



World-Class Transformation

ACHIEVING EXECUTION EXCELLENCE AT LOWE'S | By Randy Unger

WE SURFED THE PACIFIC, CAMPED THE APPALACHIANS, AND SKIED THE ROCKIES. WE PLAYED HOLD'EM IN THE LARGEST POKER ROOM IN THE WORLD, SANG KARAOKE IN SOME OF THE SMOKIEST BARS IN THE MID-WEST, AND EXPLORED ACTIVE COAL MINES IN CENTRAL PENNSYLVANIA.

We drove past cornfields and casinos, foggy mountains, and giant balls of tumbleweed. We even passed Mickey Mouse – all on the way to work. We worked when it was 119 degrees above and 50 degrees below. We are the KSA/Lowe's Execution Excellence (E2) Project Team.

Over the past two and a half years, 28 KSAers have worked in 11 different Lowe's distribution centers (DCs) throughout the United States on the E2 Performance Improvement Project. John Barbee, Josh Benton, Peter Berg, Barbara Byrnes, Tony DeMaria, Terry Fong, Robert Fulghum, Kimberly Gay, Dana Grant, Brad Harmon, Mike Hollman, Johannes Interthal, Mike Kincaid, Kevin Klisz, Kevin Knight, Frank Layo, Noam Paransky, Shannon Pratt, Steve Roberson, Al Sambar, Steve Scales, Chris Shaver, Seth Spofford, Denise Trostle, Randy Unger, Matt Ward, Sean Whitehouse, and David Wolkoff have all worked hard to help Lowe's distribution network accomplish one central goal: Transform from a production culture to a performance culture.

Lowe's Senior Vice President of Distribution (and former KSA Principal) Steve Szilagyi realized that to continue to have a world-class distribution network, his team needed to broaden its focus

beyond production. It needed to improve productivity and accuracy, reduce damages, lower company-wide inventory holdings, and reduce cycle times to stores.

As a KSA-trained change management expert, Szilagyi realized achieving these goals would require much more than labor management software and engineered standards. It would require him to completely change the mindset of his entire team, and KSA's comprehensive performance improvement methodology was the surest way to achieve success.

The E2 team developed a three-phased approach to implement this major change. Phase I began in North Vernon, IN and Pottsville, PA, where the team developed a comprehensive training program for each DC's management team and team members. Every vice president, general manager, manager, and coach was taught how to effectively deliver all E2 training sessions to staff. This "train-the-trainer" approach ensured every member of management was fully trained and helped make them the true "experts" in the eyes of their team members.

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PUBLISHER: Pam Beckerman
EDITOR: Katherine Lombardo
LAYOUT: Katherine Lombardo, Gary Wong
STAFF: Nancy Freitas-Lloyd, Katie Jarvis, Katherine Lombardo, John Lyons

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Moving Forward Together

CELEBRATING OUR 2006 ACCOMPLISHMENTS | By Bill Pace



WE ARE ENDING ANOTHER YEAR PACKED WITH TERRIFIC PROJECT DELIVERY, INCREASED MARKET PENETRATION, AND A STRENGTHENED COMMUNITY. WE ACHIEVED SIGNIFICANT OPERATING IMPROVEMENTS AT LOWE'S, COMMUNED WITH CLIENT LEADERS AND COLLEAGUES, WELCOMED NEW EMPLOYEES, AND CELEBRATED PROMOTIONS.

One accomplishment in 2006 involved a more extensive articulation of our distinctive market position. In a recent *Compass Points* communication, I shared the KSA Marketing Map, a global framework for marketing KSA within our core retail, consumer products, and health care industries and geographies. The Map delineates KSA as a firm that provides tailored solutions and accelerated value delivered by people who are collaborative, innovative, pragmatic, experienced, trusted, and results-driven.

The Map also describes our offer: What We Do and How We Do It. Our services, solutions, and skills are based primarily on the work that was done in developing the five Acceleration Programs: Business Growth, Margin Management, Inventory Efficiency, Productivity Improvement, and Technology Effectiveness. We are now cataloguing the skills and tools required to deliver these services, as well as the market themes (burning issues) that are the target of our thought leadership.

Examples of good practices leveraging our skills and tools to drive sales abound at KSA. Our colleagues in Europe, including Arnoud Maas and Ingmar Kraak in Amsterdam, have been winning new clients by offering four- to six-week diagnostic projects using a methodology called Quick Scan. These are paid assignments during which we illustrate KSA's depth of knowledge and pragmatic approach, and gain access to the real issues driving the executive agenda. Two pillars underpin and differentiate the Quick Scan approach.

- Our analytics toolkit of standardized proprietary analyses (e.g., PUMP, Development Lead Time Database, Allocation Effectiveness, Assortment Productivity, Sourcing Cost Index, and Process Scorecards) can be deployed in a matter of days. The tools and target analyses used for each Quick Scan project depend on the functional and organizational scope of the initiative. We combine these standardized and often "benchmarkable" analyses, our tools, with the subject matter expertise, our skills, on hand to get to the core of the matter more quickly than other firms can. In other words: We provide tailored solutions to accelerate value!

- A highly facilitative process, in which we take client senior management teams through a series of three workshops, is used to gain buy-in on the issues, discuss alternatives and priorities, and agree on road maps. The analyses mentioned above are used to stimulate the facilitated discussion rather than serve as a set of hard recommendations. The sponsors become an integral part of the ultimate solution and are more likely to champion needed changes.

Quick Scans can be intentionally broad in scope, covering multiple Acceleration Programs. They work best when limited to small teams of three to four KSAers, and they require little client resource time and investment. Quick Scans provide a real opportunity to showcase the best KSA has to offer without giving away too much, too quickly, and they position us perfectly for follow-on work. They have led to immediate action by clients like de Bijenkorf, Oilily, and M&S Mode.

QUICK SCANS ARE:

- Applicable to any acceleration program.
- Pragmatic and interactive.
- Performed in four to six weeks by a small team.
- Low investment, high value.
- Based on our unique tools and skills.

QUICK SCANS ARE NOT:

- A due diligence.
- An independent assessment and set of recommendations.
- An extensive review by a large team.
- High investment, low value.
- A traditional exploration of opportunities and threats.

