

# GLOBAL SUPPLY CHAIN REVIEW

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## SPECIAL EDITION: LEADERS IN REVIEW





## Message from the President of GSCLG

I would like to express our heartfelt condolences to the victims of the earthquake and tsunami that struck the northeast area of Japan on March 11, 2011. We sincerely hope for the fastest possible recovery to everyone in the regions affected by the disaster. Japan, we are thinking about you and you are in our thoughts.

Tragedies such as the recent earthquake and tsunami in Japan, the earthquake in Chile a year ago, the recent temblor in New Zealand, and the volcano in Iceland have a profound effect on supply chain. These are situations when you need and appreciate leadership that can work under extremely stressful and fluid situations. Leadership must be at the helm and have the ability to make decisions and respond to uncertainties that will test all the systems and procedures.

We are proud that we have presented you with individuals that can lead and react during extreme crisis situations. We have showcased the best of the best in the last year and I urge you to learn from them as they are the people that make our industry what it is.

Over the past year we have had the privilege of interviewing supply chain executives from varying industries each month. In case you've missed any past issues, you can find them at: [http://www.gscreview.com/home\\_com.php](http://www.gscreview.com/home_com.php). For this issue, we decided to compile the last twelve profiles for your enjoyment and hope you will find these professionals as impressive as I do.

We will do our best to keep searching globally for those leaders that deserve to be singled out. I ask you to send me the names of those you would like to be profiled so we can learn from their views and accomplishments.

We celebrate supply chain leaders with vision, passion, and care for their customers and employees. These leaders provide the value shareholders' deserve; they ensure that their customers keep moving forward while dealing with global challenges affecting the day-to-day operations. If we recognize great performance and leadership potential, we will promote our capacity to lead both operationally as well as at the C-level. As senior-level supply chain leaders, the senior executives featured in our magazine should be recognized by their peers and by the industry. We hope to see them grow and become the future CEOs that we all deserve and admire.

We hope you have enjoyed the magazine this past year, and look forward to providing you with additional interviews and interesting articles in 2011.

Sincerely,

Sergio Retamal

Publisher, *GSC Review*

[www.gscreview.com](http://www.gscreview.com)

President, GSCLG

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# WHEN OUR CUSTOMERS TALK. WE LISTEN.

"In the first month we engaged Global4PL, we were able to implement three cost reduction projects which will result in millions of dollars in savings over the next five years."

JB Delaney  
Director, Supply Chain  
Infinera Corporation

Global4PL Supply Chain  
Management Consultants  
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## Interview with Cindy Reese of Sun Microsystems, Inc.

By Nancy Ellen Dodd, MPW, MFA

As Sr. Vice President for Worldwide Operations, Cindy Reese runs Sun's supply chain, manufacturing and logistics programs, which are recognized by the industry for delivering high quality and cost effective product execution to Sun's global customer base. Previously, as Sr. Vice President for Systems Operations, Reese was responsible for overseeing the manufacturing, supply chain management and operations engineering for the company's Systems products.

Cindy Reese's career spans more than 25 years in operations with experience in procurement, strategic materials management, manufacturing, distribution, and logistics. Since joining Sun in 1999, Cindy has held numerous leadership roles including: VP Storage Operations, VP Scalable Systems Manufacturing Operations, VP High End Operations, Executive Lead for the StorageTek integration, and various Director positions.



In 1999 Cindy joined Sun as Director of Global Supply Management where she managed the architecture of Sun's strategic supplier strategies and commodity management. In 2001 Cindy was promoted to senior director of Newark Site Operations, overseeing the manufacture of Sun's flagship Enterprise Server and Network Storage products. In 2003 Cindy was promoted to the position of VP High End Operations, responsible for Sun's three manufacturing sites in California, Oregon and Linlithgow, Scotland. In 2004 Cindy assumed the new position of vice president of Sun's former Scalable Systems Manufacturing Operations handling all SPARC-based products. In 2005 when Sun acquired StorageTek for \$4 billion dollars, Cindy was asked to take on an executive role and was instrumental in leading the integration of 7,000 StorageTek employees into Sun.

After the successful integration of StorageTek, Cindy moved over to the Storage business as the VP of Storage Operations. Cindy had operations responsibilities for material procurement, supply management, operations engineering, internal and external manufacturing and re-manufacturing for all Sun products. In this role Cindy had responsibility for Sun's internal manufacturing sites in Hillsboro, Oregon and Linlithgow, Scotland, where Sun's high end server products are manufactured as well as Customer Solutions Integration operations for Sun's entire product line.

In May of 2008 Cindy was promoted to Sr. Vice President for Worldwide Operations.

Prior to joining Sun, Cindy was VP of Worldwide Materials with Silicon Graphics (SGI) and held executive leadership positions at RightWorks and Convergent Technologies.

Cindy's outstanding leadership has been recognized by prestigious awards such as the YWCA tribute to Women in Industry (TWIN) Award, which she has received twice: first in 1995, while at Silicon Graphics, and most recently in 2003 for her achievements at Sun Microsystems, along with Leadership Awards from both SGI and Sun. The TWIN awards are given throughout the country to recognize successful women executives for their outstanding achievements and leadership.

Cindy received the 2009 Top 25 Supply Chain Executives Award from the Global Supply Chain Leaders Group.

### **How important is supply chain management to Sun Microsystems' overall business strategy?**

At Sun our goal in supply chain management is to make sure we are finding ways to grow both the top and bottom line results. We want our supply chain to be viewed as a strategic differentiator for the company.

## What primary areas of focus (or key initiatives) should Sun Microsystems be looking at for Supply Chain Management?

We have been focusing on three main initiatives over the last year. The first is in the cost area. Our focus is not only in ongoing cost reduction programs but also in cost avoidance. Reductions come from commodity cost trends or new technology. We have two key terms we use in our cost management approach.

**Design it right:** Am I designing the lowest cost solution for the functionality being delivered?

**Buy it right:** Am I paying the best possible price for the solution?

### ***Design it right targets consist of the following:***

1. Lowest cost design solution for a given function within the constraints defined by the product specifications
2. Lowest known available cost (or estimated cost) for components based on the best in class sourcing strategy and available volume forecasts
3. Generated early in the program (before first prototype builds, when possible)
4. Represents product cost goal for production builds, NOT prototypes

### ***Buy it Right targets consist of the following:***

5. Lowest cost purchasing or procurement solution for a given product or component based on the selected sourcing strategy, final design and current volume forecasts
6. Generate at or immediately after the first prototype builds (once all design decisions have been finalized)
7. Represents the cost goal for production volume builds

***Cost targets are not stagnant and are subject to normal price erosion factors and commodity trends. Why do we need cost targets? Design it right cost targets provide an early estimate for marketing and design teams.***

8. Provides early cost estimates for product business justification
9. Provides design teams with potential lower cost alternatives
10. Enables design team to include product cost and supply chain impact in making design decisions
11. Provides supplier management with cost alternatives and goals for supply chain decisions and negotiation purposes
12. Enables competitive comparisons across products

### ***Buy it right cost targets provide on-going goals for the supply team***

13. Provides data to continually drive down component or system level costs
14. Provides goals for negotiation purposes

The second area is execution. Having a very predictable supply chain based on fixed lead time scheduling that is very flexible and cost effective is key in today's marketplace. The third area is quality. We have a very robust quality management system that measures our quality throughout the supply chain.

## How has outsourcing enabled Sun Microsystems to be successful with these initiatives?

We are 96% outsourced. The focus on outsourcing has definitely helped us reduce costs. However this does not mean we have walked away from the areas we have outsourced. What we have learned about outsourcing is you have to pick the right suppliers and develop strong relationships with them. We trust our suppliers but also have a very focused verification process to make sure our suppliers are doing what we want them to do. Lastly we measure our suppliers against strict criteria across core areas of the partnership including cost management, quality, execution and NPI. If suppliers are not meeting our requirements we are not afraid to make a change.

The external manufacturing business can be a very sticky business. It's very expensive to change an external manufacturing partner, so we are highly focused on managing, measuring and improving our suppliers.

## How is Sun Microsystems addressing the market's increasing focus on 'green' supply chains and reducing a company's carbon footprint?

This is an area of focus for Sun and one that the Company has been investing in for some time. We are quite proud of our progress. Sun's supply chain is truly global; our products are developed, designed, and manufactured by suppliers in more than 30 countries around the world. To ensure that Sun's suppliers conduct business in a way that is consistent with Sun's values, we instituted our Supply Chain CSR (Corporate Social Responsibility) program three years ago. The core component of this program is Sun's Supplier Code of Conduct, which mirrors the Electronics Industry Code of Conduct. Adherence to the Code is a contractual requirement for suppliers and drives Sun's supplier risk assessment process and Sun's supplier CSR audit program. Sun also requires that Suppliers are ISO 14001 certified and that they provide data on their greenhouse gas emissions.

In addition to ensuring that Sun's products are built under socially and environmentally responsible conditions, Sun works to ensure that products are handled responsibly at the end of their life. Sun's global product take back program increased the amount of product taken back from FY08 to FY09 by 57%. Of this product, only 0.5% ended up in a landfill; the rest is reused or recycled. While Sun is working diligently with its suppliers, customers, industry organizations and other stakeholders there continues to be a lot of work to be done to ensure that conditions all the way down to the raw material level meet Sun's standards.

## What are the biggest INTERNAL challenges for manufacturers to achieve supply chain excellence?

Our biggest challenge as a company focused on innovation is managing the unique product line requirements that result from that innovation along with the varying levels of complexity.

## What are the biggest EXTERNAL challenges in achieving supply chain excellence?

Making sure we can provide competitive costs given the number of unique products we offer and the volumes we ship.

## Who is responsible for planning your company's business continuity when facing natural disasters, major disruptions or other geopolitical issues?

We have a formal Corporate Crisis Management & Business Continuity group that leads our risk management activities. Supply Chain Management is a key member of the management team.

## What are the main skills and personal attributes that have helped you reach your current position?

Relationship management has been the key to my success. I'm very direct. I make it a point to look for the

win/win solution. I'm very fair in my decision making, and I can pretty much work with anyone. I strongly believe in building a great team of people who are smarter than I am. I'm very metrics driven so everyone understands where they are at all times. I believe in constant investment in learning. Most importantly I love what I do. I look forward to coming to work every day, which keeps me focused and always looking for new opportunities to solve our challenges.

## How do you grade Sun Microsystems' supply chain overall performance in client satisfaction?

We have an excellent reputation in the industry, most notably in the telecommunications sector. In this space we have actually taken over many of our customers' extended supply chains. We buy their third party components, load their custom designed cards, and load their software. Basically we build and test their entire solution. We rack and stack everything for them, and do their acceptance testing on our production floor. Many of our top telecommunications customers rate us as number one or two in our Quarterly Management Reviews (QMR's).

## During this economic downturn, how do you keep your entire organization motivated?

We are making investments in our people, investing in training and cross training our team members. People love a challenge. Keeping your employees challenged and busy is key in a downturn. Our best motivation tool is engaging our team members in our improvement plans so they can feel that they are part of the solution.

## Who do you rely on for advice?

I have many mentors with whom I have built relationships over the years. Some are external to Sun as well as the internal mentors I have. I also have built a strong network of peers who have similar jobs to mine in many different industries that I rely on for advice.

## What have you learned as Sr. Vice President for Worldwide Operations that has surprised you or changed the way you do business?

The more you outsource the more you need to worry about places where suppliers hide costs. You cannot discount how creative people can be at hiding costs. During my early outsourcing days I believed when you outsourced something you completely disinvested in that activity. I quickly learned you are still accountable for the activities you outsource. You need a very tight verification process to watch everything you outsource or you will quickly find the savings you achieved from outsourcing have gone away.

### Sun's CSR Program Highlights:

#### **Reported Global air freight GHG emissions in FY09:**

- FY08: 120,986 metric tons CO<sub>2</sub>e
- FY09: 72,304 metric tons CO<sub>2</sub>e
- FY10: More comprehensive air freight data and suppliers are providing GHG emissions data.

#### **Product Take back:**

- 9.55 million pounds of product returned which is a 57% increase from FY08
- 6.9% is reused, 92.6% is recycled, 0.5% goes to landfill

#### **Supplier Code of Conduct:**

- Covers 63 suppliers and 182 facilities
- Covers more than 95% of Sun's direct material spend

#### **Supplier CSR Audits:**

- 13 CSR audits conducted in FY09
- 64 nonconformities found
- 41 of which were resolved through Sun's Supplier Corrective Action Plan process. The remaining 23 are still being worked on.
- Most common findings are: excessive overtime, internal audit systems, and occupational safety.



**Turbulent times should be the best time to implement changes. However, companies tend to paralyze due to uncertainty in the market or their human capital. What is your advice to maximize the opportunities to implement changes during tough times?**

In every organization we have budgets which we get to control. I'm a firm believer there is always money and resources to manage that can lead to improvements. It's all about our choices as managers to make the right calls and not hide behind budgets or lack of resources as an excuse. We have to limit and focus what we are able to work on given our constraints, and make the most of managing excellence within them.

**What attracted you to supply chain management?**

I believe people who are in supply chain management are a different breed. I find with myself I don't do well with a project that takes three years to get it actually working or developed and ready. I work much better with something that I can see the start and the end, and I know exactly how to break it up into chunks to get the work done.

**What would you say is the biggest challenge you have faced in your career?**

In the 80s it was the big DRAM crunch where the whole industry went into this huge shortage in supply and no one could get their hands on any parts. I had contracts with suppliers that they weren't fulfilling. One of the outcomes from that big shortage, which basically shut all of the electronics industry down, was we found out we didn't have the right kind of agreements and contracts or the right strategic relationships in place that protected us. Back then we were all buying parts based on the best price at the date that we had to make the purchase.

We've had several challenges like the big dot.com bust. You basically didn't have to work hard to sell product-orders just came in. You couldn't build product fast enough. When the bust happened and things started to slow down, we didn't have the ability to react fast enough. There were small companies that had built their product around your needs and when your ordering stopped, it put them out of business.

In the 2000s we have had the recession. In a downturn it's said that people don't spend money, so you have to figure out how to do the same amount of work at a lower volume with a lot less people. Even though it was very difficult and many companies went out of business, we're starting to see recovery. People reacted much faster to the change and had different agreements and relationships with their suppliers in place. It's a whole different feeling from those other two events. I think the changes that we've seen and the investment that's gone into the supply chain and building professional careers over the last 20 years really showed in this last recession.

**What would you say is the most rewarding experience you've had in your career?**

By far, the most rewarding thing is that I have been blessed to work for companies that have put total trust in me, let me make mistakes, and have given me a safe landing to learn from those mistakes. The things that have shaped me and grown me into the leader I have become today are things that I've done wrong and the ability I've had to learn from them. Also fulfilling for me has been to be able to provide that same kind of leadership to people that I'm mentoring.

**What are your thoughts regarding globalization?**

I think it's a two-sided story. It's helped us really learn more about what total cost of ownership means, and it's given us a reason to be really competitive. At the same time it's helped us learn other things we need to think about. Is it always the right decision to go for the lowest labor cost? How many of your people it is going to take to manage them? What kind of language barriers do you have? If you're building it there, but the whole supply chain and all the parts are coming from some other place in the world, this is not going to be your best total cost solution. It's about understanding the full capability you need in the process and making sure you get the lowest total cost and not just the lowest labor cost.



## How do you balance your work life with your personal life?

I'll be honest, I don't. I put in a lot of hours. I made different trade-offs when my children were young and I focused myself differently, but the minute it got to the point I didn't need to do that, I went right back into supply chain jobs because those are the ones I was excited to get up in the morning and go to work to do. I have global manufacturing going on all over the world and they work three shifts a day. I get phone calls every weekend. I check my email all the time. I've been able to balance it to where it works for me.

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**Transportation Cost Savings**  
Concern: The client company was concerned that its global transportation expenditures were escalating and they could not pinpoint cost savings opportunities. The company also desired to establish a best-practices import compliance program to eliminate non-compliant entries and subsequent risk of fines and penalties.

**Results:** Global4PL conducted a post-audit of recent freight invoices and shipments, and discovered transportation cost savings totaling over 27% net cost savings. Global4PL reviewed the company's import compliance program and documented required changes to achieve best practices status, and identified classification changes to comply with US CBP regulations.

**CBP BSI and SOX Compliance**  
We offer a comprehensive set of services to ensure compliance with import / export regulations and to improve the efficiency of your compliance processes. We develop and document a comprehensive import / export program proven to pass muster with CBP and / or BSI in the event of an audit or error. We will ferret out errors to avoid costly fines. We will identify any duty savings opportunities.

- a. Review existing operations
- b. Set up compliance programs
- c. File audits
- d. Review products, classification, create databases
- e. Free trade agreements - qualifications / reviews
- f. Create policies and procedures
- g. Draft disclosures

**Client: Mid-size computer company**  
Concern: The client company had a small logistics staff with limited import/export compliance expertise and a potential risk of non-compliance in import/export operations.

**Results:** Global4PL compiled a best practices import/export compliance program that detailed compliance procedures, documentation formats and record retention methods and requirements. Global4PL reviewed all products' HTS commodity codes and uncovered a classification error. Then, to rectify the past errors, Global4PL prepared thorough documentation of the errors, calculated duties owed to US CBP and prepared the post-entry filing for submission to US CBP. The self-disclosure was accepted by US CBP with no assessment of penalties and no further action.

**Logistics Strategy**  
We conduct a complete review of your supply chain management that spans all movement and storage of raw materials, work-in-process inventory, and finished goods from point of origin to point of consumption. We provide a complete assessment of your inbound & outbound distribution, warehousing, and reverse logistics functions, both domestically and internationally. We identify inefficiencies and opportunities for cost savings.

**Client: Large telecommunications manufacturer**  
Concern: The client company modified its supply chain footprint as the market and strategies shifted over time.

**Results:** Global4PL executed the project to rationalize the company's logistics strategy and to optimize the revised supply chain strategy. Global4PL's assessments including geographical and process risks and solutions improved the company's intra-Asia shipping efficiency. Global4PL set up customized import / export compliance programs, having met with officials of contract manufacturers and conducted packaging redesign which resulted in 53% overall cost savings without compromising engineering requirements. Global4PL revamped transportation provider relationships, resulting in 20% reduction in transportation costs. Global4PL developed and implemented an operational strategy to minimize EU VAT charges (including reverse logistics considerations). Last, but not least, Global4PL provided a supply chain visibility tool (PO Horizon™) that tracks product movement at the part number level.

"In the first month we engaged Global4PL, we were able to implement three cost reduction projects which will result in millions of dollars in savings over the next five years."

**JB Delaney**  
Director, Supply Chain  
Infraera Corporation



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# Interview with Billy Crotty of Superior Communications, Inc.

By Andrea Kostelas - Editor of the GSC Review Magazine.

As Senior Vice President of Supply Chain Management, Billy Crotty oversees Superior Communications' Sourcing, Procurement, and Product Development departments. One of his primary responsibilities involves cultivating and maintaining relationships with OEM and ODM partners to ensure both customers and consumers are provided with the most complete accessory solutions. Billy joined Superior in 2007 and brings over 20 years of experience in supply chain management, sales, business development, engineering, strategic planning, and product management. Prior to joining Superior, he served as COO at Cellon International, a leading mobile handset design company based in China.



