



Lean Leader Program

Lean Transformation Summit
Orlando, Florida
March 5, 2014



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Cardinal Health helps healthcare providers **focus on patient care** while reducing costs, enhancing efficiency and improving quality.

| | | |
|-------------------------------|-------------------------------------|---------------------------------------|
| 21st on <i>Fortune 500</i> | \$101B in FY13 annual revenue | 34K+ employees across the globe |
|-------------------------------|-------------------------------------|---------------------------------------|

Did you know?



We deliver to
more than
60K
healthcare sites in the
U.S. each day.



Our products and
services are used by
86%
of hospitals
in the U.S.



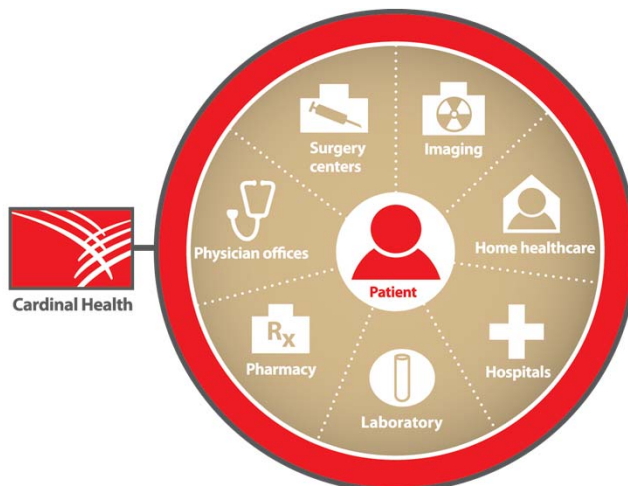
We dispense
nearly
12M
radiopharmaceutical
doses annually.

5

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We are the business behind healthcare




6

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Operational Excellence timeline: 2004- 2012

Concept to reality

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7

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Agenda

Why develop Lean Leaders

What is a Lean Leader

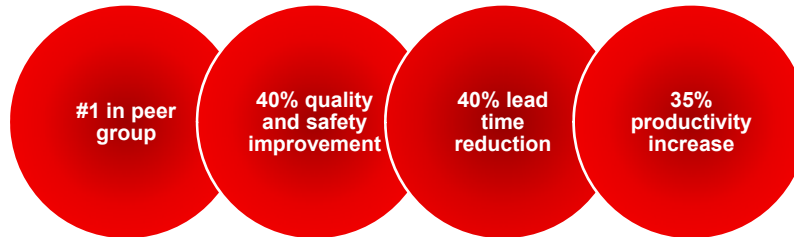
How are Lean Leaders selected

How are Lean Leaders developed

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Why develop Lean Leaders



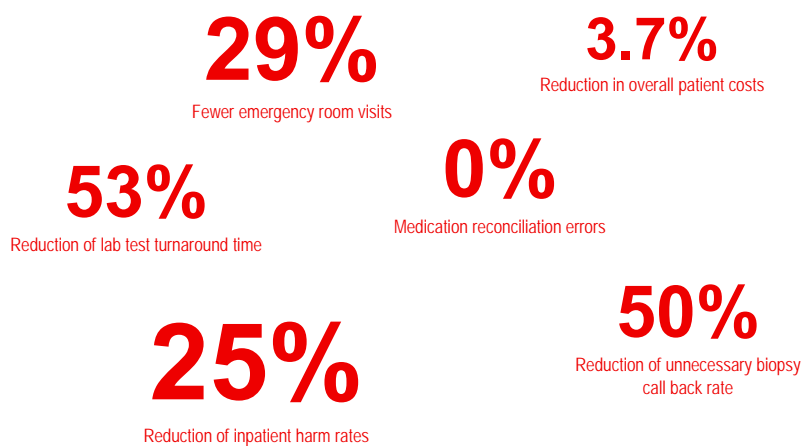
Lean transformations REQUIRE internal lean leaders to drive and sustain benefits