Kudos to the European team for astutely reading its market and leveraging KSA's resources to gain a foothold at new clients. Our agility and the strength of our tools and solutions are a powerful force.

Thank you for another year of outstanding contribution and camaraderie. My best wishes to you and your families for a peaceful and joyful holiday season. I look forward to a 2007 filled with rewarding client work and success.



THE 131ST ORIENTATION CLASS BRINGS A BROAD RANGE OF TALENT TO KSA.

Orientation for this diverse group of 53 participants was held in KSA's Atlanta Office September 18 to 22. Attendees networked with international colleagues between seminars and team-building exercises. Noteworthy events included:

- **A STRATEGIC VISION AND GLOBAL ORGANIZATION OVERVIEW** with Bill Pace, which taught the group about KSA's leadership structure and industry positioning strategy.
- **A MOVING FORWARD TOGETHER Q&A** with Mark Wietecha that explored KSA career opportunities and previewed future prospects.
- **AN ACCELERATING BUSINESS CHANGE DISCUSSION** with Kathryn Cullen and Butch Price

that centered on KSA's industry expertise, tailored solutions, and value to clients.

- **AFTER HOURS EVENTS** including group dinners and a catered barbecue and bonfire at Dave Cole's home. Many KSAers attended the Georgia Tech-UVA game and quenched their thirst at local pubs and clubs.

The class emerged with more knowledge and a better foundation for driving results and serving clients. Orientation fostered an atmosphere for building relationships and expanding networks, and provided the platform from which to launch successful careers with KSA.

Dizzying Extremes

By Ingmar Kraak

EVERY ONCE IN A WHILE THIS PUBLICATION IS GRACED WITH A TALE OF A COLLEAGUE COMPLETING A STAGGERING FEAT OF PERSONAL TENACITY.

Having been gripped by marathon fever myself, I can't help but appreciate the challenge Parisian consultant Sylvain Collet undertook this August.

Having "graduated" from marathons to the sinister world of super-human 100-kilometer ultra runs several years ago, Collet, who leads a six million euros PeopleSoft practice with more than 40 consultants, found a new challenge in extreme off-road running. Specifically, the North Face Ultra-Trail du Tour du Mont-Blanc.

On August 25, 2,500 well-trained athletes gathered at the foot of Mont Blanc in France to begin a race only 1,100 would finish. The course was a 100-mile lap through three countries around the highest mountain in Europe. Collet was number 288 among the finishers, clocking in at a no-

sleep-whatsoever 35 hours and 11 minutes of endurance. That's one and a half days straight covering 30,000 feet of elevation!

While many competitors stopped for a few hours of sleep along the way, Collet considers this a waste of time. "You really have to manage your body during this whole time and do what feels best for you," he says.

Registration for the 2007 North Face Ultra-Trail du Tour du Mont-Blanc opens in January, should anyone feel compelled to step up to the challenge. Collet is still pondering his options.



Unbeatable Team Spirit

LEARNING AND LAUGHTER AT THE NORTH AMERICAN CPD STAFF CONFERENCE | By Kimberly Gay and Javier Fernandez



THE NORTH AMERICA CONSUMER PRODUCTS DIVISION (CPD) STAFF CAME TOGETHER OCTOBER 18 TO 21 AT THE SADDLEBROOK RESORT NEAR TAMPA, FL TO STRATEGIZE OUR CONTINUED INTEGRATION, CELEBRATE OUR RECENT SUCCESSSES, AND STRENGTHEN OUR UNBEATABLE SPIRIT.

The National Leadership Team (NLT) kicked things off with a managers' meeting to solicit input to address strategic issues for 2007. Lively breakout sessions defined top priorities to ensure greater professional growth, guarantee project profitability, deliver integrated sales and execution, and maintain healthy work-life balance.

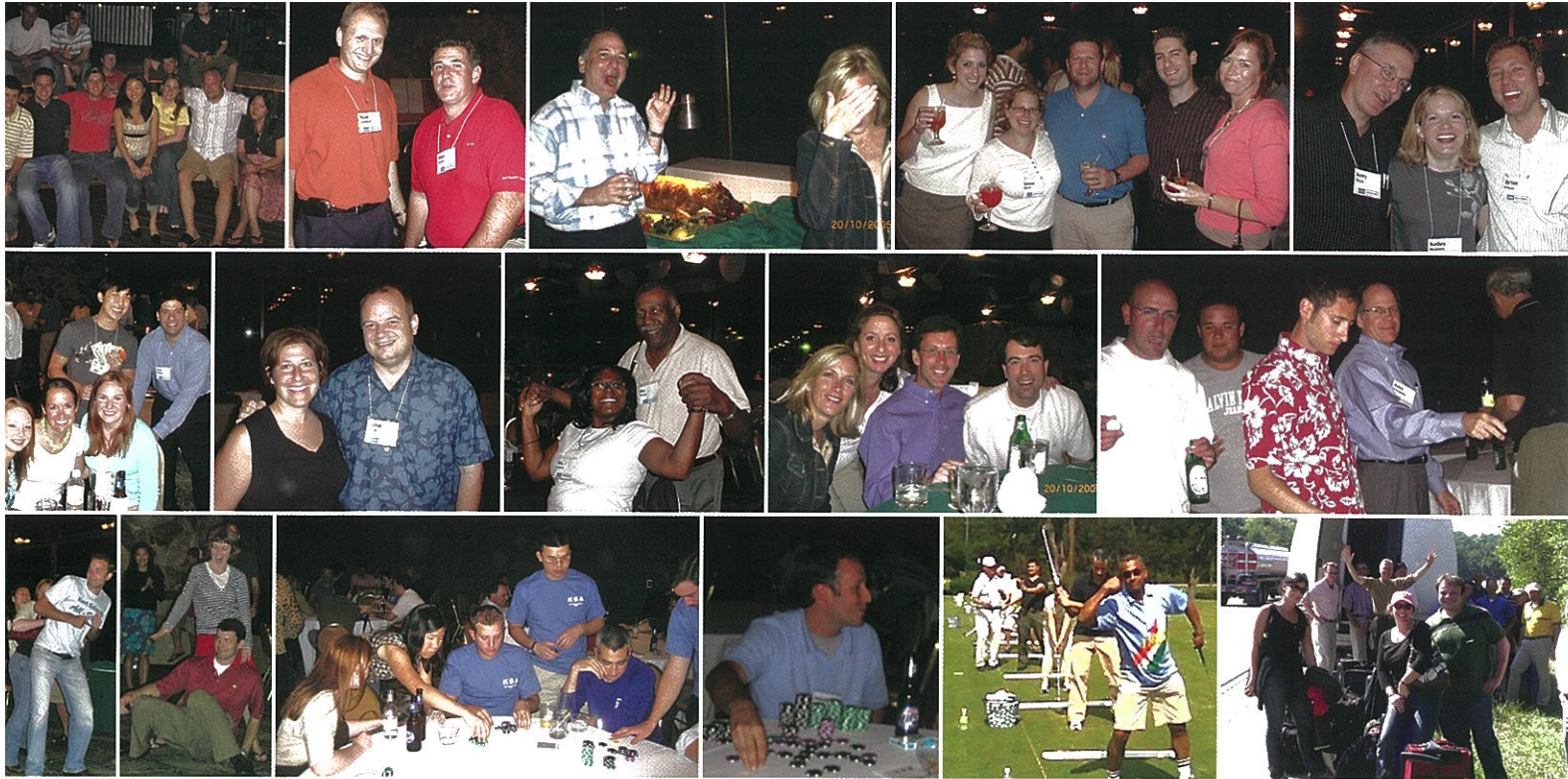
Bill Pace delivered a very positive global update: We exceeded our 2006 sales projections and are enjoying our highest operating profit margin in 10 years. John Karonis and Madison Riley showed us how and why KSA is unbeatable: We excel at business growth, margin management, inventory efficiency, productivity improvement, and technology effectiveness, and our Supply Chain and Growth and Profitability practices deliver tailored solutions and accelerated value.

