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Seizing Growth in **TURBULENT TIMES**

January 2010

Mark Howard

Managing Director – Management Recruiters of Berkeley



Mark leads an Executive Search firm that has successfully completed assignments in Consumer Packaged Goods, Banking and Healthcare. His team provides services on a retained and contingency basis. Mark has 12 years of experience in Executive Search, having led hundreds of search assignments to completion.

- Management Recruiters of Berkeley prides itself in not only providing top level search but also in partnering with clients to provide solutions that help realize long term growth and staff retention. This includes succession planning, interim staffing and executive coaching.
- Our Consumer Packaged Goods Practice, led by VP Rosann Russo, has an impressive track record. Rosann has 20 years of experience providing clients with top candidates. She partners with large and small consumer packaged goods companies across the United States and has a deep understanding of what it takes to attract the highest quality candidates to an organization. Her efforts have helped our clients enter new markets, operate more efficiently and enter the next stage of growth.

Background

- Mark achieved CSM Designation (2008): MRI established the Certified Senior Manager (CSM) Certification Program in 2005 as a way to highlight its standout Billing Managers' achievements. Professional Billing Managers who hold the CSM designation are recognized leaders at MRI Worldwide, and are ranked consistently at the top of their profession. A CSM is committed to delivering excellence, pursuing continuous professional development, and is accustomed to delivering only the highest quality of customer service.
- Mark received his B.A. from the University of Colorado, Boulder and resides in Walnut Creek, California.

Isabel Perlinski

Chief Executive Officer



Isabel is a co-founder of Perlinski & Company and has over twenty five years of comprehensive experience in management, finance, and information technologies; she has proven in-depth expertise in business development and operations assessment, program & project management, functional business planning, and corporate and financial strategy. Isabel has applied her skills widely in software, retail, banking & finance, QSR, life sciences and medical device industries. She is highly effective in companies ranging from start-up through the Fortune 50 in teams that span from executive committees to technical project task forces.

Recent Projects

- Isabel led a team in the development of a business strategy and operational plan to spin out a molecular diagnostics technology developed by the Chief Scientific Officer at Hitachi Chemical Research, a wholly owned affiliate of Hitachi Chemical, Ltd. She was responsible for assessing the technology, market, developing the commercialization strategy, FDA strategy, financial and operational models, initial valuation, funding plan, legal and licensing framework, business and product strategy, marketing and sales strategy, staffing requirements, and recruiting for an initial scientific advisory group. The project also included conducting focus groups, interviews and feedback reporting from relevant industry participants and planning and coordinating prospective studies for the technology.
- She led her team to conduct a full business operations assessment for Advisys, Inc., a financial software company, including review of its operational, financial, market and technology capabilities and developed a number of financial and operational growth options to suit the exit and liquidity requirements of the majority shareholders. This engagement also included an assessment of the leadership capabilities, culture and core business processes within the organization and resulted in recommendations for implementing leading practices in leadership, process and corporate governance. Other work completed for this client included assistance in developing the Information Technology Framework for product development, recruiting competent personnel, recommendations on Advisory Board composition and compensation and guidance on protecting and enhancing the company's intellectual property.
- Isabel worked with the CEO of Zebra-Net, a technology recruiting firm, to identify key shareholders objectives and develop an acquisition strategy and targets, evaluating proposals and conducting the necessary due diligence and negotiation with strategic acquisition targets.

Relevant Experience

- Isabel is the founder and CEO of Perlinski & Associates, member *FINRA/SIPC*, an investment banking firm providing corporate finance and M&A advisory to small and mid-size companies.
- Visa International, Isabel was responsible for Treasury Systems which included the multi-billion dollar money transfer and foreign exchange operations.
- Jamba Juice, Isabel played a leadership role in developing the strategy, process and infrastructure that allowed the company's expansion from 20 stores to several hundreds.
- At Taco Bell, Isabel managed the development and support team responsible for sales systems deployed to over 4000 domestic and international restaurant sites. Her organization deployed processes and systems that supported the company's expansion strategy into new-concept sales.

