A Multi-Billion Dollar Brand Perspective:
Managing Product Quality Throughout the Global Supply Chain

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Global IT Leadership efforts
- Global R&D
- Global Nutrition
- Transformation
- Corporate functions
- ...

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Agenda

- Objective
- The environment
- An approach
- Wrap up
Objective

- Initiate a conversation on the challenge
- Share a perspective, my learnings, of how we (PepsiCo) approached Global Quality
- Share an approach to start the journey
What to do, where to start

Need a proposal to propel out global quality efforts

Need it in 24 hours!!!!
Start by understanding the environment we operate in

- Current state
- What is changing
- How does that impact the strategy
- What is the business priority
Consumers are in control

Over 1 Billion new middle class in emerging markets

Shifts in Values

Shifts in Demographics

Digitally Connected
Ever increasing demand from retail customers

Demanding innovation
New delivery Models

Direct competitor
Customer interaction
The industry has many common business barriers to growth

Top growth barriers cited by Food and Beverage Executives*

- Pricing pressures
- Volatile commodity & input costs
- Rising labor costs
- Regulatory & legislative pressures

*2013 Food and Beverage Industry Outlook Survey

And carryover from one company’s issues can have a direct impact to others

McDonald’s Says China Meat Scandal Hurting Sales (AP Aug5, 2014)

“scandal over a meat supplier in China is hurting sales in the region and its global sales forecast for 2014 is “at risk.””

Yum Brands, Inc. noted that the bad publicity has “shaken consumer confidence” and resulted in “significant, negative impact” at its KFC and Pizza Hut chains in China.
Product portfolios are evolving

Demanding greater innovation
- In the US grocery channel, for example, the number of SKUs has grown 50% in just the past 7 years.*

Focus on Emerging markets
- More than half the global revenue of the Coca-Cola company since 2006
- Nearly half or PepsiCo’s 2009 revenue
- PwC’s January 2014 Global Economy Watch predicted that 13 economies will grow faster than China in the coming year; eight of which are in Africa.

M&A activity is a critical part of many companies’ efforts
- To meet consumer demand as companies buy their way into new categories
- Address emerging markets
- Expansion of brands globally

*Source: Food Market Institute, the Food Retailing Industry Speaks 2010)
Ever changing and increasing regulatory requirements

- EU1169/2011 focus
- FSMA
- Changing regulatory priorities
- Constant changes in label requirements
- ...

- Allergens
- Novel
- Gluten
- Organic
- Natural
- GMO
- ...

12
Increased supply chain complexity

No one functional group owns it
Historical systems investments

- Legacy systems historically have fallen short in managing key data needed to support regulatory demands
- Monolithic in nature lacking ability to adapt to change
- Companies struggle with data integration across platforms
  - Lack of visibility
  - Information gaps
  - How many offline spreadsheets or isolated data sets does your company “maintain”?
  - Resulting in no single version of the truth
Companies have made significant investments in systems but gaps remain.

- **1980**: Financial Transaction
- **1990**: Sales Automation, Warehouse Automation, Manufacturing Performance Management
- **2000**: CRM, Mobility, Integrated Supply Chain, Process Controls
- **2010**: ERP, PLM, BI / Data Analytics
- **2020**: Master Data Management, Big Data

- **Growth of the Spreadsheet**
- **Numerous stand-alone tools**
Numerous technologies are deployed to support the business Food Safety efforts

As well as decentralized Manual Point Solutions
Integration of key information is critical to effectively support a Food Safety effort.

- **CRM**
  - Customer master data
  - Automated complaint initiation

- **ERP**
  - Product/ material/ vendor information
  - Batch release
  - Return/ repair processing

- **EDMS**
  - Integrated change management workflow
  - Access to controlled documentation

- **MES**
  - Automated initiation of deviations/ non-conformance

- **LIMS**
  - Automated initiation of lab investigations

- **PLM**
  - Engineering change order
  - Document access

**Integration**
What is a CIO leader to do?

- Competing priorities
- Funding constraints
- Changing business models
- Fragmentation
- Incomplete data
- Limited resources
Need to look across the supply chain and create partnerships to make a difference

Cross functional approach

Need for partnerships

Stronger processes

Tighter integration across systems

Clarity in roles & objectives

Create wins that matter
Setting up for success

- Secure visible Executive sponsorship
- Establish clear measures and goals
- Ensure there is clear business ownership
- Must be part of the conversation and a key business priority
- Manage SCOPE, RESOURCES, TIME
- Build a strong partnership
- Show progress and publish results
- Clear communication plan
- Strong change management
Everything is important but you have to start somewhere

- What is the company’s strategy
- Recognize what is in flight
- What can be leveraged
- Where are the key gaps/ risks
- Where is their clear process/ policy expectations
Priorities are driven by identified critical risks
- Realistic assessment of time, complexity and organizational impact
- Must be an enterprise solve crossing technologies, internal/external organizations, as well as external supplier networks

This is a journey…
Plan for change – it is a journey, not an event
So how do we solve or move forward

- A clear and thorough process roadmap, aligned with organizational strategy and goals
- Complete review of operations and workflow
- An evaluation of assets and infrastructure, people, process, technology and IT deployment models
- (i.e. on-premise, hosting, cloud, or a hybrid approach)
- Identification of growth opportunities to improve margins, optimize efficiency, cut costs and reduce risk
**Remember:**

- There is no value in automating a bad process
- There is no value delivered with a “perfect” process
- Risk priorities drive pragmatic decisions
- People need to support the process

- “What is acceptable baseline performance?”
- “How do we enable our people to get better results?”
- “How do we support the culture of food safety?”
Establish clear accountability

RACI Definitions

- **R** Who is Responsible
  - The person who is assigned to do the work

- **A** Who is Accountable
  - The person who makes the final decision and has the ultimate ownership

- **C** Who is Consulted
  - The person who must be consulted before a decision or action is taken

- **I** Who is Informed
  - The person who must be informed that a decision or action has been taken
Plan for change

- This is a journey
- Establish a vision
- Set near term goals
- Prioritize efforts
- Leverage partnerships
- Establish a baseline (facts)
- Determine the key process gaps to be addressed
A food safety culture is never about a destination – re-enforce incremental wins

Tools and technologies will support the food safety evolution process – change is good

Plotting the course, updating your position and direction, and identifying the next port-o-call to keep everyone focused and energized

Many projects fail to achieve business value due to poor communications management
A “working” food safety culture

- Is one of inclusion
  - Many internal groups, suppliers, customers, etc.

- Defined by “working / audit-able” processes
  - We all know how we are being held accountable

- Supported by continuous improvement tools
  - A tool enables productivity and supports compliance
  - Select partners that have a clear strategy

- Strategic in support of innovation
  - Enables “tool users” to leverage knowledge, partnerships and status/results effectively
For PepsiCo it was clear

- Strong ERP foundations but clear data gaps
- Well documented and aligned Supplier Quality Assurance policy
- Needed a solve that extended outside the company
- Increasing challenge as our supply chain complexity increases
- Creates a foundation to continue the journey
Choosing the right partner

- Ensure the partner has a clear strategy to support the industry
- An industry leader
- Focused on process to drive sustained value
- Recognizes and has a vision on how their solution is complimentary to your company’s legacy investments

For Supplier we chose Sparta Systems (TrackWise)
Thank you

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