



## A Multi-Billion Dollar Brand Perspective:

### Managing Product Quality Throughout the Global Supply Chain

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Retired, Sr Dir CIO PepsiCo Global R&D



**Presenter: Ron Brown**



## **Global IT Leadership efforts**

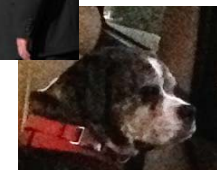
- Global R&D
- Global Nutrition
- Transformation
- Corporate functions
- ...

## **Sr. Director Strategic Information Office**

### **Operations**

- Supply Chain, Manufacturing, Industrial Engineering, Planning

### **Public Health Inspector**



## Moderator: Dirk Dusharme



**Dirk Dusharme** is Quality Digest's Editor in Chief. A well-known and long-time industry journalist with deep roots in electronics and engineering, Dirk often covers technological trends, test and measurement, and supply chain performance.



# Agenda



- Objective
- The environment
- An approach
- Wrap up

## Objective



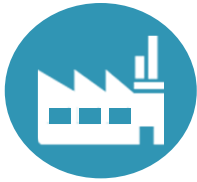
- Initiate a conversation on the challenge
- Share a perspective, my learnings, of how we (PepsiCo) approached Global Quality
- Share an approach to start the journey

# 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



Customer



Consumer

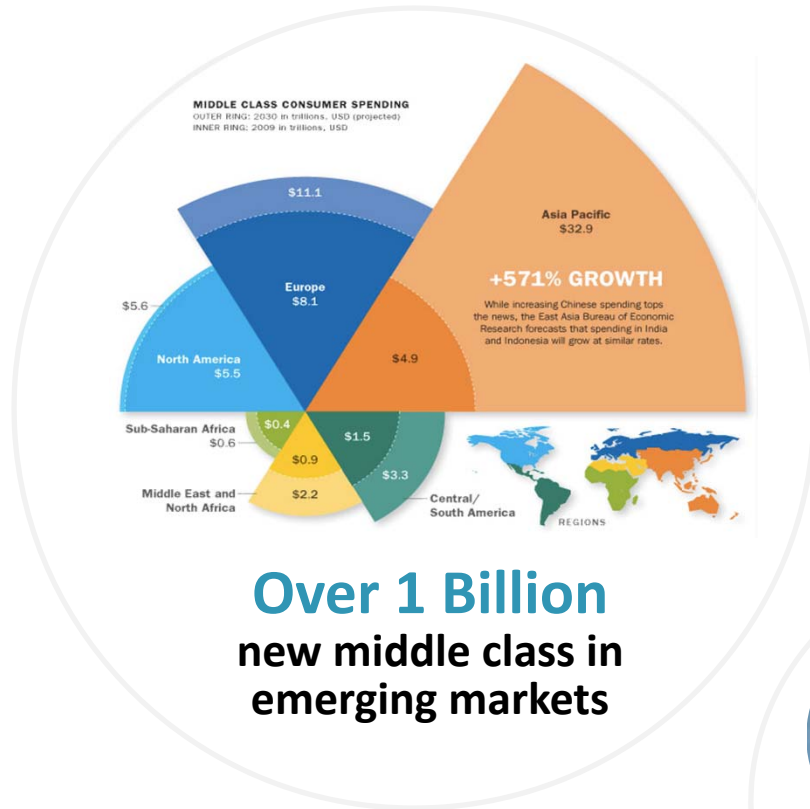


Business Model



- 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





# Ever increasing demand from retail customers



Demanding innovation

Direct competitor

New delivery Models

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 of 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)