Graduating from UCL Ireland with a Bachelors of Science degree in Production Engineering, Billy went on to earn an MBA from the Babson School of Business in Wellesley, Massachusetts. During his spare time, Billy enjoys playing golf, sailing, and is an avid fan of rugby.

Billy received the 2009 Top 25 Supply Chain Executives Award from the Global Supply Chain Leaders Group.

## **How important is supply chain management to Superior Communications' overall business strategy?**

Supply chain management is one of the backbones of our company. Given the ever increasing demands by our customers for shorter development lead times, lower costs and faster fulfillment, the job of Supply Chain management is critical to the long term success of our initiatives.

## **What primary areas of focus (or key initiatives) should Superior Communications be looking at for Supply Chain Management?**

Faster time to market without jeopardizing quality and lowering overall costs through collaboration and innovation with our key partners and suppliers.

## **How has outsourcing enabled Superior Communications to be successful with these initiatives?**

Superior has built out a network of suppliers and partners (domestically and internationally) that work in tandem to support our dynamic needs through online systems and personal one-on-one daily communications. Superior relies on its suppliers to collaborate and provide innovative solutions for continuous supply chain improvement.

## **How is Superior Communications addressing the market's increasing focus on 'green' supply chains and reducing a company's carbon footprint?**

We have taken our environmental stewardship initiatives from our products and packaging all the way through to our employee attitudes while not at work. Superior has taken a leadership role in working with suppliers to provide comprehensive and cost effective 'green' solutions in materials used to manufacture and package our products. We have analyzed the carbon footprint of our products and brought forth options for our customers' consideration that allow for the balance of 'green', aesthetics and cost. This is a continuous and proactive effort.

## **What do you think the key Supply Chain Management priority for the coming 2-3 years is for Superior Communications?**

Superior has laid the groundwork for constant improvement using Kaizan principles. Our drive to constantly meet and exceed our customer expectations will require closer collaboration and innovation from design, planning and execution coupled with better use of automation and online systems. Management of the supply chain all the way through to the end consumer is a key initiative at Superior.

## **What are the biggest INTERNAL challenges for manufacturers to achieve supply chain excellence?**

Getting the right information at the right time and making the product right the first time.

If one does not achieve that, then no amount of automation, line efficiency and downstream supply chain (parts) management, will overcome being late.

## **What are the biggest EXTERNAL challenges in achieving supply chain excellence?**

Like all organizations, we are dependent on our partners and suppliers to achieve higher degrees of efficiency. Superior works with our supplier base in defining what is needed and how it can be achieved in a collaborative manner. We provide long term visibility to our demand and have personnel on site at their facilities to ensure there is no misunderstanding.

## **What are the supply chain challenges to which Superior Communications SHOULD be paying more attention?**

I believe we at Superior have people and systems addressing the majority of the core supply chain challenges. One can always do more, but the key is to finish what you start and learn from it while moving on to the next initiative. Constantly adding value to the supply equation is a significant challenge we face with the push/pull of increasing cost pressures and expectations.

## **Who is responsible for planning your company's business continuity when facing natural disasters, major disruptions or other geopolitical issues?**

Within Superior we have several contingency plans that address issues from IT, transportation, supplier disruptions and factory fulfillment. These are generally consolidated by our operations management and finance groups.

## **What are the main skills and personal attributes that have helped you reach your current position?**

Having worked in several industries (Pharmaceutical to Wireless), in varied disciplines (Engineering to Finance) and in many geographies (Europe to Asia) has provided me a unique view of how and why things work. Having worked in Supply Chain for over 10 years dealing with suppliers, partners and customers allows me to appreciate the need for a balance of trust and control to achieve your goals. The single most effective attribute is honesty with your team, customers, and supplier base such that everyone knows what is expected. If you don't have the trust of your team or supplier base you will not be successful.

## **How do you grade Superior Communication's supply chain overall performance in client satisfaction?**

That is a difficult question. Our customer base is forever challenging us to be better while the competition is always looking for ways to take away our business one piece at a time. I believe our customers are satisfied with our constant drive to support their needs and to the degree they are successful we can say our performance is excellent.



## **During this economic downturn, how do you keep your entire organization motivated?**

Superior has been in business for over 17 years with many key employees having tenure of over 10 years. We have seen good and bad times and have weathered all with a belief we will succeed. Superior is extremely focused on the well being of its employees and their motivation stems from knowing Superior has their best interest at heart.

## **When do the fuel cost / dollar exchange and / or geopolitical factors make insourcing a viable option?**

Superior already does a lot of insourcing in our development and fulfillment activities premised on the fact we need flexibility and speed which outweighs cost savings from overseas operations.

## **Who do you rely on for advice?**

I certainly do not believe I know the answers to all of supply chain needs. I look to my team, peers, my partners and suppliers to work with me in a collaborative manner to achieve our mutual goals.

## **What have you learned as Senior Vice President, Supply Chain that has surprised you or changed the way you do business?**

Leadership comes in many forms, from rolling up your sleeves and leading by example to defining strategy in a PowerPoint presentation. What I have learned in my tenure at superior is that change is inevitable and should be embraced and not cowered from. How fast one adapts to change is directly related to how successful you will be.

## **Turbulent times should be the best time to implement changes. However, companies tend to paralyze due to uncertainty in the market or their human capital. What is your advice to maximize the opportunities to implement changes during tough times?**

I don't know if I agree with the statement that turbulent times are the best time to implement change. Change is inevitable and all organizations need to be constantly looking for ways to improve in good and bad times. I do agree that in turbulent times a company needs to act and act effectively to survive. In turbulent times companies like Superior need to ensure our customers' needs are addressed as much as looking after our own needs. If our customers are in trouble and we do not act to help, then regardless of what we do to help ourselves we will not be successful.



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# Interview with John Lund of Walt Disney Parks and Resorts

By Andrea Kostelas

As Senior Vice President, Supply Chain Management, John Lund is responsible for optimizing the performance of supply chains across Disney's Parks and Resorts. A family vacation business with over \$11 billion in sales, Disney's Parks and Resorts span three continents and include five world-class vacation destinations, a top rated cruise line and the most popular resort locations in North America, Europe and Asia. Lund oversees the supply chain functions for these operations, with particular focus on merchandise, food & beverage, and costuming.



Lund began his career with Disney in 1992 as Transportation Development Manager for Euro Disney in France. His responsibilities continually expanded and, by 1995, he was named Director of Telecommunications, Transportation, and Multimedia. He proposed and launched Euro Disney's first online services in 1995. From 1996 to 1998, while serving as Secretary to the Executive Committee, he led a large-scale effort to improve back-of-house productivity, reducing support costs by over 20%. From 1998 through 2000, he returned to operations as Director, Operational Labor Management, creating a centralized organization for labor force planning of Euro Disney's 8000 operational employees. He negotiated with the French government and the company's unions an innovative, on-the-job training program whose graduates are certified with diplomas granted by the French ministry. In January 2001, he was named Vice President and Chief of Staff, with responsibility for corporate organization and productivity; revenue management; and the external relations of the Chairman. Following the nomination of Euro Disney's chairman, Jay Rasulo, as President of Walt Disney Parks and Resorts in September 2002, Lund assumed interim leadership of marketing & sales and of strategic planning.

In September 2003, Lund moved to California to serve as Vice President, Process Improvement and Sustainability at Walt Disney Imagineering. He was responsible for promoting productivity within WDI and improved maintenance for Disney Parks and Resorts. He also served as business manager for Disney Creative Entertainment, creators of live entertainment for Disney's parks and cruise ships. In September 2004, he was promoted to Senior Vice President, Strategic Asset Management, providing global oversight and strategic direction for all aspects of Walt Disney Parks and Resorts' physical assets, including sustainment and safety strategy and processes.

Prior to joining Disney, Dr. Lund worked 8 years at the RAND Corporation in Santa Monica, California, an internationally renowned non-profit research center for public policy. He advised the US government on national security strategy, political-economic affairs, military force structure planning, and logistics. While at RAND, he authored or co-authored numerous books and reports.

A native of Philadelphia, Lund holds a Doctorate in policy analysis from the RAND Graduate School, a Masters in international affairs from Columbia University, and a Bachelors in international relations and economics from Saint Joseph's University. He is an American citizen, married to a French national. They have two children.

Lund serves on the Advisory Board of the College of Arts and Sciences of Saint Joseph's University, and has served on the Board of Directors of the International Association of Amusement Parks and Attractions, and is past Chair of its Audit Committee.

## How would you define supply chain at Disney?

We define supply chains as "the flow of material, information, and currency between our suppliers and our guests." Within Disney Parks and Resorts, we have multiple supply chains supporting different elements of our business, from fireworks for our nighttime spectaculars, to costumes for our cast members. However our largest and most complex supply chains, and where I devote most of my energy, are the retail and the food and beverage businesses.

## How important is supply chain management to Disney Parks and Resorts' overall business strategy?

When Walt Disney created Disneyland, his vision was to offer a place families could experience and enjoy together, immersed in an atmosphere rich in detail and storytelling, the place "Where Dreams Come True." Everything that we do must contribute to that vision, in a way that is transparent to the guest. For our guests, the supply chain should be invisible, almost magical. When our parks open each morning, everything that you would need or want will already be there. The attractions are ready to welcome the guests, the shelves in the shops are full of attractive products, and the restaurants are ready to serve great meals.

## What primary areas of focus is Disney Parks and Resorts looking at for Supply Chain Management?

We differ in critical ways from a traditional retail or a restaurant chain that manages hundreds or even thousands of stores or restaurants scattered around their markets, each store very similar to the next. We have a concentration of hundreds of shops and restaurants operating in very close proximity at just a handful of large resorts, in Orlando, Anaheim, Tokyo, Paris and Hong Kong. Whereas other companies achieve much of their efficiencies through the standardization of assortments and of the store or restaurant layouts, we need to differentiate our shops and restaurants to fit with the theme of the environment where they are located. A shop located on Main Street should have a look and feel that is very different from one in Frontierland, and the assortment needs to fit the theme of each location. A similar challenge faces our restaurants which must stay true to the theme of their location.

Therefore, our primary focus is to balance the need for a rich diversity of offering, so critical to that uniquely Disney experience, with the need to operate as efficiently as possible. Specific initiatives include:

- Optimal item assortments
- Optimal sourcing
- Optimal product flow
- Optimal packaging
- Improved risk assessment tools

We have a very talented group of specialists who have developed specific decision-making models and tools to assist our teams in making the best choices in each of these areas.

We need to achieve these high levels of performance while fully respecting Disney's commitment to having a socially responsible supply chain. It no longer suffices to have "the right product, at the right place, at the right time, at the right price, and in the right condition". We must ensure that we do all that in "the right way."

## How does Disney address the issue of proper working conditions in factories?

Our goal is to have a supply chain that mirrors Disney's own desire to operate as a responsible business. Disney launched its International Labor Standards program in 1996. Disney is committed to the promotion and maintenance of responsible international labor practices in its licensing and direct sourcing operations throughout the world. Toward this end, we have implemented a wide-ranging International Labor

Standards (ILS) program that includes policies, practices and protocols designed to support common, safe and fair labor standards for workers engaged in the manufacture of merchandise bearing the Disney name and characters.

## **How is Disney addressing the market's increasing focus on safe products and testing products at the manufacturing site?**

The safety of products bearing Disney characters and other intellectual property is of crucial concern to us. Contractually, Disney requires that licensees and manufactures comply with all applicable legal and regulatory safety requirements and that they have procedures in place to verify such compliance. Our Product Integrity professionals monitor and confirm that manufacturers and licensees are conducting safety tests by independent, certified third-party testing laboratories or equivalent procedures. They also seek to verify that product manufacturers are complying with, and keep abreast of current and changing product safety standards.

## **How is Disney addressing the market's increasing focus on 'green' supply chains and reducing a company's carbon footprint?**

At Disney, we seek to establish and sustain a positive environmental legacy for Disney and for future generations. The company is committed to minimizing its overall impact on the environment while encouraging and activating environmentally responsible behavior on the part of cast members and employees, guests and business associates throughout the world. Specifically, Disney aims to conserve water, energy and ecosystems; to reduce greenhouse gas emissions; to minimize waste; and to inspire public consciousness in support of environmental sustainability. The company seeks to identify, measure and understand the direct and indirect impact of its operations and develop innovative and realistic solutions for mitigating those impacts. It also complies with, and in some cases exceeds, environmental laws and regulations. Finally, the company is committed to communicating regularly its progress in implementing the policies and achieving the targets that it has established.

## **What do you think is the key Supply Chain Management priority for the coming 2-3 years is for Disney Parks and Resorts?**

The key areas of focus are:

- Implementing process and tools to achieve optimal total delivered costs
- Attracting and retaining top talent throughout the supply chain organization
- Ensuring that we operate compliant, socially responsible supply chains

## **What do you think is the key Supply Chain Management priority for the coming 5-10 years?**

The key priority for the future is the same as it is today: creating truly global, seamless, socially responsible supply chains that actively drive the growth of the company. As companies grow and push into new markets, supply chain professionals offer a special and often unique perspective. Our teams see the new trends in manufacturing and in consumer tastes. We can often see changing consumer behaviors as they begin to affect the supply chain. The challenge for us will be to leverage that knowledge and understanding to help shape corporate strategy and growth.

A key means of driving growth will be for supply chains to enable new customer experiences and services. Today's consumers expect increasing levels of immersive, personal, customized and interactive experiences in every facet of their lives, including their entertainment choices. For Disney, the quickening pace of daily living, advances in personal technology and the rapidly changing media landscape are combining to reshape our guests' expectations of a Disney experience. Supply chain management will need to play an active role in meeting guest expectations in this arena.



## **What are the biggest INTERNAL challenges to achieve supply chain excellence?**

The single biggest challenge I see is effective communication. A world-class supply chain operation requires a high degree of collaboration between many different functions and organizations. We are fortunate in that we have smart, strongly motivated, and hard working teams, people who are eager to do the right thing.

## **What are the biggest EXTERNAL challenges in achieving supply chain excellence?**

Just as effective communication is a significant challenge internally, timely and accurate information should be a priority externally as well. As supply chains become ever more extended, actionable information is critical to effectively managing costs and risks.

A closely related challenge is the lack of common standards and metrics. I think we are all interested in benchmarking with each other, but we are frequently hampered by significant differences in definitions and processes despite years of efforts by various organizations. Although common standards and metrics may exist within certain industries or parts of the supply chain, I have found it very difficult to uncover such commonality across the variety of supply chains that we operate.

Finally, the supply chain profession needs a pipeline of strong leaders with skills to succeed in today's business environment. Technical expertise is not enough. We need leaders with a global mindset and global experience, leaders that excel at cross functional relationships, and leaders that know how to make change happen in an organization.

## **What are the main skills and personal attributes that have helped you reach your current position?**

I have been fortunate at Disney to have had a wide range of experiences in both operational and staff positions, working with front line cast members and with senior executives. Prior to Disney, I worked on numerous cross functional research teams at the RAND Corporation. These experiences provided me with both the expertise and, perhaps more importantly, the mindset to succeed in the cross functional relationships so critical to supply chain management.

Beyond that, I would say that I have always been extremely curious to learn new things and master new skills. I have regularly sought new professional experiences and responsibilities, and Disney has been a great place for providing those possibilities. I have a deep respect for the professionalism and commitment of my peers across the company. Finally, I always strive to maintain the highest levels of integrity.

## **During this economy, how do you keep your entire organization motivated?**

People who work for Disney, our cast members, have a passion for what we do. Many of my fellow cast members have been with Disney for many years. They provide the signature Disney quality service to guests around the world every day. We have an obligation to make their experience the best it can possibly be. Our mission doesn't change: to provide great guest service every day to every guest. My role as a leader is to keep that mission top of mind for everyone on the team, and the team will do likewise with me.

I also keep the organization motivated by reminding them about what a great job they are doing. I frequently get compliments from other parts of the organization on the cutting-edge work the supply chain team is doing, and I always share that feedback with the team.

## **What have you learned as Senior Vice President, Supply Chain Management that has surprised you or changed the way you do business?**

I am always amazed at the incredible complexity of supply chain operations and the sophistication of the tools that our teams have developed to manage the business. Each time I have moved into a new area of

the company--be it attractions operations, maintenance and engineering, marketing, Imagineering -- I have been amazed by that same thing. I have been impressed by the great care that the team takes in carefully managing every element of the process so that the guest experience is as perfect as it can be.

### **What are the top three factors you use to measure effectiveness of a supply chain program / model?**

I would group the top three factors under business growth, customer satisfaction, and compliance.

We measure a wide variety of cost and revenue metrics but gross margin return on investment (GMROI) has proven to be the best all encompassing metric.

Customer satisfaction metrics will depend on the supply chain, the objective is to get as close to the final guest experience as possible.

For compliance, we track a variety of metrics, including: safety metrics (employee safety; product safety; food, etc), and international labor standards metrics, among others.

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## Interview with Abdi Hariri of Lam Research

By Nancy Ellen Dodd, MPW, MFA

Abdi Hariri was named Group Vice President, Global Operations in April of 2009. Prior to his current position, Mr. Hariri had been Group Vice President of the Customer Support Business Group since March 2007 and Vice President and General Manager of the Customer Support Business Group since August 2004. Mr. Hariri previously served as the General Manager of Lam Research Co., Ltd. (Japan) for approximately 18 months and has served in a number of different assignments with the Field Sales and Product Groups. His experience prior to his appointment in Japan included over 13 years at the company with various responsibilities, including global business development and engineering. Prior to his employment at Lam Research, Mr. Hariri served as a Process Engineer at Siliconix, Inc. He holds a Master's Degree in Chemical Engineering from Stanford University.



### How important is supply chain management to Lam Research's overall business strategy?

Lam Research was among the first equipment suppliers in the semiconductor industry to adopt a broad, multi-function outsourcing strategy. Initiated in early 2000, our plan targeted the outsourcing of support and "non-core" functional areas, which enabled us to focus on our differentiating core competencies. Today, manufacturing of many of our products is outsourced. As a function of this transition as well as changes in the market conditions, supply chain management has become a focus and core competency at Lam Research.

### What primary areas of focus (or key initiatives) should Lam Research be looking at for Supply Chain Management?

Our integrated approach to supply chain management - including suppliers, manufacturers, and logistics - keeps us focused on all areas. In the end, our objective is to continue to improve service levels while we deliver the highest quality products at the lowest cost of ownership for our customers.

While we strive to optimize each segment of the supply chain, in the end, an integrated view of the whole is very critical. For example, a low-cost manufacturing opportunity would be dismissed using an integrated approach upon learning there was no supply base or other necessary infrastructure. The lack of an adequate infrastructure could impact cycle time, freight costs, and taxes. In addition, legal compliance items, such as export control and IP control, weigh heavily in our decisions. While such an opportunity on its own shows promise, overall, it would lead to a net loss.

