

# **Managing Risk**

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# **Through Strategic Planning**

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Shelley Stewart, Jr.

Sr. Vice President, Operational Excellence  
& Chief Procurement Officer

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# Tyco International Overview

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# Tyco International Highlights

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- A diverse portfolio of market-leading businesses in electronic security, fire, safety services and products, valves and controls, and other industrial products
- 2009 annual revenues of more than \$17 billion
- Present in more than 60 countries
- Strong global businesses in attractive markets
- Broad service activities generate over \$7B of service revenue
- Investing to grow our businesses
  - emerging markets
  - technology and innovation
- Strong balance sheet, cash flow generation and financial flexibility

# Tyco's Five Business Segments

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## ADT Worldwide



We are the world's largest electronic security and alarm monitoring provider to residential, commercial, industrial and governmental customers.

## Safety Products



We design, manufacture and sell fire detection and fire suppression products, breathing apparatus, intrusion security, access control, video management systems, electronic article surveillance & RFID.

## Electrical and Metal Products



We design, manufacture and sell galvanized steel tubes, armored wire & cable and other metal products for construction, electrical, fire and security, mechanical and automotive customers.

## Fire Protection Services



As the leader in fire and life safety, our fire detection, fire suppression and special-hazard solutions are used to protect commercial, industrial and institutional customers around the world.

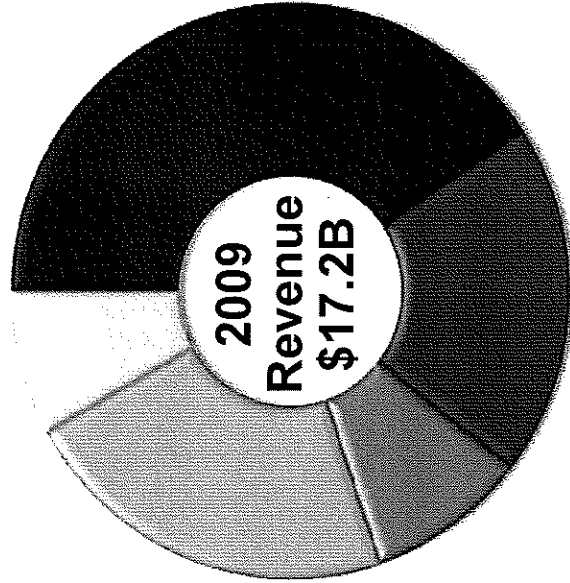
## Flow Control



We are the world's largest manufacturer of flow control products and heat-tracing solutions for the oil and gas, power, food and beverage, chemical, water and other process industries.

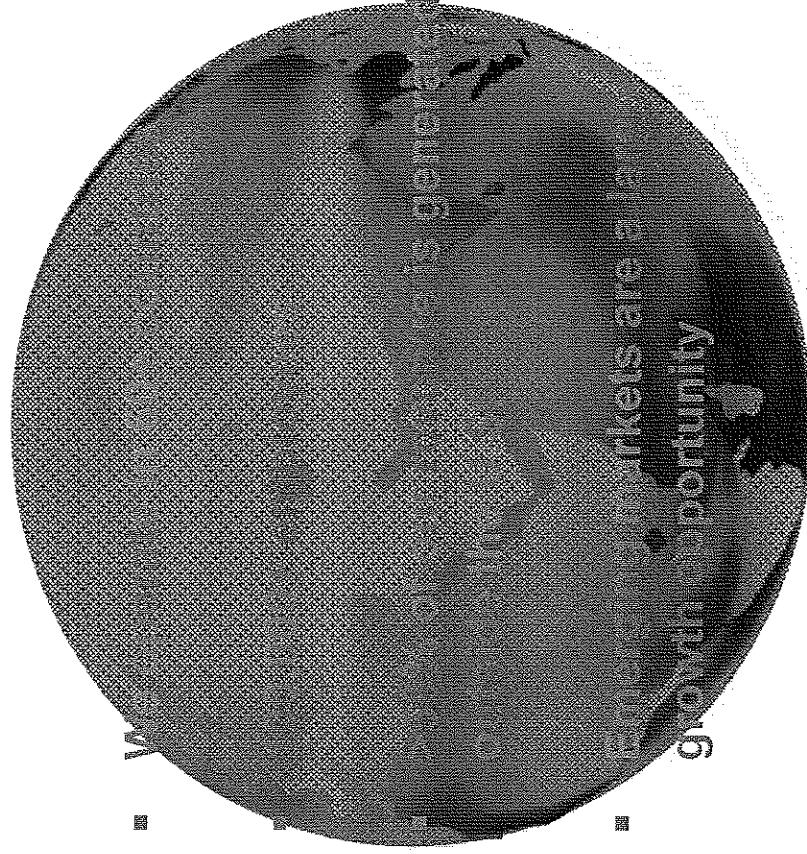
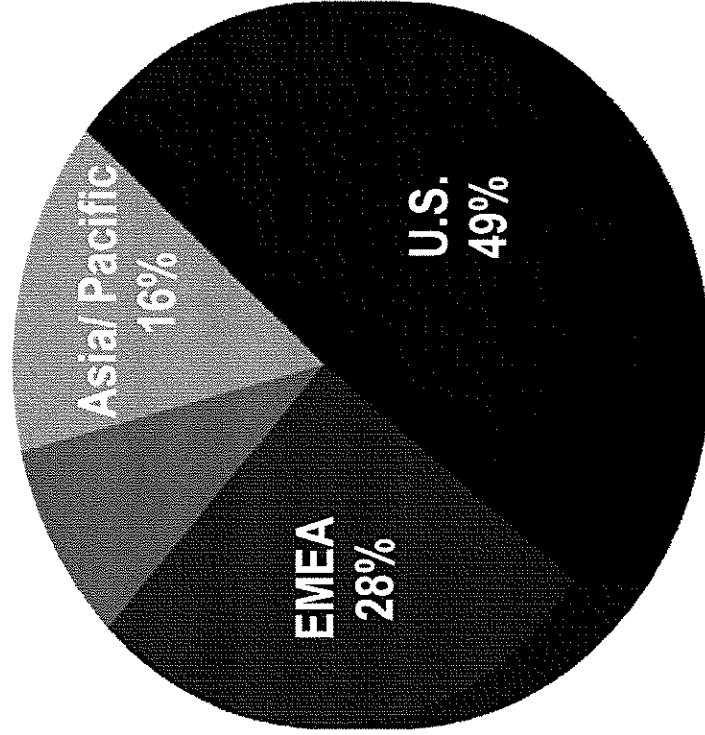
# We Have a Diverse Portfolio of Businesses