Background

- Isabel earned her B.S. in Computer Science from Northeastern Illinois University in 1983 where she graduated cum laude.
- Isabel earned her M.B.A with high honors in 1993 from the Graduate School of Management at the University of California at Irvine. She was awarded outstanding student and was selected for membership in Beta Gamma Sigma, the honor society for collegiate schools of business. Isabel holds several securities licenses such as Series 7, Series 24, Series 28 and Series 63.

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Dan Kuzdzal

Partner



Dan has 15 years experience in integrated international and domestic logistics services, as well as over 15 years of direct retail management experience. His supply chain experience ranges from demand and allocation planning systems, foreign vendor freight consolidation, freight forwarding, all modes of transportation, trade regulations and CT-PAT compliance, FTZ and Sub-Zone programs, tax minimization, distribution network rationalization, and RFID applications. His retail background covers merchandising, distribution, and store operations.

Recent Projects

- Designed & implemented an international merge in-transit program for a major computer manufacturer (Digital/Compaq) from 3 foreign origins direct to customer sites.
- Assessment of supply chain operations for a Canadian Provincial Liquor Control Board resulting in \$35M (Can) in annualized operating improvements and revenue enhancements.
- Conducted a performance, risk, and controls assessment for a major HealthCare cooperative (Premier) providing procurement and outsourcing services to over 2000 hospitals.
- Conducted an diagnostics of S&OP and manufacturing operations for a global manufacturer of electronic instruments and measurement devices to improve productivity (Endevco).
- Assessment of global inbound transportation infrastructure & pricing for major apparel retailer with savings in excess of 8%.
- Global rationalization of DC network for international travel retailer (Duty Free Shops) operating in 22 countries with reduction from 8 to 3 facilities.
- Planned the outsourcing and implementation of a national retail home products specialty chain's (BB&B) conversion to a 3PL network of distribution providers.
- Developed a DC by pass, cross-docking solution for a major retail apparel specialty retailer (GAP) utilizing bar code technology to control distribution to over 2000 stores in the USA & Canada.
- Developed a wholesale strategy for a major fashion retailer's (Nordstrom) global sourcing group and planned interface functionality between Retek (ERP), PKMS (WMS), and Movex (ERP) applications .

Relevant Experience

- KPMG Global Director Advisory Development and Knowledge Management
- KPMG Director Operations Risk Management & Advisory Services
- PWC Director Consumer & Industrial Products Supply Chain Consulting, Western Region
- Arthur Anderson Business Consulting, Principle, Integrated technology & Supply Chain Management

Background

- Dan's experience includes principal level positions in department and specialty store retailing, as well as in the international shipping, forwarding and airfreight industries. His consulting experience in supply chain focused on the consumer and technology industries as a director with several global consulting firms.
- Dan received his B.A. in Business Administration from Wayne State University, as well as his M.B.A in Marketing from Wayne State University. He holds a second M.B.A. in Economics from the University of Michigan. Dan completed the Executive Development Program at the University of Pennsylvania, Wharton School of Business.

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Steve Perlinski

Chief Operating Officer



Steve is a co-founder and COO of Perlinski & Company and is based in Laguna Niguel in California. Steve's twenty nine years of experience includes effectively founding, operating, integrating, focusing and developing businesses. His expertise in human factors and enabling technologies supports a deep understanding of what is possible in lean corporate operations as well as how to realize aggressive corporate growth. He has worked extensively throughout North America, Europe and in Asia.