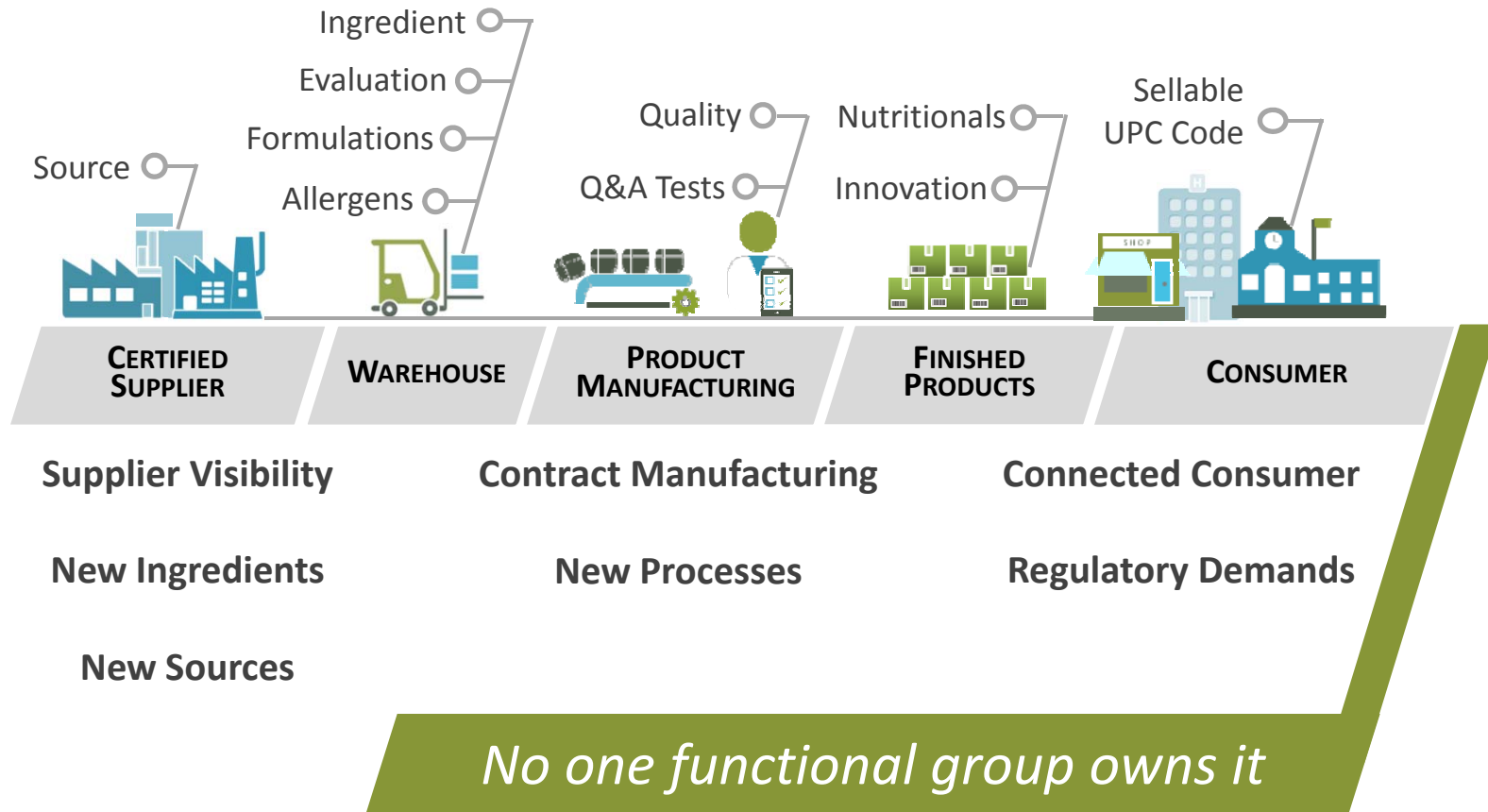
# Ever changing and increasing regulatory requirements

