perception…and perception becomes reality unless corrected. In sales I was often the underdog, strategizing my way into new businesses or working to strengthen my relationship with an active customer. So, a defeatist attitude will never elevate us to a point of influence or get us a seat at the table. We must be perceived as having valuable input and validity, and then we must continuously deliver.

Enlisting the same one-minute “elevator speech” recited verbatim for the past five years doesn’t get an audience. Pitching the age-old concept that we reclaim revenue from surplus inventory or used equipment won’t open new doors. But being a key contributor to corporate sustainability and infusing the company with fresh ideas that enhance the bottom line could get traction.

For instance, building relations with the plant maintenance group, and providing creative ideas to redirect or refurbish equipment rather than salvaging, is reflected in cost savings and brings credibility to the IR team. Reducing the size of the company’s waste stream by redirecting material as repurposed or recycled not only impacts the sustainability report, but also is the catalyst for a new story in the Investment Recovery portfolio to share upstream. Likewise, partnering with inventory personnel to better understand turnover and stock overages could put you in a position to provide recommendations for inventory sharing, cross-company sales or improved material planning processes, allowing them to better control inventory.

The bottom line is this: Our business is about relationships as much as technical knowledge. As we formulate relationships, provide needful solutions, and share our accomplishments whenever we get a chance, we receive greater visibility from leadership, and better our chances at being included as a strategic partner.

The articles in this issue highlight areas to explore within our individual enterprises to trigger creative solutions to today’s recovery hurdles. Each of us has some area of opportunity where we can uncover new ideas and explore new solutions.

Importantly, our April conference in Las Vegas will have several seminar sessions designed specifically to help us communicate the value of IR within our organizations. As association partners, we can exchange ideas, challenge innovation, and inspire one another to stretch so that those who persist can one day find their seat at the table of strategic partners.

Will it be you?

Wishing you all the best. See you in Vegas!

Barry Street, CMIR, FPL/NextGen Energy President, Investment Recovery Association / barry.street@fpl.com

P.S. See promotion on page 8 to learn how you can attend for FREE! April 2–5, 2017, Las Vegas, Nevada.
The 3 Ps: Doing business in a way that’s good for People, the Planet, and Profits—and as IR professionals, we’re in the middle.

My title at Duke Energy is, appropriately enough, Manager, Investment Recovery & Recycling. The “& Recycling” represents an expanded function that ranges from simply disposing of assets and commodities to waste reduction and recycling for the overall non-hazardous waste stream. Our touchstone from the beginning is this: if we can recycle or repurpose material instead of putting it in a landfill for a cost that is less than or equal to the landfill, we consider that a more desirable alternative from both an economic and a sustainability point of view.

In 2014, I became active in the Electric Utility Industry Sustainable Supply Chain, also known as the “Alliance,” or EUISSCA. The purpose of the Alliance is to find and develop opportunities to continue to advance sustainability in the supply chain. The Alliance’s membership consists of approximately 15 investor-owned and public utilities across the United States. The membership’s geographic and ownership diversity brings a unique perspective to the sustainability journey, as each is influenced by regulators, customers, suppliers, and utility commitment to corporate sustainability.

The Alliance is committed to developing and publishing a “Utility Best Practice” each year. In 2015, “Investment Recovery” was chosen as the area of focus, and I was fortunate to lead a team of representatives from Duke Energy, Ameren, DTE, Eversource, Exelon, and Oklahoma Gas & Electric to develop best practices and author a white paper. If you think about it, investment recovery for the utility supply chain has a significant opportunity to champion sustainable material disposition, more so than most other areas in the supply chain. To begin the best practice development process, the team and I conducted interviews with Alliance members, participated in a “speed dating” exercise during the 2015 Investment Recovery Association (IRA) conference in Chicago to get IRA input, developed an initial list of approximately 100 sustainable practices for consideration, and ultimately synthesized these concepts into the overarching themes discussed below.