Recent Projects

- Steve recently led a Business Operations Assessment (BOA) to assess revenue enhancement and cost take out opportunities at a leading international wireless carrier resulting in savings of over \$500 million and cost avoidance of over \$1 billion.
- He authored thought leading materials on Sales and Operations Planning (S&OP) and assisted a leading international electronics retailer in improving their forecasting and demand planning processes.
- He recently led an international process assessment project team at a global apparel retailer. This project focused on safety and regulatory compliance across the enterprise and particularly in Asian Operations.
- He led a BOA team at a leading-edge wireless technology and chip provider where his team identified and remediated issues related to business unit integration and financial processes on a global basis.
- He assisted a major private equity firm in the due diligence for a multi-national corporate acquisition. His team focused on key areas of manufacturing, supply, logistics, information technology, marketing, sales, legal, accounting and human resources.

Relevant Experience

- Co-Founder, Chief Operating & Information Officer at NextCard - U.S. National bank. NextCard enjoyed one of the most stable credit portfolios with exceptionally low charge-off rates in the industry and attained a market cap of over \$2B in 1999.
- Board Member & Limited Partner at Odyssey Venture Partners. Steve participated as a core team member in the acquisition (due diligence, deal structuring and valuation), merger and divestiture of portfolio companies.
- Co-Founder & Managing Director at Tryarc LLC. Steve formed this company that specialized in managing global-scale projects. In 2006, Tryarc was acquired by The Revere Group for its expertise and client base.
- General Director at General Motors Corporation. Steve led the global supply chain and e-commerce organization, a horizontal that served fifteen brand verticals in 128 countries.

Background

- Steve has held top-secret and EBI security clearances in connection with his work for the U.S. Air Force.
- Steve attended Loyola University of Chicago for both undergraduate and graduate medical studies.
- He completed training in LEAN/6 Sigma and attended the prestigious Global Executive Leadership Program, Leadership at the Peak, Colorado Springs.

Steve Swann

Partner



Steve is a Partner, and has over thirty years of in-depth technical and leadership experience in business process analysis, technology projects and portfolio management. This experience encompasses the integration of a wide variety of technologies at the Enterprise level. Projects have ranged from CRM, BI, ERP, Data Warehousing, and Systems Process Control to Information Integration Design. He has implemented Data Centers, Broadcast Networks, Satellite Operations Facilities, Corporate Web Portal projects and Retail Business Management Systems. The primary industries that he has worked in are the Banking, Information Technology, Media and Telecommunications areas.

Recent Projects

- Data Warehouse/Business Intelligence Project Management - Enterprise OBIEE project for Major Medical Corporation
- Service Level Management (Contracts and SLA Processes) - International Support Contract for Off-Shore Support in Mainland China
- Network/Media & Portal Project Management (Systems Design and Analysis) - Portal project for Fortune 100 Corporation
- Security & Legacy Analysis (Enterprise Analysis) - Process and Procedure analysis for Government Service Organization

Relevant Experience

- Project Management Major Medical firm Business Intelligence initiative with OBIEE
- Project Management of Major Banking (ICRS) Credit Risk Portfolio Data Warehousing Project
- Project Management of ERP, CRM implementations and the Telecom Business Implementation of Digital Imaging for Document Repository
- Designed and Implemented Digital Media Production Graphics Imaging and IS Systems for the first US Regional 24 hr News Channel
- Designed and Implemented Major Corporate Private Satellite Network and 10,000 port major digital voice/data switching NOC
- Pioneered the design of all Digital Media Broadcast Network Applications and Database Systems
- Utilized and Promoted the first AVID NLE Digital Editing Systems for Broadcast Production
- Designed, Built and Managed Major Computer Based Corporate Television Production facility
- Project Managed the Implementation of a Major Corporate Optical Fiber System and managed a private Satellite Network with 3,000+ downlink stations

Background

- Steve has management experience at the levels of Manager, Project Manager, Operations Director and CIO in the Financial, Broadcasting, Technology and Telecom Industries. He has managed principal vendor relationships, operations groups and technical staffs both domestic and international. Steve has participated as a guest speaker in International CIO Symposiums in mainland China, published technical articles in several Asian publications and has been interviewed on China Television.
- Steve holds a Bachelor of Science from University of Utah in Business Management, a Certification in Data Processing (CDP) from the Association of Information Technology Professionals (AITP). He has done graduate studies in Information Technology Management at San Jose State University and is currently enrolled in Stanford University's Advanced Project Management Program.