Curt Holtz, President of VF Intimates, offered a client's perspective of KSA's services and praised KSA's depth and breadth in the retail industry. He said he is pleased with the success KSA engagements have brought VF and said we could do a better job promoting and communicating our strengths in the strategy sector.

Breakout sessions heightened awareness across disciplines.

We discovered whether the "price is right" in the global sourcing and manufacturing session led by Curt Clark, Brian Pitera, and Tony Ward. We "followed the yellow brick road" and were attacked by pirates as we gained an understanding of supply chain transformation with Kimberly Anderson, Jack Horst, Jon Mays, and Andrew Zgutowicz. Brooks Kitchel illustrated how delivering compelling, attractively displayed assortments at competitive price points entices customers and drives retail sales.

Dave Bassuk taught us our primary focus in product development is not just pulling days out of the calendar; it's also helping retailers bring the start of the process closer to the on-shelf date. We learned we are leading the way in interactive retailing, enlightening clients and defining new technology applications to enhance the customer experience and increase revenue opportunities. Mike Brown, Troy Conover, and Chad Doiron demonstrated they know way too much about shopping.



Cari Bunch and Brian Pitera explained the Act Vertical concept, including consumer responsiveness, in-stock levels of the right products, high margins and low operating costs, and the ability to flex with market conditions. Michael Dart showed us why Private Equity is an opportunity for KSA. With more private equity funds showing a willingness to deploy significant capital in consumer and retail prospects, KSA's financial modeling tools and abilities equip us to deliver strategic due diligence, business performance assessment, and sell-side support.

Thursday's dinner was an American twist on a pub crawl. We toasted with tappas at Tinatapas, progressed to Stumps Supperclub for dinner and drinks, then on to Splitsville for bowling, billiards, and beverages.

Friday afternoon consisted of a golf scramble in which Mike Gregory, Kevin Klisz, Clark Reiss, and Jim Severyn placed first with five under par; a tennis round robin with Lori Cox and Enrique Morales tying for first place; and relaxing spa treatments and lounging by the pool. Friday night's dinner was followed by dancing entertainment provided by this year's new hires. The evening concluded with a poker tournament and social games that raised \$2,600 for the United Way. Kudos to The Social Authority (TSA) and all who participated.

The CPD group hosts a wealth of extremely talented staff. Since we can't mention everyone, we'll highlight a few folks for their relentless efforts and unbeatable client service.

- Jeremy Rubman for **EXCELLENCE IN BUSINESS DEVELOPMENT.**
- The PetSmart Team (Brad Anderson, Kimberly Anderson, Heidi Isern, Jeff Janes, Jon Mays, and Andrew Zgutowicz) for **EXCELLENCE IN PROJECT DELIVERY.**
- Chuck Kaste for **EXCELLENCE IN LEADERSHIP.**
- Javier Fernandez for **IMMEDIATE IMPACT.**

Jim Morris, the subject of the Disney movie "The Rookie" closed the conference, encouraging us to be ourselves and follow our dreams. We should approach 2007 knowing we will maintain the level of excellence to which we are accustomed. We will continue to develop our staff, deliver phenomenal client results, and recruit the best and brightest new talent. And finally, to quote Jerry Black: "Have some fun!"

Thanks to everyone who attended, as well as those who worked behind the scenes to create a successful conference — including Makela Clay, Brian Gill, Debi Hamrick, John Lyons, Libby Morgan, and Sharon Todd.

Riding for a Cure

TAKING THE ATLANTA MULTIPLE SCLEROSIS 150 CHALLENGE | By Josh Benton



I HAD THE PRIVILEGE OF RIDING IN THE COX MS 150 ATLANTA CHALLENGE SEPTEMBER 9 AND 10 WITH A GROUP FROM MY CHURCH (TEAM UNIS LIBRIS OR “ONE BOOK”). THE RIDE COVERED AN 80-PLUS MILE LOOP SATURDAY AND A 60-PLUS MILE LOOP SUNDAY. FOR THOSE OF YOU WHO KNOW ME, RIDING 150 MILES IN TWO DAYS ON A BICYCLE WITH NO MOTOR WAS TRULY A CHALLENGE; I DEFINITELY FELT IT FOR A COUPLE OF DAYS FOLLOWING THE RIDE!