In addition to taking an integrated approach, we need to be flexible and be able to quickly adjust to the changing needs of the market and our customers. Since our supply chain is an integral part of our business, each component must also be highly adaptable.

For example, as product lifecycles shrink, time-to-market requirements become a more important focus area. As a supplier of semiconductor manufacturing equipment, we are often asked to provide customized solutions timed to meet the market demands of an industry challenged by short business cycles. This requires we evaluate our suppliers' abilities to respond to changing needs in a timely manner.

Another example is our response to the financial crisis that the world was facing during the second half of 2008 and 2009. We increased our focus on business continuity plans and, more specifically, on the long-term health of our supply chain.

### **How has outsourcing enabled Lam Research to be successful with these initiatives?**

Outsourcing has led us to regard our suppliers as an extension of Lam Research, and we work collaboratively and very closely with them. We have extended teams that work with suppliers on critical elements of their operation that impact our business. These include inventory management, cost reduction, quality, on-time delivery, solving very complex technical issues, time to market of new products, and business continuity plans.

### **How is Lam Research addressing the market's increasing focus on "green" supply chains and reducing a company's carbon footprint?**

We are designing products with higher productivity, where the output per square area is improving year over year. We are also using energy efficient components in our designs. Reducing the use of consumables and spare parts through lifetime extensions and alternative parts programs is another strategy we are implementing. By reducing waste and becoming "green," we also help our customers become more cost competitive.

### **What do you think the key supply chain management priority for the coming 2-3 years is for Lam Research?**

As we enter new markets and develop new products, we will be reviewing our infrastructure, processes, systems, and capabilities to optimize them for evolving business and customer needs.

### **What do you think the key Supply Chain Management priority for the coming 5-10 years is for Lam Research?**

As our customers, markets and products evolve, we need to develop better strategic decision support models to deal with a complex set of global issues impacting multiple organizations (internal and external to our company). Sourcing, manufacturing of new products, service locations, capacity planning, and distribution models will continue to play a larger role in our company's market share and profitability objectives.

### **What are the biggest INTERNAL challenges for manufacturers to achieve supply chain excellence?**

When a company is experiencing success, it is hard for employees to understand the need for change. Resistance to change can hinder efforts to position for the future, leaving a company vulnerable to becoming irrelevant. Vision and leadership are essential under such circumstances to effect the changes needed to position for continued success.

### **What are the biggest EXTERNAL challenges in achieving supply chain excellence?**

The biggest external challenges are predicting our customers' and market needs for the future so we can design our supply chain to respond to those needs and be differentiated.

### **What are the supply chain challenges to which Lam Research SHOULD be paying more attention?**

We should continue all of our ongoing activities that improve quality and reduce costs, lead times, and cycle times. The challenge is to proactively respond to future requirements so that we deliver the needed solutions timed with market demands. To understand these emerging needs, we focus on developing high-trust relationships with our customers and our suppliers.



## **Who is responsible for planning your company's business continuity when facing natural disasters, major disruptions or other geopolitical issues?**

Every organization within the company is responsible for having a business continuity plan. These plans are reviewed on an annual basis. Our Global Operations team plays a centralized role in ensuring the plans are documented, reviewed, and tested on a regular basis.

## **How do you grade Lam Research's overall supply chain performance in client satisfaction?**

Because we have a very close relationship with our customers, we receive direct feedback on key metrics such as on-time delivery, cost, and quality. We also use a number of internal metrics, for example, inventory turns, and benchmark ourselves in our industry. Based on these data, we do quite well in a number of key areas. However, we are always mindful that the bar is constantly being raised, and we continuously strive for improvement.

## **How do you prepare for the upturn now that the economy is showing improvements?**

Our industry is cyclical. We go through a cycle at least every 18-24 months, and sometimes the cycles are even shorter. In addition to internal planning, we work closely with our suppliers to give them the visibility they need to be prepared for our upcoming business needs.

## **When do the fuel cost / dollar exchange and / or geopolitical factors make insourcing a viable option?**

The decision whether to insource or outsource involves more than a simple assessment of fuel costs and the exchange rate. It includes consideration of the complex technology and processes of our business as well as what we believe to be our core competency. We use these factors and others to determine who can best do the job with the flexibility that our customers require.

## **What attracted you to supply chain management?**

I have always enjoyed solving business and technical problems. In my previous role as Vice President of Lam Research's Customer Support Business Group, I had high-level visibility into the areas of supply chain management that impacted achievement of our business goals. This insight enables me to have a broader perspective when approaching new and challenging problems in the supply chain.

## **What are the main skills and personal attributes that have helped you reach your current position?**

Because I have always challenged myself to keep learning, be versatile, and take risks, I have been fortunate to have had the opportunity to work in a number of different functional areas and levels of management.

## **What are your thoughts regarding globalization?**

Globalization is an ongoing growth opportunity for companies, provided they understand the challenges, set clear objectives, plan, and execute well.

## **What would you say is the most rewarding experience you've had in your career?**

Turnarounds and winning new markets can be very rewarding. I have been fortunate to have been part of Lam Research's turnaround as well as the company's business growth in Japan and customer service.

### **What have you learned as Group Vice President of Global Operations that has surprised you or changed the way you do business?**

While supply chain and operations are not highly technical areas, I have encountered unique business problems and opportunities that have challenged the organization to be very innovative.

### **Who do you rely on for advice?**

I work closely with my team, management, and colleagues. We are fortunate to have a seasoned management team that works well together and provides help or input whenever it is needed.

### **Turbulent times can be the best time to implement changes. However, companies tend to paralyze due to uncertainty in the market or their human capital. What is your advice to maximize the opportunities to implement changes during tough times?**

Turbulent times are opportunities to strengthen weak areas and/or refocus the organization in a new direction. This requires having a vision for the company following the turbulent times and a strategic plan for how to achieve that transition. To do so will require a lot of communication with employees around the need to change and what we will become once the change is complete. This will require risk-taking, which may not be easy for some people.

### **How important is it for leaders to actually work overseas?**

Every country and every culture provides a unique experience, which is difficult to come by unless you actually live there. Just getting the exposure to how various people think and how their perceptions, values, thought processes, and logic vary is an invaluable experience for anyone, especially in leadership. In global organizations, one of the issues of not having that perspective is people may tend to think and behave in a siloed manner, not really understanding the consequences of what they say or what they do to a broader set of people and organizations.

### **What are some of the differences between your experience overseas and your U.S. experience?**

The decision-making process varies significantly from country to country and in some cases from company to company. For example, in some of the Asian countries there is a lot more consensus building that goes into a decision-making process, and things may tend to take longer and may come across as being slow. But what happens is that you have a decision that is bought into by more of the people and supported more broadly. That's the good part of it. The bad part could be that it may take longer to make a decision.

On the contrary, in many western companies you have situations where decisions can be made by individuals and then cascaded down to other people in the organization to execute. We may not spend enough time building consensus and getting proper feedback.

### **In working with multi-national teams, how do you mesh a standard set of best practices while accommodating different cultures?**

The important thing is to be focused on the end results. What a customer wants, regardless of regional location, is a product that works, at the lowest cost of ownership, delivered on time, with the highest quality, and properly supported. We have key performance indicators (KPIs) and performance metrics with which we measure ourselves globally.



From an internal perspective, we measure by answering these questions:

1. Are we increasing our customer trust?
2. Are we increasing our market share?
3. Are we generating the right return on our products and services to finance the next-generation solutions?

It's important to have the end success criteria in mind. Then it's really about the process of how you go from where you are to where you need to be. The approach that works in the U.S. is not necessarily going to work in another country. This is when you have to customize your approach to the cultures with which you are dealing. It's really important to set global KPIs and not lose sight of the end business results that you are after.

## How do you manage multinational teams effectively?

One of the things that Lam Research has done fairly successfully is to proliferate our vision objectives, core values and governance systems. We use global standard KPIs to measure business results and success. As long as you have that as the framework, you can have objective and open discussion focused on business results.

Cultural training and sensitivity play a key role in increasing mutual understanding of how things are done a certain way in each country and bring a common understanding between different cultures.

## What are the most important steps to keep a global team motivated and effective across various time zones?

We set what we call stretch targets every year, and we work very hard under what we call the core values of the corporation to achieve those objectives. As a whole, I think what keeps people motivated is being successful.

## How do you improve employee morale in a downturn?

Considering the environment that we are in, this is a challenge for any company. We were facing a similar challenge over a year ago ourselves. I think it is important to be honest and open with your employees about the reality of the business and where it is. Having a vision for what things could be like after the downturn is also going to be very important. We look at downturns as great opportunities to position the company to become stronger when the upturn comes. The key is understanding what the business environment will look like after the downturn and how to position the company to be stronger. When you are in a downturn, it is critical to get your people and resources focused on the few things that are relevant to ensuring the success of your corporation after the downturn ends.

## What should newcomers in the supply chain industry know in regards to working overseas?

Things in our industry are changing constantly, so whatever you know today, there is a very good chance it will become obsolete tomorrow. You have to keep yourself up to speed on the latest developments and trends and be really hungry for learning and improvement.

It is very important to think about the impact on your customers in everything you do. Always think about the needs of the customer first and foremost. Think about the fact that it is a global industry, and people have different views. We have to be open to cultural traditions and understand why people do some things and think a certain way while staying focused on the end result.

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# Interview with Linda Cantwell, Vice President, Client Services Procurement at IBM

By Nancy Ellen Dodd, MPW, MFA

Linda Cantwell's career spans 28 years at IBM where she has had a strong focus in supply chain management, with a specialty in Procurement across all disciplines. She has been in leadership roles throughout her career, having joined IBM management in 1986 and executive management in 1998. She has held key roles driving business and organizational transformation as IBM evolved from a hardware-based business to services leadership. She drove business changes allowing the transformation of procurement teams and policies to bring expertise and leverage to IBM's Global Services business. Linda also leads the Talent Team for Integrated Supply Chain, applying her passion for personnel development to the need for rapid skills transformation to build stronger cross-functional supply chain professionals with expertise in delivering client solutions. She is a frequent IBM speaker at external conferences and an executive advocate in IBM's partnerships with global universities.



## How important is supply chain management to IBM's overall business strategy?

The Integrated Supply Chain (ISC) is an integral part of the IBM's overall business strategy. The ISC continues to consistently perform well and contribute to IBM's overall profitability. We lead by delivering sustainable results, real client value and global optimization. We believe that smarter innovations set us apart from our competitors and help increase sustainability throughout the supply chain for both IBM and its clients.

## What are IBM's primary Supply Chain Management focus areas?

Our strategic priorities are client and shareholder value and operational excellence. These priorities serve as guide posts to help us maintain and extend IBM's competitive advantage, increase our market share, boost client satisfaction, and help us adapt to dramatic changes in the marketplace. For example, our aim is to:

- Lead the industry in client satisfaction by driving client success, which helps create client loyalty which drives client value for IBM.
- Continue to place laser focus on enhancing shareholder value and continually fine tune what we believe is currently one of the world's most efficient and agile business models. We are convinced that in today's terms, our success is measured in part by our ability to deliver value to our customers and in turn develop significant shareholder value. The ISC is at the forefront of IBM's efforts to achieve its overall business commitments to all its constituencies, employees, business partners, clients and shareholders.
- Excel through a high-performance global culture that is open and highly networked, which helps us in our efforts to be the world's premier globally-integrated enterprise. Executing this vision has allowed our strategy, management and operations to be shaped primarily by the needs of the overall business as opposed to individual locations or business units. It has allowed us to eliminate a number of operational redundancies, and to structure organizations to ensure we have the right skills, in the right place, at the right time, at the right costs.

## How has outsourcing enabled IBM's success with these initiatives?

IBM has been very vocal about its strategy. Central to the IBM vision is to deliver value to clients. We are convinced that the best way to do that is to focus on our core capabilities, things that we do best, and



outsourcing other areas as required. Given the appropriate situation, outsourcing, mergers, acquisitions, and divestitures are all effective tools to help us focus on core IBM supply chain operational competencies. Outsourcing has long been an important part of our overall strategy. The most recent example was the outsourcing of our global logistics operation. IBM evaluates its operations on a regular basis with the intent to continually consider and implement various innovative approaches that allow us to deliver the best possible value to clients.

## How important are the Contract Manufacturers (CMs) to IBM's overall strategy?

Contract Manufacturers are a key part of IBM's hardware procurement strategy. Over time, the role of the CM has evolved from a simple PCBA assembler, to a system integrator, to a design partner and, at times, a direct fulfillment provider. As the partnership evolves, it becomes increasingly important to identify the required skills and build strong partnerships beyond the traditional buyer / seller relationship. Engineering, test and supply chain skills are becoming critical differentiators.

## What are some of the key factors that ensure a successful CM relationship?

Successful relationships require a commitment from both parties to invest, evolve to meet changing business needs, and continue to drive competitiveness and efficiency across the product set. Successful contract manufacturers must be willing to grow their skills as the line between IBM and CMs merge. In our successful relationships with key CM partners, IBM employees work side by side with engineers and other professionals to decrease time to market and drive cost out of new products before they are announced. These relationships are critical for continued success in a highly competitive market.

## How important is trust in the IBM/CMs relationships?

Obviously, trust is paramount in the relationship. When the industry experiences supply or material cost challenges, it is important to work across enterprises to continue to drive value to IBM's customer base. Trust and communication between IBM and the CM allow the teams to focus on execution.

## What are the supply chain challenges of which IBM should be paying more attention?

Historically IBM's position is to transform our challenges into opportunities. This goes hand-in-hand with our external challenges.

- IBM has always been recognized as a leader in environmental affairs. Realizing that exponential population growth will have a monumental impact on resources, we continue to pay more attention to our sustainability efforts.
- Our supply chain and corporate responsibility strategy incorporates key initiatives targeting environmental compliance, supply chain social responsibility and green initiatives.
- Our professionals worldwide work hand-in-hand with product development to design, manufacture and deliver products that not only meet governmental requirements, but also voluntary objectives set by IBM.
- Through our actions we have learned that doing good earns great returns which differentiates us in the market place and delivers sustainable growth.

## What do you expect to be the most important priority for the IBM Supply Chain during the next 2-3 years?

In line with a major corporate initiative, one of the most important overall priorities is to become a smarter supply chain -- more instrumented, interconnected and intelligent. Specific focus areas include:

- Cost Containment is a traditional area of strength where rapid, unrelenting change has been a disruptive force that is stripping the supply chain executive's ability to adapt. It will be important that we continue to look for smarter ways to run our operations, to do more with less while delivering even greater value to clients.
- Customer Intimacy is getting to know our customers as well or better than we know ourselves. Today, most companies are better connected to their suppliers than to their customers. In the years ahead, we will continue to work closely with customers to ensure that we understand their business issues and offer real solutions designed to help them grow revenue and win in their respective markets.
- Visibility is how we are being flooded with more information than ever before, supply chain executives still struggle to "see" and act on the right information.
- Risk Management continues to be a major challenge for senior supply chain and other executives. Risk must be managed systematically.

Contrary to initial rationale, globalization has proven to be more about revenue growth than cost savings. IBM will continue to leverage global opportunities, build future capabilities and transform economies that help us and our clients meet inevitable challenges we will face during the next 3-5 years.

## What are the key Supply Chain Management priorities for the coming 5-10 years?

The current set of priorities we have identified should really be viewed as both short and long term. While we anticipate making significant progress on these priorities, the reality is there is much work to do.

## How is IBM addressing the market's increasing focus on 'green' supply chains and reducing a company's carbon footprint?

IBM's efforts to protect the environment go back nearly 40 years, long before many of the regulatory requirements in this area. Our first formal environmental and energy corporate policies were established in 1971 and 1974 respectively, and programs supporting them have been embedded within the company's corporate wide environmental programs and global environmental management system since then. We have comprehensive and multifaceted programs focused on energy efficiency and climate protection. They include:

- Reducing greenhouse gas emissions associated with the company's operations by:
  - Conserving energy
  - Reducing perfluorocompound (PFC) emissions
  - Procuring and fostering renewable energy
  - Supporting alternate employee commute options
  - Increasing the efficiency of the company's logistics
- Developing energy efficient products and providing diverse solutions for energy efficient data centers
- Collaborating with its clients and others on innovations that help protect the world's climate

Between 1990 and 2008, IBM saved 4.9 billion kWh of electricity consumption, avoided nearly 3.3 million metric tons of CO2 emissions (equal to 48 percent of the company's 1990 global CO2 emissions) and saved over \$343 million through its annual energy conservation actions.

In addition, IBM is committed to doing business with environmentally responsible suppliers. As part of its global environmental management system, the company conducts environmental evaluations of a

relevant subset of its suppliers, including all of its hazardous waste services suppliers, certain production-related suppliers and all of its product recycling and disposal suppliers. To address concerns about recycling in the extended supply chain, the company also evaluates certain subcontractors its suppliers may use to handle recycling or disposal operations.

The company remains committed to environmental leadership in all of its business activities, from its operations to the design of products and its use of technology.

## How do you grade IBM's supply chain overall performance in client satisfaction?

Obviously, client satisfaction is of utmost importance to IBM, and overall results from our customer feedback programs show very strong IBM performance year-to-year. However, when it comes to serving customers, there's always more that can be done so we continually look for areas where we can improve. One such area is Ease of Doing Business. We didn't see the progress we wanted, so that has become a focus area for us. An area where we exceeded expectations was in client delivery experience, something we achieved while executing a major transformation of our delivery processes.

## Who is responsible for planning your company's business continuity when facing natural disasters, major disruptions or other geopolitical issues?

IBM has a Crisis Management Team that sets policy and provides direction to all IBM business units. The Emergency Planning program is intended to provide procedures that aid in the protection of people, property, and the environment in the event of an emergency. Every IBM location has an Emergency Plan that reflects local needs and conditions. The Senior Location Executive (SLE) has the responsibility to develop, maintain and implement the plan, with support from the local security organizations.

## What are the biggest INTERNAL challenges for manufacturers to achieve supply chain excellence?

One of the biggest challenges is trying to manage multiple manufacturing strategies based on product type (build to plan, build to order, hybrid systems, etc.). There's also the challenge of product complexity, multiple product options, demand & supply variables, constraint management, capacity optimization, unique customer requirements and managing across widespread global operations. These challenges, and others not mentioned, preclude any thoughts of a "one-size-fits-all" supply chain. Not only must today's supply chain be integrated, but it must be flexible.

A flexible supply chain system allows you to react and adjust to ever-changing scenarios. It enables a management system that allows constant communication and process feedback between decision makers and stakeholders, and enables the extensive use of IT tools to process information for decision support and execution.

Among the ways IBM leverages its flexible supply change include tactically shifting production across all geographies to meet demand and to optimize available component inventory and manufacturing capacity, strategic involvement of business partners in product development, and by working to reduce product complexity throughout the product life-cycle management.

## What are the biggest EXTERNAL challenges in achieving supply chain excellence?

The answer to this question is pretty consistent with the previous question on what our priorities are going to be for the next 2-3 years. We have identified several key challenges (Cost Containment, Supply Chain Visibility, Risk Management, Customer Intimacy, and Globalization) and made them our priority for the next few years.