9

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Why develop Lean Leaders



10

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What is a Lean Leader

2. Can create a clear vision for organization including customer image

3. Able to identify gaps

4. Understands initial direction and priority setting (Q,V,C)

5. Introduces simple measurements and target setting

6. Develops low cost solutions

7. Communicates simple, concise and visual ideas

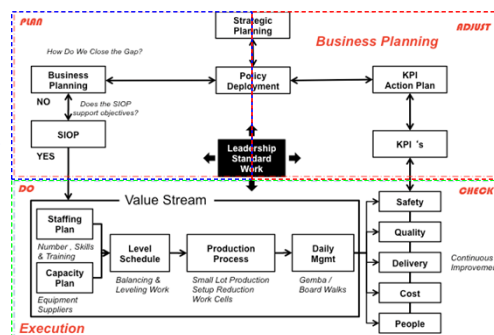
12. Good grasp of lean concepts providing context to lead and develop others

11. Develops others

10. Realizes good results

9. Able to maintain energy, focus and drive in self and others

8. Executes implementation plans



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How are Lean Leaders selected

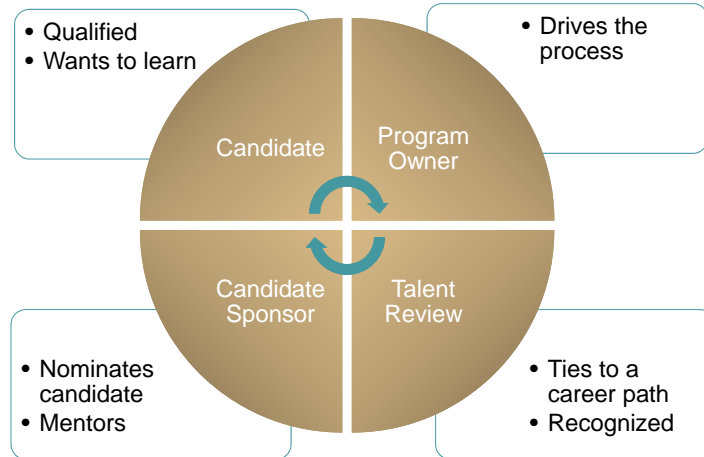
- A good candidate for lean leader development will enter the program with *some* experience centered on:
 - A targeted number of years
 - In the workforce
 - In “operations” (your gemba)
 - In a continuous improvement role
 - Supervised others
 - A targeted variety of:
 - Product lines / unique value streams supported
 - Functional areas
 - And the right people skills to be able to manage by influence

14

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How are Lean Leaders selected



15

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How are Lean Leaders developed

Personal
Coaching



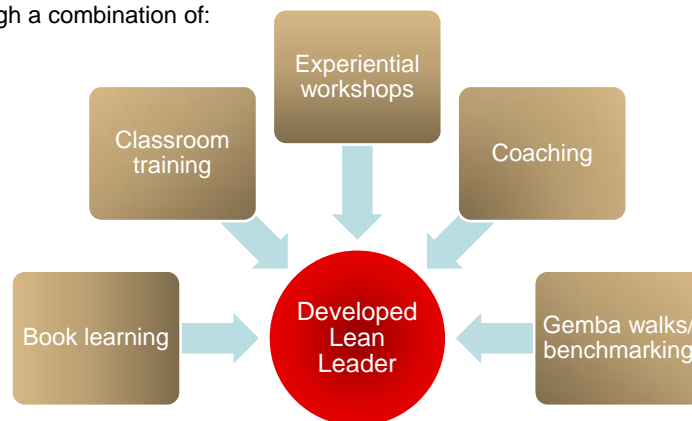
17

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How are Lean Leaders developed

Through a combination of:

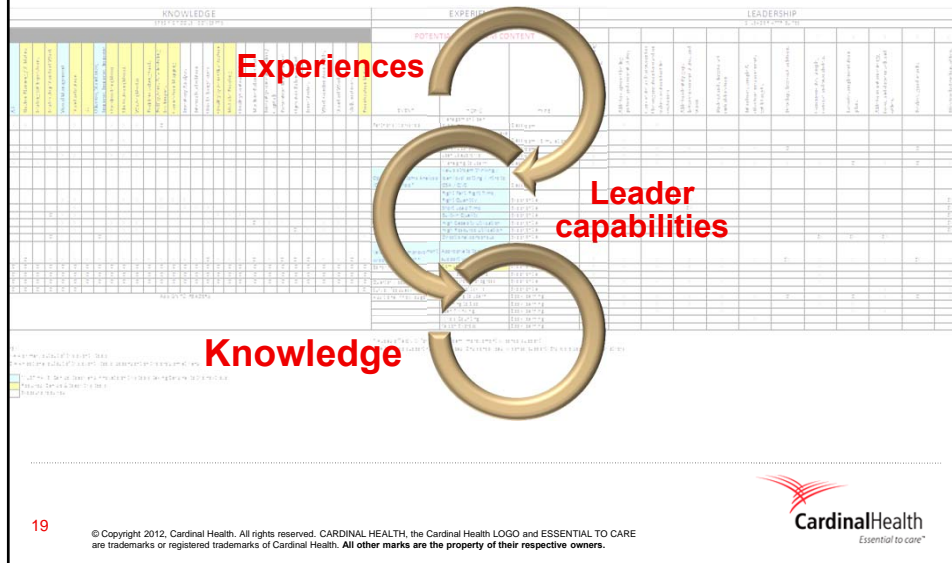


18

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How are Lean Leaders developed



How are Lean Leaders developed

| | Feb | Mar | Apr | May | June | Jul | Aug |
|--|------------------------|---------------|--------------------------------------|-------------|-----------------------------------|-------------|------------------------|
| Key Internal Cardinal Dates | | | | | Close of Fiscal Year | | National Meeting MBO's |
| Targeted Learning | Kickoff | | LEI Partners / VS Mapping Workshop | | Gemba Walk #1 "S Lean Principles" | | |
| Value Stream Thinking (Coaching) | Project Identification | | Project #1 - Individual; Small Scope | Coach Visit | | Coach Visit | Coach Visit |
| Partner Collaboration / Opportunities | | | Black Belt meeting | | H/W Summit | | |
| Readings | Managing to Learn | Lean Thinking | Learning to See or Mapping to See | | Kaizen Express | | |

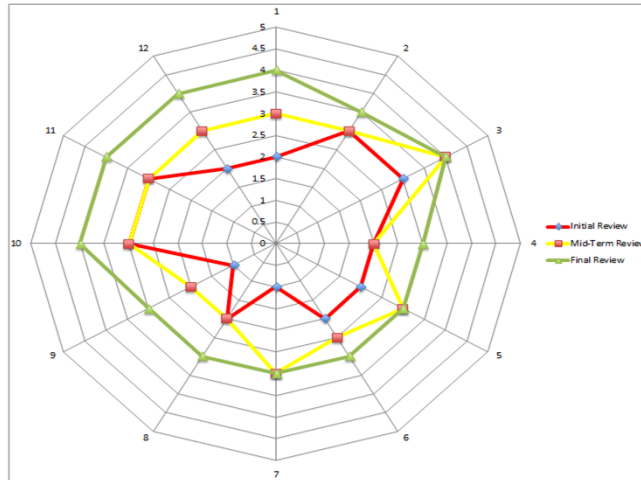
| | Sept | Oct | Nov | Dec | Jan | Feb | Mar | Apr |
|--|--|-------------|----------------------------|------------------------------------|-----|----------------------|------------------------------------|--------------------|
| Key Internal Cardinal Dates | | | | | | | | |
| Targeted Learning | Gemba Walk #2 "Tools & Concepts" Peer Review | | | Gemba Walk #3 "OSA VS" Peer Review | | | Gemba Walk #4 "Best Practice" Site | |
| Value Stream Thinking (Coaching) | Correct / Reflection | Coach Visit | | Coach Visit | | Coach Visit | | Coach Visit |
| Partner Collaboration / Opportunities | | | Site Visits / Benchmarking | | | | LEI Summit | Black Belt meeting |
| Readings | Toyota Kata | | Who's Counting? | Seeing the Whole | | Lean Healthcare Book | | |

20

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How are Lean Leaders developed