Though this was a challenge for me, there are thousands of people with multiple sclerosis (MS) who are not able to ride a bike. MS generally occurs in four clinical stages. The majority of people suffering from MS are able to lead fairly regular lives with occasional “flare-ups” (see Relapsing-Remitting below) that affect neurological functions. But there are worsening conditions that can affect those diagnosed in a severe manner.

RELAPSING-REMITTING

CHARACTERISTICS: Clearly defined flare-ups (also called relapses, attacks, or exacerbations). These are episodes of acute worsening of neurological function. They are followed by partial or complete recovery periods (remissions) free of disease progression.

FREQUENCY: Most common form of MS at time of initial diagnosis. Approximately 85%.

PRIMARY-PROGRESSIVE

CHARACTERISTICS: Slow but nearly continuous worsening of the disease from the onset, with no distinct relapses or remissions. Rates of progression vary over time and there are occasional plateaus and temporary minor improvements.

FREQUENCY: Relatively rare. Approximately 10%.

SECONDARY-PROGRESSIVE

CHARACTERISTICS: Initial period of relapsing-remitting MS, followed by a steadily worsening disease course with or without occasional flare-ups, minor recoveries (remissions), or plateaus.

FREQUENCY: 50% of people with relapsing-remitting MS developed this form of the disease within 10 years of their initial diagnosis, before introduction of “disease-modifying” drugs. Long-term data are not yet available to demonstrate if this is significantly delayed by treatment.

PROGRESSIVE-RELAPSING

CHARACTERISTICS: A steadily worsening disease from the onset with clear acute relapses (attacks or exacerbations), with or without recovery. In contrast to relapsing-remitting MS, the periods between relapses are characterized by continuing disease progression.

FREQUENCY: Relatively rare. Approximately 5%.

Thanks to everyone who supported me on the ride. I raised more than \$1,700 (the majority of which was donated by KSAers). Unis Libris’ 13 riders collected more than \$12,000 to support finding a cure for MS, and is likely one of the Top 25 fundraising teams for this year’s ride.

If anyone is interested in joining the team and riding next year, please contact me. If you would like to donate to this year’s ride, visit the Georgia Chapter of the National Multiple Sclerosis Society online and make an ePledge to Josh Benton.



Retail Reinvention

By Katie Jarvis

THE JAPAN DEPARTMENT STORE ASSOCIATION (JDSA) HELD ITS ANNUAL CEO CONFERENCE IN NEW YORK, NY OCTOBER 2 TO 6. JDSA CHAIRMAN TANEI NAKAMURA AND 30 TOP JAPANESE EXECUTIVES ATTENDED WITH THEIR SPOUSES.

Jerry Black, President of KSA's Consumer Products Division for North America and Asia, and Terry Lundgren, Chairman and CEO of Federated Department Stores, hosted the executives and were keynote speakers.

The theme was reinvention. Lundgren delivered an inspiring presentation about the history and reinvention of the Macy's brand. He also spoke about the recent merger with May Company, and Federated's vision for the future. Black addressed the fundamental differences in transforming U.S. organizations vs. Japan organizations. He emphasized that effective reinvention requires a defined strategic process, executive sponsorship, and tailored modifications in the company's organization and technology.

The conference involved visits to retailers and New York area attractions. Participants visited the homes of Barry Schwartz, former CEO of Calvin Klein, and Ralph Lauren. Roger Farrah, CEO of Ralph Lauren, gave an enlightening speech about the company's growth and success. The executives also visited Tiffany, where CEO James Quinn talked about corporate strategy and new product introduction. They toured the Metropolitan Museum of Art and Long Island, where they visited commercial facilities in the Southampton area and wineries on the North Fork.

JDSA Chairman Taneio Nakamura declared the experience a success and expressed his appreciation. KSA looks forward to a long and productive relationship with these prominent retailers.

BUILDING THE COMPETENCIES TO REMAIN A LEADING CONSULTING FIRM AND PREPARE KSA FOR THE FUTURE WAS THE FOCUS OF THE 2006 EUROPEAN STAFF MEETING IN PALMA DE MALLORCA, SPAIN OCTOBER 5 TO 8.

Participants learned how to manage people and projects and communicate effectively during two days of intense training. Richard Traish and Wolf Wagner gave a presentation about the firm's strategy, opportunities, and challenges in Europe before wrapping up the official part of the event. The knowledge and skills obtained at the meeting will help us deliver better client value and drive the firm's results.

The training classes and accompanying meals also provided ample opportunity to meet (or see again) KSA's new hires and strengthen relationships with KSAers typically spread out on project work across Europe or worldwide. It was interesting to gain deeper insight into recent projects and colleagues' backgrounds.

Various leisure activities were provided Saturday for those who stayed through the weekend. Mens sana in corpore sano – after our brains had their treat, it was our bodies' turn for a workout.

Many consultants participated in beach soccer and volleyball tournaments at the El Arenal waterside. Though the matches were conducted quite fairly, some casualties were inevitable: a twisted knee, sprained ankle, and several bloody knees.

Those who would not risk their health in competition — or just didn't trust their skills with the ball — rented mountain bikes and toured the stunning island landscapes or visited the wonderful city of Palma. A lucky few enjoyed the island Sunday before flying home with enhanced energy, motivation, and skills.

World-Class Transformation

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The teams then brainstormed with team members, coaches, and managers in each building to determine the best methods for application in every operation across the network. As these methods were implemented, KSA and a large team of Lowe's engineers (there are now more than 30 Lowe's engineers network-wide) implemented detailed standards in each operation.

Red Prairie's DLx Labor software was implemented to provide real-time performance reporting for the program. Fully interfaced with Lowe's warehouse management system (WMS), DLx Labor calculates individual performances by crediting team members for completing key production metrics (travel distance, cartons, pallets, units, etc.). Performance feedback is provided in real time and can be accessed throughout the Lowe's network.