**Are most companies moving to a more integrated supply chain or do you find that many companies are still siloed?**

I think IBM tends to be ahead of many in terms of how extensive we view supply chain as a discipline. We really look across the business spectrum to our customers on one side and our suppliers on the other side. The integrated supply chain in IBM has touch points all the way through that process. A lot of companies, and also some universities, tend to look at supply chain in a more traditional sense as it relates to manufacturing and products and warehouses and logistics, where we essentially take the view that any solution that we provide to our external clients enters our end-to-end supply chain. More and more services and full-scale solutions are part of what we must provide to our clients and essentially what differentiates IBM.

**Over the last few years what have you learned that has surprised you or changed the way you do business?**

What has been reinforced to me out of the last two years' experience is that often culture change associated with the transformation you are trying to drive is the toughest part. We have a lot of very smart, very independent-minded, somewhat siloed approaches to how we do our business at IBM. In end-to-end business process transformation we often have to ask people to step back, shift gears, and change the way they do things for the greater good. So, if you have a set of cross-functional players that really need to be part of the success, it's better to involve them early and make them part of the process if you can. I think that helps to mitigate some of that natural resistance to change.

**During this economic downturn, how do you keep your organization motivated?**

Employee morale is always a top priority for IBM. Talented, highly motivated employees help drive a successful, high-performance culture like IBM's. However, I do believe it's important that we become even more vigilant during economic downturns.

As I'm sure you are aware, keeping employees motivated is a real challenge at any time. Employees differ in what motivates them to their highest levels of performance. It is important that managers know their individual employees well enough to understand what motivates them and the kind of support they need to be successful. It takes open communications, and sometimes specialized training for management and non-management employees to maintain effective levels of motivation. IBM has a number of initiatives and education programs in place that help our efforts.

**Turbulent times can be the best times to implement changes, but sometimes companies get paralyzed when there's uncertainty in the market. What is your advice to maximize the opportunities to implement changes during tough times?**

You really have to recognize that business events are truly cyclical. Number one, you're going to come out of it; and number two, you're going to see another one. To some extent, it's both recognizing that you can't freeze everything, certain so-called discretionary activities need to be maintained; and you need to keep investing a little bit during the period of a downturn. Further, to really recognize that we as a supply chain have the opportunity to exploit what's going on, so how can we get our internal clients working with us, brainstorming with us as to how we make the best out of a bad situation. And finally, make sure that you are pulling the levers that are now available to you because of the business climate.

**What attracted you to supply chain management?**

For me the attraction to supply chain management, and in particular the procurement discipline inside supply chain, is the feeling that the business that I drive has a high visible impact on overall business results. Inside IBM, in particular since we created what we call our integrated supply chain organization, a number of years ago, we have been a visible seat at the table in terms of senior management recognition of

the power of supply chain. There is an appreciation for the results that the supply chain brings to the business quarter after quarter. The other thing I like about this discipline is that it is always evolving. As things change in the marketplace, the products and the services that we offer to our clients continue to evolve, get more sophisticated and grow more global. It's essential that you are proactive and have a road map for where you think the next couple of years are going, or you'll be left on the sidelines as irrelevant. To me, that's exciting.

### **What does it take to build the kind of career you have had?**

When the services business started to grow at a rapid pace in IBM, I saw that, from a procurement perspective, we weren't yet in the position where our procurement leaders were ready to support the services business. We were really good at supporting the hardware business, we'd grown up that way, but services was a different discipline, a different set of players. If we could not run as fast as our services colleagues and bring supply chain skills to the table, they were going to do what they needed to do without us. Rather than being scared by that, I saw that as an opportunity to really be somewhat self critical of ourselves in procurement, and adapt ourselves for this new set of opportunities. I've been confident and willing to take those kinds of risks, and it's been rewarding from a career perspective. Certainly the privileges that I've had of leading very skilled teams and of growing the careers of the people who've worked for me have been really rewarding.

### **Is there an experience you feel has been especially rewarding in your career?**

In the last two years, I've had the opportunity to drive a set of hardware and services transformation plays. We asked our hardware colleagues to make sure that the level of complexity is something that the customers appreciate. Complexity is okay as long as the customer finds value in it. What we found is that we were sometimes driving a level of complexity that was not valued by our clients. By focusing on that improvement opportunity, together the supply chain team as well as the hardware brand leaders were able to eliminate a level of complexity and therefore speed up and also simplify our end-to-end processes.

### **You have relationships with universities and curriculum development. Why is this important to you?**

One of the things that I've enjoyed about my supply chain career is the opportunity to work with university partners. I want to make sure that we are promoting how exciting supply chain management is as a career. In some cases curriculum might still be looking at supply chain in its traditional sense and perhaps that's more dry and less interesting to some. Essentially, all of the business solutions and services, as well as traditional product manufacturing, can be enhanced with supply chain disciplines. Supply chain careers are so multi-faceted and so fast-paced that young people getting their under-grad or graduate degree have so much potential for a diversity of experiences in selecting supply chain management as a profession. I like to continually remind people to not overlook supply chain management in the business school curriculums and to recognize how much we've grown and how significant supply chain is to the enterprise's success.

### **How do you balance your personal life with your work life?**

As I get more mature in my career, I get better at that balance, although it depends on the roles that I've played. I've allowed some roles to be more demanding of my personal time. For example, the closer I am in my role to the IBM client, the more pressure there is to make sure that you're dropping everything to satisfy a client need. The flip side is knowing when certain things are pressing and important, but not necessarily worthy of dropping everything. It's important to keep in mind that one's personal happiness makes you a happier employee as well. One of the things that helps is the ease of technology connectivity, which can sometimes be a curse, but I've tried to use it for my advantage. For example, in the summertime if I'm going to be somewhere for the weekend, maybe Friday afternoon I'll drive there at lunch time. I still do calls and email in the afternoon, but I feel like I've started my weekend. It's sort of a pick-me-up, but it's no less effective- I'm sitting there getting my work done. I think it's important to find those types of balancing tactics.



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*Director, Supply Chain, Infinera Corporation, a digital optical communications company*

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## Interview with Matthew Costello, Corporate Vice President, Global Operations for Sony Ericsson

Matthew Costello is Corporate Vice President, Global Operations for Sony Ericsson Mobile Communications, a global leading provider of mobile handsets, accessories and content and services. In this capacity, Matthew reports to Sony Ericsson's CEO and sits on the company's Executive Committee. Prior to serving as Global Operations Head, Matthew served as Sony Ericsson's Chief Procurement Officer and Head of Corporate Strategy, Transformation and Restructuring.

Matthew joined Sony Ericsson in early 2007 as Senior Vice President, Transformation and Programmes, having served as an external consultant in leading the redesign and implementation of Sony Ericsson's global Supply Chain and Sourcing organization and capability. This development initiative helped to earn Sony Ericsson a spot on Advanced Manufacturing Research's prestigious Global "Top 25 Best Supply Chains" for 2008 and 2009.



Prior to joining Sony Ericsson in 2007, Matthew served as Vice-President, Global Supply Chain for BearingPoint, Inc, a NYSE listed leading global management and technology consultancy. Matthew joined BearingPoint from Andersen in 2002 upon its collapse. During the course of his consultancy career, Matthew specialized in Supply Chain and Operational transformation and restructuring projects, leading the definition of new strategies and linking these to processes, tools, systems and people to enable concepts to become reality. Matthew focused on retail and fast moving consumer goods for several years prior to transitioning to high-tech related operational transformations in early 2000.

Prior to joining Andersen, Matthew received a Bachelors with High Honors in Economics and Government from Duquesne University and a Diploma in International Economics from Katholieke Universiteit Leuven, Belgium. Matthew has three children, a Swedish wife and resides in Stockholm with offices in London.

### How important is supply chain management to Sony Ericsson's overall business strategy?

Supply Chain/Operations is one of the four cornerstones of the overall company strategy.

### What primary areas of focus (or key initiatives) should Sony Ericsson be looking at for Supply Chain Management?

Sony Ericsson has developed, according to AMR, into one of the top 25 global supply chains globally, over the past 4 years. This success has been based upon a number of key factors:

- A fully integrated, end to end planning setup
- A tightly integrated process for managing product development across all product phases
- A robust build to order manufacturing model
- A balanced internal and external asset approach (in manufacturing)
- A leading approach to sustainability
- CSR and a global way of integrating suppliers into the value chain

The next step in our development focuses upon improving lead times and flexibility to our customers around the globe while managing risks along the entire supply chain, creating more "clustered" capabilities within our supply chain to take more advantage of scale. Further, we will take our integrated approach to development to the next level focused upon more advanced planning while limiting risks across the value chain.

## How has outsourcing enabled Sony Ericsson to be successful with these initiatives?

We have a balanced approach to outsourcing - we have clearly articulated the role that outsourcing partners play in all aspects of our value chain and build internal capabilities and, simultaneously, capabilities to effectively manage our "outsourced" partners along the lines of this strategy. In this sense, any partner - EMS; ODM, component supplier, logistics provider - is always a fully integrated component of our overall strategy and approach.

## How is Sony Ericsson addressing the market's increasing focus on 'green' supply chains and reducing a company's carbon footprint?

Sony Ericsson is widely recognized as a leader in sustainability and has been working with CSR and carbon emissions policies for several years. We imbed Sustainability considerations in every aspect of our decision making framework - hence, we have extended our QCD framework (Quality, Cost and Delivery) to include sustainability to form QCDS.

Over the past few years, we have extended our sustainability capability set into a line of products known as GreenHeart. We are constantly working to reduce our carbon footprint and are now working on a forward configuration approach that will enable us to reduce our reliance on air based transports.

## What is the key Supply Chain Management priority for the coming 2-3 years for Sony Ericsson?

Our supply chain is reliable and very cash efficient. Our next step is to evolve our supply chain to a model which maintains our risk profile while enabling reductions in lead times to customers while increasing our offered "flexibility" within the frozen horizon.

## What is the key Supply Chain Management priority for the coming 5-10 years for Sony Ericsson?

Our industry is extraordinarily dynamic and hence, our planning cycle is 3 years. I would suggest, however, that our internal and our partners' reliance upon Asia - and China more specifically - will need to be carefully monitored going forward. Hence, our footprint is our priority on a 5 year basis.

## What are the biggest INTERNAL challenges for manufacturers to achieve supply chain excellence?

In a highly volatile, exceptionally high volume consumer industry such as mobile phones, there are two predominant internal challenges - forecasting effectively and ensuring quality in all dimensions.

## What are the biggest EXTERNAL challenges in achieving supply chain excellence?

Market volatility is an internal and external threat. As such, securing flexibility at the right cost given our Asia operational footprint is our largest challenge. Several operational challenges also exist, given forecasting considerations, to increase flexibility while managing risk.

## What are the supply chain challenges to which Sony Ericsson SHOULD be paying more attention?

Our current supply chain challenges include short term flexibility and shortened lead times given market dynamics.

## Who is responsible for planning your company's business continuity when facing natural disasters, major disruptions or other geopolitical issues?

Our Corporate Operations department is responsible for planning our response to natural disasters, major disruptions and geopolitical issues.

## How do you grade Sony Ericsson's supply chain overall performance in client satisfaction?

We are a leader in satisfying Operator-customers. We are slightly less competitive in distributor oriented markets.

## During this economic downturn, how do you keep your entire organization motivated?

Great question. We have conducted significant organizational restructuring on a global basis and have faced difficult times internally. Ultimately, our staff realizes that the consumer dynamic and technical complexity makes this a truly unique and intriguing industry. On top of this, we have attempted to ensure continuous forward development of our supply chain to motivate our colleagues.

## What are the key factors to ensure a successful Contract Manufacturer (CM) relationship?

It is extremely important to drive relations with EMS in the same fashion as we work with internal factories. We drive process development in the same way towards internal and external partners. We do not treat CM partners at "arms length."

## How important is trust in the Sony Ericsson/ CM relationships?

Trust in our CM's is critical to our company.

## How do you prepare for the upturn now that the economy is showing improvement?

We are extending our risk profile on a product / customer / market basis to prepare for potential upside requests.

## When do the fuel cost / dollar exchange and / or geopolitical factors make insourcing a viable option?

This balance is a constant on our agenda.

## What are your thoughts regarding globalization?

Our industry is extraordinarily global in setup and reach. Hence, it is a prerequisite in both our footprint, resource base and mindset. We have operations centers in California, Atlanta, Sao Paulo, Sweden, Munich, Beijing, Taipei and Tokyo.

## What attracted you to supply chain management?

I was attracted to supply chain management because Operations is "strategic", "analytical" and "hands on" all at the same time. It also interfaces with every aspect of the Sony Ericsson ecosystem. It is an ideal and fascinating role and journey.

## What are the main skills and personal attributes that have helped you reach your current position?

Having "grown up" in consulting, I learned solid analytics; relation-building and thorough execution combined with keen "people" understanding and team building. These attributes - combined with a high integrity in my views and actions - have served me well.

## What would you say is the most rewarding experience you've had in your career?

When I first joined Sony Ericsson, I was positioned in a role of "Corporate Transformation." After almost 15 years in consulting, I expected it to be easier to implement "change" as an internal resource. What I



realized is that change is extraordinarily challenging no matter the context and, hence, it is the power of the ideas and tenacity in the approach which makes the difference.

**What have you learned as Corporate Vice President, Global Operations that has surprised you or changed the way you do business?**

The power of long term relations is absolutely fundamental in designing and managing global operations capabilities.

**Who do you rely on for advice?**

I have several mentors with senior executive experience that I frequently seek for counsel and advice.

**How do you balance your work life with your personal life?**

The true challenge in my life. I have an extraordinary and understanding wife.

**Turbulent times can be the best time to implement changes. However, companies tend to paralyze due to uncertainty in the market or their human capital. What is your advice to maximize the opportunities to implement changes during tough times?**

I thrive in it. My consulting background and the issues we have faced over the last 2 years in Sony Ericsson have allowed me to understand that challenging times bring unique opportunities to change and develop rapidly both in terms of capability and cultural transformation.

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## Interview with Gerry Smith, SVP, Global Supply Chain, Lenovo

Gerry Smith is Senior Vice President, Global Supply Chain at Lenovo, currently the fastest growing major PC company in the world. Gerry joined Lenovo in 2006 and is responsible for end-to-end supply chain management encompassing order management, supply planning, procurement, manufacturing, logistics and fulfillment operations. Gerry was recently named Supply Chain Executive of the Year at the SCM Logistics World 2009 conference, and Lenovo won the 2009 Supply Chain Excellence award recognizing innovation and superior execution in supply chain management.



Before joining Lenovo, Gerry held a number of leadership roles at Dell, including Vice President and General Manager of Notebook Development, of Peripherals Development and of the Display Line of Business. He holds a Bachelor's degree in Finance and Marketing from Pacific Lutheran University.

Lenovo is dedicated to building exceptionally engineered personal computers and mobile Internet devices. Formed by Lenovo Group's acquisition of the former IBM Personal Computing Division, the company develops, manufactures and markets reliable, high-quality, secure and easy-to-use technology products and services worldwide. These include the award-winning ThinkPad line of notebook PCs and the company's Idea-branded consumer PC products. Lenovo has major research centers in Yamato, Japan; Beijing, Shanghai and Shenzhen, China; and Raleigh, North Carolina.

### **It's been five years since the Lenovo acquisition announcement of IBM's PC business. What has changed in the supply chain?**

With the acquisition in 2005, Lenovo jumped overnight from being the world's ninth largest PC company to the third largest. Along with that came the challenge of integrating two sizable supply chains, which had different target markets and were operating separately.

When I joined Lenovo in 2006 I pushed to have one consolidated supply chain. There was a lot of confusion - from Procurement to Manufacturing to Logistics - because we lacked a singular, common purpose. Operations needed to be stabilized first, and then the work began to bring the supply chains together, efficiently and consistently.

### **What parts of the organization did you focus on first?**

We had to immediately improve execution, and needed the right set of key performance indicators (KPIs). When I first started, the supply chain had over 125 KPIs. We knew what we had to do, but we couldn't get there quickly with so many targets. It was almost impossible for anyone on an individual basis to see the end-to-end picture.

So we narrowed down this long list of priorities to four main KPIs: cost, on-time delivery, cash conversion and quality. These KPIs are focused, they are counterbalancing, and we think they are the right ones. We energized the teams around these KPIs by standardizing everything, defining roles and responsibilities, developing consistent processes, and driving efficiencies using Lean Six Sigma methodologies.

We instituted a very disciplined business management system to monitor and measure these KPIs. Keeping a pulse on performance requires a daily commitment to execute, as well as frequent reviews by executive management. A strong management system also provides the team with support when challenges arise and decisions need to be made quickly.

Finally, we put the right talent in place to focus on key initiatives. These changes have enabled us to make tremendous progress.



## Did the company support this plan?

We aligned our Global Supply Chain (GSC) strategy with our corporate strategy. Lenovo has a very straightforward strategy - we call it Protect and Attack. Protect our key markets - this is China and our mature "Think" business with our corporate accounts. Attack our emerging, transactional markets and build a presence in the home/small business (SMB) segments across that space.

It's been a very successful strategy for Lenovo - and as the business expands we are seeing a lot of growth from the transactional market segment.

This two-pronged business strategy, established in early 2009 by our CEO, Yuanqing Yang, also required alignment of the supply chain to the customers in each market. To do this, we focused on tailoring our supply chain operations to customer needs, closely managing supplier risk caused by volatile market conditions last year.

We organized our supply chain team to maintain centralization of critical global functions, such as procurement, manufacturing and logistics - to drive best practices while aligning the customer support functions to the emerging and mature markets. This organizational change better positioned us to aggressively drive cost reductions and improve delivery to our customers.

## How were you able to modify your approach, especially during the economic downturn?

In a recession, business realignment must be done quickly, as the speed of change becomes more important than ever. We redeployed the organization to drive a dual supply chain model based on the different needs of each customer segment - a "Responsive" model for relationship customers, and an "Efficient" model for our transactional customers. Our supply chains are now customer driven rather than a one-size-fits-all model.

For the Responsive supply chain, if a global customer needs a specialized solution, there's a variety of things we will offer above and beyond the norm to customize the product. Our Efficient model offers a different level of deliverables tailored for the transactional SMB market. These systems are built to plan and shipped via ocean to deliver a very low cost and predictable solution.

We resourced each model differently, and put different cost structures in place. We aligned our front-end fulfillment organization and back-end procurement teams top to bottom in this structure, and aligned with our Think and Idea business units as well. The supply chains run separately but are connected across common areas of procurement, manufacturing and logistics where we can leverage economies of scale and run them together efficiently.

Introducing the dual supply chains tailored to the market has helped us tremendously to weather the downturn as we now have a very customer-centric model.

## How did customer demand change during the recession?

Even in a global recession, customer spending doesn't stop. But habits do change. Companies need to cut costs and focus on their core businesses during these times, and often will compromise on PC features to save money, for example.

The customer value proposition is at the heart of Lenovo's approach to supply chain design. We reevaluated all of our product offerings, processes and end-to-end costs. Product development and procurement teams took a closer look at product design and parts sourcing to determine what tradeoffs could be made to meet the new benchmark for customer value.