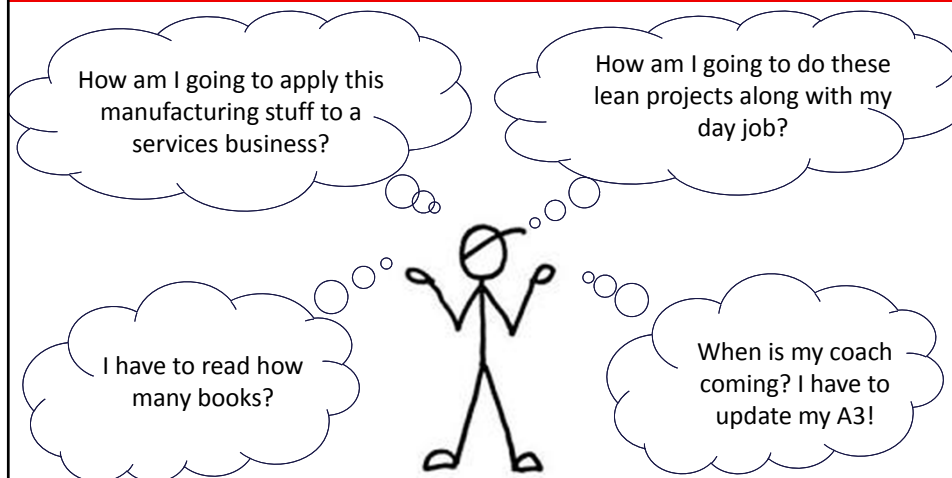


21

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Early in the program...



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Midway through the program...



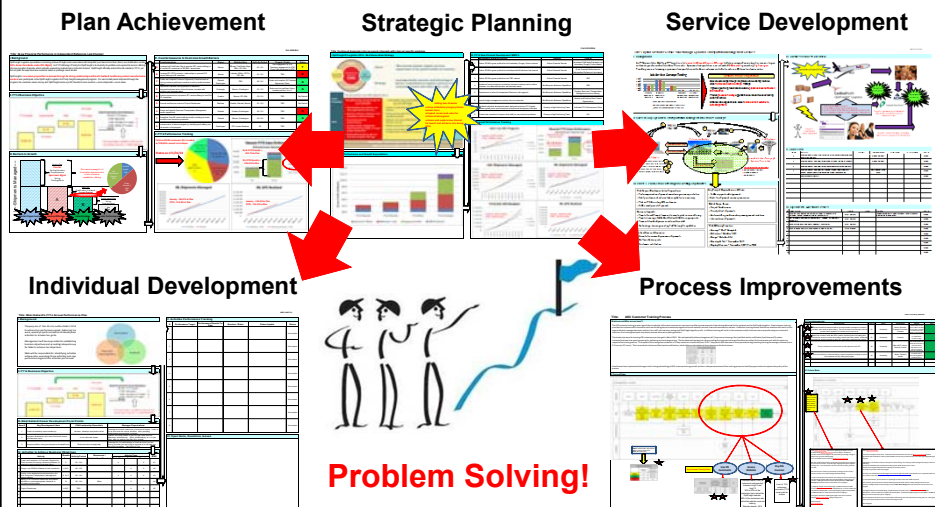
- I can apply Lean concepts and tools to improve my job...**Can't wait to get back to work!**
- My fellow Lean Leaders are facing similar problems...**I can learn from them!**
- My Lean Coach is very helpful guiding me through problem solving...**I want to provide this same coaching to my team!**
- Lean Thinking makes perfect sense...**Why do not all organizations develop their employees in this discipline?**

23

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Lean integrated into my daily work



24

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How will the program be sustained

- A key objective of this program is to ultimately become self-sufficient
 - Develop pool of internal coaches
 - Develop the lean leaders to coach and mentor future waves
 - Document the standard work associated with the program
 - Engage the organization through structured talent review

25

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Q&A

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Thank you!