Although not included as an investment recovery sustainability best practice, our team recognized that selling equipment or material for reuse is a primary investment recovery function. Most Investment Recovery organizations would rather sell or repurpose equipment and materials prior to disposition by recycling or other disposal outlet, based on sound economics and individual utility-specific tolerances for environmental, safety, security, legal, branding, and other concerns. Reuse or repurpose of material or equipment offers the highest level of sustainability and economic common sense: we’re avoiding the waste stream, and this is what we all try to do. Once the utility has made the decision not to resell or repurpose the equipment or materials, the following Alliance sustainability recommendations are provided for consideration during the disposition process:

1. Incorporate desirable sustainability practices in the investment recovery bidding process:

Since most of the IR revenues and weights (65–75 percent) are generated by the sale of scrap commodities, the most significant sustainability opportunities will be in the bidding process and development of contracts for scrap commodities. Sustainability should have a seat at the table, along with other company partners, such as Finance, Legal, and Safety. We all use a variety of criteria to select our vendor partners, but for most IR organizations, economics is the factor that outweighs others by a significant margin. Other considerations when selecting vendors:

- Recycling by-products—the non-metal components of the commodity. What will the vendor do with this material? Is there further opportunity for downstream recycling, or will the non-metal portion of the scrap commodity be simply landfilled?

- Where will your commodities actually be processed? Domestically? Outsourced to a third world country? Will sustainability be considered by your vendor when processing and preparing the material into the final commodity? What happens to the non-commodity waste streams? Is your company at risk for negative publicity for poorly managed downstream disposal processes?

- Diversity—It used to be when we talked about diversity, IR wasn’t a factor, because we were selling instead of buying. There is a very logical way to incorporate vendor diversity with IR activities. True, we’re selling scrap commodities to a vendor, but most vendors provide a wide range of services, including services for which you pay (containers for scrap collection, labor and logistics, processing the material), and the commodity for which you receive economic remuneration. Using diverse vendors to manage these scrap commodities should be included in corporate diversity goals.
2. Measure waste reduction and recycling improvement:

The Alliance made the case that IR should have a significant role in supporting, developing or managing waste reduction and recycling improvement measures. Depending on your company, a significant percentage of the materials that are recycled and diverted from the landfill are managed through your IR organization. Some IR organizations manage waste wood for recycling—Duke Energy and Oklahoma Gas & Electric come to mind. Does your company have a waste reduction or recycling goal? Does your IR department play a significant role in the development and reporting of this number? Wood, metal, wire, transformers, lighting, meters, oil, and electronics are all materials that are typically or potentially managed through IR. At Duke Energy, approximately 90 percent of the weight of all recycled materials, excluding coal combustion by-products, are managed by Investment Recovery. Why wouldn’t Investment Recovery participate, if not take a lead role, in developing this measure and reporting for improvement?

There are many ways to measure waste reduction and recycling improvement. The following calculation represents a simple diversion metric:

**Understand total waste**: Total Landfill (weight) + Total Recycling (weight) = Total Waste Stream (weight)

**Calculate the diversion rate**: Total Recycling / Total Waste Stream = Total Recycling % (or diversion rate)

3. Align investment recovery with other supply chain functions to improve performance and reduce waste:

It is amazing and frustrating to learn how many of our supply chain colleagues don’t know that IR is an integral part of their organization. Sometimes IR is just an afterthought, which is a critical loss for companies wanting to improve sustainability and reduce waste. Taking time to educate and then leverage our Supply Chain colleagues will go a long way towards reducing waste and enhancing economic returns. Think about it—our goal should not be to recycle more. Our goal should be to waste less and throw away less. While certainly one of the main goals for the IR function is to generate revenue, other goals are also in play: waste reduction, recycling, and legal and environmental protections. Many supply chain sustainability opportunities are potentially interconnected and discussions should include IR throughout the procurement process.

- Do your procurement personnel routinely negotiate buy-back options for material?
- Is the material planning process effective in sending the correct signals for the correct material? Do you have overages and underages that potentially create surplus and waste on the back-end?
- Do your warehouses talk to each other? How about regions? Do you have a good way to better manage material overages and underages with other utilities?
- Alignment of the investment recovery function with organizations outside of the supply chain and/or company:

Inside your company, there are significant opportunities to improve sustainability performance by engaging and educating employees about investment recovery for waste reduction and recycling improvement. Most people don’t really consider these factors when throwing material away. Without thoughtful managing, waste disposal usually takes the path of least resistance and an out-of-sight, out-of-mind mentality. Just throwing material in a landfill has a substantial cost in terms of dumpster rental, labor to move material to the dumpster, various logistics, and environmental and tipping fees. Education goes a long way to facilitate understanding and modify behavior.