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



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

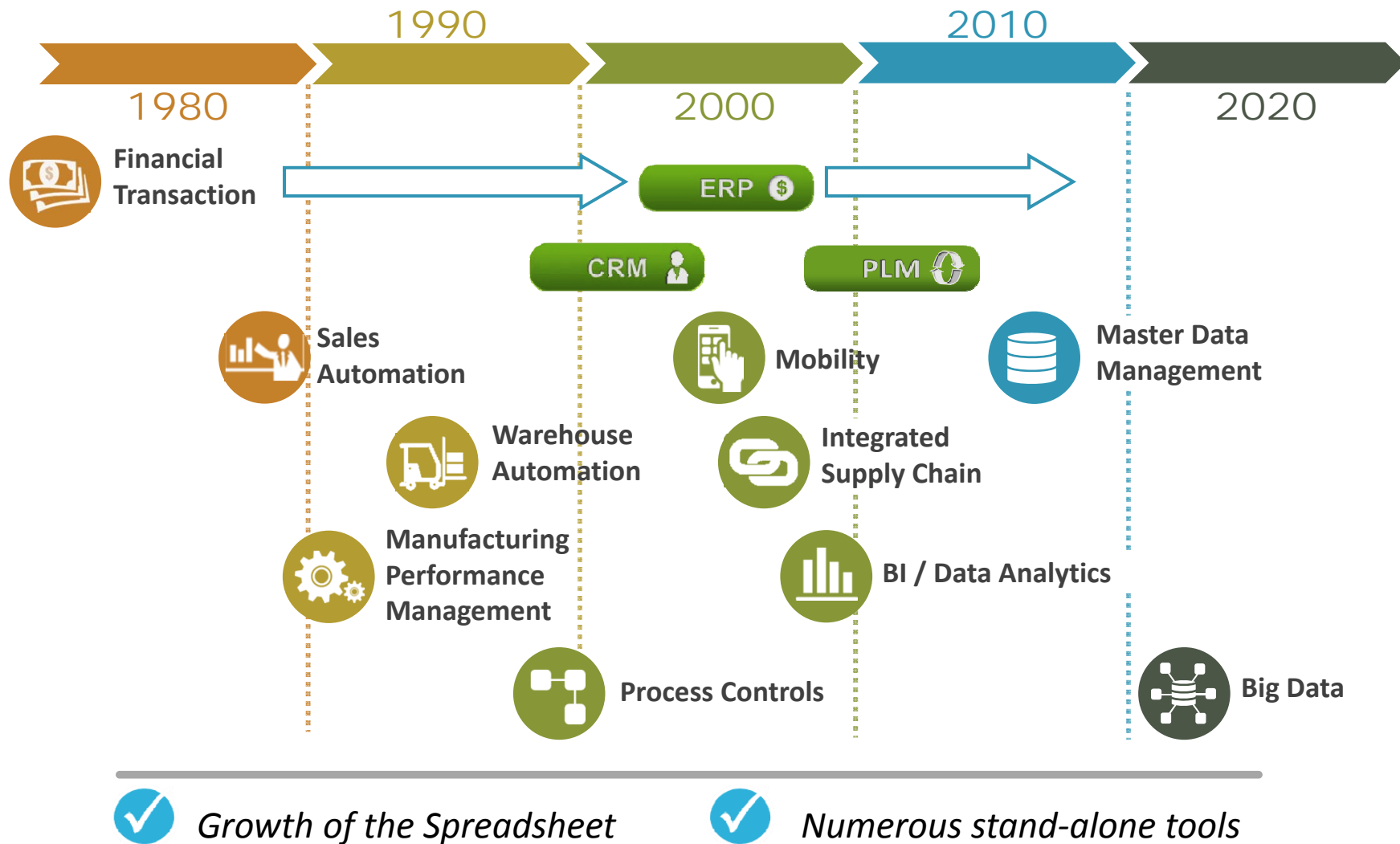
# Increased supply chain complexity



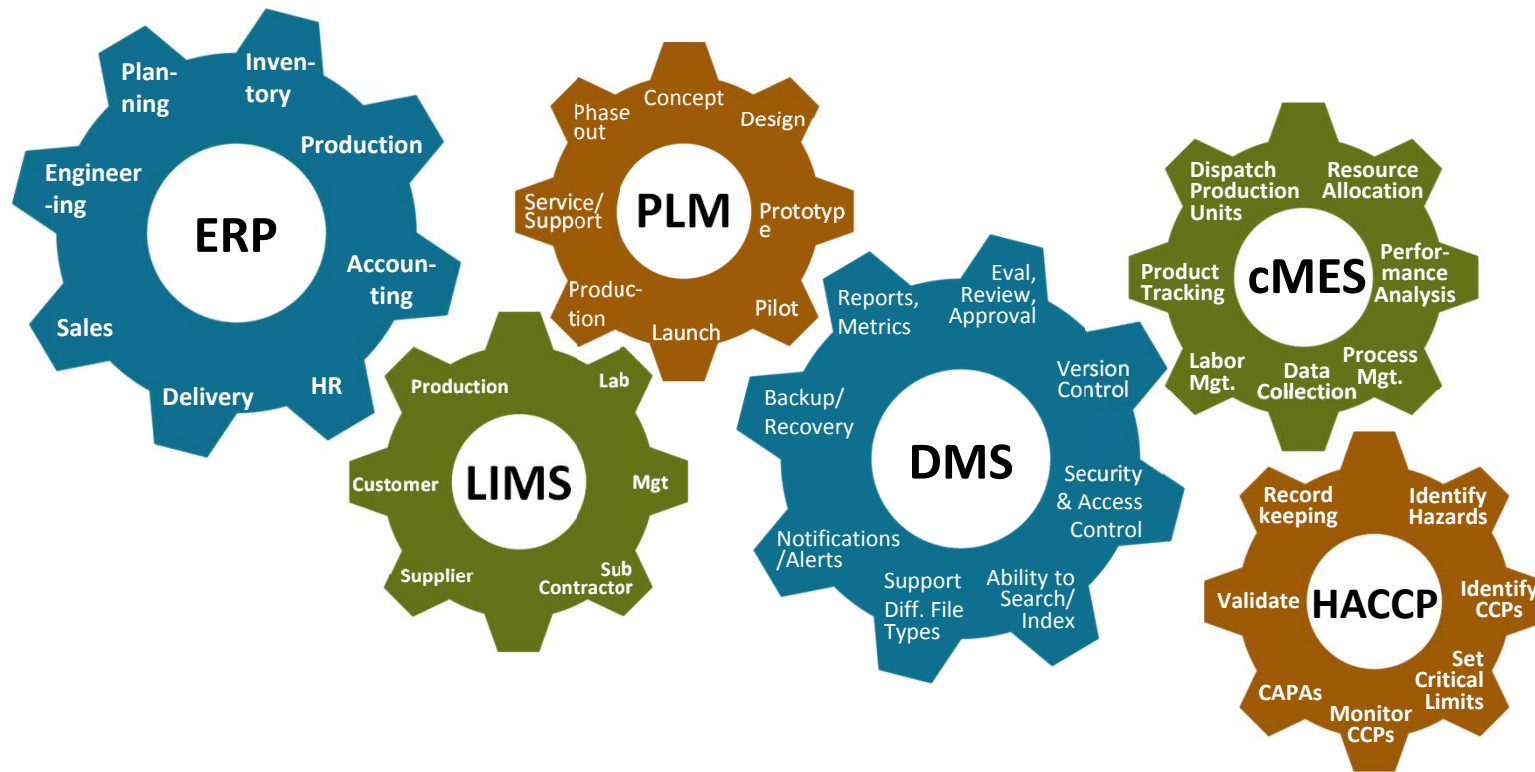