While improving methods and implementing accurate standards were important building blocks, the key to success was teaching coaches how to properly train, motivate, and celebrate successes. Prior to the implementation, most team members didn't look to their coaches to learn the best way to perform their jobs. Through months of detailed one-on-one training, coaches were taught how to identify and correct problems. The E2 team knew it had achieved success in Phase I when several team members said, "My coach really helped me improve my performance today."

Another important aspect of the E2 Program was increased focus on recognizing individual and team achievement. Team members now enjoy monthly monetary awards for strong individual and team performances. Each DC has also found several creative ways to recognize excellence, including giving a bottle of hot sauce to the "hot-test" weekly performer.

Additional Phase I achievements included designing several functional upgrades to Lowe's WMS and implementing new storage, handling, and slotting processes. These enhancements



helped improve productivity and significantly increased the storage and throughput capacities of each DC, reducing the number of new DCs Lowe's will have to build to meet its rapid store growth.

Once Phase I was completed, Phase II began in five additional DCs. A major Phase II goal was to continue to improve the implementation process and ensure Lowe's had the tools available to maintain and expand upon the program in the future. In Phase II, KSA deployed teams across the country, from California to Connecticut. The Phase II teams ensured the methodology, tool-set, and culture developed in Phase I were improved upon where possible and consistently implemented in the five Phase II DCs.

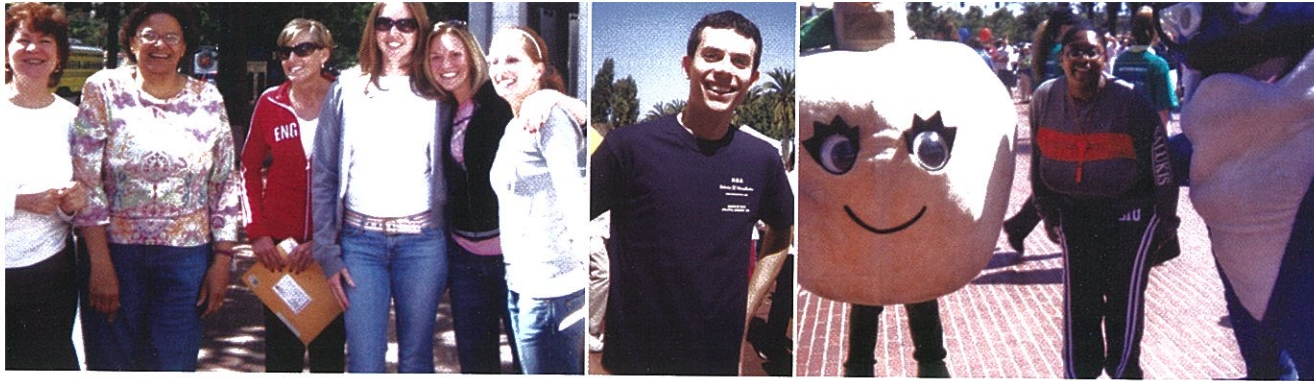
With Phase II successfully completed this summer, the team is now moving to Phase III in Lowe's remaining DCs (Texas, Florida, western North Carolina, and Georgia).

Phases I and II have yielded tremendous savings (significantly exceeding the consulting investment) and service improvements. In each of the Phase I and II DCs, Lowe's has realized at least a 40% productivity improvement, with two facilities averaging over 80% improvement! "Without divulging sensitive information, we've thus far realized a tremendous return on our investment," said Szilagyi.

Building upon the successes of the E2 project, KSA is now helping Lowe's on another major engagement: implementing a new WMS throughout its entire flatbed DC network. The WMS team includes Dan Baird, Tim Copland, Torre Crupie, Carol Evans, Megan Landers, Frank Layo, Steve Osburn, Al Sambar, and Sanjay Sharma. The implementation is off to a great start, and we expect this project and the E2 implementation will go a long way toward solidifying our long-term partnership with Lowe's.

Have a Heart

WALKING FOR A CAUSE | By Nakissa Gradert and Makela Clay



BAY AREA KSAers WORKED TOGETHER TO SUPPORT THE AMERICAN HEART ASSOCIATION (AHA) SEPTEMBER 15 WHEN A 12-PERSON TEAM PARTICIPATED IN THE AHA'S HEART WALK. THE THREE-MILE WALK TOOK PARTICIPANTS FROM 90 CORPORATIONS AROUND THE EMBARCADERO OF SAN FRANCISCO, CA DURING LUNCH HOUR.

It was a great opportunity to raise money, awareness, and support for heart disease and stroke education, research, and prevention; and to exercise and bond with other KSAers.

Prompted by a suggestion from long-standing KSA client, Mark Laret, CEO of University of California-San Francisco (UCSF) Medical Center and chairperson-elect for Heart Walk 2007, Charlie Cosovich initiated the push for the Bay Area offices' participation. Laura Freemore, Nakissa Gradert, and Michelle McGovern coordinated fundraising initiatives and garnered support. Team members were encouraged to solicit support from family, friends, and colleagues, and to design personal Web pages from which to create e-mail campaigns and manage donations.

The San Francisco office also raised money by selling snacks in the office — a strategy so successful, it became apparent the San Francisco office needs a snack machine! Those who raised money or made personal donations were entered to win a restaurant gift certificate. Fundraising efforts concluded with a "Bank Night" at a San Francisco Giants baseball game.

The 2006 Heart Walk raised more than \$1 million. KSA participants raised an average of \$313 each — 35% above the Heart Walk average of \$218 per walker. Overall, KSA contributed more than \$8,700.

KSA walkers were Makela Clay, Charlie Cosovich and his wife, Kerry Fitzpatrick, Laura Freemore, Nakissa Gradert, Bernie Grijalva, Eric Markus, Michelle McGovern, Tina Miltner, Jason Moy, Sarah Stockon, and Cassandra Whitcomb. Thanks for your participation and congratulations on a job well done!

SOME FACTS ABOUT HEART DISEASE

Here are some important facts about the impact of heart disease in America:

- Heart disease and stroke are the nation's No. 1 and No. 3 killers respectively, claiming more than 949,000 American lives per year.
- Cardiovascular disease claims a life every 34 seconds.
- Heart disease is the No. 1 killer of American women, but only 13% know it's their No.1 threat.
- About 65% of Americans over the age of 20 are overweight or obese.
- Nearly one in three adults has high blood pressure.