Repositioning our supply chain really helped us meet these demand changes. Lenovo's new structure better enables us to anticipate and serve the needs of customers around the world.

### **How were you able to manage risk on the supply side?**

Like most companies, weathering the recession required that we have a deeper focus on our supply base in all parts of the world. Volatility forced us to develop new practices to manage supplier risk.

We enhanced our supplier development reviews focusing on first, second and third tier suppliers. The focus was not only on suppliers of highly specialized or high volume components, but also on vendors that make basic, yet essential, parts. Losing either could have resulted in supply chain disruption.

We've solidified a number of long term agreements. Those have paid great dividends - in the tough times we took care of each other, and as the markets recovered they helped Lenovo ensure we had continuity of supply.

Moving forward, strong collaboration with our suppliers will provide greater visibility within the end-to-end supply chain and increase our responsiveness to changing market conditions. These relationships are our lifeblood for success.

### **How important is contract manufacturing for your business?**

We continue to maintain a mix of company-owned and outsourced manufacturing. We regularly assess our global manufacturing network to ensure it's fully optimized for our size and scale in the industry, and designed to best meet Lenovo's tactical and strategic needs for our customers.

We look at three areas in our manufacturing sourcing decisions: cycle time, cost per box, and the delivery commitment to the customer. This model offers us a lot of scale and flexibility. We will typically manufacture more complex products in house. Less complex products - such as netbooks, consumer PCs and others - are often manufactured externally. Our partnerships with ODMs are driven by cost and capacity, especially as we've moved to more direct-ship methods.

Our partners do a great job on certain types of products, but our internal manufacturing is optimized for responsive, higher-service type requirements. This balance of manufacturing sourcing has worked very well for us.

### **How do you grade Lenovo's supply chain overall performance in client satisfaction?**

We're currently ranked first in notebook PC delivery and customer satisfaction according to market research firm TBR. This is a huge accomplishment and one of my proudest moments in this job. We are on par and surpassing Dell and HP in some areas. Four years ago we were not even close.

Going forward, the question is how do we separate ourselves from the competition? The good news is we're seeing companies copying our supply chain strategy, which we take as a form of flattery. We have the leadership in place, the end-to-end vision and the ability to scale above and beyond the other market players. It's just a matter of executing to our strategy now, working with our supply base and listening to our customers.

### **You mentioned on-time delivery as a key performance indicator.**

It's incredibly important. We expanded the idea of delivery performance to represent overall "serviceability." This is defined in two key areas: reliability and speed. Reliability is shipping product to the first date committed to customers. Speed is related to order-to-delivery cycle time. Lenovo conducted customer surveys, and found these are the two most important requirements.

We've had dramatic improvement in materials management, putting inventory (DOI) buffers in place across all commodities, upgrading and training our procurement talent, improving our supply demand forecast, and implementing value stream mapping. In order to further improve on-time delivery, we were able to cut out 30 hours of manufacturing cycle time internally and we required the same from our external partners. In addition, a lot of improvements were made in our logistics network, ensuring consistency and efficiency across the end-to-end supply chain.

### What are your biggest external challenges?

Component supply is incredibly constrained right now. The rise of multimedia products - mobile phones and other consumer electronics - is siphoning off demand for memory, displays and other components. With tight availability, prices increase, lead times extend and delivery dates get pushed. In addition, logistics capacity is tight. Fuel costs have gone up considerably in the last year.

Our global supply chain has really effective business management systems to ensure supply continuity and logistics control. As I said before, we have great relationships with our suppliers, and we're managing component constraints through long term agreements, buy-aheads, and inventory management. On the logistics side, we have the flexibility to vary our mode of transportation, and we're doing more and more ocean shipping. Ocean freight is obviously more cost efficient and environmentally friendly, and we're conditioning our sales teams and customers to increase its use. We've got a very dynamic logistics network, and we're able to leverage ocean shipments while maintaining on-time delivery commitments to customers.

### Sounds like visibility is critical.

The fastest way to fail is not having clarity and visibility to data or a problem. If I know something is going to break and I know it immediately, I can marshal my team to respond, react, and drive change. If we get it 30 days later or 60 days later, we fall behind the competition.

The key, for me, is having the architecture and backbone: if I can see the data immediately, I can respond. And if I can respond quicker than my competitor to lock up supply, I can potentially turn a problem into an advantage. We have spent a great deal of time on business transformation to ensure our systems deliver transparency and instant access to our supplier and customer data.

We use Lean Six Sigma (LSS) and instill a culture of continuous improvement. We've seen dramatic improvements in manufacturing and logistics cycle time, cost per box and scalability using LSS.

Lean Six Sigma helped us improve our supply chain core processes by 30 percent last year. We closed over 400 projects not just in GSC, but across the company. We hold quarterly reviews to track our progress. We want to make sure LSS doesn't become a bureaucratic "check-the-box" type training, so we are careful to have finance do the auditing. It's driving a culture of continuous improvement.

### What kinds of traits do a CPO or Supply Chain executive need to drive change in an organization?

Leaders in this industry must develop a global mindset - and by this I don't mean learning how to run an international organization, or understanding multiple languages or working with suppliers in different countries. A global mindset means developing an entire approach toward problem solving, information processing, managing people, seeking compromise, bringing teams together, building relationships with suppliers, and running an organization in a borderless economic environment.

The global mindset also helps with demand planning and market sensing capabilities - these are key competencies.

People need to be flexible and adaptable, to recognize the need for change both personally as well as



organizationally. If you don't change you fail, and Lenovo's gone through a lot of change in the past few years. We laid the foundation in the last two to three years, and we're seeing the results of that now.

### **You're an American working in Singapore. How tough was that transition?**

I've worked here now for about six years. I was the last person you would have thought would make an overseas move. My wife and I have four children, and back in the U.S., we were deeply embedded in the community where we lived. I was active in our church, and I was always running around to soccer practices and other family activities. No one would have predicted that I would be an expat someday.

But moving to Singapore was without a doubt the best thing I've done for my career. Living in a different country changes who you are. It has helped me to be so much more aware of different points of view and different ways to approach a problem. It helps you avoid "groupthink" and it broadens your experiences. I encourage all my high-potentials to take an international assignment, and I've built my team with people from all around the world.

### **What do you suggest to international assignees on how to best adjust to these types of moves?**

From my perspective, you have to immediately integrate yourself and your family into that region's local community. I coached my kids' sports teams at their international school and we met a lot of other families that way. Being involved in community organizations or other groups can help develop a social base quickly. If you're traveling a lot and the family is on their own, it's valuable to have that network of friends locally.

There's nothing better for your career as well. You can't place a value on being located in Asia when it comes to relationships with Asian suppliers. You can talk with suppliers without either of you having to make special arrangements. You can make supplier visits without being jet-lagged or more spontaneously if needed to address issues. And being here in Asia, many more regions are accessible - you can be in several countries in a three hour flight.

Supply chain is all about relationships, and relationships are built on face time. So being able to visit suppliers frequently helps drive success in the inter-company relationships.

### **How do you keep a global team motivated and effective?**

Keeping your strategy clear goes a long way. Our goal is to become the number one supply chain in the PC business in the next three years. We also aspire to be in the top 10 globally across all industries. This is something that everyone can understand and get behind.

To rally our people around common principles, we have developed a culture of meeting commitments and taking ownership. This simply means "we do what we say and we own what we do." We call this the "Lenovo Way," and we emphasize it not only as a principle that shapes our culture, but as a critical element in our business strategy. It is important that our leaders embrace this way of thinking to grow as individuals, as well as to help others develop and succeed.

### **What kinds of talent development programs do you support?**

The number one reason for success of any company is its people. Once you believe this, human capital management becomes vitally important. Our employees have development opportunities at both the corporate and the supply chain organization levels. Key talent is identified through a company-wide HR assessment program, as well as through leadership and personality profiling such as DISC. Our high potential employees are then provided with various tools to develop a global mindset through extensive mentoring, 360 feedback, executive one-on-ones, international assignments, and Lean Six Sigma training.

We have developed several supply chain-specific programs to invest in our people. For example, our GSC Organization & Leadership Development program - known as GOLD - provides our top talent with opportunities to develop their global and strategic thinking, gain customer insight, and also hone their leadership style.

It is important to employees that we invest in their future with the company, hold them accountable for results and reward them for their efforts. Also, we actively promote diversity in our staff to foster innovation and continuous improvement. This makes us much stronger as a global team.

Developing talent internally is key as Lenovo grows and scales. So we're making a big investment in people in the GSC organization.

### Where are you taking the supply chain going forward?

We just finished our fiscal year with the lowest cost per box in Lenovo's history, our delivery performance is meeting industry benchmarks and we've made huge improvements in cash management. And we continue to have best-in-class quality across our notebook and desktop PCs.

The game changer for us will be transforming the supply chain to become more demand driven and customer focused. This means moving from an internal to external view, using data and customer feedback to drive everything from product design to new delivery methods. It means transforming and simplifying our processes and metrics to be more customer centric.


Lenovo is in a great position now to win. We are the fastest growing major PC company, and have the number one market share in the largest PC market in the world - China. We are positioned to be the top one or two PC companies in the next five years. Chasing that top spot is a lot of fun.

Every day, I am amazed at what our team accomplishes. And it's only going to get better.

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## Interview with Craig Martin, Vice President, Supply Chain Operations, Juniper Networks

Craig Martin's supply chain management experience spans over 27 years. He is currently the Vice President of Supply Chain Operations at Juniper Networks. Prior to his current position, Craig served as Vice President of Operations and Customer Service at Good Technology. He was Vice President of Materials and Semiconductor Technologies at 3Com Corporation for over five years. Prior to his experience at 3Com, Craig was the Co-Founder and Vice President of Manufacturing and Customer Service at NeTpower. Craig started his supply chain career at Hewlett-Packard, where he worked for over 12 years in a variety of positions. Craig started HP's Personal Computer Distribution Operations in Roseville, CA.

Craig Martin holds a Bachelor's Degree in Business Transportation Management from the University of Colorado at Boulder.



### **How important is supply chain management to Juniper Networks' overall business strategy?**

Supply chain management is integral to Juniper's performance in many dimensions. Our customers expect world class quality delivered at an exceptional value with predictably short lead times. Delivering on these dimensions gives us a competitive advantage which helps fuel our aggressive growth. From a shareholder's perspective, the degree of efficiency we establish in delivering on these criteria will favorably impact overall revenues, product margins and our balance sheet.

### **What primary areas of focus (or key initiatives) should Juniper Networks be looking at for Supply Chain Management?**

We are focusing on two dimensions of our supply chain in parallel - scaling to support our projected growth (including a number of new go-to-market initiatives) and doing it in a way that provides the maximum flexibility and resiliency to ever-changing market conditions. We have a very aggressive lead time reduction program, for instance at the component level which allows us to respond quickly to upside within our quarter and maintain short lead times to our customers.

### **How has outsourcing enabled Juniper Networks to be successful with these initiatives?**

We have established an excellent set of relationships with our contract manufacturing partners. Collectively, they address our breadth of product manufacturing and fulfillment requirements across a global footprint with manufacturing sites and fulfillment locations strategically located based on supply chain modeling simulations we maintain. Effectively, we utilize three supply chain simulation tools factoring customer demographics, product physical characteristics and service level requirements into a range of scenarios to come up with the optimal model to meet targeted service levels with the lowest landed cost in the most environmentally conscious manner.

### **How is Juniper Networks addressing the market's increasing focus on 'green' supply chains and reducing a company's carbon footprint?**

Juniper Networks is very active in this area, and has partnered with the Carbon Disclosure Project's Supply Chain Leadership collaboration since 2008. The Project extends awareness of an organization's carbon footprint, moving beyond the measurement of direct greenhouse gas emissions to include climate change risks and opportunities across the supply chain. As part of this initiative, we provide a global process for supply chain greenhouse gas emissions disclosure. Juniper has also voluntarily adopted the principles of the EICC industry consortium and the EICC Code of Conduct and abides by its principles which place heavy emphasis on green initiatives. We have assessed compliance with the EICC Code by our top 100 suppliers (based on total spend) and work closely with each of our CM sites to ensure compliance, and that

proactive efforts are in place to be as environmentally conscious as possible in our daily operations. We also have relationships with industry thought leaders doing work in this area, such as Professor Hau Lee from Stanford University.

In addition to our supply chain modeling efforts, we can now calculate and monitor our carbon emissions through available industry tools. This visibility helps us reduce them further, and allows us to simulate emissions under different scenarios when making supply chain decisions in the future. Juniper Networks' goal is to credibly account for our emissions and work to significantly reduce the carbon footprint of our own operations, business travel, commute and supply chain. Though it's an exceedingly complex and multi-year process, we're measuring the energy efficiency of each of our products, as well as the carbon emissions inherent in their production and delivery to the customer.

## **What is the key Supply Chain Management priority for Juniper Networks in the coming two to three years?**

In our case, we are participating in a market that is projected to continue experiencing strong growth over the next few years. To capitalize on this opportunity, we are embarking on a number of new initiatives, extending our footprint into new markets, engaging with new partners, creating an ecosystem around the JunOS architecture and pursuing fast growing emerging markets. All these will create new requirements on the supply chain, so our challenge is to address these capabilities within the structure of our network, adapting as needed.

## **What is the key Supply Chain Management priority for Juniper Networks in the coming five to ten years?**

Aside from supporting new market initiatives, staying abreast of the dynamic world we live in is required to staying nimble and responsive. Seeking to optimize volume efficiencies while supporting unique country requirements is one challenge for example, particularly in emerging markets where the formulas and criteria aren't well established. Like driving a car, we're always adjusting the steering wheel to adapt to new challenges, whether they are requirements for local presence, shifting labor costs and global economics, supply and demand variations, oil prices or competitive factors. Each of these have been major factors in the past two years, and all will continue if not accelerate in the future.

## **What are the biggest INTERNAL challenges for manufacturers to achieve supply chain excellence?**

Probably the biggest internal challenge is the classical challenge of getting accurate forecast visibility, while at the same time buffering ourselves from the impact of poor accuracy. In addition, we are putting emphasis on Design for Manufacturability, complexity reduction and sourcing for new products to develop the simplest, lowest cost and most resilient supply chain possible. An additional challenge for Juniper is getting a scalable systems infrastructure in place that can stay ahead of our growth.

## **What are the biggest EXTERNAL challenges in achieving supply chain excellence?**

The biggest external challenges are those related to the global nature of our business and the ever changing dynamics of regional market performance, managing supply risks associated with regional and political factors.

## **Who is responsible for planning your company's business continuity when facing natural disasters, major disruptions or other geopolitical issues?**

Supply Chain Operations is responsible for developing our manufacturing network design that incorporates risk management as a key ingredient. As such, we have designed our system working with top tier CM partners with sites located in multiple geographies so we're not too reliant or exposed to any

one market. We also have the ability to build any of our products in multiple sites should there be a local situation that impacts supply continuity. All this is done in concert with our Environmental Health and Safety organization who is our primary interface into the EICC, and with our Tax and Treasury Department to make sure we're satisfying our insurance carriers' need for disaster recovery procedures, redundancies and records retention processes as appropriate.

## **How do you grade Juniper Networks' supply chain overall performance in client satisfaction?**

That's a measure that's probably best answered by our customers. In the past year, we've received a prestigious award as Supplier of the Year from a major US service provider, been recognized by a large European service provider/reseller as their benchmark in supply chain performance among their suppliers and passed several customer audits. The past 18 months have been the most challenging in my career, with customer audits focusing on how we were insuring our supply chain partners would survive the downturn at the beginning of 2009, to wanting to insure we could support the faster than expected recovery in the second half. In all cases we satisfactorily met their expectations. Of course, from an operating perspective we can always do things more efficiently, and the bulk of our initiatives are driven around scaling our systems and processes to continuously improve in this area.

## **During this economic downturn, how do you keep your entire organization motivated?**

While we certainly weren't immune from the economic downturn, Juniper actually increased our investment in new product development last year, so there was a huge amount of very exciting activity going on to support those efforts. During the course of the year we introduced a flurry of new products in our key market areas of routing, switching and security. All the hard work our people put into them resulted in market share gains in many areas which created a lot of satisfaction. And, even though the economy was down, it was an extremely busy period managing all the associated dynamics in our supply chain. Personally, it represented a situation unprecedented in my career, and I found it incredibly challenging and stimulating to chart the best course for our business.

## **How important are the Contract Manufacturers (CMs) for Juniper Networks' overall strategy?**

Juniper outsources 100% of our manufacturing through top tier contract manufacturers whose performance is essential to our success.

## **What are the key factors to ensure a successful CM relationship?**

A relationship so fundamental to our success has to be based on trust and mutual respect. This builds a foundation for active and open dialog on ways to continually improve how we jointly compete in the market. Hand in hand with trust is fairness. Both Juniper and our partners are in business to make money, and they would describe us as aggressive, but fair. We need them to succeed so they can grow with us, and we need their "A" team to bring the best out in our products and services.

As one example, I just returned from a four day strategic planning meeting with my team that manages our Asia operations through our four CM partners. We reviewed a number of "Thinking Team" projects in which each of our team members identified a challenge they wanted to address, created a team of Juniper and CM employees and drove efforts to improve. The unique thing about this meeting is that we invited the four CM site managers that support Juniper's business, and openly shared the results of each project to all of them in one large forum. In fact, the four competing CM site managers were asked to hold their own break out session to address questions regarding how we are positioned in the market, and areas we can improve on. Each of them added great value to the meeting, and were very appreciative of the trust we placed in them to participate - a first for all four of them to work directly with their competitors at this level. And the best part is I think they actually liked each other!



## How do you prepare for the upturn now that the economy is showing improvements?

We are in the middle of a tight supply market, which is when it becomes clear where your real partnerships are. Having strategic relationships with key suppliers is the foundation for our ability to deliver great products, so we treat them with a high degree of respect. As such, our suppliers know there is a reward for them to support our needs in a tight market, which is to continue winning new business with us.

## When do the fuel cost / dollar exchange and / or geopolitical factors make insourcing a viable option?

I don't see insourcing as a viable option regardless of the external factors mentioned due to the heavy capital and labor investment that would be needed to create the capability internally. By having top tier partners with a broad global footprint, I am confident we have enough moves on the chess board to adapt to changes in oil prices, exchange rates or political/geographic factors with our current model.

## What are your thoughts regarding globalization?

I think it's going to happen! Seriously, it's a part of daily life in my job, and is one of the most exciting aspects I manage. Every day there are new economic, political and geographic considerations that come into play. Staying abreast of everything going on in the world that can affect our supply chain is a very stimulating challenge - from oil prices to volcanoes to labor management challenges to environmental and human rights considerations, all factor into our tactical and strategic management of the business.

## What attracted you to supply chain management?

I would hope the picture I've painted in this interview answers your question. What an incredible perspective you get on the world we live in by managing an operation so tied to all that's going on. When you combine that with the fact you get to work with so many bright and talented people within a great company making a major impact in our industry like Juniper, it's pretty hard to beat! And I really, really enjoy the personal relationships with our partners and suppliers. It's extremely satisfying to find that formula that works for both of you, manifested in demonstrated market success.