## Historical systems investments

- 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



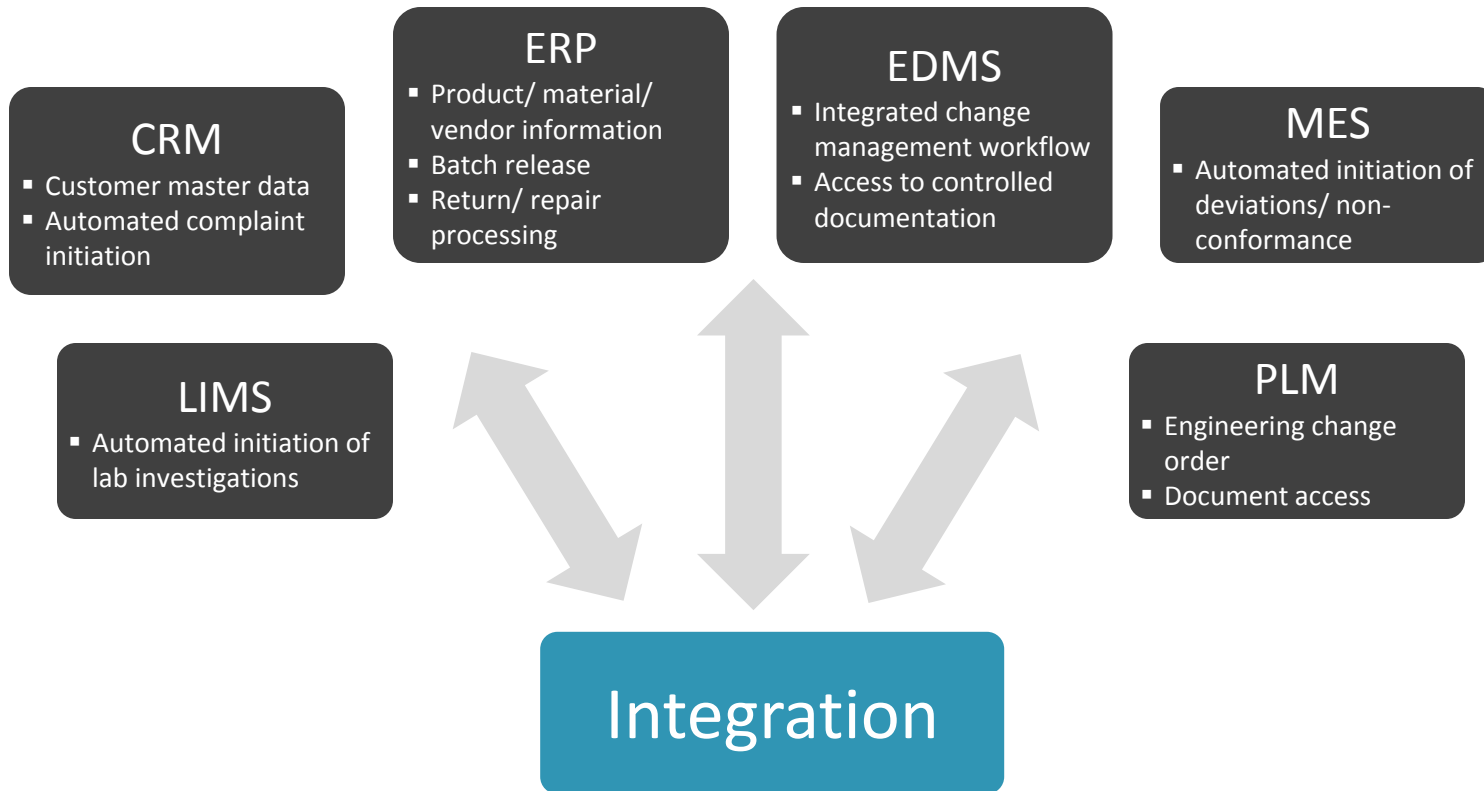
# Numerous technologies are deployed to support the business Food Safety efforts