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The Keys to Optimization

Then and Now

The first decade of the 21st Century has been a decade of

FEAR

- **Y2K**
- **Terrorism**
- **Global Economic Meltdown**

The next decade of the 21st Century will be a decade of

OPPORTUNITY

- **Listen**
- **Be Flexible**
- **Carpe Diem...Seize the Day!**

Key Market Changes

- **Less tolerance of risk**
- **Continued high unemployment and a prolonged housing downturn**
- **An increase in recent global manufacturing activity**
- **Rejection of high leverage business models**
- **Cash vs. credit**
- **Increased energy and commodity prices**
- **Necessity vs. luxury**
- **Rapidly evolving**
 - **Financial markets**
 - **Government intervention and regulation**
 - **Emerging markets**
 - **Increasing speed and visibility of communication**



Collaboration

The Collaborative Process flows from Good Strategic Planning

- **A company's Value Stream is the set of actions to turn raw material into goods or services needed by the customer.**
- **An optimized Value Stream is the irreducible minimum set of activities needed to design, order and make and deliver those products in a continuous smooth flowing set of processes.**
 - **What is my current Value Stream to my customers?**
 - **From my customers' view point, what should my value stream be?**
 - **What kind of collaboration from my Employees, Customers, Suppliers and Others do I need to develop in order to accomplish the optimum value stream?**

Business Intelligence is the key tool for forming multiple strategic action scenarios or plans to increase collaboration with your Employees, Customers, Vendors and Partners to create value.

The Right Business Intelligence comes from understanding the eight areas of waste

- **There are eight defined areas of waste in companies:**
 - **Overproduction**
 - **Excessive inventory**
 - **Inefficient transportation**
 - **Excessive motion**
 - **Waiting**
 - **Excess processing**
 - **Defects**
 - **Talent underutilization**
- **Business Intelligence must touch and be able to report and assess each of these areas in order to allow management to be able to form effective strategic plans.**
- **Those activities which do not optimize value to the customer must be evaluated for change or elimination.**
- **Those who are engaged in these activities cannot effectively evaluate their own business processes.**

From awareness to collaborative change - Internal

- **Business Intelligence is the tool for forming multiple Strategic Action Scenarios or plans.**
- **Collaboration with Employees, Customers, Vendors and Partners is the key to the execution of those strategies and plans.**
- **Internally**
 - **Evaluate the eight areas of waste**
 - **Ensure that your decisions are based upon timely, accurate and complete information**
 - **Empower employees to bridge functions and silos**
 - **Break ingrained structures – it's time to move!**
 - **Fear, uncertainty, and distress provide cover to try new things**
 - **Less resistance to change – we need to do something**
 - **Develop a Plan B and a Plan C – include a fallback position**
 - **Use everyone's eyes and ears**

From awareness to collaborative change - External

- **Ensure that your Business Intelligence includes Sources of Supply, Competition, Regulatory and Market changes, both domestic and international**
 - **Activity is occurring, you may not know it**
 - **New leads**
 - **New funding sources**
 - **New buildings**
 - **New products and services**
 - **Don't miss the opportunity to:**
 - **Buy distressed assets**
 - **Develop a joint venture**
 - **Obtain a new product or service**
- **Work directly with channel partners, supply chain partners and customers. Make it a dedicated effort and ask direct questions (investigate CPFR)**
 - **Look for new ways to do things together**
 - **Once unthinkable may now be doable**
 - **Identify new potential partners**
 - **Create a credible and valuable solution for your customers**