## What are the main skills and personal attributes that have helped you reach your current position?

I'd say I have a creative streak that makes managing the status quo very unfulfilling. The dynamic nature of our business demands continuously looking for better ways to do business, so I get that creative fix on a daily basis. I have been successful in developing strong teamwork within my team and with our partners that fosters innovation and creative thinking. The overriding set of values based on integrity, mutual respect and trust is paramount.

When you think about our supply chain network, we have over 30,000 parts, 1,000 suppliers and 2,500 people between our Juniper team and our CM partners spread across the globe. Our engineers entrust Operations to manufacture the great products they develop, and we in turn rely on our partners to execute against a demanding set of customer expectations. All this has to come together for us to successfully deliver to support our customers. There's no way to succeed without having total trust in the people who make it happen, supported by a robust process and systems environment.

## What would you say is the most rewarding experience you've had in your career?

I've been fortunate to have a number of very rewarding experiences in my career, so it's hard to identify one. However, they all have a consistent theme - gathering a bunch of bright people to attack a problem that didn't seem achievable, mobilizing and enabling them through a lot of brainstorming and program management structure, identifying success criteria and providing all the necessary resources needed to succeed. It's very energizing to know that you are expected to take risk in order to solve the challenge, and incredibly satisfying when it all comes together.

### Who do you rely on for advice?

The Juniper management team is incredibly talented and supportive, and I rely on them daily. Our CM partners and logistics providers are also a wealth of knowledge about manufacturing technologies, and I'm in constant dialog with them. I've also developed a great network of former colleagues and friends that between them have probably faced similar challenges, so I'll seek them out on occasion.

### How do you balance your work life with your personal life?

As much as possible, I try to separate work time from family time, and to make those times really count. I try to sneak in a little golf and exercise, and we enjoy traveling and experiencing other cultures. My wife and I are doing a lot of vicarious living these days through our two children as they prepare for college and high school, starting to look at colleges, supporting their interests and making sure they're getting the most out of their summer experiences.

### Turbulent times can be the best time to implement changes. However, companies tend to paralyze due to uncertainty in the market or their human capital. What is your advice to maximize the opportunities to implement changes during tough times?

Turbulent times demand swift and often bold actions. I can't think of a better situation to tap into the skills and resources of your people in navigating through uncertain waters. I firmly believe talented people rise to the challenge, and it can be very stimulating and motivating to be part of developing the strategy and driving execution during these times. Done correctly, this is a great chance for a manager to provide his employees opportunities to deliver their best contributions.

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## Interview with Vivek Kamath, Vice President - Supply Chain Operations, Raytheon

Vivek Kamath's supply chain management experience spans over 15 years, with focus in Sourcing, Procurement, Logistics, and Supplier Performance Management. He is currently the Vice President of Supply Chain Operations at Raytheon Company. Prior to his current position, Vivek served as Director, Supply Chain / Supplier Management at Remec. He was Manager, Supply Chain at Ford Motor Company for over ten years, where he started his career in supply chain.

Vivek Kamath holds an MBA in Finance from the University of Detroit Mercy.



### How important is supply chain management to Raytheon's overall business strategy?

Raytheon Supply Chain is playing an ever increasing role within Raytheon's business strategy execution. Since Supply Chain touches every aspect of the value chain; from program capture to final execution; driving a robust and competitive Supply Chain strategy provides Raytheon with a distinct competitive advantage. This is especially true in supporting Raytheon's international growth strategy.

### What primary areas of focus (or key initiatives) should Raytheon be looking at for Supply Chain Management?

There are several focus areas that Raytheon is driving in parallel including increasing enterprise-wide leveraged spend on direct & indirect commodities as well as expanding shared services. In the Solutions & Tool development arena we are focused on tools like Business Intelligence, supplier portal accessed communications and process automation. In the People arena we continue our strategy of career development enablement. Considerable resources are assigned to deliver these initiatives.

### How has outsourcing enabled Raytheon to be successful with these initiatives?

Speaking for Supply Chain, outsourcing non-core activities enables Raytheon to focus resources on driving the various strategies. We've partnered or led major outsourcing initiatives for the enterprise (e.g. IT, Travel, etc.). In the end, you still need to find the right balance.

### How is Raytheon addressing the market's increasing focus on 'green' supply chains and reducing the company's carbon footprint?

As a company, Raytheon is committed to protecting the environment (see Raytheon Annual Sustainability Report). As an executive co-sponsor of the Raytheon Sustainability Team, Supply Chain is a key member of the cross-functional team responsible to drive Raytheon's sustainment commitment. Supply Chain continues to work with our current suppliers on enhancing existing programs while at the same time driving 'eco-friendly' procurement into our new sourcing activities. In the end, everyone has a role from Logistics (CO2 emissions & returnable packaging) to Technology (paperless processing) to Commodity Management (environmentally responsible supply base).

### What is the key Supply Chain Management priority for Raytheon in the coming two to three years?

In alignment with Raytheon's Growth Strategy - Grow International Business - Supply Chain must also enhance our capabilities in this area. This includes having the right people with the right skills, tools and processes to support customers; wherever, whenever.

## What is the key Supply Chain Management priority for Raytheon in the coming five to ten years?

In addition to increasing Supply Chain's international capabilities, we need to strengthen our presence in all front end of the business activities. Raytheon Supply Chain's ability to drive affordable, predictable and flawless execution will continue to be a priority.

## What are the biggest INTERNAL challenges for manufacturers to achieve supply chain excellence?

Three internal challenges come to mind. First is the alignment of cross-functional stakeholders in supply chain related activities. Second is the large number of programs (over 8,000) that Supply Chain supports. Third is having the right skills and talent to execute. In order to achieve excellence, Raytheon Supply Chain spends significant time in all three areas.

## What are the biggest EXTERNAL challenges in achieving supply chain excellence?

It is aligning Raytheon with the right suppliers / supply-base to ensure our commitment to deliver innovative products and services to our Customers. Once the right supplier is selected, robust supplier management including establishing the right performance measurement indicators ensures the product or service is meeting design criteria.

## What are the supply chain challenges to which Raytheon SHOULD be paying more attention?

I believe Raytheon Supply Chain is already focused on the right challenges. The issue is that we need to be moving faster to close the gaps where they exist.

## Who is responsible for planning your company's business continuity when facing natural disasters, major disruptions or other geopolitical issues?

Raytheon Enterprise Preparedness has the lead. Depending on the event, recovery efforts are lead at the site, business, or corporate level. Working level teams have the responsibility to first respond to the issue and then implement the necessary recovery plan. Simulation exercises are leveraged to prove-out business continuity and recovery plans. It is an issue that Raytheon takes very seriously.

## How do you grade Raytheon's supply chain overall performance in client satisfaction?

I believe that Raytheon Supply Chain performs well and our customers and key stakeholders frequently recognize our performance. We are an outright "A" in some areas and in several areas I'd grade us "A-/B+". That means there is room for Supply Chain to improve on our processes and results. We can always be better.

## During this economic downturn, how do you keep your entire organization motivated?

This is easy; in most cases the end user of a Raytheon product or service is the warfighter. Keeping focus on the customer and delivering NoDoubt™ solutions is all the motivation our organization needs.

## How important is / are the Contract Manufacturers (CMs) for Raytheon's overall strategy?

As Raytheon continues to drive Mission Systems Integration (MSI) strategy, the reliance on contract manufacturers (or sub-contract suppliers) as part of Raytheon's overall strategy is critical.

## What are the key factors to ensure a successful CM relationship?

There are several key factors to effective partner management. It starts with selecting the right partner with

the right capabilities. From there a successful relationship will depend on the integrated team (Supply Chain, Engineering, Operations, Supplier / Partner, etc) driving robust change management. In the execution phase, the right measurement system, requirements planning and active communication process all support flawless execution.

## How important is trust in the Raytheon / CMs relationships?

Trust is the cornerstone of any relationship especially one where you rely on an external partner so heavily. Ultimately you are accountable and you must take ownership over the successes and failures. Without trust you are almost destined to fail. With trust you can do great things. Patrick Lencioni's "Five Dysfunctions of a Team" explains the importance of a trust based relationship perfectly. In summary, trust by verifying.

## How do you prepare for the upturn now that the economy is showing improvement?

Remaining flexible and lean will enable you to manage both upturns and downturns. Fortunately, Raytheon's diverse product portfolio, customer and supply base has enabled Raytheon to operate consistently despite the recent economic environment.

## When do the fuel cost / dollar exchange and / or geopolitical factors make insourcing a viable option?

Sourcing decisions; Make / Buy / Where have been and should always be based on Total Cost of Ownership (TCO) and regulatory compliance (ITAR, etc). For Raytheon, a "one size fits all" approach doesn't necessarily work. International customers continue to place emphasis on establishing an in-country presence in addition to off-set requirements. In the end, several factors play a role in sourcing decisions.

## What are your thoughts regarding globalization?

Globalization has two elements. First, Raytheon faces increasing global competition for its products and services. Secondly, globalization from a supplier / supply base creates unique challenges as well. One certainty is that globalization in the Aerospace & Defense marketplace will continue to shape how Raytheon executes our supply chain activities.

## What attracted you to supply chain management?

Great question. Management of multiple complex concurrent activities. Supply Chain is in constant motion with multiple facets. As a person who wants to be involved in all aspects of the business, Supply Chain was an attractive career proposition. And, I truly believe a strong supply chain organization is absolutely a strategic and competitive advantage.

## What are the main skills and personal attributes that have helped you reach your current position?

First and most important, you have to love what you do and be passionate about what you do. Second, you have to set vision, not just for today but for where you like the organization to be. Third, you need to always lead by example and win hearts and minds. Lastly, but clearly very important, you have to be able to build strong teams of dedicated individuals around you. With a strong team you have the trust in one another to lead the organization forward. Everyone in the organization knows where they stand and what their part is in contributing to the organization's success.

## What would you say is the most rewarding experience you've had in your career?

Excellent question. By far the most rewarding experience has been to be put into positions where I can



shape the vision, drive strategy and execute positive change in companies. I've also been very lucky to have worked in four different industries and with each I've had the pleasure of working with great people and have been able to affect their careers and impact their professional development.

**What have you learned as "Vice President, Supply Chain Operations" that has surprised you or changed the way you do business?**

Interesting question. I believe learning is a continuous process, so my answer is at this point in time. You provide leadership for the team by relying on your influence, integrity and reputation. You need to check your ego and emotion at the door.

**Who do you rely on for advice?**

I rely heavily on those individuals with whom I have a trust-based relationship. In these situations, the advice ends up being a two way dialogue. This includes colleagues, peers, friends and family.

**How do you balance your work life with your personal life?**

I've made a personal pledge to balance both aspects of my life. At work, I have a team I can rely on. I lead by example and encourage my team to find their inner balance. At home, I have a family that is absolutely supportive. When I do get out of balance, I hear about it fairly quickly.

**Turbulent times can be the best time to implement changes. However, companies tend to paralyze due to uncertainty in the market or their human capital. What is your advice to maximize the opportunities to implement changes during tough times?**

Be proactive and take risks. Turbulent times to me are opportunities - they help define a burning platform to rally teams and make the case for change. However, don't wait for turbulent times to make the changes you know need to be made. If you wait until turbulent times, you've waited too long. In the end, you will be forced into a survival mode where sub-optimal decisions are made due to resource or timing constraints. Make the incremental changes in good times and drive a continuous improvement mindset. Change is not a start and stop exercise. Those companies who embrace a culture where change is a continuous evolution will always be stronger in the end.

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## Interview with John Figueroa, President McKesson U.S. Pharmaceutical

John Figueroa is President of McKesson U.S. Pharmaceutical. John oversees the business unit's operations and distribution of pharmaceuticals and other healthcare related products to customers in four primary segments: national and regional retail pharmacy chains, hospital providers, retail independent pharmacies and mail pharmacy. John's extensive experience continues to further strengthen McKesson's operational excellence and leading market share position. The U.S. Pharmaceutical business generates more than \$86 billion in annual revenue.



John began his career with McKesson in August 1997 as Vice President of Sales for California for McKesson Health Systems. He has held positions of progressive responsibility for McKesson Health Systems to include Group Purchasing Organization national accounts. As Senior Vice President, Customer Operations for the Southwest Region, John headed up the region's sales and operations management for its five pharmaceutical distribution centers. Prior to his current role, John Figueroa was responsible for McKesson's relationships with retail chains (food, drug and mass merchandisers) and mail service customers, the largest and fastest growing segments for McKesson Pharmaceutical representing more than \$43 billion in annual revenue. John continues to be responsible for the Pharmaceutical Packaging business located in Memphis, TN and Charlotte, NC as well as Corporate National Accounts and Federal Government sales. In addition, John is a board member on the McKesson Shared Services Council, the HDMA Government Public Policy Council, GS1 US Board of Governors, Boys Hope Girls Hope Board of Directors and sits on the Pepperdine University Business School Board of Visitors Executive Committee.

Prior to joining McKesson, Figueroa was Director of Sales and National Accounts at Baxter Healthcare for seven years. John also served as a Captain in the United States Army. He holds an M.B.A. from Pepperdine University and has been honored as a Distinguished Alumnus. He received a B.A. in English Literature and a B.A. in Political Science from UCLA.

### How would you characterize McKesson's supply chain?

McKesson ensures the safe, efficient and cost-effective delivery of medicines to our customers and their patients. We're able to do this because we fundamentally reinvented our distribution through technology and process improvements to make it the most efficient and cost-effective system in the world. We have a Six Sigma program that challenges us to constantly work on new ways to improve our processes and systems, and have been practicing the Six Sigma principles for 12 years. We will continue to do so in our effort to create efficiency for ourselves and our customers.

McKesson strives to deliver innovative solutions that make the nation's pharmaceutical supply chain, already the best in the world, stronger and more secure. As a result, customers benefit from the industry's leading 99.998% accuracy rate, freeing pharmacy staff to provide more and better patient care.

### As North America's largest pharmaceutical distributor, could you describe how McKesson's pharmaceutical supply chain works?

McKesson's pharmaceutical supply chain starts when we purchase our prescription drugs from the manufacturer and ends when the medications arrive safely onto pharmacy shelves.

Sound buying practices coupled with advanced technology are the most critical component in our effort to ensure a secure, accurate and efficient supply chain.



## How important is supply chain management to McKesson's overall business strategy?

For more than 177 years, we have been at the forefront of pharmaceutical distribution by anticipating customer needs, investing in the resources to meet those needs, and delivering consistently and reliably. As a result, our supply chain is unmatched in the industry and has become the backbone of our company. In fact, for the most recent fiscal year (FY10), McKesson Distribution Solutions generated 97% of total McKesson revenues. We will continue to focus on innovation in an effort to empower pharmacists to deliver the highest quality patient care.

## What are McKesson's primary Supply Chain Management focus areas?

As a pharmaceutical distributor, our primary focus is on medication safety. For McKesson, we founded our distribution on supply chain integrity because it's the first line of safety for customers and their patients. Few people consider distribution's role in medication safety but at McKesson, we understand how critical it is to a patient's well-being.

McKesson has the ability to track medications from the manufacturer to the patient's bedside - what we call a closed-loop system.

## How is McKesson addressing the market's increasing focus on 'green' supply chains and reducing the company's carbon footprint?

It's our responsibility as the leader in the industry to serve as a responsible corporate citizen. Just as we take great care in the safety and security of our supply chain, we are careful and thoughtful in minimizing our impact on the planet.

Our newest pharmaceutical distribution center in the Chicago area is the first LEED-certified distribution center and only one of four buildings that is LEED-certified in Illinois. Among its environmentally friendly features are its use of recycled building materials, low-flow water fixtures, natural landscaping, motion-controlled lighting and parking for fuel-efficient vehicles.

Earlier this year, Walmart recognized McKesson with The Health and Wellness Supplier of the Year award, which was a result of our success delivering operational efficiencies, sustainability improvements and cost savings.

## What is the key Supply Chain Management priority for McKesson in the coming two to three years?

Our industry continues to grow more complex each year with the rising demands of the marketplace. To meet these demands, we're enhancing our systems and technology for greater throughput capability, as well as real-time information for planning, controlling and optimizing our supply chain.

An example of our work is the creation of the Chicagoland distribution center which was designed to increase our network capacity and deploy the latest in distribution technology so that McKesson can continue to lead the industry in supply chain accuracy and efficiency.

## What is the key Supply Chain Management priority for McKesson in the coming five to ten years?

Our vision is to advance our supply chain by shifting business mindsets. By leveraging sophisticated analytics, integrated systems and a comprehensive suite of planning tools, McKesson will be even more proactive when addressing market and operational trends, make better decisions based on real-time supply chain intelligence, and standardize best practices.

## What are the biggest INTERNAL challenges for McKesson to achieve supply chain excellence?

When you achieve 99.998% accuracy in the supply chain, it can be a challenge to innovate and improve. But we see room for improvement. McKesson drives that commitment at all levels. I challenge each of our employees to think differently and to explore new approaches to increase efficiency and cost-savings. We can never accept the mindset that it's just business as usual and will have a continued focus on cost containment.

## What are the biggest EXTERNAL challenges for McKesson to achieve supply chain excellence?

Managing inventory, specifically drug shortages, can be frustrating for our customers. As the vital link between manufacturers and our customers, it's important that we improve and excel in our communications with our customers to ensure that we meet their needs. By leveraging our ability to generate real-time data, we will be able to share valuable information with payors and manufacturers, thus improving our supply chain even more.

## What innovative or advanced strategies/technologies does McKesson use to protect the supply chain?

McKesson is committed to innovative solutions that will make the nation's pharmaceutical supply chain, already the best in the world, stronger and more secure. When it comes to safety, it's unlikely that any single effort will prevent counterfeit pharmaceuticals from entering the nation's supply chain. McKesson believes that a combination of sound buying practices, more stringent licensing standards, stronger criminal penalties, and the rapid adoption of ePedigrees by all members of the supply chain will significantly enhance the integrity of the pharmaceutical distribution network.

## What trends are you watching in healthcare, and how might they affect your role in the drug supply chain?

In light of health care reform, there has never been a more critical time in the industry for all parties involved in healthcare to expand their role in healthcare delivery. The three key pillars of healthcare reform are access to health, improving the quality of care and reducing costs. We are working with the government, healthcare providers, pharmacies, consumers and other key stakeholders to remove unnecessary costs from the healthcare system as we ensure the timely delivery of safe, cost-effective products.

## What pharma-side technologies or services are you implementing or experimenting with?

Our distribution performance and quality levels are unparalleled in the industry, and benefit our customers in the form of better and timelier service, fewer or mostly non-existent errors, and lower costs.

A key area of opportunity for the industry is the rapid adoption of 2D barcode on unit level packaging, and RFID on cases and pallets. These technologies combined with the use of ePedigrees by all members of the supply chain will significantly enhance the integrity of the pharmaceutical distribution network. As we've done for the past several years, we will play a leadership role in the development and implementation of advanced track-and-trace standards.

I currently serve as Board Vice Chairman for GS1US™, a not-for-profit organization that administers and develops worldwide standards and solutions for identification numbers, data carriers, electronic commerce, and global data synchronization.