External to the company, sustainability dominates a significant share of the education and shared learning discussion. Think about the conferences you have attended or will attend, such as UPMG, USMA, Rapid, IRA, and many others. Almost all of these conferences will include a significant component or mention of sustainability. Investment Recovery is an important partner in these discussions and it’s up to you to make sure that you have a seat at these tables.

4. Consider alternative disposal practices:

Besides selling materials through typical contracts, there are alternative disposal practices that create additional sustainable opportunities to add to or enhance the bottom line. Most surplus furniture has very little economic value, especially furniture with a past life in utility operations. There are literally thousands of national and local organizations that will benefit from your low-value or no-value waste streams, including Goodwill Industries and Habitat for Humanity. These two are but a fraction of the charitable organizations that might benefit from our waste streams in a way that helps our organizations and the community. Work with your company to engage your local shelters, schools, or other charitable organizations to develop a mutually beneficial plan.
In conclusion

Very few groups or organizations have the potential to positively impact sustainability as much as investment recovery:

• We manage contracts that potentially compose 90% of the recycling tonnage for the organization. There are plenty of opportunities to manage these contracts to benefit both sustainability and economic returns.

• As the contract owner for such substantial volumes of recyclable materials, it makes sense that investment recovery should have a voice and seat at the waste reduction and recycling table.

• The greatest impact for waste reduction is to eliminate the waste stream altogether. The procurement function has an enormous opportunity to return unused material to the vendor. Effective material planning will help eliminate waste by planning for the right material in the right amounts at the right time.

• Don’t overlook opportunities to align investment recovery inside the organization through engaging and educating employees about the surplus waste stream, and aligning and engaging with other utility supply chain alliances and organizations.

• Take advantage of opportunities to liquidate certain surplus materials using alternative disposal venues that not only benefit the utility, but benefit charitable organizations and the communities where we operate.

Investment recovery is in a unique position to operate as a main linchpin of a successful, sustainable supply chain. It’s not much of a stretch to move from a purveyor of junk to an investment recovery group that does business in a way that’s good for People, the Planet, and Profits.

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The Asset 2.0 editorial team recently trendspotted an article posted on the Procurement Leaders™ website that sparked a conversation from IRA’s own leadership. So here’s the original post, followed by different perspectives from IRA’s board members.

Is procurement considered a strategic partner within your organization? If you answered ‘Yes,’ you are sadly still in the minority. Other business functions, such as HR, marketing, finance, and operations, are measured against hard KPIs like attrition or market share, but they’re also recognized for providing value beyond that single dimension. They are recognized for their strategic contribution to the business.

Procurement, on the other hand, is most often measured against one sole metric: savings. Despite things like balance scorecards, risk, and the CSR agenda being in place—all things that in most other departments would be the focus of performance measurement—more often than not, savings is the only metric used to measure the success of the CPO. This, unsurprisingly, causes procurement professionals some angst.

The general feeling among purchasing teams and procurement departments is that they provide a strategic function and should thus be recognized as a strategic partner. Yes, they deliver cost savings—an extraordinary amount of savings if you speak to some of our customers—but the value they provide is far greater. Unfortunately, to date, very few industries have taken steps to recognize procurement for that additional value.

Either they agree but don’t know how to enact the change required, or they disagree and feel procurement isn’t a core function and therefore is non-strategic.

Assuming your company does believe in procurement’s contributions beyond savings, you might be asking how can you measure performance of procurement so that it moves up that value chain and is recognized as a strategic function? Here are some suggestions:

**Cost-Conscious Culture**
A good procurement department can change the way your business thinks about money. With training programs for all employees and incentives for good behavior, procurement can persuade stakeholders to think about spending money differently—to think about company money as if it were their very own: to self-question projects and suppliers before committing funds and to treat those funds with the discipline they deserve. The effect is the creation a cost-conscious culture within a business is a strategic function; the extent to which a procurement team can achieve that is a metric they could be measured on.

