Global Operations

Jeff Adams
Senior Vice President
Global Operations

- Operations Ortho Recon/Trauma
- Operations Endoscopy
- Operations Wound Management
- Global Strategic Procurement
- Global Operations Finance
- Global Facilities
- Global Operations Human Resources
- Global Distribution
- Operational Excellence
Benefits of Global Operations...

- Leverages sourcing of products and services
- Improves efficiency through common systems, training, tools
- Eliminates unnecessary cost, re-work and confusion
- Delivers more value to the business
- Enhances development opportunities of key talent
Smith & Nephew pillars of success

- CUSTOMER LED: World class service and quality
- EFFICIENT: More value at reduced cost
- ALIGNED: Partnership, execution and accountability
- INVESTING FOR GROWTH
Smith & Nephew pillars of success

CUSTOMER LED

World class service and quality

Customer focus: Lean/Pull

EFFICIENT

More value at reduced cost

World-class procurement

ALIGNED

Partnership, execution and accountability

Manufacturing network design

INVESTING FOR GROWTH

Create a culture of delivering on our objectives

Distribution optimisation

Smith & Nephew: one company
Customer focus through Lean/Pull
What does it mean to be “Lean”?

Responsive
- Shorter lead-times, better on time delivery, faster product development

Effective
- Connected with the customer, quality at the source

Efficient
- Higher productivity, lower inventory, better leverage of facilities
Traditional “push” manufacturing
Lean/Pull manufacturing

- Visual Management
- Cellular One Piece Flow
- Kanban Material Replenishment
- Order Now
- Point of Use Materials
- Standard Work
- Package
- Step 2
- Step 3
- Step 4
- Raw Material
- Customer
- Lean/Pull manufacturing
Lean Video
Results example: Customer service levels

![Graph showing 2009 Service Levels Ortho for Knee, Hips, and Trauma]
Implementing world class procurement practices
Building blocks of world class procurement

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<tr>
<th>Move from ‘part focus’ to commodity focus</th>
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<td>Develop strategic supplier partnerships</td>
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<td>Utilise world class procurement tools</td>
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<td>Support Lean through Kanban and process</td>
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<td>Reduce lead time</td>
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<td>Low cost country sourcing</td>
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Increasing use of low cost countries

By 2014, 30% of materials and 25% of production in LCC.
Rationalising our manufacturing footprint
Manufacturing footprint: Vision

Drive high cost manufacturing into low cost regions while sustaining regional technology centres where needed to support business unit strategy
Our major manufacturing locations: 2008

USA
- Endo
- Mansfield
- Warsaw
- OKC
- San Antonio Ortho
- Memphis Wound
- Largo

UK
- AWM
  - Hull
  - Gilberdyke Ortho
  - Warwick

Switzerland
- Ortho
  - Aarau

Germany
- Ortho
  - Tuttlingen

China
- Ortho
  - Linhe

SUZHOU HAS GOT LOST!
Our major manufacturing locations: 2010

USA
- Endo
  - Mansfield Ortho
  - Memphis Endo/Wound
  - OKC

UK
- AWM
  - Hull
  - Gilberdyke Ortho
  - Warwick

Switzerland
- Ortho
  - Aarau

Germany
- Ortho
  - Tuttlingen

China
- AWM
  - Suzhou Ortho
  - Linhe
  - Beijing

SUZHOU HAS GOT LOST!
Suzhou, China manufacturing facility
Beijing, China manufacturing facility

Sept 2009  
Current  
Future
Optimising our distribution network and processes
Optimising distribution

Current state

- 138 distribution locations
- 90 warehouses
- 48 district offices
- 1.4m sq ft of warehouse

Underway

- Move toward future state: optimised warehousing/logistics
- Evaluate custom landscaping by region
- Standardise distribution processes
- Rationalise to standard warehouse management and logistics systems

Cost savings, enhanced service, better use of inventory and assets
Summary

- Global Operations has a **clear strategy** in support of overall Group
- We are **delivering on our commitments to the business**
- We are affecting large scale change that is supporting the **overall transformation** of our organisation
- The changes we are driving contribute to **earnings improvement**
We are smith & nephew
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