## What special skills are required for distribution in pharmaceuticals?

Innovation and the willingness to adopt innovative approaches are crucial for distribution in pharmaceuticals, especially when your role is to ensure the safety, effectiveness and accessibility of the

nation's healthcare system. As the healthcare industry evolves, we must also evolve so that we can help to ensure a healthcare system that works for all of us.

In addition, it's important to be able to respond swiftly and effectively to highly variable demands. For example, in 2009, McKesson partnered with the Centers for Disease Control and Prevention (CDC) to help prevent the spread of the H1N1 flu virus. From October 2009 through March 2010, McKesson distributed millions of doses of vaccines to over 140,000 providers across the nation.

## **What similarities do you see in the distribution of pharmaceuticals and other commodities?**

No matter what business you're in, innovation should always be your goal. If I've learned one thing in my 20 years in the industry, it's that if you're not innovating, you're just standing still. And, no one, or no company, ever got anywhere by doing that.

## **How do you prepare for the upturn now that the economy is showing improvements?**

McKesson runs a lean operation and is very cost-conscious, which allows us to focus on our ultimate goal of improving the quality, safety and efficiency of the healthcare system regardless of how the economy is doing.

To achieve our goals, we manage the business against four objectives:

- Keeping existing business
- Driving new business
- Maximizing our value by delivering solutions in adjacent markets
- Investing in healthcare

## **What are the main skills and personal attributes that have helped you reach your current position?**

My motto for business and personal life is to maintain all relationships based on integrity. It's important that you treat everyone, no matter what level, with respect and integrity.

I also believe that one must possess not only a strong work ethic, but a smart work ethic in order to succeed. It's not about boiling the ocean, but boiling the water you need.

## **What are your thoughts regarding globalization?**

McKesson is the #1 in pharmaceutical distribution in U.S. and Canada, and a leading distributor in Mexico.

A key area of focus for McKesson continues to be global sourcing. This may seem unusual at first, but if you think about it, if you're able to source drugs and medical supplies at optimal prices, this can help drive greater cost efficiencies throughout the supply chain, benefiting providers, patients, and payors alike. When healthcare is more affordable, it will become more accessible.

## **What would you say is the most rewarding experience you've had in your career?**

In 2009, the CDC tapped McKesson to help the federal government respond quickly and effectively to the spread of the H1N1 flu virus. 127 million doses of H1N1 vaccine were distributed from October 2009 through March 2010.

Our teams worked tirelessly to build a dedicated distribution network in a matter of weeks. We set up and staffed six new distribution centers to handle vaccines and accompanying supplies. We couldn't have made this happen without the sacrifice and dedication of our employees. I was proud to be making such an important difference in helping to save lives and keep Americans healthy.



In addition to overseeing McKesson's US Pharmaceutical business, I'm a former Army Captain and work with many veterans at McKesson. Internally, we have a national veterans employee resource group that connects veterans across the company for networking, career growth, and business development opportunities. McKesson's veterans donated \$7K to a Marine Corps helicopter unit for their homecoming. Externally, McKesson US Pharmaceutical has been supplying the U.S. Department of Veterans Affairs for the last six years, in addition to working closely with veteran-owned businesses. It's these types of commitment from McKesson that makes the place so great and my experiences rich.

## **What have you learned as the President of McKesson US Pharmaceutical that has surprised you or changed the way you do business?**

I learned early on that attention to detail is very important and realized that as President, I scrutinize over details even more.

## **What does it take to build the kind of career you have had?**

Embrace the role of a student. For me, I had to gain exposure to all areas of the business and learn to continuously ask the important questions. Throughout my career, I valued a rotational approach to career advancement versus a more traditional, vertical route. I was open to working in different business segments, making parallel moves, so that I could learn and appreciate the roles that various business functions play and the value they bring to the overall business.

## **Who do you rely on for advice?**

My staff. You can only achieve success if you hire the right people, allow them to do their job, and rely on them for advice.

## **During this economic downturn, how do you keep your entire organization motivated?**

As I mentioned earlier, McKesson runs a lean operation and as result, we did not reduce headcount during the recent economic downturn. At all times, we continue to invest in high performers.

## **How do you balance your work life with your personal life?**

I balance my time between work and family.

## **What kind of qualities do you look for in a person who you would consider adding to your team?**

Results-oriented, strong work ethic and an open mind. People who challenge decisions and question the status quo are always welcomed. It can be intimidating for someone to join our team given its unrivalled supply chain but there's always room for improvement. I'm always looking for individuals who drive at innovation and are focused on delivering results. McKesson needs people who can advance our efforts to avoid complacency or don't prematurely celebrate our success.

## **What is the most exciting aspect of McKesson?**

What gets me personally excited is how McKesson can help advance the delivery of care. Helping providers improve the delivery of care is dependent on getting providers to embrace and adopt advanced technologies and approaches that will ultimately help them increase safety, improve operational efficiencies, and cut costs. For example, we're focused on delivering a variety of solutions that help pharmacies with everything from barcode scanning for greater patient safety, to automated medication dispensing cabinets, to unit-dose packaging.

McKesson has a unique opportunity to drive new innovations that will make healthcare work better. Ten

years ago, McKesson's total revenues were \$42B and today they reached \$109B. I can't wait to see what we can accomplish in the next decade.

### Where are the opportunities for healthcare innovation?

One area of innovation that McKesson focuses on directly affects consumer behavior, specifically influencing healthy decisions made by individuals. For example, through technology, we're making it possible for pharmacists to offer a variety of medication adherence services that deliver benefits for the patient, the pharmacist and for payors and manufacturers.

Through Health Mart, McKesson's franchise of independently-owned pharmacies, when a pharmacist spends 5-10 minutes with a patient to ensure their patients understand how to take their medication for the best possible outcome, they can now get reimbursed by payors or manufacturers. This is a win-win-win situation for patients, pharmacists, payors and manufacturers.

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#### Client: Large West Coast contemporary clothing retailer

**Concern:** The client company was concerned that its global transportation expenditures were escalating and they could not pinpoint cost savings opportunities. The company also desired to establish a best-practices import compliance program to eliminate non-compliant entries and subsequent risk of fines and penalties.

#### Results:

Global4PL conducted a post-audit of recent freight invoices and shipments, and discovered transportation cost savings totaling over 27% net cost savings. Global4PL reviewed the company's import compliance program and documented required changes to achieve best-practices status, and identified classification changes to comply with US CBP regulations.

#### CBP, BIS, and SOX Compliance

We offer a comprehensive set of services to ensure compliance with import / export regulations and to improve the efficiency of your compliance processes. We develop and document a comprehensive import / export program proven to pass muster with CBP and / or BIS in the event of an audit or error. We will ferret out errors to avoid costly fines. We will identify any duty savings opportunities.

- Review existing operations
- Set up compliance programs
- File rulings
- Review products, classification, create databases
- Free trade agreements – qualifications / reviews
- Create policies and procedures
- Draft disclosures

#### Client: Mid-size computer company

**Concern:** The client company had a small logistics staff with limited import/export compliance expertise and a potential risk of non-compliance in import/export operations.

#### Results:

Global4PL compiled a best-practices import/export compliance program that detailed compliance procedures, documentation formats and record retention methods and requirements. Global4PL reviewed all products' HTS commodity codes and uncovered a classification error. Then, to rectify the past errors, Global4PL prepared thorough documentation of the errors, calculated duties owed to US CBP, and prepared the post-entry filing for submission to US CBP. The self-disclosure was accepted by US CBP with no assessment of penalties and no further action.

#### Logistics Strategy

We conduct a complete review of your supply chain management that spans all movement and storage of raw materials, work-in-process inventory, and finished goods from point of origin to point of consumption. We provide a complete assessment of your inbound & outbound distribution, warehousing, and reverse logistics functions, both domestically and internationally. We identify inefficiencies and opportunities for cost savings.

#### Client: Large telecommunications manufacturer

**Concern:** The client company modified its supply chain footprint as the market and strategies shifted over time.

#### Results:

Global4PL executed the project to rationalize the company's logistics strategy and to optimize the revised supply chain strategy. Global4PL's assessments (including geopolitical and process risks) and solutions improved the company's intra-Asia shipping efficiency. Global4PL set up customized import / export compliance programs, having met with officials at contract manufacturers and conducted packaging redesign which resulted in 53% overall cost savings without compromising engineering requirements. Global4PL revamped transportation provider relationships, resulting in 20% reduction in transportation costs. Global4PL developed and implemented an operational strategy to minimize EU VAT charges (including reverse logistics considerations). Last, but not least, Global4PL provided a supply chain visibility tool (PO Horizon™) that tracks product movement at the part number level.

*"In the first month we engaged Global4PL we were able to implement three cost reduction projects which will result in millions of dollars in savings over the next five years".*

**JB Delaney**

Director, Supply Chain  
Infinera Corporation



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## Interview with Shannon Crespin, Vice President of Planning, Medtronic Global Supply Chain

**Shannon Crespin** started her career in 1993 at HealthSouth Rehabilitation of Denver, one of the nation's largest healthcare providers specializing in outpatient rehabilitation for orthopedic injuries, neurological disorders, joint replacements and various other patient needs. She was responsible for managing the daily operations and materials management for three outpatient clinics. Shannon joined Lucent Technologies Bell Labs in 1997 as Product Logistics Manager where she led a team responsible for planning, sourcing and scheduling voice messaging, VoIP and their flagship Private Branch Exchange (PBX) telecommunications technologies. During her tenure there, Shannon was part of a team to design and implement Manugistics' supply chain application for demand planning and the design and development of the accompanying and complimentary sales and operations planning process. She was also an integral part of their large scale SAP/R3 ERP implementation and the follow-on stabilization for key supply chain process areas - planning, procurement, scheduling and warehousing. In early 2000, Shannon joined Denver Management Group, a boutique consulting company, which was shortly thereafter acquired by Keane, Inc., a privately held information technology and services company, where she consulted in distribution operations and network assessments, supply chain management application design and implementations, and operations improvement initiatives in a cross section of industries from consumer product goods to quick service restaurants, engine manufacturing and publishing.



Shannon joined Medtronic in December 2002, and over the last eight years she has held a number of positions with increasing responsibility in supply chain. Most recently, Shannon was the Vice President of Global Supply Chain for the CardioVascular division of Medtronic where she was responsible for global planning, supply management, continuous improvement and IT integration for supply chain management applications. In November 2010, Shannon was named Vice President of Planning, Medtronic Global Supply Chain where she will be responsible for collaborating with business units to establish strategies for planning systems and structures across Medtronic. She will oversee a program management framework and monitoring plan that supports Medtronic's innovation and growth objectives for the coming years.

Shannon received her Bachelors degree from Metropolitan State College of Denver in 1992 and her MBA from the University of Denver, Daniels College of Business in 1998.

Please note: This interview was conducted prior to Shannon's recent appointment and the questions answered are from the perspective of her position as VP of Supply Chain at Medtronic CardioVascular.

### How would you characterize Medtronic's supply chain?

Medtronic is the world's leading medical technology company. Our mission is centered on alleviating pain, restoring health and extending life for people around the world. As a result, the company's supply chain is complex and dynamic.

Medtronic has approximately 38,000 employees worldwide serving clinical customers in 120 countries from 270 locations. Every five seconds, someone somewhere in the world benefits from a Medtronic product. We have more than 45 manufacturing facilities interacting with 2,500 suppliers and contract manufacturers distributing from six major distribution locations, which produce and deliver everything from drug-eluting stents to heart valves to aortic stent grafts and pacemaker leads. Within our CardioVascular businesses we will introduce more than 80 new products globally in the next five years.

Many of our products are implantable devices having defined shelf-life dating. Medical technology is a highly regulated industry, overseen by various government agencies including the U.S. Food and Drug



Administration (FDA), the European Economic Area's competent authorities for the CE (Conformité Européenne) mark, and Japan's Pharmaceuticals and Medical Device Agency (PMDA), just to name a few. These regulatory bodies require specific data about the clinical studies we've conducted and documentation related to our quality systems which need to meet specific requirements in order to grant us approval to distribute product in the countries they govern. A few considerations for the supply chain as a result of being in a highly regulated industry are as follows:

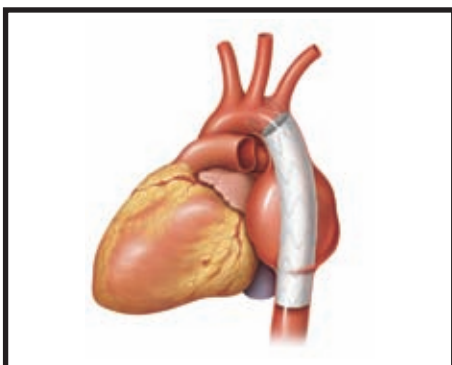
- Specific product requirements, like labeling, by regulators for their governing areas make it difficult to have a universal product that can be moved to multiple regions in order to optimize inventory.
- Planning to approval dates for new products by country has a high degree of variability, creating an emphasis on multiscenario planning.
- Relatively short product lifecycles for devices that warrant iterative improvements create inventory and obsolescence challenges.
- Materials, manufacturing processes and distribution flow changes often require regulatory filings and notifications before they can be implemented, putting intense focus on design for manufacturing in the R&D process in order to limit changes post-commercialization.

**As the world's leading medical technology company, could you describe how Medtronic's supply chain works?**

Medtronic provides the broadest and most innovative therapeutic medical devices spanning the human anatomy. Our products are used to treat neurological disorders, spinal conditions, diabetes, ear, nose and throat problems, cardiac rhythm disorders and, of course, cardiovascular conditions.

Within CardioVascular, we provide more than 100 different product groups and 12,000 stocking units worldwide. Across that product portfolio, from a supply chain perspective, you can segment the products, their predictability for use and delivery method into three main categories:

- Scheduled cases having specific products planned to be used. For example, a patient who has been screened and diagnosed with an aortic aneurysm would have a CT scan approximately one week prior to the surgery that would be used to three dimensionally reconstruct their anatomy in order to size the length and diameter of the stent graft needed to treat the patient. Working with the Medtronic representative, the product would then be ordered to be delivered and available at the time the patient is scheduled for their procedure and treatment.
- Scheduled cases which have moderate to low levels of predictability for product use. For example, a patient may be scheduled for a coronary artery disease treatment so you can narrow the type of products, but can't predict the full range of products that will be needed to treat that particular patient.



- Emergent cases which occur unpredictably. For example, we see emergency cases resulting from a car accident where the driver has hit his or her chest against a steering wheel causing an injury to the thoracic aortic artery. Such cases require immediate intervention; some involve endovascular treatment where our stent grafts are implanted to allow blood to flow through the artery normally. This procedure is extremely time sensitive to a patient surviving, and the number and dimensions of graft segments used is entirely unpredictable. As a result, we store a number of those devices at hospital locations where aortic injuries are treated.

How we deliver the product can vary across all three scenarios. In some instances, a Medtronic representative walks the specific product into the hospital the day of the procedure. In other instances, product is used from inventory that's on hand at the hospital, and is generally owned by Medtronic until it's used.

When you combine the diversity of our product portfolio, predictability and delivery methods with having more than 4,000 hospital locations around the world that manage patients with cardiovascular disease, you have a complex and dynamic supply chain network. Our clinical customers and their patients depend on our ability to consistently deliver the right product to the right location at the right time and in the right condition and cost despite this complexity and dynamism. Managing this careful balance between optimizing asset management and meeting clinical needs is a formidable challenge in our business.

### How important is supply chain management to Medtronic CardioVascular's overall business strategy?

Today, across most companies and industries, it's recognized that supply chain is a strategic lever that needs to be highly integrated into business strategy. As a leader in this area, I am pleased to see supply chain continue to raise its contribution in enabling profitable growth, managing costs (particularly in slowing markets), and delivering new strategies in more complex global networks. The importance of supply chain to Medtronic's CardioVascular businesses is no different.

A finance colleague described supply chain as the bridge that allows for a seamless operational execution of our marketing strategies. I concur. Supply chain connects the manufacturing and marketing functions, influencing both to ultimately deliver optimal financial benefit and customer service.

### What are Medtronic CardioVascular's primary Supply Chain Management focus areas?

The Medtronic Mission provides a great framework to guide all of our business imperatives. In addition to alleviating pain, restoring health and extending life, it calls on us "to strive without reserve for the greatest possible reliability and quality in our products." To that end, our supply chain is first and foremost focused on innovating to deliver new therapies with the highest quality products, services and relationships. This requires supply chain to be integrated into our development process, ensuring quality control with our strategic suppliers and creating an agile and responsive network that is capable of consistently delivering the perfect order to meet the needs of clinicians and patients around world.

### How is Medtronic CardioVascular addressing the market's increasing focus on 'green' supply chains and reducing the company's carbon footprint?

At Medtronic we recognize the critical interdependence between human health and the environment, and our inherent responsibility for the welfare of our employees. Our well-being ultimately depends on the health and resources of the planet. For this reason, we continually strive to reduce our environmental impact. Environmental protection is a key value of corporate citizenship and provides Medtronic with a competitive advantage by reducing costs and managing risks.

In November 2007, Medtronic adopted an Environmental Sustainability Policy that articulates our global view of sensible environmental management. The policy's tenets are to conserve natural resources,

promote energy efficiency, eliminate waste, reuse and recycle materials, and enhance new building construction and facility modification.

In July 2010, Medtronic joined the Electronics Industry Citizenship Coalition (EICC), an organization of multinational corporations who share a commitment to continuous improvement in corporate social responsibility throughout the supply chain. Medtronic has adopted the EICC Supplier Code of Conduct that covers ethics, environmental conditions, labor standards, and worker health and safety.

### How do you prepare for the upturn now that the economy is showing improvements?

Whether a macro-economic change or an industry or company shift, we are always prepared as we depend heavily on the combination of our sales and operations planning (S&OP) process and our pull-to-demand-replenishment processes which allow us to sense short-term changes as well as prepare for mid-to long-term demand shifts. We respond to those signals by aligning our inventory, internal and external manufacturing capacities and materials to meet the demand at the time it is forecasted. In addition, S&OP includes an iterative risk assessment process that helps senior management to make trade-off decisions between service and cost given the sensitivity around our likely success of forecasting future demand.

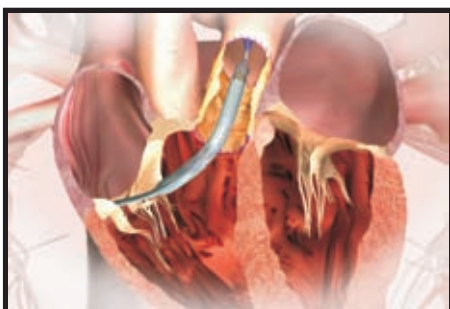
### What are your thoughts regarding globalization?

There are many exciting opportunities to reach patients in need of our therapies in countries around the world. At the same time, working globally has some unique universal challenges. For example, time zones available for people to do business in different regions has resulted in working hours that have changed the typical 9-5 work day; I'm based in the United States, so it's not unusual for me to be on the phone with colleagues in Asia late in the evening and others in Europe first thing in the morning. In addition, cultural differences, like holidays, need to be factored into global supply chain planning. You can predict a change in productivity, hospital procedures and logistics lead-times when it's Golden Week in Japan or Carnival in Brazil or August holidays in Europe.