A Strategic Portfolio

The New Reality



- When the recovery finally begins will it be lead by the consumer or by Government spending and manufacturers rebuilding inventories?
- Continued unemployment, economic uncertainty, and restrained consumers indicates the potential for a longer, more complex recovery; especially for retail and CPG companies.
- Over time, fear will be replaced by caution, then optimism, and eventually opportunism.
- The New Normal will see significantly changed market dynamics:
 - Fewer competitors
 - More available talent
 - Pent-up demand
 - Leaner operating models
 - A consumer with new values and priorities

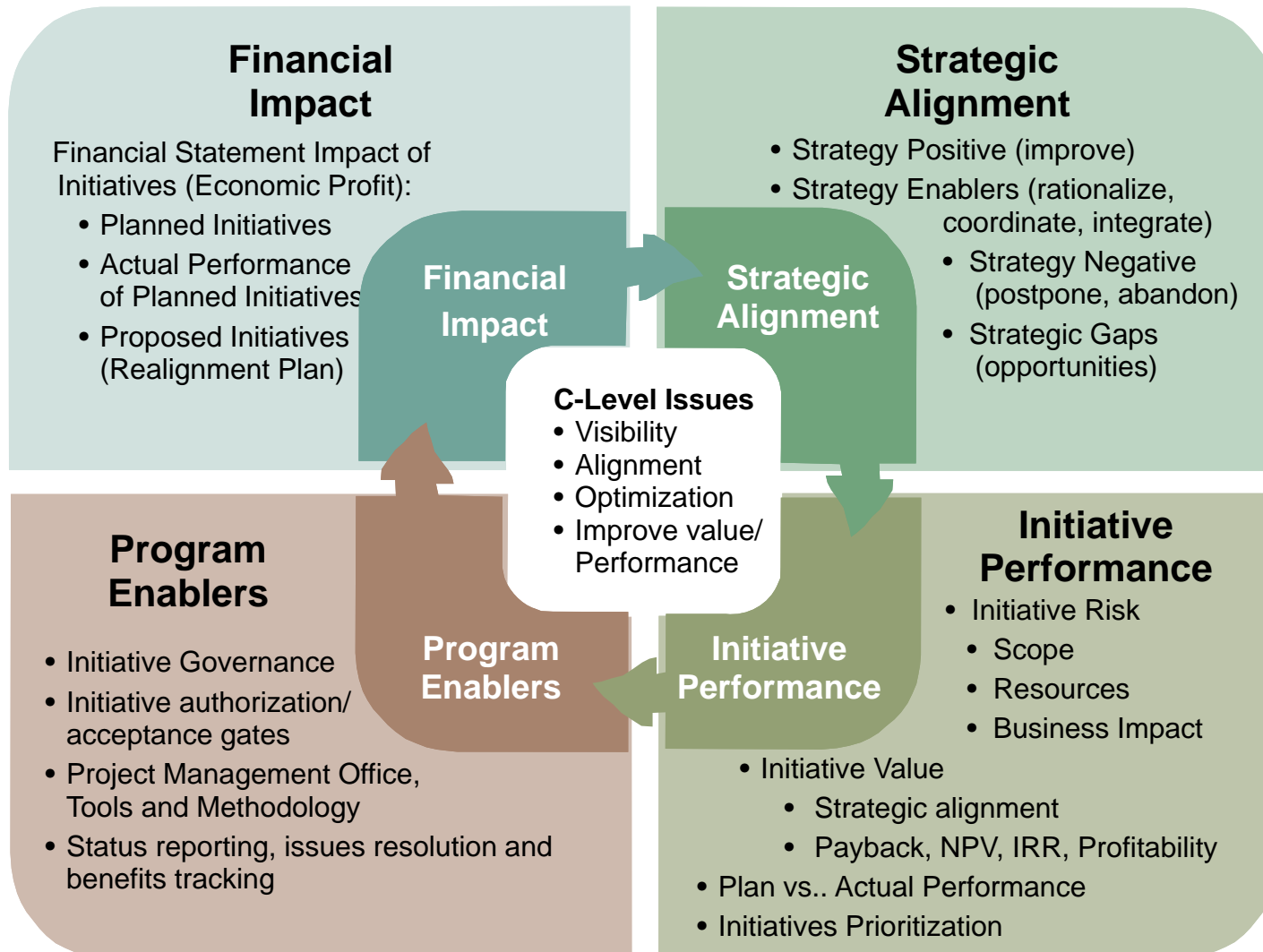
In preparing for the upturn, consider these points:

- A new customer profile that is more pragmatic, cautious, and value oriented
- Limited commercial credit; rethink financial strategies and funding of growth plans
- Changes in currency values, commodity prices, energy, interest rates, and taxes will all impact operating income and cash flow
- Energy cost implications for supply chain and transportation strategies, as well as sustainability and social responsibility considerations
- Think strategy, not just survival; focus on the future.
- Understand your customers by analyzing the economic indicators that define your target market(s) and their needs
- Inflation; a resurgence in consumer demand could trigger inflation in many commodities and sources of supply
- Increased Shrinkage and fraud exposure require an accelerated focus on the protection of assets and information
- Innovation to improve the customer experience
- Consider available Tax incentives, rebates, deductions, and credits

Grab market share through asset realignment

- Invest in “good” costs, reduce “bad” costs, and evaluate “it depends” costs
- “Bad” costs may involve investing in capital assets, manufacturing, and SG&A expenses as they often fail to yield cost competitiveness or improve productivity
- Preparing for the upturn maybe as challenging as managing the downturn...So
 - Focus on strategically aligned investments, innovation and long-term market positioning
 - Rather than compromise the integrity of products or services through cost reductions, improve quality, and invest in new products, opportunities, and markets
 - Match your workforce to its longer-term opportunities rather than to current products and sales trends
 - Focus on hiring, training, and positioning staff to pursue opportunities consistent with corporate strategy