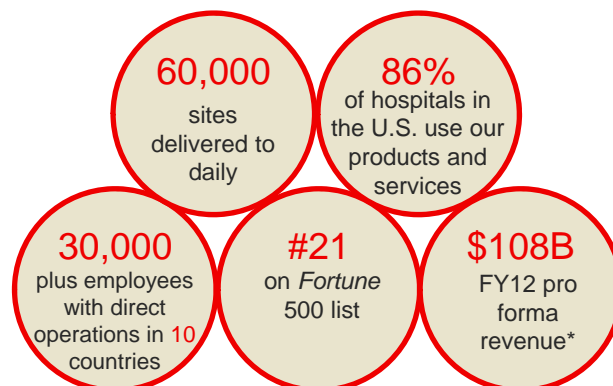


27

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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.

28

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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.



29

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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



30

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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


31

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Operational Excellence timeline: 2004- 2012

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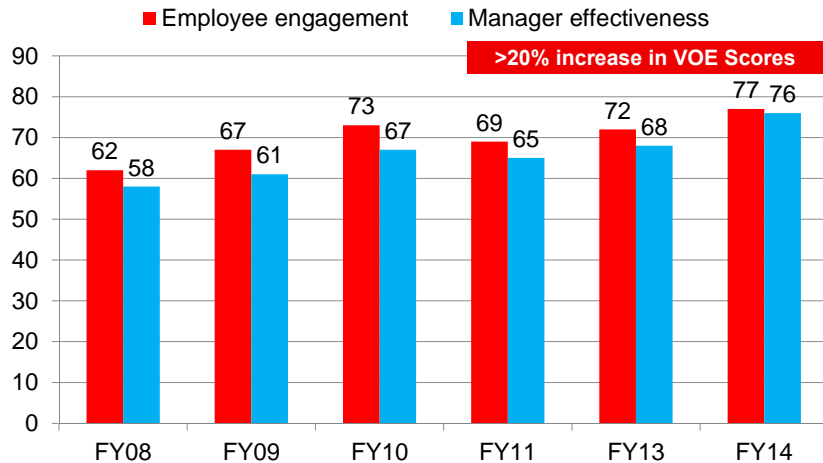
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32

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Pharmaceutical Employee Engagement

