

Improve the Work,
Develop the People

Lean Transformation
Summit 2014
March 5 & 6, 2014 | Orlando, FL



THE BUILDING BLOCKS FOR CONTINUOUS INNOVATION

Lean Enterprise Institute



Essential to Excellence™

William Owad
SVP, Operational Excellence
March 5, 2014



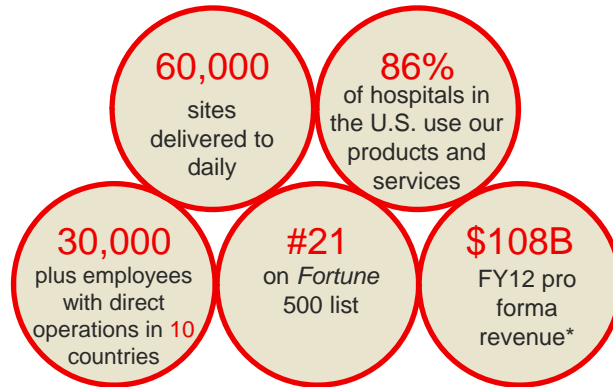
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Lean Transformation
Summit 2014



Essential facts

Leading provider of products and services across the healthcare sector with an extensive footprint across multiple channels.



*An estimate of the pro forma revenue for fiscal 2012 in accordance with generally accepted accounting principles with adjustments expected to reflect each company as a stand-alone entity. The estimate is based on assumptions that management currently believes are reasonable, but actual revenue may vary materially from the estimate.

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Essential purpose

We are more than 30,000 people applying our **deep understanding** of healthcare to deliver **inventive** and **meaningful solutions** that help improve the **cost-effectiveness** and **quality** of healthcare so our customers can focus on patients.



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Essential role

Extensive offering of products and services

Our products and services make an impact in the healthcare segments we serve:

Pharmaceutical



Medical



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Case for change

Voice of the Customer

- Product availability issues
- Inconsistent and variation in performance
- Increasing compliance requirements
- Low loyalty / high churn

Voice of the Business

- Large network
- Buy and hold model → FFS¹ model, putting pressure on cost
- Lots of capital tied up in inventory
- Rising transportation costs
- Lead time variability / supply chain responsiveness

Voice of the Employee

- Frustration with current processes
- Insular → end-to-end focus
- Information silos → information sharing
- Unclear roles and responsibilities
- Not empowered

1 Fee-for-service

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Operational Excellence timeline: 2004- 2012

Concept to reality

- | | | | | |
|---|---|--|---|---|
| <ul style="list-style-type: none"> •Pre-launch - 2004 •Process improvement •Quality and Operations •Sizing the opportunity •Evaluating the capability •Drive cost out | <ul style="list-style-type: none"> •January – accelerate •June –169 BB, 297 GB, 209 KL, 1,600 sponsors, •Shift to “Value Stream” •Pharma Lean •Innovation awards | <ul style="list-style-type: none"> •Shift to “Value Creation” •Supply chain lean •Talent Review and requirements •Top Gun •June - 209 BB, 1,037 GB/KL | <ul style="list-style-type: none"> •Enterprise capability •Perfect processes •Value stream alignment •ACFC / ACFS •+95 promotions •1,025 improvement projects | <ul style="list-style-type: none"> •\$1.0B achieved •\$1.5B working capital achieved •Lean Leader •170+ promotions •> 5,000 projects •>100 customer engagements |
|---|---|--|---|---|