**Coverage of Competitive Practices**
A good procurement department can change the way your business selects suppliers. Clearly, in every business there are preferred suppliers—relationships built over years with people they trust. Unfortunately, supplier selection based on past dealings or gut feelings makes it impossible to know whether or not you’re being taken advantage of or if competitor pressure is being applied. A strict competitive process for supplier selection ensures value for money on every transaction and yields insight around the true worth of a relationship. The extent to which a competitive process is adhered to is a strategic metric that can indicate how effectively procurement is performing and therefore how valuable its involvement is.

**Supplier Innovation**
A good procurement department can change the way your business innovates. Historically, companies have been very good at telling suppliers what to do rather than listening to what they have to say. Now, more and more companies are relying on suppliers to provide them with insight on business activities. Integrating suppliers into the business—with regular
dialogue between key suppliers and top management or by inviting suppliers to forums, workshops, or other idea-sharing activities—can lead to better product development, better campaign and sale activity, more operational efficiencies, and so on. Engaging suppliers for their ideas, innovation, and input is a strategic procurement function, and the extent to which it’s achieved is a performance metric that could be used.

Although not necessarily tangible, all three of these activities, if done effectively, can be observed. Allowing procurement personnel to be measured for their strategic performance will in turn motivate them to be more strategic—and, I hypothesize, business leaders will see the true effect when looking at their share price and overall business profitability.

by Graham Copeland
Head of Sales & Marketing
Xchanging Procurement Services (Europe)

IRA’s Board Members Weigh In:

“This is a challenge that plagues many supply chain organizations, and investment recovery professionals are uniquely positioned to contribute to smart executive strategies around the transition from a savings-only yardstick to supply chain being seen as a transformative business partner. For example, by taking the time to educate boundary partners on the impacts of the lead time they provide IR on the value the organization recovers, inclusive of timing, quality, risk mitigation, and additional services, IR professionals can begin to shift from simply offering a home for unwanted assets to being seen as a true strategic partner.”

Kris Waters, CMIR
Director, Sustainable Solutions
Cox Communications, LLC

“At TVA, supply chain is basically two functions, sourcing (procurement) and materials management (warehousing and investment recovery). Cost savings is a huge metric, but we also look at diversity spend, transportation costs, and Tier 1 spending. Our operations partner still is more concerned about getting or having the material well in advance of the work than they are about the cost of procuring, expediting, and or warehousing. I always wince when I get to surplus an item that was expedited for an outage, then never used. We also tend to buy in excess of 50% of material as ‘contingency material’ for our nuclear outages. Then at the end of the outage we are crediting it back into inventory.”

David R. Halicks
Senior Manager, Investment Recovery, Distribution, & Fleet Services
Tennessee Valley Authority

“I work with a lot of procurement groups. Many are looked at and evaluated strictly by cost savings. The funny thing is, many times cost savings is judged strictly at face value—they are pressured to buy (or sell) strictly by face value of the purchase. If they have an item where the purchase price ranges from $1,000 to $2,000, they are pressured to accept the $1,000 offer, even though the costs associated with delivery, contractual risk, quality control, etc., might make that offer much more than $2,000. This applies to investment recovery sales also. That is one of the things I really love about the Investment Recovery Association—it teaches people how to recognize and appreciate the true value of something, and not just face value.”

Mike Mitchum, CMIR
Global Facility Closure/Asset Recovery Leader
AECOM

How do you weigh in? Share your perspective with Asset 2.0 by emailing Julie@group365.com.

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Earn points and see what’s new

Completing a module on the Campus puts you a step closer to earning your CMIR. Each time you complete a module, you earn points on your CMIR—Personal Data Form (CMIR-PDF).

But what’s new? We recently added a video called “Asset Valuation” to a series for Analysis and Appraisals. You will find it under “CMIR” in the “Featured Topics” list on the right side of the web page. Check back often as more content will be added.

I found the Investment Recovery Handbook, to be an informative and helpful desk reference for all that is Investment Recovery and improved supply chain management.

—Ronald Sizemore, BASF

Hot Topics to Check Out This Fall

Check out these CMIR modules over the next few months:

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CMIR Fast FAQ

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ASSET 2.0: The Investment Recovery Business Journal
is published by the Investment Recovery Association.
www.InvRecovery.org

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