ABOUT THE AMERICAN HEART ASSOCIATION

The American Heart Association has worked since 1924 to protect people of all ages and ethnicities from heart disease and stroke. The American Heart Association is the largest voluntary health organization working to prevent, treat, and defeat heart disease, stroke, and other cardiovascular diseases. These diseases devastate millions of people of all ages and kill more than 930,000 Americans each year. To fight them, the Association helps heart disease and stroke patients, and invested more than \$364 million in research, education, and advocacy last year alone. More than 22.5 million association volunteers and supporters are at work in their communities helping their friends, neighbors and loved ones live longer, better lives. For more information please visit WWW.AMERICANHEART.ORG.

Thinking Caps

SHARING IDEAS AT THE HSD CONFERENCE | By Charlie Cosovich



KSA'S HEALTH CARE SERVICES DIVISION (HSD) GATHERED AT THE RITZ-CARLTON IN NAPLES, FL, NOVEMBER 1 TO 3 TO CELEBRATE AN OUTSTANDING YEAR, MEET WITH COLLEAGUES, AND SHARE IDEAS ABOUT "HOW TO THINK" (THE CONFERENCE THEME).

Thursday morning, everyone gathered to hear Jim Berarducci and Directors Elaine Remmlinger (Information Technology), Scot Latimer (Facilities), and Jeff Hoffman (Strategy) talk about the year HSD has had. The group then split into functional areas for some interesting specialty-specific discussions.

That afternoon, James Bourne and Nigel McDermott shared some of the exciting new approaches they are using to illustrate KSA thinking using graphics. So much of HSD's work relates to major capital improvements that depicting campus and building uses visually can be extremely helpful.

Thursday night, Berarducci introduced the inaugural "Select Group" of 11 HSDers who, according to their colleagues, have been particularly helpful or especially resilient in the face of challenges — two characteristics that make our work happen. We then shared some laughs about the absurd situations we face as traveling consultants.

Friday began with a fascinating and invigorating keynote address by Dan Pink, author of "A Whole New Mind." Pink shared the compelling argument that success will come from the creative application of our technical skills, not from the skills themselves. Pink asserts that these creative talents are universal human capabilities that have been neglected during a recent business history

that has rewarded technical skills. These skills are now commodities; their creative application is what will differentiate KSA.

Then, with hardly a pause, the group was out on the beach, split into 10 teams and bidding on major facilities jobs; each team was charged with building four sand castles to specifications. Professor Reynold Byers, from University of California Irvine, threw some curves as he led the exercise, which he uses to teach business school students the practical impact of their lessons.

The day ended with a delicious dinner on the beach under a full moon with the gulf waters lapping in the background. Many HSDers stayed into or through the weekend — some were even seen reading Pink's book by the pool.

Among all the support staff who helped make this meeting such a success, Cassandra Whitcomb (lead coordinator) and Gary Wong (trainer) made stand-out contributions. We're looking forward to getting together next year to commemorate, reward, and improve the efforts we all make to "Do the best, for the best, with the best."

Joining Forces

THE KATZ CONSULTING GROUP INC. JOINS KURT SALMON ASSOCIATES | Staff Reports

KSA ANNOUNCED THE ACQUISITION OF THE KATZ CONSULTING GROUP, INC., A PHILADELPHIA-BASED HEALTH CARE STRATEGIC PLANNING CONSULTING FIRM, JUNE 30.

Founded by Gerald Katz in 1991, and led by Principals Katz and Lydia Hammer, The Katz Consulting Group provides strategy consulting services to academic medical centers, community hospitals, children's hospitals, and physician groups.

Jim Berarducci, Managing Director of KSA's Health Care Consulting Group said, "Through the acquisition of The Katz Consulting Group, Inc., KSA accelerates its growth and expansion in health care provider consulting services. The merger is an excellent fit for both firms. Our combined resources will allow us to continue to focus on each unique client through our balance of proven methodologies and experiences from our large and prestigious client base."

Katz said, "Much of our firm's strategy assignments lead health care providers to facilities and information technology initiatives. Joining with KSA will allow us to provide our clients a synergistic consulting experience."

Hammer added, "Both firms boast a very high percentage of repeat clients. It's the highest compliment and reward to have our clients retain us repeatedly, and recommend us to others."

The HSD conference in Naples afforded a terrific opportunity for the newly combined practice to get to know one another, share ideas, and begin to realize the anticipated synergies.



President Appointments

RECOGNIZING LEADERSHIP

ON BEHALF OF KSA'S BOARD OF DIRECTORS, IT IS WITH GREAT PLEASURE THAT WE ANNOUNCE THE APPOINTMENT OF JIM BERARDUCCI TO PRESIDENT, HEALTH SERVICES DIVISION (HSD) AND JERRY BLACK TO PRESIDENT, CONSUMER PRODUCTS DIVISION (CPD) EFFECTIVE JANUARY 1. THESE APPOINTMENTS REFLECT THE TREMENDOUS CONTRIBUTIONS THESE LEADERS HAVE MADE TO KSA OVER THE COURSE OF THEIR CAREERS.

JIM BERARDUCCI

Jim has been a major force in the growth and success of KSA HSD over the last decade and more. He has driven substantial results in his prior positions as head of the Minneapolis office practice and of the HSD strategy group, and in both cases created strong teams with excellent performance ethics. Growth and profit results have consistently been superb, and he has excelled at creating long-term client relationships in a wide range of prestigious health care organizations, such as Alegen Health, Henry Ford Health System, and Mayo Clinic. Jim successfully transitioned into the HSD Managing Director role in early 2004 and further built upon the progress of previous years with tremendous results in 2005 and 2006. HSD continues to grow according to strategic vision established over the past decade, and Jim has led the ongoing evolution of a new team and upcoming talent without missing a beat. He has also effectively served as a member of the Board of Directors, FINCOM, and the Global Leadership Team.