**As well as decentralized Manual Point Solutions**



# Integration of key information is critical to effectively support a Food Safety effort

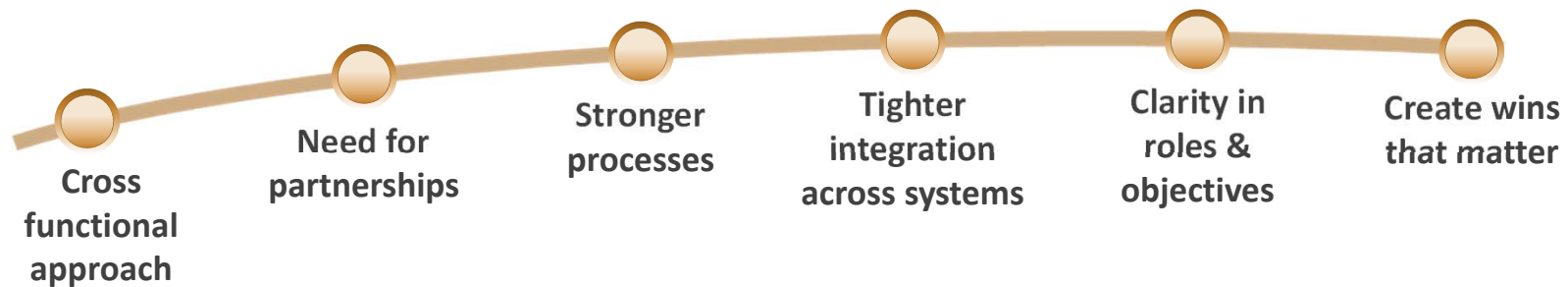
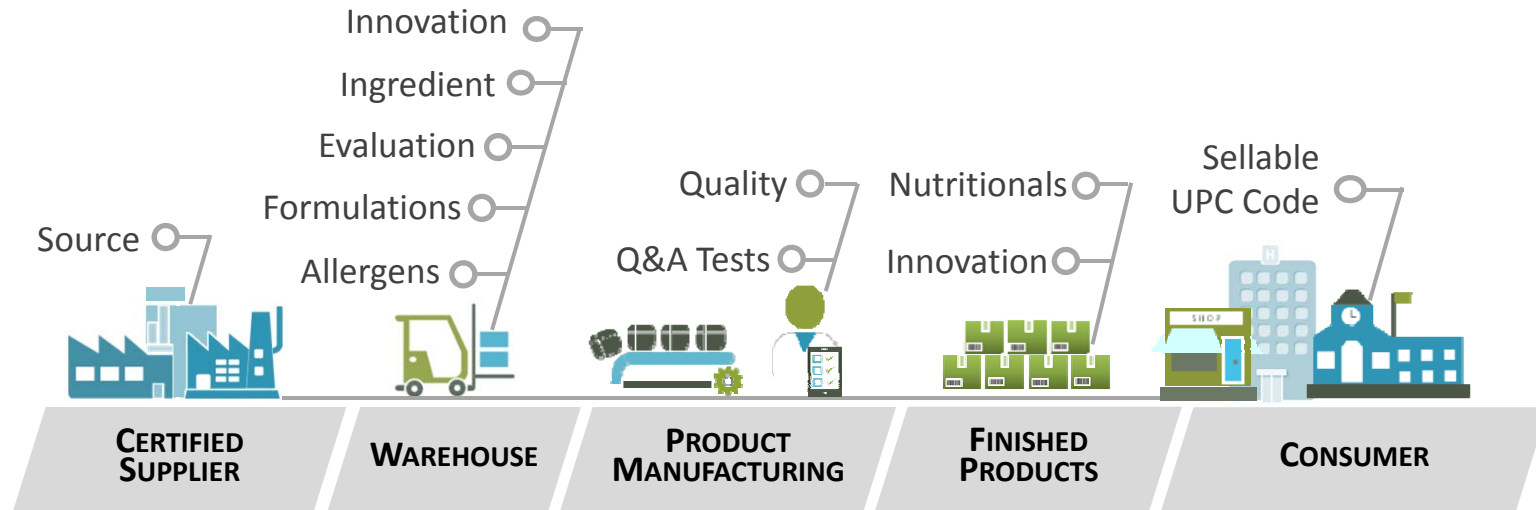


## What is a CIO leader to do?

- Competing priorities
- Funding constraints
- Changing business models
- Fragmentation
- Incomplete data
- Limited resources



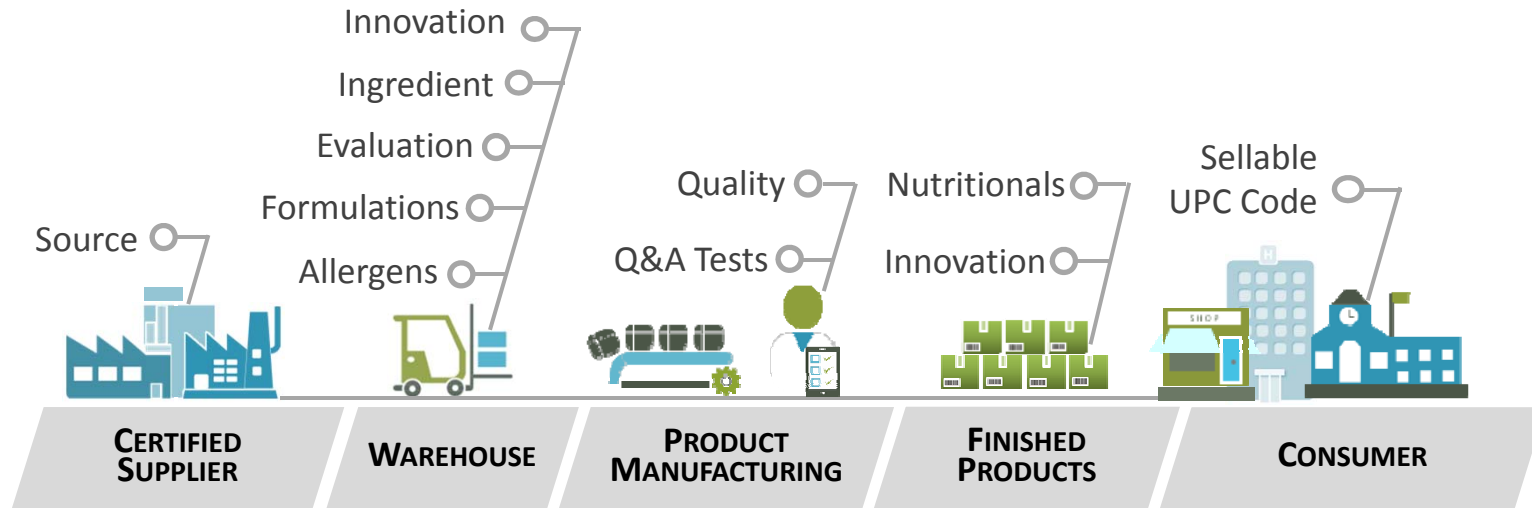
# Need to look across the supply chain and create partnerships to make a difference



