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GLOBAL SUPPLY CHAIN REVIEW

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SHANNON CRESPIN

PLUS:
EIGHT KEY
ATTRIBUTES
OF EFFECTIVE
LEADERS

SPECIAL:
FEDEX CHANGES
VOLUMETRIC RULE:
HOW TO MINIMIZE
THE EFFECT ON
THE BOTTOM LINE

Shannon Crespin
Vice President of Planning
Medtronic Global Supply Chain



Message from the President of GSCLG

The *GSC Review* continues its series on outstanding individuals in Supply Chain. This month, we present an interview with Shannon Crespin, Vice President of Planning, Medtronic Global Supply Chain. Shannon is responsible for collaborating with business units to establish strategies for planning systems and structures across Medtronic.

Shannon has extensive supply chain experience and has worked at a number of companies including Lucent Technologies Bell Labs, Denver Management Group, Keane, Inc., and Medtronic. She has been with Medtronic since 2002, and has held a number of positions with increasing responsibility. Shannon holds a MBA from the University of Denver, Daniels College of Business.

We will do our best to continue to provide you with interviews of leaders that deserve your recognition. I ask you to send me the names of those you would like to be interviewed so we can learn from their views and accomplishments. We started this series in 2009 and we have an excellent lineup of individuals to round out 2010. You can find past interviews at http://www.gscreview.com/home_com.php.

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 are honored to present Shannon Crespin, Vice President of Planning, Medtronic Global Supply Chain, and look forward to showcasing many more like her in future editions of the *Global Supply Chain Review*.

Finally, I want to stress to our membership to take a few minutes to read: “Fedex Changes Volumetric Rule: How to Minimize the Effect on the Bottom Line” and how it represents a cost increase to shippers.

Sergio Retamal

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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 Européene) 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:

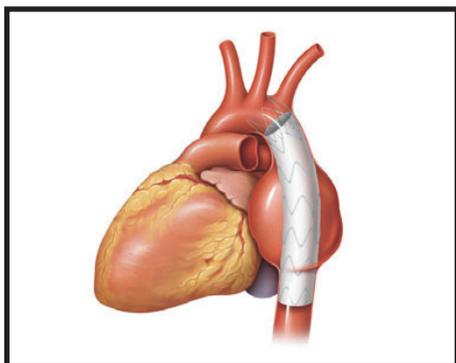
- Specific product requirements, like labeling, by regulators for their governing areas make it difficult to have a universal product that can be moved to multiple regions in order to optimize inventory.
- Planning to approval dates for new products by country has a high degree of variability, creating 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.

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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.

CPI, ISL, and SOI 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, prepare to permitiate with CBP and / or ISL in the event of an audit or error. We will alert our clients to avoid costly fines. We will identify any duty savings opportunities.

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 product HTS commodity codes and reviewed a classification error. Then, to rectify the past error, Global4PL reviewed through documentation of the error, classified duties owed to US CBP and prepared the post-entry filing for submission to US CBP. The full 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 product's national distribution, warehousing and inventory logistics functions, both domestically and internationally. We identify inefficiencies and opportunities for cost reduction.

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 51% overall cost savings without compromising engineering requirements. Global4PL reviewed 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 (IPO Horizon™) that tracks product movement at the part number level.

JB Delaney
Director, Supply Chain
Inmera Corporation

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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?

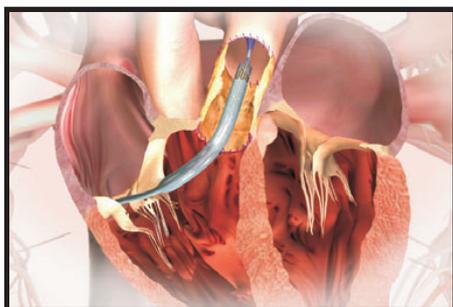
At Medtronic we recognize the critical interdependence between human health and the environment, and our inherent responsibility for the welfare of our employees. Our well-being ultimately depends on the health and resources of the planet. For this reason, we continually strive to reduce our environmental 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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Eight Key Attributes of Effective Leaders

Words of Advice from Top Business Executives

By Linda A. Livingstone, PhD

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<http://gbr.pepperdine.edu/2010/08/eight-key-attributes-of-effective-leaders/>

Over the past few years the Graziadio School and Farmers' Insurance Group have sponsored the [Dean's Executive Leadership Series](#) (DELS), which features in-depth interviews with today's top business practitioners and thought leaders. Many of these discussions have been on effective leadership. With the Wall Street scandals, the [housing debacle](#), the mistrust of many politicians and government leaders, and the failure of too many media outlets to present factual and unbiased news, there is a critical need for strong, values-driven leaders to emerge.