JERRY BLACK

Jerry has been among KSA's top performing individuals. He has been providing significant leadership to KSA and our clients in Aisa and North America for more than 10 years. He was a major force in creating the Japan practice and has served as account executive to the largest and most successful client account in the history of KSA, with cumulative revenues from Aeon now approaching \$100 million. Upon his return to North America in 2002, Jerry effectively took on the newly created position of Managing Director, Global Practice Development. In this role, he was responsible for unifying our best practices across the regional CPD groups. Notably, he was the primary sponsor for the development and implementation of our Business Outcomes program. He also assumed interim responsibilities for the supply chain and information technology groups in 2003-2004. In late 2004, Jerry was appointed Managing Director, North America CPD. He has led a major transformation of this group, culminating in what is likely to be a record-breaking year in 2006. Jerry has also effectively served as a member of the Board of Directors, FINCOM, and the Global Leadership Team.



MILESTONES

BIRTHS

JOSE LUIS GOMEZ and Yolanda Godoy celebrated the birth of their daughter, Natalia Gomez, July 21. She weighed 7 lbs., 4 oz. and measured almost 20½ inches.

SUSAN and Jimmy **LIN** welcomed their son, Jayden Matthew, September 15. He weighed 8 lbs., 6 oz. and measured 21½ inches.

ANAND and Indu **RAGHURAMAN** celebrated the birth of their son, Ajay, November 24. He weighed 8 lbs., 7 oz. and measured 19¾ inches.

CURT CLARK

Curt has an engineering degree from the U.S. Military Academy and was a commissioned officer in the U.S. Army for seven years prior to joining KSA in April 1993.



He was promoted to Manager in 1996 and earned an MBA from Vanderbilt University in 2000.

During his career with KSA, Curt has become a leading expert on manufacturing and operations design, implementation, and process improvement. He has been pivotal to the delivery of results for clients such as Century Furniture, CSM, Kimberly Clark, and Sara Lee in engagements spanning the globe. A member of the global sourcing and manufacturing capability practice, Curt is routinely sought for his expertise, analytical skills, and track record of delivering outstanding value to clients. He has been instrumental in the development of a new metrics framework for evaluating clients' operational performance.

Curt and his wife, Julie, have three daughters: Anastasia, Brittany, and Camille.

LYDIA HAMMER

Lydia joined the Principal ranks of KSA's health care strategy practice when the Katz Consulting Group merged with KSA in May 2006.



Lydia has 25 years of strategic planning, marketing, and business development experience in the health care industry. She joined the Katz Consulting Group in 1991 after serving as vice president for planning and marketing at Hahnemann University in Philadelphia. Lydia's former positions also include manager for Laventhol & Horwath, strategic planner at Mercy Catholic Medical Center, assistant to the director of public health of the city and county of San Francisco, and president of the Maryland Association for Healthcare Planning and Marketing, Inc. She holds a master's degree in public health with a concentration in planning and strategy development from the University of California, Berkeley.

Lydia and her husband, Martin Josephs, live in the Philadelphia area with their two daughters, Margo and Alyson.

JERRY KATZ

The founder and President of the Katz Consulting Group, Jerry became a Principal in KSA's health care strategy practice upon the May 2006 merger. Jerry has more than 20 years' health care consulting experience with the Katz Consulting Group and prior to that, KPMG Peat Marwick.



He also served more than 17 years in key management roles in hospitals, including a role as president of St. Christopher's Hospital for Children and administrator of the Hospital of the University of Pennsylvania. Jerry formed the South Philadelphia Health Action Plan, a network model HMO in Philadelphia. He has also served on the Boards of the Hospital Association of Pennsylvania, National Association of Children's Hospitals and Related Institutions, and Moss Rehabilitation Hospital. Jerry has a master's degree in public health from the University of Pittsburgh.

He lives in the Philadelphia area with his wife, Ellen, and daughter, Phoebe.

ANAND RAGHURAMAN

Anand joined KSA in November 2003 with in-depth knowledge of finance, strategy development, and market assessment. He has a master's degree in industrial engineering and management sciences from the Eindhoven University of Technology in the Netherlands, as well as a master's degree in applied economics from the University of Michigan.



Prior to joining KSA, Anand worked with consumer products, retail, high tech, and telecom clients on growth strategy engagements in A.T. Kearney's Chicago, London, and New York offices. He developed extensive analytical expertise and tools, including an economic value-added derivative product called Economic Value Creation (EVC) and a service offering called Integrated Strategic Measures (ISM).

Principal Promotions (continued)

Since joining KSA, Anand has led the delivery of several successful market assessment and strategy development engagements for DuPont, as well as strategic planning and due diligence projects for clients such as Goody's, Masterfoods, and Merrill Lynch. He also leads the growth and profitability practice's recruiting efforts and mentors consulting staff.

Anand and his wife, Indu, live in New York with their sons, Rahul and Ajay.

TONY WARD

A versatile consultant and seasoned practice leader, Tony was hired in June 2006 to lead KSA's U.S. global sourcing and manufacturing capability group. He gained significant experience leading and growing consulting practices from supply chain leadership roles at marchFIRST (Vice President and Global Solutions Leader - Supply Chain Management), Cap Gemini Ernst & Young (Americas Supply Chain Practice Leader - Consumer Products, Retail, Manufacturing, and Middle Market) and Alaris Consulting (Managing Director - Executive Vice President Sales and Operations). Since joining KSA, Tony has been involved in supply chain management, sourcing, logistics, technology, and lean manufacturing. His client base includes a variety of consumer goods companies, with an emphasis on packaged goods firms, including Fortune Brands and PepsiCo. Tony has a bachelor's degree from the University of Tennessee.

He and his wife, Lori, live in Chicago. They have a daughter, Taylor, and son, Austin.



Senior Manager Promotions

CLAIRE TRIVETT

Claire joined KSA's UK practice in 1999, after working for four years in the textile and home furnishings industry. She has a bachelor's degree from the University of Lancaster and a master's degree from the University of Cambridge. Claire has developed her skills working on a wide variety of business growth and value chain execution projects in the UK, Germany, the Netherlands, Belgium, the United States, and most recently, China and Japan. Her clients include adidas (in the UK and China), Aeon, MFI, Mothercare, VF (in Europe and the United States), and World Duty Free.