## 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

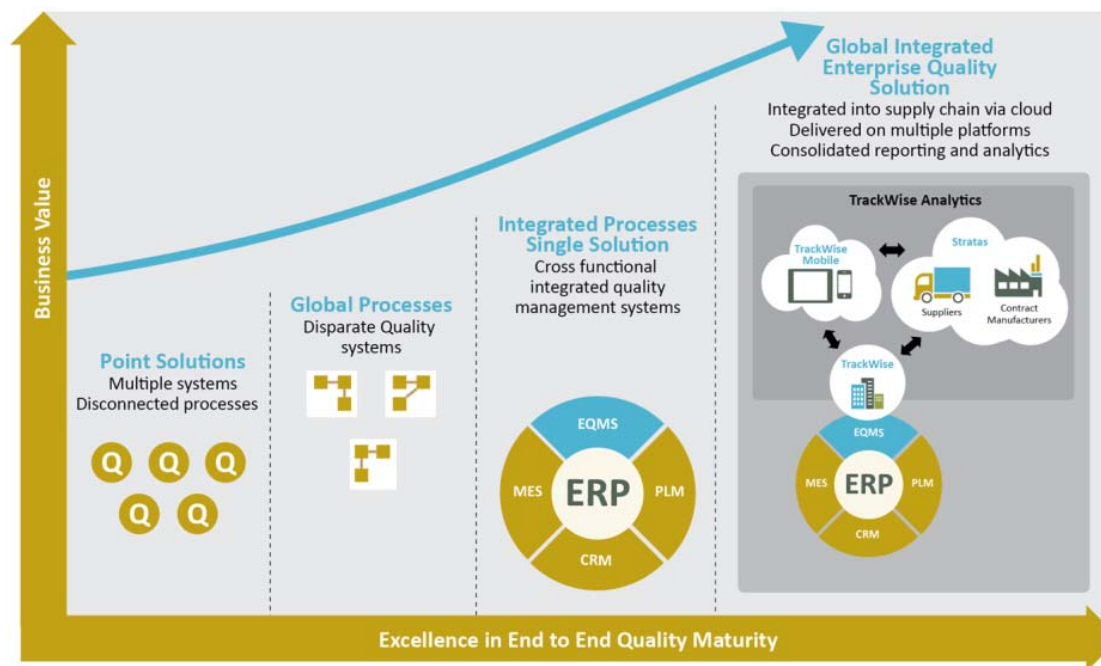


- What is the company's strategy
- Recognize what is in flight
- What can be leveraged
- Where are the key gaps/ risks
- Where is their clear process/ policy expectations

# Determine your priorities

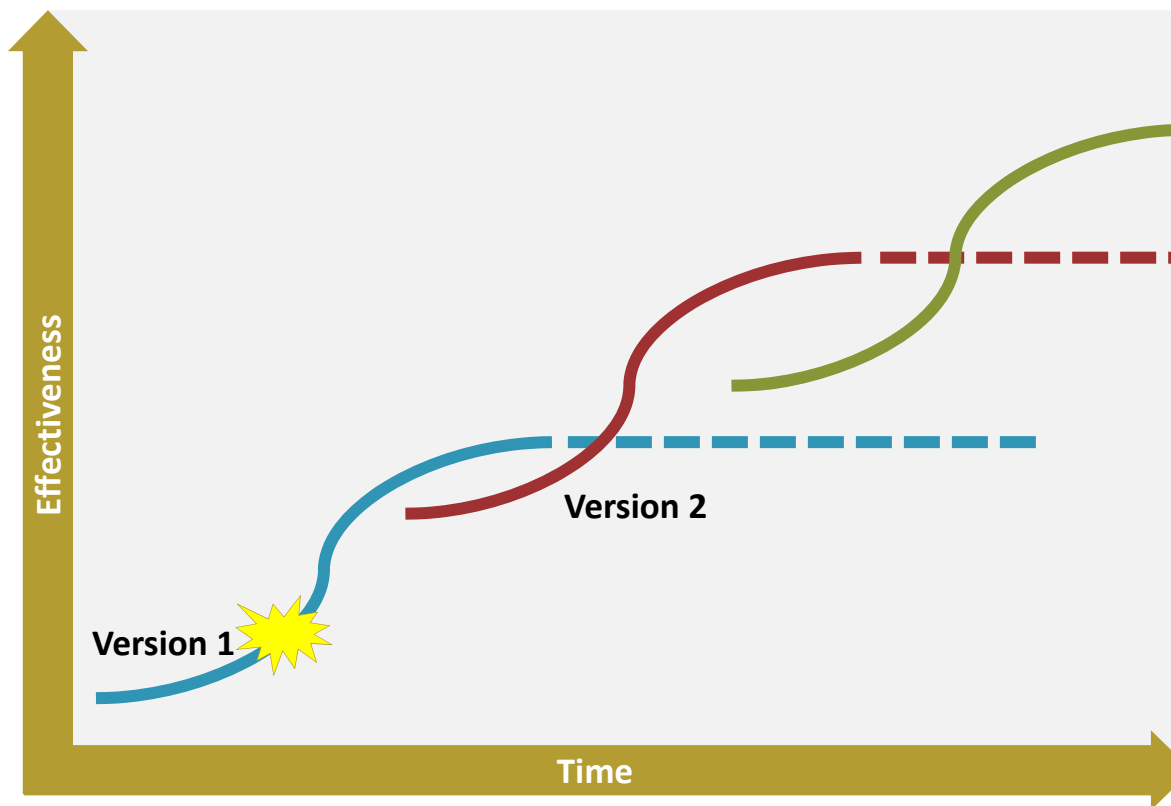
- Priorities are driven by identified critical risks
- Realistic assessment of time, complexity and organizational impact
- Must be an enterprise solve crossing technologies, internal/external organizations, as well as external supplier networks