Analyzing the Initiatives in your Enterprise





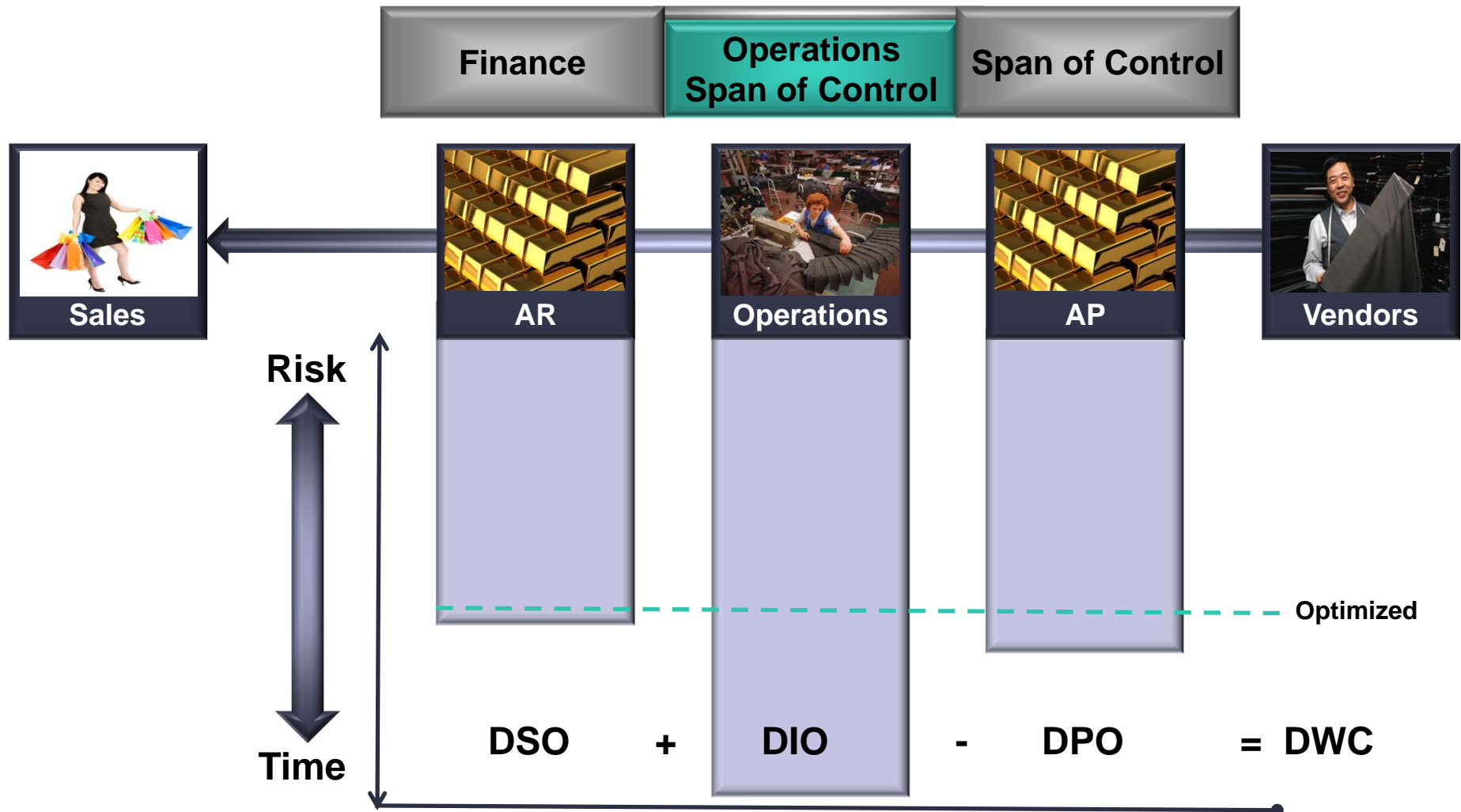
Found Money

Lifblood of your company: Working Capital

- In the current recession and beyond, the cost of working capital is more expensive and is likely to continue to rise due to lower risk tolerances in banking and markets
- Many companies see SG&A / Sales and CoGS rise but are slow to react when sales are robust and year-over-year growth remains stable
- Today's successful company needs to LEAN its operations systemically to return latent working capital to free cash flow
 - Tactical efforts result in



Implement a company-wide risk balanced approach



You need your best and brightest to improve core processes

- Seek to reduce your latent working capital to avoid layoffs. Layoffs always result in the loss of your strongest contributors over time
- Your best solution is to attack the drivers of working capital throughout the organization and across organizational spans of control:
 - Accounts Receivable
 - Accounts Payable
 - Inventory
 - Fixed Assets

**Typical Working Capital Reduction
Opportunity:**

10% - 30%

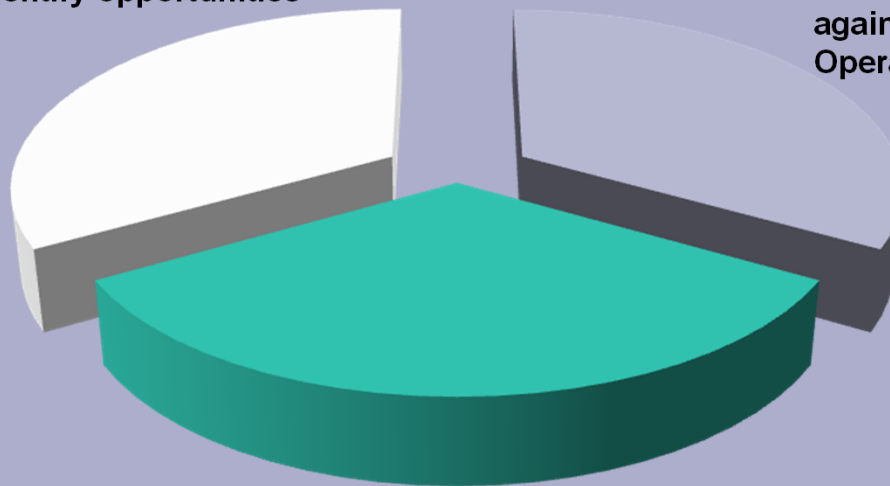
**can also induce an operating cost
reduction up to 20%**