2004 2005 2006 2007 2008 2009 2010 2011 2012

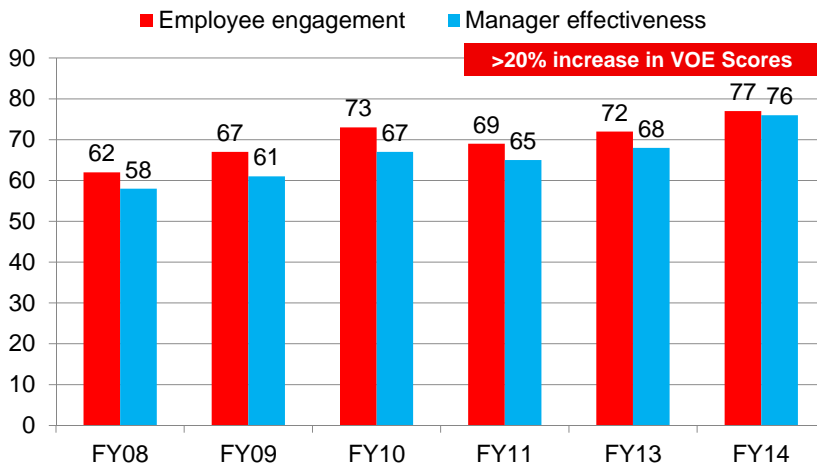
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|---|---|--|--|

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Pharmaceutical Employee Engagement

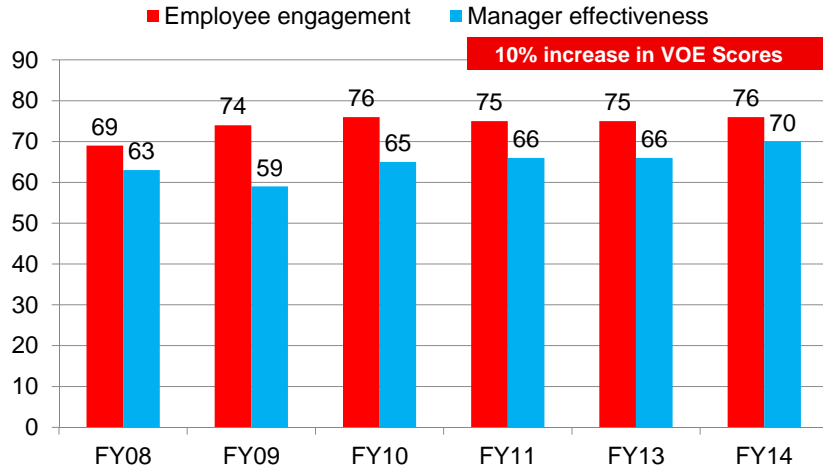


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Medical Employee Engagement

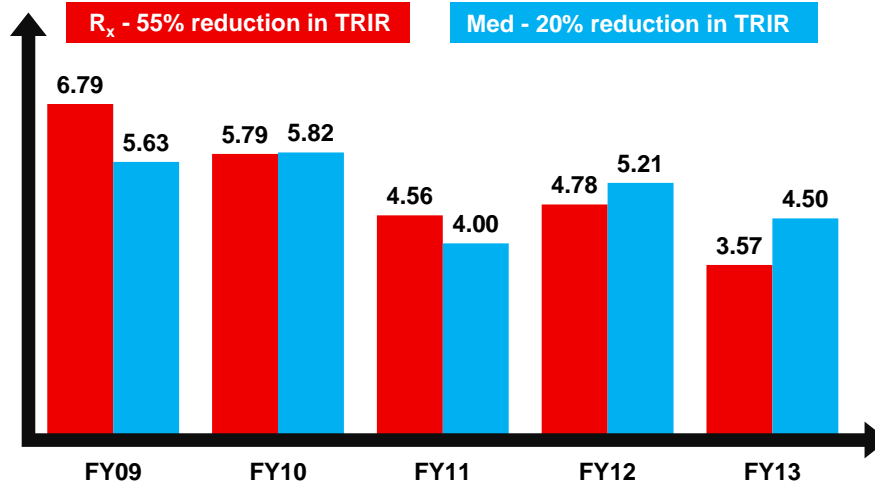


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Safety (Total Recordable Incident Rate)