## This is a journey...



# Breakdown into a series of deliverables

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



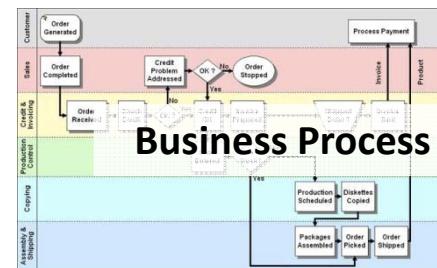
# Process first

## 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



**Policy & Guidelines**

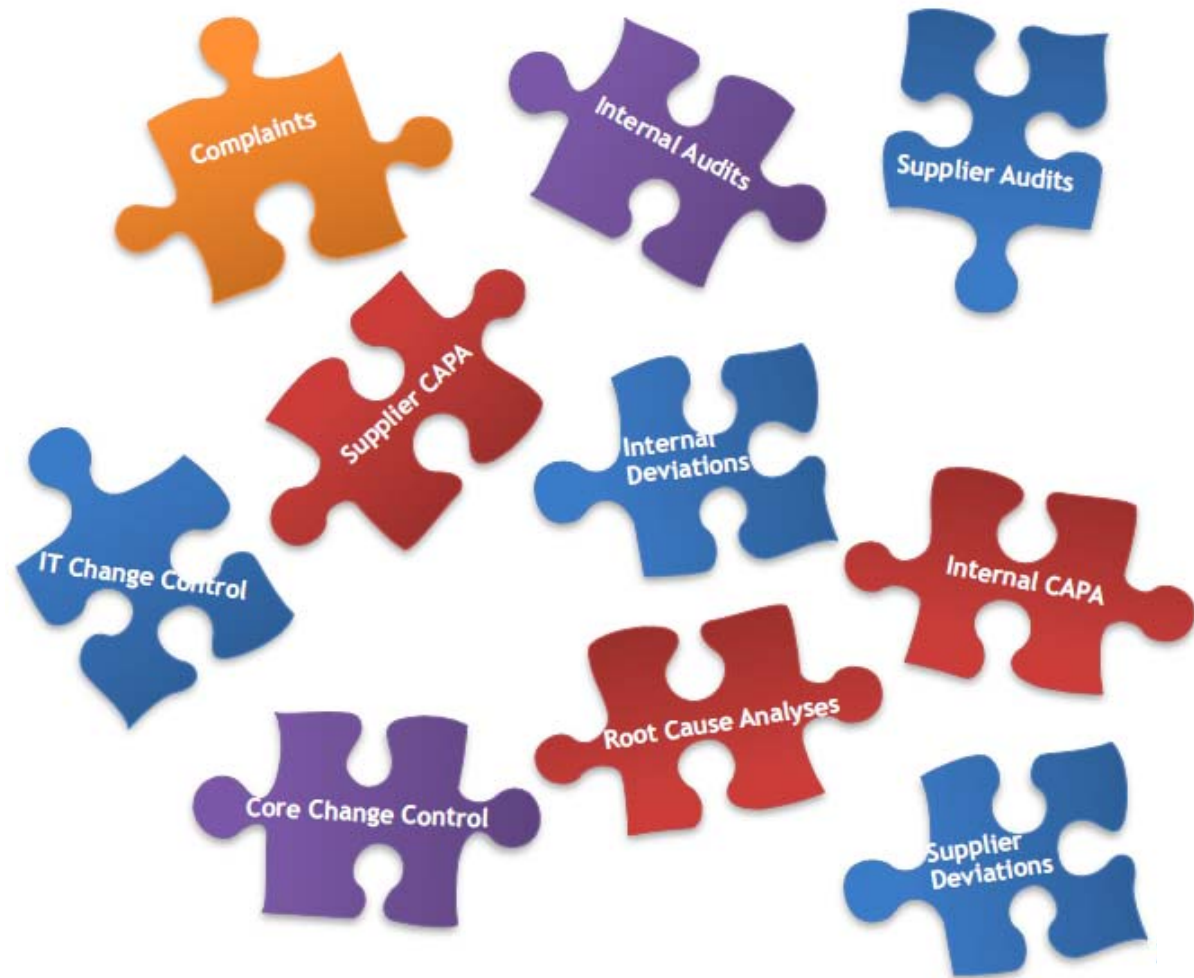


- “What is acceptable baseline performance?”
- “How do we enable our people to get better results?”
- “How do we support the culture of food safety?”