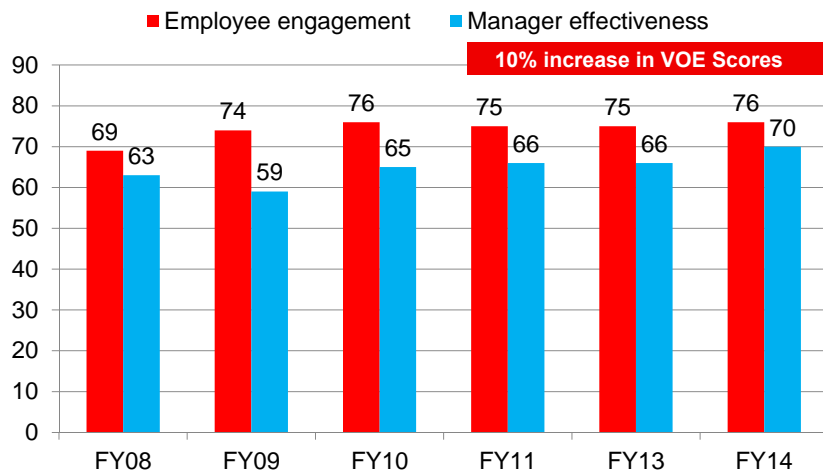


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Medical Employee Engagement

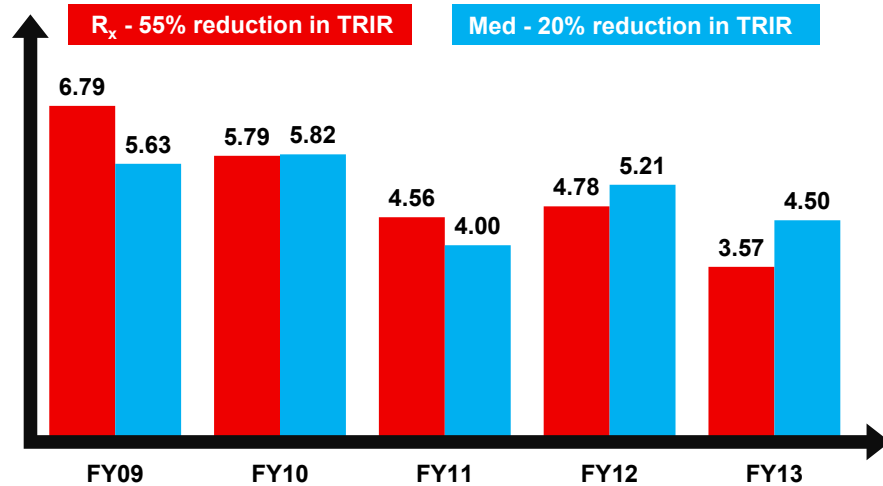


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Safety (Total Recordable Incident Rate)

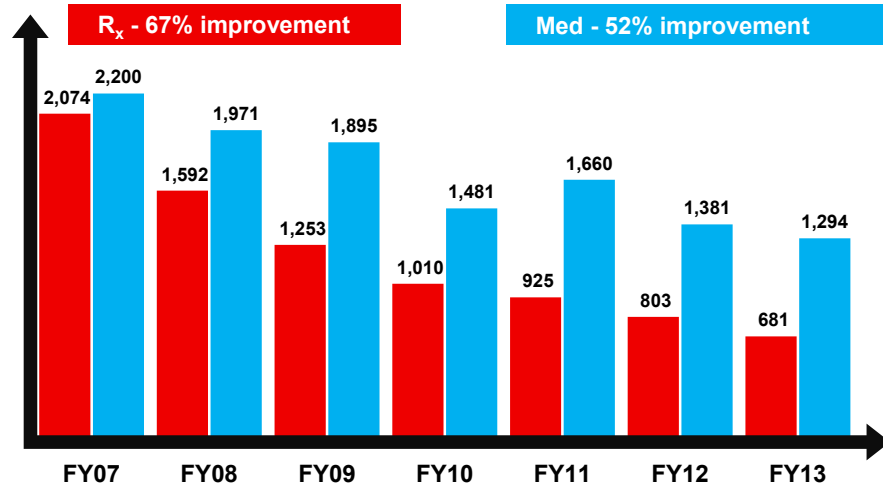


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Shipping accuracy (DPMs)

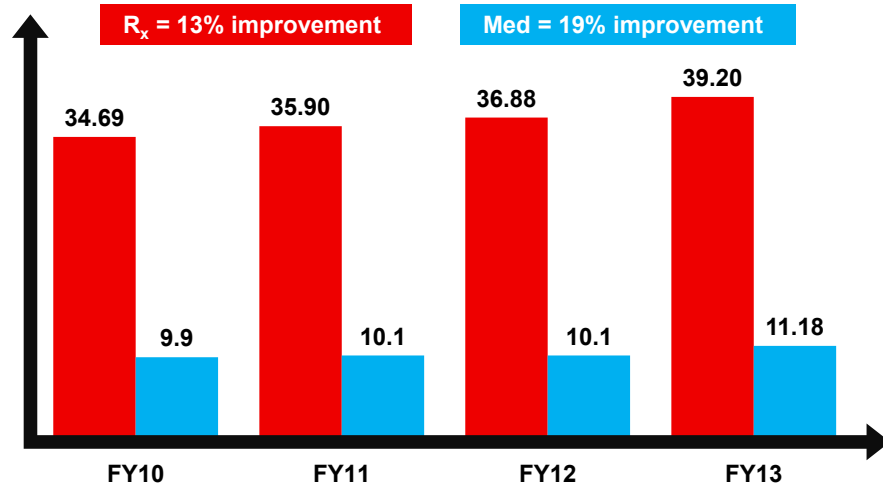


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Productivity (Lines / Hour)



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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