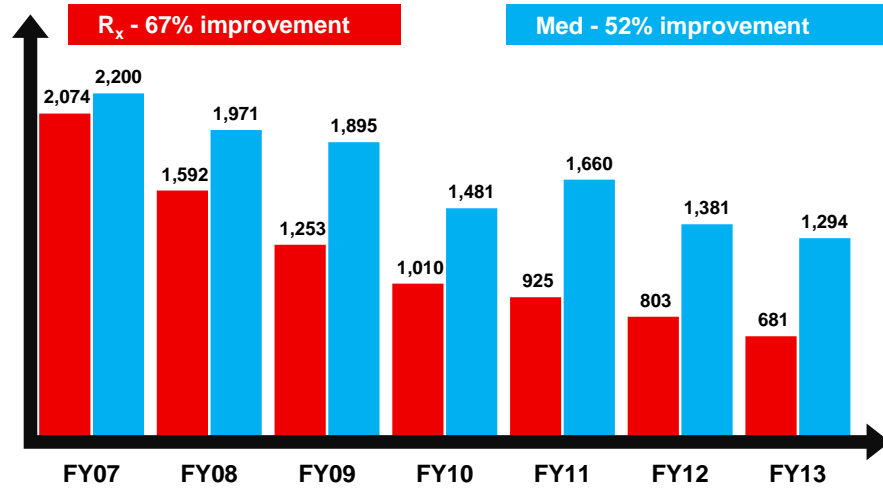


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Shipping accuracy (DPMs)

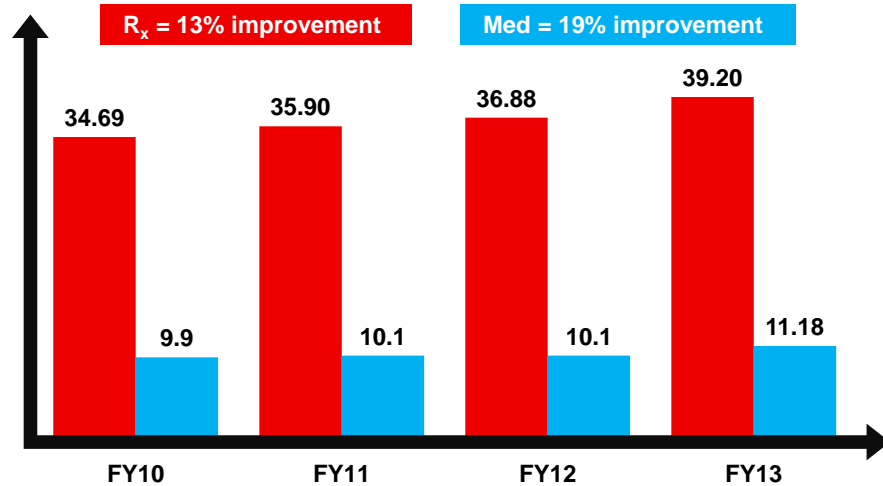


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Productivity (Lines / Hour)



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Essential to customers

We are proud to be recognized for our continued commitment to improving the efficiency of our supply chain across both segments. #1 ranking in 2011, 2012 & 2013 – first repeat winner in 2012 and the trend continued into 2013.



“Cardinal Health took the No. 1 spot in the Healthcare Supply Chain Top 25 for the third year in a row ... Cardinal uniquely brings together, under one ownership structure, an expanding global presence and increasing vertical integration in the form of a manufacturer, medical surgical distributor, international sourcing company, pharmaceutical wholesaler and retail pharmacy along with a myriad of other services

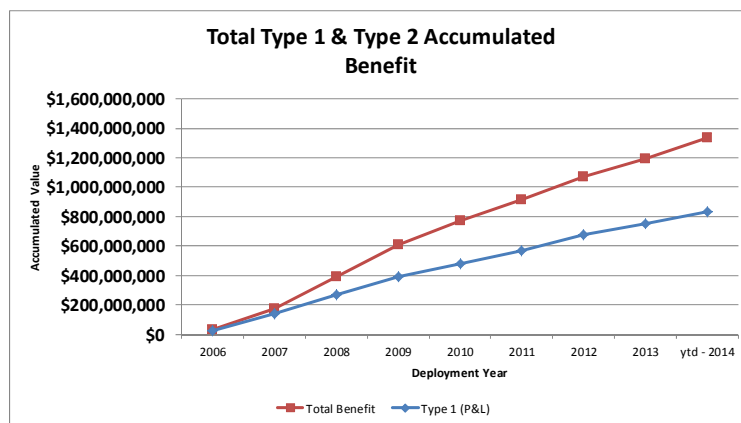
Gartner Healthcare Supply Chain Top 25 Report