Claire lives in Shanghai and is contributing to the development of the KSA China practice.

BRIAN PITERA

Brian joined KSA as a Senior Manager in May 2006. He has a bachelor's degree in economics and business administration from Northwestern University and 18 years of experience in strategy planning and leading global purchasing and operations. Prior to joining KSA, Brian was a senior program management consultant for The ProAction Group LLC leading venture capital operations due diligence, operational transformation, and global sourcing projects. He began his career at General Motors as a buyer and has held supply chain and operations positions at Aso Pharmaceutical, Gap, Inc., and Nypro Inc.



Since joining KSA, Brian has successfully completed an Acquisition Due Diligence and Post Acquisition Operations Integration for Simmons Bedding, and is actively developing business with American Eagle Outfitters, Kimberly Clark, Michaels, QVC, and Target.

Brian lives in the northwest Chicago suburbs with his wife, France, and three daughters: Ashton, Sydney, and Mackenzie.



ADLER MODEMÄRKTE IS A LOW- TO MEDIUM-PRICE GERMAN FASHION RETAILER WITH 128 STORES IN GERMANY AND AUSTRIA AND SALES OF €580 MILLION. DECLINING SALES DURING THE PAST FOUR YEARS AND STRONG PRESSURE ON GROSS MARGIN CAUSED ADLER TO REVISE ITS ADVERTISING CAMPAIGNS AND VISUAL MERCHANDISING CONCEPT IN ITS STORES.

These strategies failed to achieve the expected benefits, as the root causes of the company's difficulties had not been resolved. These were:

- An inability to execute visual merchandise guidelines due to overstocking in stores and lack of transparency in product ordering and supply.
- Lack of fresh fashion injections resulting in unattractive merchandise displays.
- High inventory levels in the distribution center (DC) and stores, and poor availability on the floor.

ADLER asked KSA to support the development of a new merchandise planning concept and reorganization of its supply chain processes. The KSA team consisted of Sören Affeld, Gösta Dreher, Oliver Schlömann, Wolfgang Wanning, and Julia Wiedmann.

ADLER is one of the few companies that is still "very German," showing aversion to English project names ("Ganzheitliche Warenversorgungskette" instead of "Supply Chain"), being very accurate with data analysis (prefers 1,2786 instead of 1,3), and being friendly, cooperative hosts (which we observed at the World Cup).

A number of German fashion retailers and software companies such as SAP have begun to face the challenge of developing a merchandise planning concept in which the buyer plans merchandise directly related to display fixtures on the selling floor. So far, these efforts have achieved limited success.

KSA helped ADLER achieve a breakthrough in this area. Instead of historically based, value-driven planning, ADLER's starting point became

the available floor space and fixtures allocated to the floor in each department. This identified the target capacity to be filled with a combination of the previous month's stock and new merchandise. Each month the planned quantity matches the capacity of the fixtures in the store. Buyers are forced to decide how individual items fit together on the floor so they can build an attractive assortment for customers very early in the planning process.

These benefits can not be realized without a demand-driven pull supply logistics model. The ordering process must be transparent and merchandise must be buffered in the central DC to avoid overstocking. Every single article sold is replenished from the DC within 48 hours – provided the stock is available. KSA helped develop a range of scenarios to realize a pull-supply model within ADLER's current DC.

Projected benefits include a:

- Sales increase of 55 million (+10%) and gross margin of 26 million (+12%) in the next three years.
- Decrease in markdown rate from 16.2% to 14.8%.
- Reduction in inventory levels in stores and the DC, and an increase in product availability.
- More attractive assortment and product presentation.

The Adler Board decided to implement this concept, but telling buyers about the completely new merchandise planning process led to inevitable change management issues. KSA's next challenge is to maintain momentum and accelerate the implementation to plan and supply merchandise the "new way" in 2007.

“GeezerJocks” Shine

KSA ALUM AND SPOUSE COMPETE IN CHICAGO TRIATHLON | Staff Reports



Alice Kelly, Joe and Carol Neal at the finish of the Chicago Triathlon.

JOE NEAL, WHO WAS A MEMBER OF KSA'S LOGISTICS PRACTICE FROM 1978 TO DECEMBER 1988, WAS A LEADER IN FITNESS TRAINING FOR MANY KSAers.

As a project manager, he used to challenge his distribution consultants to meet him at 4 a.m. so they could get a run in before the 6 a.m. shift. Later, Neal was asked if those early morning or lunchtime runs were to challenge the young consultants. He replied, “Hell no, I just needed to get my workout in!”

Neal and his wife, Carol, moved to The Villages, FL in March 2004 so they could continue to pursue their lifelong love of outdoor athletics year-round. They try to compete at least once a month and have traveled all over the United States and to Canada to compete.

Below are excerpts from a *Daily Sun* article that chronicled the Neals' participation in the Chicago Triathlon August 27.

Nathan Leech, along with husband and wife Joe and Carol Neal finished an impressive ninth out of 14 in the Chicago Triathlon's male international division with a time of 3:04:07.

The first leg of the triathlon took place in the choppy waters of Monroe Street Harbor off Lake Michigan, which was a balmy 72 degrees. Once out of the water, swimmers had to run north along

the lakeside path for approximately 450 yards to the transition area to hand off the cyclists. Cyclists conquered the 24.8 mile flat terrain of Lake Shore Drive before their teammates started the final leg, a 10K run.

Leech and the Neals were not to be overlooked. Leech's performance in the 2.4-mile race was terrific. His 26:14 was bested by only one other swimmer in the 14-team division. While most competitors were in the mid-30s, Leech's 26:14 was even more impressive considering the difficult starting conditions.

Joe Neal's training really paid off. Before the race, the Navy veteran set his goal to complete the 24-mile bike course in less than an hour and a half. He was six and a half minutes under 1:23:30.

“Conditions were good. It was pretty smooth [riding] for the entire race. I was pretty pleased,” Neal said.

Carol Neal, who anchored the Villages' GeezerJocks in Training team had a time of 1:09:19 in the 10K run.

The Neals can be reached at jfhneal@yahoo.com.