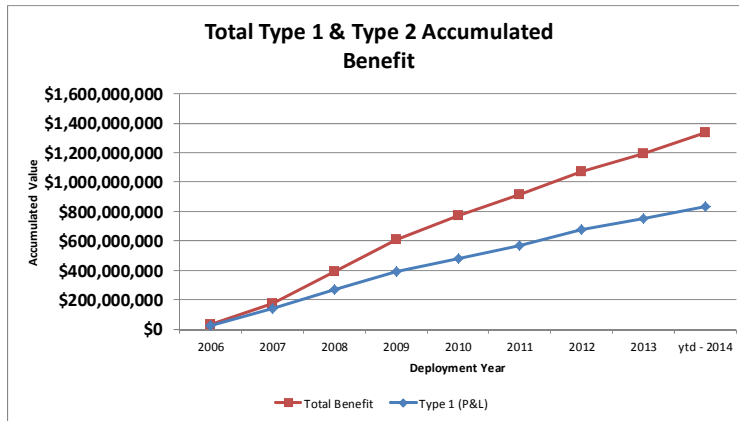
Gartner Healthcare Supply Chain Top 25 Report

38

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Benefit History




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Operational Excellence timeline: 2004- 2012

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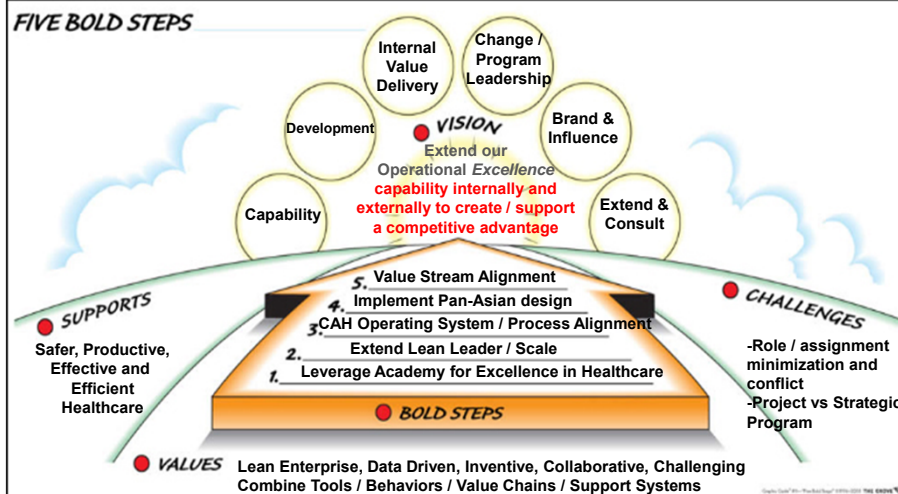
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Strategy - Stepping up

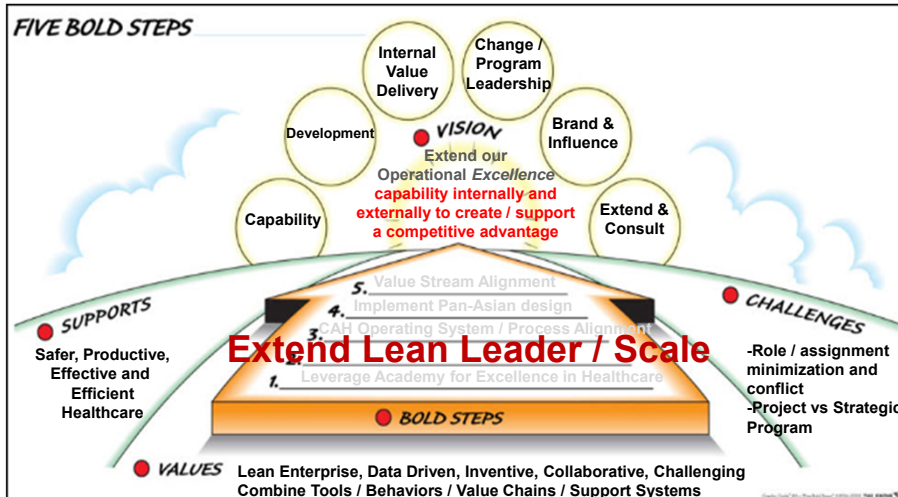


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Strategy - Stepping up



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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

43

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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.....***

44

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