Below are eight key attributes of effective leaders along with words of advice from various DELS speakers on why they are so important.

1. Leaders need character, not charisma

[William George](#), former chairman and CEO of Medtronic and author of [True North: Discover Your Authentic Leadership](#):

The more traditional view is to find somebody who is charismatic, who has a great style, has a great image. I think this is nonsense...it's counterproductive to the kind of leaders we need. I think we need leaders with character, with integrity, not image, and with substance, not style. CEOs are not cut out to be charismatic in the classic sense of the word. I think they are cut out, though, to be very empowering leaders of other people, and I think organizations that understand that develop those kinds of leaders from the outset. But that then means you have leaders who are true to what they believe in, that can be themselves. They know their values and they practice those values every day especially under pressure. They build long-term connected relationships and they recognize they lead with their hearts, not just with their heads, and by that I mean they lead with compassion, empathy, and courage. And those are really important those are all qualities of the heart, but that's what makes a great leader.

2. Leaders need integrity, not conformity

[Deborah Platt Majoras](#), former chairman of the U.S. Federal Trade Commission:

First and foremost, a leader of an organization has to set the tone for how decision making is going to be accomplished... One thing that I demand is that we make decisions on the merits and without worrying just about which way the wind is blowing...I think that is absolutely critical. I think you've got to have the respect of your folks and the respect of your constituencies outside so you have to have integrity.

[Priscilla Stewart-Jones](#), senior vice president of human resources for McKesson Corporation, U.S. Pharmaceutical Group:

About the Author:

Linda A. Livingstone, PhD, has served as the first woman dean of Pepperdine University Graziadio School of Business and Management since 2002. She oversaw a \$200 million expansion of the business school's regional campuses, increased the school's international partnerships to 30 business schools around the world, and led the school to membership in the Globally Responsible Leadership Initiative and as a signatory to the Principles for Responsible Management Education. Under her leadership, the business school launched the Dean's Executive Leadership Series, a high-profile lecture program that brings to campus leading business innovators. An award-winning teacher, Dr. Livingstone's research focuses on creativity in organizations as influenced by the fit between the individual and the organizational environment. She is the author of business textbooks and numerous scholarly articles that have appeared in *Academy of Management Review*, *Academy of Management Journal*, *Journal of Organizational Behavior*, *Journal of Management Education*, and the *Journal of Management*.

My father was a minister, so I grew up in an environment where values were important. It was always: "Do the right things. Do unto others not only as you would have them do unto you, but as they would want to be done unto them. Be respectful: Follow through on what you say you're going to do. Integrity, integrity, integrity." Integrity also means being transparent, it also means communicating...it's no longer business as usual and it's no longer leading as usual. A strong leader is both authentic and bold while always being grounded in true values.

3. Leaders need to serve, not be served

Robert Simpson, president and COO of Jelly Belly Candy Company:

You've got to be willing to do it...our owner has built a culture and he's done it by if there is a paper on the floor, he'll pick it up. If something's broken, he'll fix it right then. If there's a mess over there, he'll stop what he's doing and clean it up himself. He won't ask for help. He won't expect anybody to run over and help him. Now, that sends a very powerful message to the rest of the organization [that] there is nothing beneath anyone there.

4. Leaders need to create teams, not silos

Robert Simpson of Jelly Belly Candy Company:

It's really all about your own personal relationships you have with each other. I enjoy interacting with people and helping them achieve beyond their accomplishment goals that gives me the greatest sense of pleasure. I'm not the expert and I've always made a practice of hiring a lot of smart people...much smarter than I am. But it's all about the team, it's all about the business, and it's all about what we can get accomplished together...one thing that I do bring and I insist upon is [that] working together is not an option that's what we do and we all win together.

5. Leaders need to communicate a vision, not ambiguity

Kathryn Karlic, president of institutional sales and marketing for GE Asset Management (GEAM):

I was advised long ago if you're a leader, you're the one that sets vision and that is your job. To set vision you have to be a clear thinker because there's a lot of data that comes at you from so many places. There is so much noise and individuals are depending upon you to be a clear thinker, being able to communicate that, and communicate that, and communicate that again. You've got to reinforce it.

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[Julia Stewart](#), chairman and CEO, of DineEquity, Inc.:

It's incumbent upon us as leaders to make certain that people not only understand the vision but they believe in it. And so what really happened to us in this environment that is unprecedented is that we as business leaders had to sit down and say, "What kinds of things should we be doing differently and what should stay the same?"