There are also very specific considerations for the CardioVascular medical device supply chain related to regulatory requirements for our import and export documentation, as well as specific packaging and labeling needed for different markets. This requires our supply chain professionals to work closely with our regulatory business partners internally to stay abreast of changes we need to be prepared and compliant to support.

From a business continuity perspective, disruptions to the supply chain resulting from outbreaks of illnesses like H1N1 or SARS, or natural disasters like earthquakes, or the recent Iceland volcano – predictable surprises have to be considered while developing manufacturing and distribution strategies. Other considerations that have to be employed in order to reduce risk in a global supply chain include: inventory policies for risk mitigation, dual sourcing in different geographic areas for critical components, and understanding alternative logistic routes and methods that can be quickly exploited.

Overall, globalization creates tremendous business opportunity when your supply chain can be structured to handle the increased complexity and risk.





## During this economic downturn, how do you keep your entire organization motivated?

We are a mission driven company with a keen focus on serving patients. Reminding our employees we are here to support the innovation of developing and delivering technologically advanced medical devices to people in need around the world keeps us motivated. Hearing stories of how our products either saved or improved a life always inspires. For most of us, it's very personal because a relative, a friend, a neighbor – someone we know has benefited from a Medtronic product.

## What does it take to build the kind of career you have had?

Keep learning and be deliberate about your development. I do a lot of research and reading on a variety of topics that just generally stretch my thinking and eventually help me to consider issues and problems from a variety of angles. It's also very important to work for great leaders and companies who take an interest in developing their people and are also good role models. I've been very fortunate to have worked for and with a few really good leaders in my career, and today I work hard to emulate their strengths as I've had opportunities. At the same time it's so much about the people you hire and develop. Putting a good team together that is collectively working toward common goals is extremely important to consistently delivering strong results.

## Who do you rely on for advice?

Friends, family and colleagues who know me well always provide the most valuable and insightful considerations for my personal and professional decisions. Having a broad network is critically important.

## How do you balance your work life with your personal life?

First, it's about having a passion for what you do that reaches beyond personal goals and gives back, in the larger sense, to the organization, community and people you manage and lead. Secondly, it's staying grounded by having people in your life that you spend time with. I find a short walk around the park with a close friend to be incredibly rejuvenating. It's also about dedicating time to activities that take your mind off work and professional aspirations to relieve the inevitable pressures when they come on strong. Having a balanced life and maintaining perspective has a real impact on your contributions and productivity on the job; this is an area that needs to be constantly monitored for all of us.

## What kind of qualities do you look for in a person who you would consider adding to your team?

It's about finding people who want to contribute beyond their individual aspirations. I came to Medtronic primarily because of the company's mission: to alleviate pain, restore health and extend life. The Medtronic Mission is also what keeps me motivated. I look for people who are personally ambitious but also recognize the broader context. I find people like this to be good individual contributors and also excellent team players. Secondly, I highly value people who can collaborate in global settings. Today supply chains are so highly complex that no one person can effectively devise great solutions or solve problems without working across a global network and cross functionally to ensure all voices have been heard and their issues and concerns have been considered. Supporting that, it's about being able to think critically with an aptitude for systemic thinking and a desire and commitment to continuous learning. In today's global information-technology-driven economy, being able to build upon your knowledge, being holistic in your problem solving and staying agile in learning are becoming increasingly important. Finally, relevant technical experience, like statistical analysis, forecasting, theory of constraints management, negotiation, leading through influence and strong financial acumen, are foundational skills to be successful in global supply chain roles.

### What is the key Supply Chain Management priority for Medtronic CardioVascular in the coming two to three years?

For the last five years we've made significant headway in implementing our global ERP system, SAP. Over the last two years following the stabilization of those implementations we've begun leveraging and expanding the supply chain modules we use within SAP. Those efforts have resulted in real benefits related to better decision making from improved supply chain visibility as well as realizing more consistent service levels from our distribution centers with reduced inventory and increased productivity. That said, there have been challenges associated with change management following the implementation of these new systems, as you'd expect with any large scale IT implementation.

As we move forward over the next two to three years we have plans to continue to expand the use of supply chain application technologies throughout the value chain. In preparation and in advance of those implementations we are working toward standard documented processes with clear roles and responsibilities defined for each step in the process. We are also increasing our focus on becoming more capable of handling the change management aspects of the introductions of new technologies to increase the speed to stabilization and the benefits to the supply chain that follow.

Our system strategy provides the necessary support for our foundational supply chain processes and is a key enabler to achieving future strategic objectives.

### What have you learned as the VP of Global Supply Chain for Medtronic CardioVascular that has surprised you or changed the way you do business?

The rate at which information moves and change happens has really accelerated over the last 5-8 years. This increased speed at which information moves and competitive markets shift creates demand volatility and interesting challenges for maintaining stability in a global supply chain. To seize those opportunities or mitigate risk and cost, your supply chain has to have the right processes, systems and structures in place. Within Medtronic CardioVascular we've focused on three key areas to address these challenges:

- Create a culture of continuous improvement. Regardless of how well your supply chain is designed and operates today, there are always areas for improvement. One of the many great concepts in Lean thinking is related to taking a systems approach to continuous improvement. This means that you take time to understand how changes within a system ripple across the value stream and have affects across constituents inside and outside the company. When you think about improving supply chain performance from that perspective, it's like the journey of leadership – a lifelong process of learning and improvement.
- Leverage IT. As it relates to systems, we've taken the approach of using information technology to improve supply chain visibility and increase the speed of information sharing with a focus on reducing demand latency – these are key attributes for all great supply chains.
- Optimize and integrate. Structurally, we've made great progress in ensuring the supply chain is structured in a way that allows for integration into the business management and operations both tactically and strategically. This has ensured that focus areas for improvement and the supply chain's strategic imperatives are clearly linked to the broader business growth, profitability and customer service objectives.

### What are the biggest INTERNAL challenges for Medtronic CardioVascular to achieve supply chain excellence?

In most organizations, breaking down silos and getting functions working together to develop and implement the best solution for a value stream is always a challenge.

## What are the biggest EXTERNAL challenges for Medtronic CardioVascular to achieve supply chain excellence?

Our biggest challenge and opportunity is working more closely with business partners up and down the supply chain. At Medtronic CardioVascular over the last 3-5 years we've increased our focus on collaborating with our trading partners and have had good success in improving supply chain performance. Moving forward, we plan to continue that journey in order to meet our quality, agility and cost objectives.

## What trends are you watching in healthcare, and how might they affect your role in the medical supply chain?

If you like change and challenge, it is an exciting time to be servicing the healthcare industry globally. We have healthcare reform in the US and growth in a number of major countries around the world with new and increased regulatory requirements from those areas including proposals like track and trace and unique device identifier. In the face of that complexity, overall we'll need to continue to design a flexible and responsive supply chain that consistently meets the needs of patients, physicians, regulators and payors in a cost-effective way.

## What is the most exciting aspect of Medtronic CardioVascular?

What excites me most is our pipeline of new products and therapies to serve patients around the world. Within Cardiovascular we plan to introduce 80 new products in the next five years. We are in a unique position to lead the industry with best practices, setting the bar high for all so that the customer benefits from cost-effective supply chain practices.

## Where are the opportunities for healthcare innovation?

From a medical device manufacturing perspective there continues to be great opportunities to develop new products and therapies to treat patients more cost effectively, less invasively and with shorter surgery and recovery times. Our CardioVascular businesses have been very successful bringing to market innovative product solutions that meet those needs, from vascular stents and aortic stent grafts to heart valves and cardiac surgery technology. With a view to the future, we recently received approval from the FDA to begin the U.S. clinical study of an aortic valve that can be implanted without having to crack the chest as in traditional open-heart surgery.

IT for healthcare is the next major wave of innovation, and supply chain professionals are in a great position to help move those opportunities forward in order to drive efficiencies and reduce costs across the value chain.





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## Interview with Marcy Alstott, Vice President of LaserJet and Enterprise Solutions Operations at Hewlett-Packard

**Marcy Alstott** is an Operations and Supply Chain executive with diverse product and technology expertise, multinational management credentials and extensive transformation know-how. She is currently the VP of Operations for the LaserJet and Enterprise Solutions business unit at Hewlett-Packard. This global \$13B business is on a rapid growth trajectory that calls for exceptional supply chain flexibility and competitiveness.

Marcy is known as an excellent cross-functional, multi-level communicator which is the basis for her consistent leadership success. Formerly, Marcy was Vice President of Operations at Sun Microsystems, a provider of mission critical computer systems. She had operations responsibility for Sun's high end server line and consistently delivered to cost, quality and delivery goals. In this role, Marcy had responsibility for Manufacturing Engineering, Supply Management, Supply Execution, Planning, New Product Program Management and Quality. Prior to Sun Marcy led the Operations team at Adept Technology, a factory automation company producing precision vision and motion sensing robotics systems. At Adept, she was the General Manager for their nascent semiconductor wafer handling business unit overseeing growth to 5% of the company's revenue within a year.



Passionate about launching high tech products into the market, Marcy moved through positions of increasing responsibilities at Hewlett-Packard, Chipcom and 3Com. Her varied positions included Fabrication Shop Manager, Process Engineering Manager and Director of Manufacturing Engineering.

Marcy graduated from Purdue University with a bachelor's degree in Mechanical Engineering and a co-op program education at General Motors. She went on to Stanford University for an MSME with a design concentration and then added an MBA from Santa Clara University. Marcy is a frequent speaker at professional venues, and a participant on University Advisory Boards. Marcy and her husband Ted live in California's Bay Area.

### **How important is supply chain management to Hewlett-Packard's overall business strategy?**

HP has the largest IT supply chain in the world. We, along with our partners, manufacture in every region of the world, and then we deliver those products all over the world. With this scale and scope, our supply chain has become a competitive differentiator for the company as a whole.

### **What primary areas of focus (or key initiatives) should Hewlett-Packard be looking at for Supply Chain Management?**

In HP's supply chain, we are focusing on four main areas.

HP is 'Big for a Reason.' We're leveraging our scale to make HP technology more accessible and more affordable for our customers.

We're also focusing on innovation. While our engineers and product developers come out with new and inventive products, our supply chain also has a history of being a thought and process leader. We will continue be creative and resourceful in order to develop processes to better serve our customers.



# Interview with Marcy Alstott, Vice President of LaserJet and Enterprise Solutions Operations at Hewlett-Packard

Continued

Our third area of focus is sustainability. With the IT industry's largest and most complex global supply chains, HP has a responsibility to lead in supply chain social and environmental responsibility that we take very seriously. Our Supply Chain and Social and Environmental Responsibility (SER) teams are in lockstep when we make changes to our operations.

Finally, we have our Pan-HP Supply Chain Optimization. We are working across our three main business units to simplify processes, leverage spend, drive progress, and exceed customers' expectations.

## **How has outsourcing enabled Hewlett-Packard to be successful with these initiatives?**

Our partners and suppliers are key to HP's success in delivering innovative and market leading products to all of our customer segments. Our suppliers must be like HP - efficient, streamlined and socially and environmentally responsible.

## **How is Hewlett-Packard addressing the market's increasing focus on 'green' supply chains and reducing a company's carbon footprint?**

The IT industry is responsible for just 2% of global greenhouse gas emissions; so while we are fully committed to reducing our own impact, we are also leveraging our size, scope, technology, and customer relationships to impact the other 98% of emissions coming from outside our industry.

Internally, we are streamlining our manufacturing and distribution nodes, and adjusting our modes of transportation to be more efficient, and so the delivery of our products is done with less impact on the environment. We are also working closely with our manufacturing partners and suppliers to improve their energy efficiency. HP has expanded our carbon accounting beyond our own operations. In 2008 we became the major IT Company to publish our aggregated supply chain greenhouse gas (GHG) emissions, and we continue to work with our suppliers and partners to establish expectations on energy efficiency in their operations. <http://www.hp.com/hpinfo/globalcitizenship/globalissues/supplychain.html>

Likewise, we encourage our customers to know and understand their carbon footprint.

[http://h71028.www7.hp.com/enterprise/us/en/solutions/hp-carbon-footprint-calculator.html?jumpid=reg\\_R1002\\_USEN](http://h71028.www7.hp.com/enterprise/us/en/solutions/hp-carbon-footprint-calculator.html?jumpid=reg_R1002_USEN)

We have the opportunity to further impact global greenhouse gas emissions through our product offerings, product design and product usage by our customers. For example, HP offers software and services that help businesses and government organizations to reduce their own carbon footprints. Our newer printer and PC designs use significantly less energy than previous models, and are increasingly made of more and more recycled plastic. Finally, our Halo Videoconference Collaboration Studios allow for face to face meetings across the world without the need to jump on an airplane.

## **How is Hewlett-Packard addressing the market's increasing focus on 'safe/secure' supply chains, such as the new US and UK regulations due to increased risk of explosives on cargo planes?**

As always, HP will continue to comply with international, federal, regional, state and local regulations and requirements with regard to air or sea freight. If implications do arise, we will take the necessary steps to ensure HP will continue to deliver to our customers, while adhering to laws and regulations.

## **What do you think are the key Supply Chain Management priorities for the coming 2-3 years for Hewlett Packard?**

We will continue to focus on our Pan-HP Supply Chain Optimization through four specific work streams: Procurement & Product Design, Physical Network & Logistics, Process & IT, and Services & Warranty. Our innovation and sustainability efforts will remain at the forefront, and we will continue our focus on emerging markets.



# Interview with Marcy Alstott, Vice President of LaserJet and Enterprise Solutions Operations at Hewlett-Packard

Continued

## **What do you think are the key Supply Chain Management priorities for the coming 5-10 years at Hewlett-Packard?**

In the next 5-10 years, HP's supply chain will be expanding across the world as our business and our products serve even more global customers. As we grow, we will focus on building relationships. Intensive collaboration with our suppliers, manufacturing partners, and customers will become a key priority. We will work on becoming more flexible as the needs of our global customer base will become even more diverse. While doing all of this, we will continue to build efficiencies in our business wherever possible.

## **What are the biggest challenges for manufacturers to achieve supply chain excellence?**

At HP, our innovation in products, technologies and supply chain itself have driven HP's Supply Chain performance and excellence. As the world's largest IT company, our supply chain has to deliver more products and services than any other company and our scale provides us intrinsic advantage to address external market pressures.

## **Who is responsible for your company's business continuity planning when facing natural disasters, major disruptions or other geopolitical issues?**

Everyone in HP is responsible for successfully business continuity planning and implementation. Delivering to customers in 170 countries around the world, 24 hours a day requires team effort across the globe.

## **How do you grade Hewlett-Packard's supply chain overall performance in client satisfaction?**

More important than how we grade HP's client satisfaction is how others and most importantly how our customers grade HP's performance. In AMR/Gartners' Supply Chain Top 25 for 2010, our peers ranked HP's supply chain 6th across the globe, across all industries.

## **During this economic downturn, how do you keep your entire organization motivated?**

The past two years, more than anything, have provided our supply chain with opportunities. We began with our Supply Chain Optimization initiative, really leveraging our scale and expertise across all three of our businesses in order to further improve our operations.

## **What are the key factors to ensure a successful Contract Manufacturing (CM) relationship? How important is trust in Hewlett-Packard's/CM relationships?**

Our partners and suppliers are key to HP's success in delivering innovative and market leading products to all of our customer segments. Our suppliers must be like HP - efficient, streamlined and socially and environmentally responsible. We promote transparency in the supply chain. We believe that transparency gains trust, which improves the effectiveness of our supply chain work. We provide global and regional summaries of our audit findings as well as detail of our supplier capability building programs in our Global Citizenship Report. In 2007, we were also the first in our sector to publish the names of our suppliers and we continue to do so. This remains an industry-leading practice.

## **How do you prepare for the upturn now that the economy is showing improvements?**

HP has a diverse offering of IT solutions and products, and with that comes multiple supply chain models that are used to deliver product to customers more effectively. It is because of these different models that we are better able to anticipate coming changes in order frequency and type, and better able to react to them quickly. Whether it is the current upturn in the economy or the peaks and valleys that we see in any normal economy, HP is ready to right-size our operations and deliver product efficiently and effectively.

# Interview with Marcy Alstott, Vice President of LaserJet and Enterprise Solutions Operations at Hewlett-Packard

Continued

## How are standards changing in the global supply chains of the future?

We embrace the challenge of raising standards in our supply chain both with HP employees and our suppliers and partners. The insight we have gained helps us to continue to make improvements in our global production network even as we continue to uncover new challenges. Improving supply chain standards is an ongoing process, and collaboration is vital to our program's success. While assessing conformance is essential, our goal is long-lasting change. To achieve this we have found it important to go beyond assessment and actively support suppliers in developing their labor, health and safety, environmental, and ethics management capabilities.

## What are your thoughts regarding globalization?

HP is the world's largest information technology (IT) company and has the industry's most extensive supply chain-with more than 700 production suppliers working in more than 1,200 locations worldwide and employing more than 300,000 people. We have to manufacture, deliver, service and recycle products around the globe.

## What attracted you to supply chain management?

I like to solve complex problems. I enjoy managing a global team and I've always loved the pace of manufacturing. There is never a dull day!

## What are the main skills and personal attributes that have helped you reach your current position?

I am analytical and have an ability to sift through and then integrate information to understand the full picture. I'm not afraid to make difficult decisions. I don't compromise my integrity under any circumstances. Finally, I am passionate about building a great team and the team makes me successful.

## What would you say is the most rewarding experience you've had in your career?

I've had the pleasure of watching many people I've mentored grow and contribute hugely in their careers.

## What have you learned as "VP of LaserJet and Enterprise Solutions Operations" that has surprised you or changed the way you do business?

I am learning how to leverage the power of HP. There are lots of best practices to leverage. The process work done at HP is excellent. The challenge is finding and then harnessing the power of this company with its history and size.

## Who do you rely on for advice?

I have worked hard to keep in touch with a number of colleagues over the years. The combination of experience, perspective and approach is a storehouse of wisdom that I draw from regularly. I don't have a lot of time but have figured out through the years that the investment in developing a network of friends and advisors is worth the extra time.

## How do you balance your work life with your personal life?

There is really no such thing in my experience. At any one time I'm unbalanced in one way or another. But I've managed to carve out focused time for family and friends over the years. The time I have away from work recharges me. When I don't get it I lose some perspective. Frankly, I owe it to my employees and to HP to pull away from work to get a better grip on strategy, long term objectives, people development and outside context.

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**Publisher** GSCLG Publishing

**Editor** Andrea Kostelas

**Guest Contributors**

**Advertising Director**

**Photo Editor** Chris Schmauch - GoodEye Photography + Design  
www.GoodEyePhotography.com  
408.431.4808

**How to reach us:**

2953 Bunker Hill Lane  
Suite 400  
Santa Clara, CA 95054  
800.354.8579

**Web Site:**

**[www.gsclg.com](http://www.gsclg.com)**

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