Three fundamentals of Working Capital Optimization

- Create a robust program of operational and financial initiatives to drive sustainable Working Capital improvements
- Establish and refine an ongoing cycle of rolling cash forecasts
- Monitor balances, flows and variances to focus in on areas for improvement and prevent backsliding

Forecasting:

- Robust forecasts
- Strengthen cash controls
- Identify opportunities



Monitoring:

- Investor metrics
- Monitoring of cash flows and balances
- Variance analysis against Financial and Operational metrics

Optimize working capital:

- Embed initiatives in reforecast
- Communicate progress to stakeholders
- Prioritize initiatives
- Prepare action plans
- Set key milestones and accountability
- Implement Solutions



Strengthen Your Core

Answer the following questions for your organization:

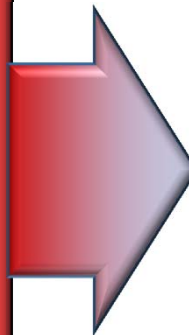
- Is there a clear link between the business plan and the operations of each department?
- Do you have an effective means of orchestrating all departments towards the same targets?
- Does your planning process yield a realistic plan capable of achieving the company's objectives?
- Are decisions ever made in Operations, Marketing, Finance, Sales, Service or Product Development that surprise other organizations?
- Do your detailed operating plans and projects clearly support a master game plan?
- Do you have one set of numbers visible to all?
- Do you have balance in supply and demand while maintaining focus on P&L?
- Do you typically discuss
 - What, (who?) caused this problem?
 - Or...
 - how will we meet the numbers?

Your Sales & Operations Planning Process IS your core

**The sole purpose of S&OP is to ensure
Alignment and Commitment
throughout your company**

Ineffective S&OP

- Multiple, disjointed plans
- Reactive executive involvement based on issues
- Weak accountability
- Limited collaboration in planning
- Goals focused on functional performance
- Performance review in reaction to fires



Effective S&OP

- Single financial & operating plan
- Formal cycle for proactive executive review and commitment
- Ownership and accountability in all areas and levels of organization; action plans required
- Sales, inventory & production plans reviewed by all areas
- Goal focused on business performance
- Formal proactive monthly review of performance and future plans

Who is involved in a leading-practices-based S&OP process?



S&OP Values and Guiding Principles

- S&OP Is the GENERAL MANAGER's / COO's meeting
- Mandatory attendance of Key Participants is Essential
- Don't Change Meeting Dates ! (Others move to accommodate S&OP)
- Discipline for Data Integrity, Timelines, Completion of Homework, & Meeting Management is Key - (eg. Stick to The Agenda)
- Encourage People to "Bring Bad News Early" & Then Don't Shoot the Messenger!
- Review the Past Briefly & Then Focus On The Future
- Take Decisions Where Required, Build Consensus, Record Actions, & Don't Try To Problem Solve In the Meeting!
- Foster & Encourage Continuous Improvement Within The Process
- Critique The Process & The Meeting, & Then Share The Results

Commonly encountered gaps in peak performance

If you are experiencing

- Rising product obsolescence
- Rising inventory investment
- Margin erosion
- Rising Customer Service costs
- “Out of Stocks”
- Diminishing Promotional Support
- Declining Distribution

Then consider addressing some of these common performance gaps:

- An inconsistent process is being followed from month-to-month or the process is ad-hoc
- The correct parties at the right level are not at the table
- Inaccurate or untimely data is being presented
- Executive management spends too much valuable time directing or reacting rather than decision making
- Lack of continuous improvement in the process
- Excessive delegation or delayed decision making
- Weak C-Suite sponsorship



Question & Answer