# Establish clear accountability

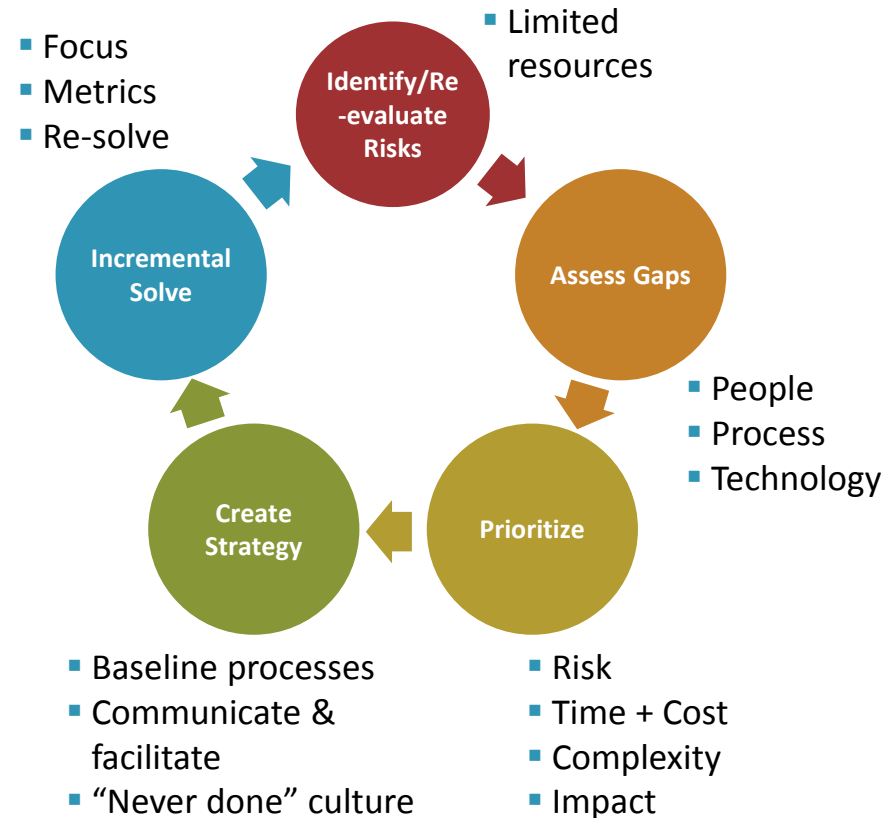
## RACI Definitions

- 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



## Communicate continuously

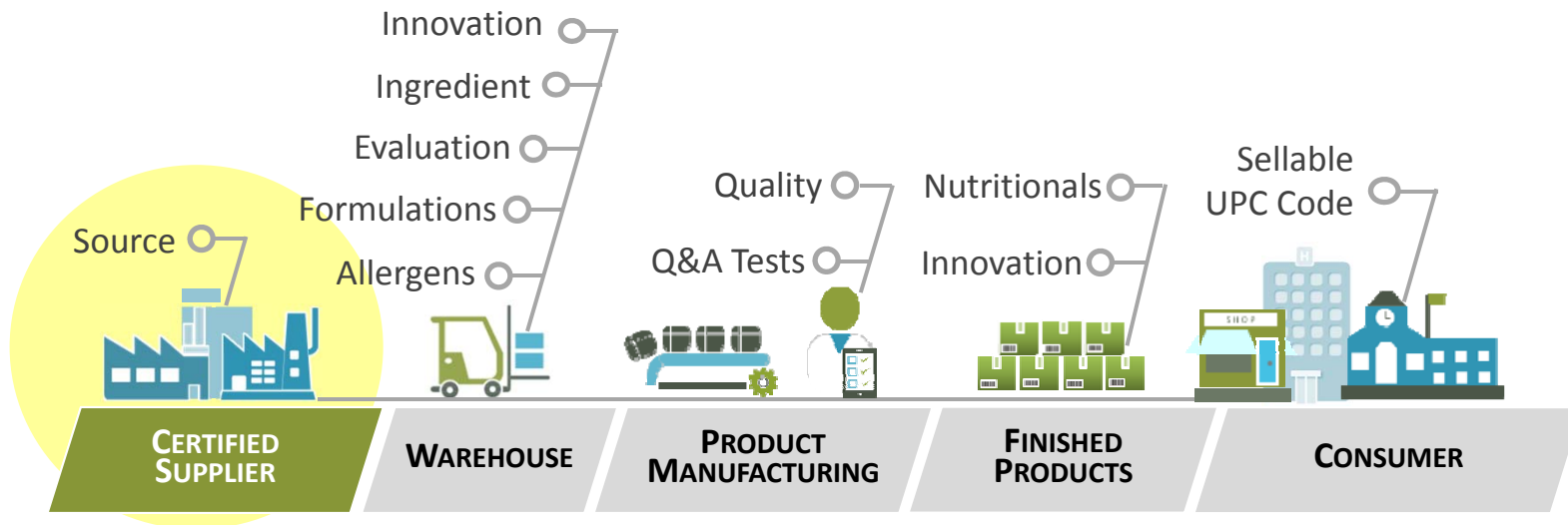
- A food safety culture is never about a destination – re-enforce incremental wins
- Tools and technologies will support the food safety evolution process – change is good
- Plotting the course, updating your position and direction, and identifying the next port-o-call to keep everyone focused and energized
- Many projects fail to achieve business value due to poor communications management

## Key takeaways

### 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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