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Benefit History



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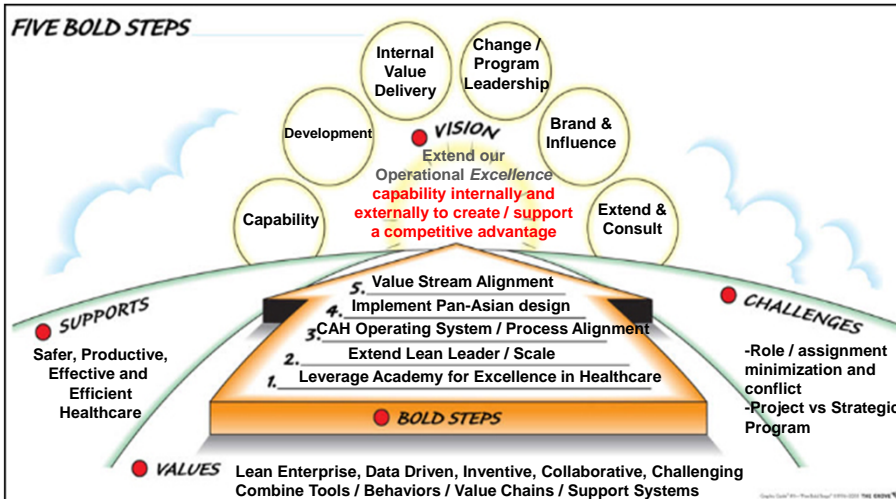
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Strategy - Stepping up

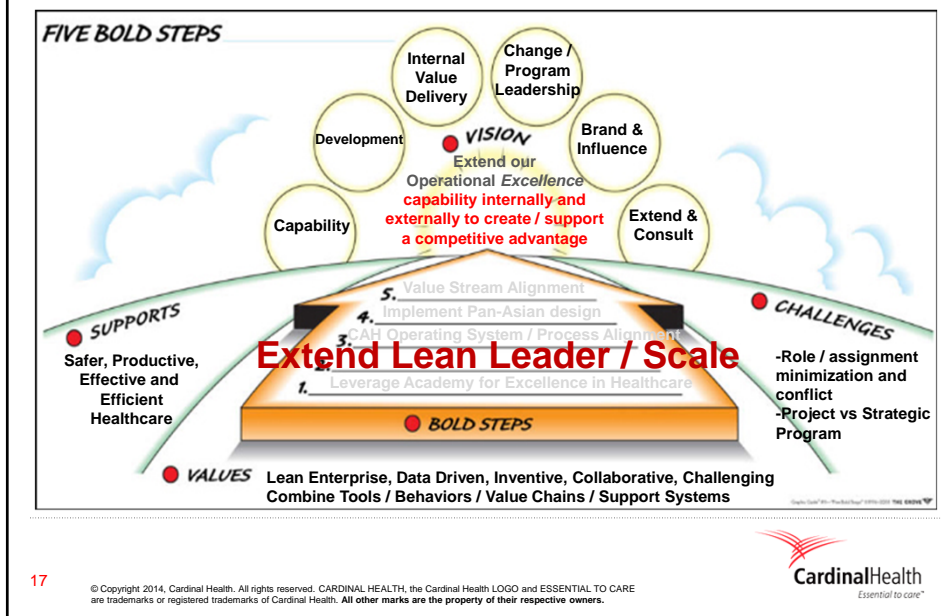


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Strategy - Stepping up



Extend Lean Leader / Scale

- The problem
 - 9 years, >300 staff moved to new leadership roles....however..

**Director and above – 1300 global staff
Inconsistent “BEHAVIORS”
Thinking “tools” NOT “system”**

- Assessment
 - Current exposure to “LRTS” and kaizen sponsorship is not achieving our desired future state

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CardinalHealth
Essential to care™



Our Experiment – “Lean Leader”

- Cardinal Health / LEI partnership – 3rd year
- 18 month, gemba based, with direct coaching
- Objective
 - Embed a consistent understanding of “LEAN MANAGEMENT/ LEAN ENTERPRISE”
 - Change thinking and daily behavior
- Results – *Come to our breakout.....*

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Questions?

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Thank you!

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