6. Leaders need courage, not popularity

Julia Stewart of DineEquity, Inc.:

Did you stay at a Marriott Courtyard or a \$450 Ritz Hotel? Did you take a cab or did you take a driver? Did you cut things that you thought were important for you or for the company? Did you make choices that benefited a few or benefited all?... More than any other time, employees are looking at leadership and asking, "What are you doing for me and what are you doing to ensure our fate?" ...And what that tells you is employees want that vision and that direction and that leadership, but they also want you to make the hard choices and the right choices for the business. It's probably the toughest thing I think we as leaders do because, in any given day, or time, or choice you make, it's not necessarily going to make everybody happy. But you have to do what's right for the company and what you believe will sustain you into the future.

7. Leaders need to develop new leaders, not sycophants

Priscilla Stewart-Jones of McKesson Corporation, U.S. Pharmaceutical Group:

For me, one of the things that you do as a leader is really have the responsibility of identifying talent and identifying individuals that have potential within your organization, and they may be on your team or they may be in other parts of the organization, and at times they can even be peers. And then, frankly, volunteering, going to them and offering ways that you can support them. On occasion that might just be a candid conversation to say, "I'd really like to help you with your career, let's talk about that. How can I help you? What are some opportunities, what are some issues or concerns that you have, and how can I support you in that regard?"

8. Leaders need a sense of vocation, not just a career

To the above comments, I would add that a leader needs to have a vocation, a calling beyond personal and career goals, beyond training and skills. Vocation brings a sense of purpose and meaning to bear on the work and enhances the leader's value. A leader needs to have the will and the passion to create a better company, a better organization, a better society.

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Fedex Changes Volumetric Rule: How to Minimize the Effect on the Bottom Line

By Sergio Retamal, Publisher, *GSC Review*, and President, GSCLG

On September 29, 2010, Federal Express announced the change in volumetric rule for the calculation of dimensional weight. In numerous industries, companies pay freight charges based on dimensional weight rather than actual shipping weight. Federal Express just made your domestic shipments 17% heavier. The change in volumetric factor was 194; it will become 166. For example, the same box that used to be 36 pounds is now 42 pounds. This change will take effect on January 3, 2011.

Length (Inches)	Width (Inches)	Height (Inches)	Volume (Cubic Inches)	Factor	Dimensional Weight (lbs)
24	24	12	6912	194	36
24	24	12	6912	166	42

I was reminded of the recent Microsoft commercials where non-believers asked those who are blinded: "Really?"

UPS could have used this as a way to take market share from FedEx and drive economies of scale with the incremental business and become more profitable by not increasing their dimensional rule. However, UPS will match the increase announced by FedEx.

The country's ailing economy is in the news each day, with unemployment over 12% in some states. When the economy has no traction, Federal Express has chosen the worst time to issue such an increase.

Several years ago, the IATA ("International Air Transport Association") tried the same tactic and the industry requested the Department of Justice and others to review the antitrust issues which stopped the change of DIM Rule.

So what do you do when there are basically only two players currently in the US market? If you have read any book on how to negotiate effectively, you can do a few things.

- If you are lucky and big enough you will be able to push back and / or mitigate the increase. Increases like this affect the midsize and small companies more than the larger ones. These are the companies that are hurting the most in the current economic environment.
- If you are not big enough to push back, make it a point not to reward this type of behavior by switching carriers. You will have more luck with someone that wants your new business than with the one that has your business.
- Size does matter. If you are small, join a consortium and negotiate as a group. Any fee that you may pay to join the consortium will be recovered through the savings.
- If you have a legal department check your agreement and determine if this change will affect your company.
- Do not put all your eggs in one basket. Split your business and give more to the best performer. Keep smaller players around so there is competition for your business. Don't bundle all your services with just one provider. The more you have in one basket, the least amount of room you will have to negotiate.
- Look for new alternatives. Regional players and the United States Postal Service have improved significantly in the last few years.

- Change modes. Do you really need everything via air? Do you really need it by 10AM? Review your usage and understand what "express" really costs. Using Federal Express' published rates, a 20-lb box shipped via next day service is \$44.40, but the same box via second day service \$22.95. This is a 48% reduction. This is the easiest way to mitigate the increase. Challenge your company's need to ship next day, which should be the exception from a cost-efficiency point of view.

If you don't manage increases like this, we give up power and control. As a supply chain professional and a negotiator by trade, that is not where you want to place your company.

Sergio Retamal

Publisher, *GSC Review*
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