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<b>ADT</b>	AFC CABLE SYSTEMS
Sensormatic®	allied TUBE & CONDUIT
SimplexGrinnell	<b>vanessa</b>
<b>WORMALD</b>	KEYSTONE
<b>ANSUL</b>	AMERICAN DYNAMICS™
Grinnell®	<b>KANTECH</b>
<b>SCOTT</b>	SOFTWARE HOUSE

# Balanced Geographic Presence



# Operational Excellence Focus In 2010 *tyco*

Sourcing & Trade Compliance	Lean Six Sigma	Real Estate & IT	Pricing
<ul style="list-style-type: none"> <li>▪ Sourcing Savings of 5-8%</li> <li>▪ Grow supplier diversity by 5%</li> <li>▪ Accelerate adoption of eSourcing</li> <li>▪ Build effective Trade Compliance Org.</li> </ul>	<ul style="list-style-type: none"> <li>▪ EBIT savings of 1% of revenue</li> <li>▪ Expand use of Kaizen events</li> <li>▪ Launch new Lean Six Sigma curriculum</li> <li>▪ Utilize e-learning to drive employee engagement</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reduce real estate footprint</li> <li>▪ Diversify IT</li> </ul>	

# Managing Risk in the Supply Chain

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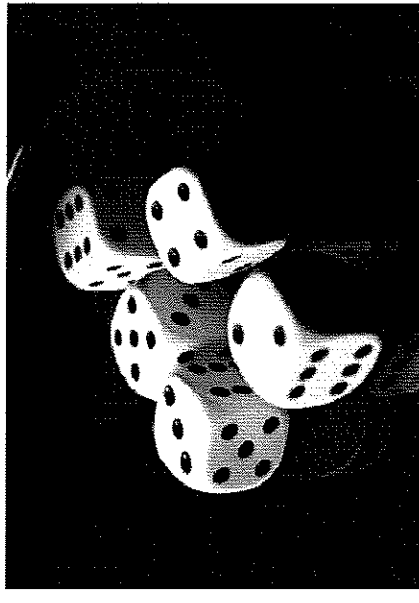
*a vital part of your world*

# Top 10 Risks for Corporations

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1. Continued Recession
2. Cost-Reduction Pressures
3. Strategic Change Management
4. Competition
5. Fraud
6. Compliance
7. Inadequate Staff Skills
8. Third-Party Solvency
9. Product Innovation
10. Commodity Prices



# Managing Supplier Risk

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- Watch for signs of supplier variability
  - Delivery
  - Quality
  - Payment terms
  
- Monitor suppliers financial health
  
- Identify single source suppliers and create back-up strategies

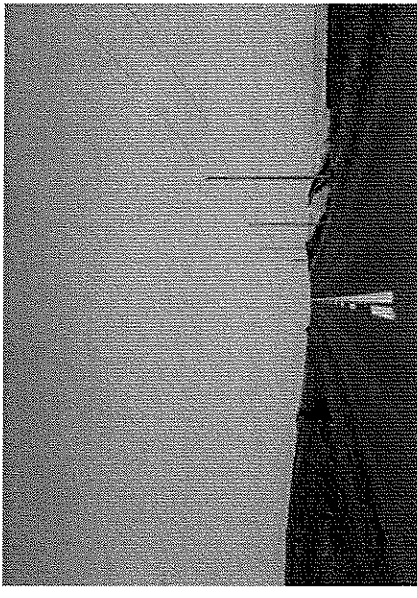


**Play Defense**

# From the Supply Chain Perspective *tyco*

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- Develop Improved Supplier Relationships
- Manage Risk
- Be Proactive, Not Reactive
- Honor Values
- Play Fair



**Better Manage Risk**

# Supplier Relationships

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- Keep lines of communication open
- Renegotiate contracts
- Build partnerships
- Proactive monitoring
- Constantly reinforce business ethics



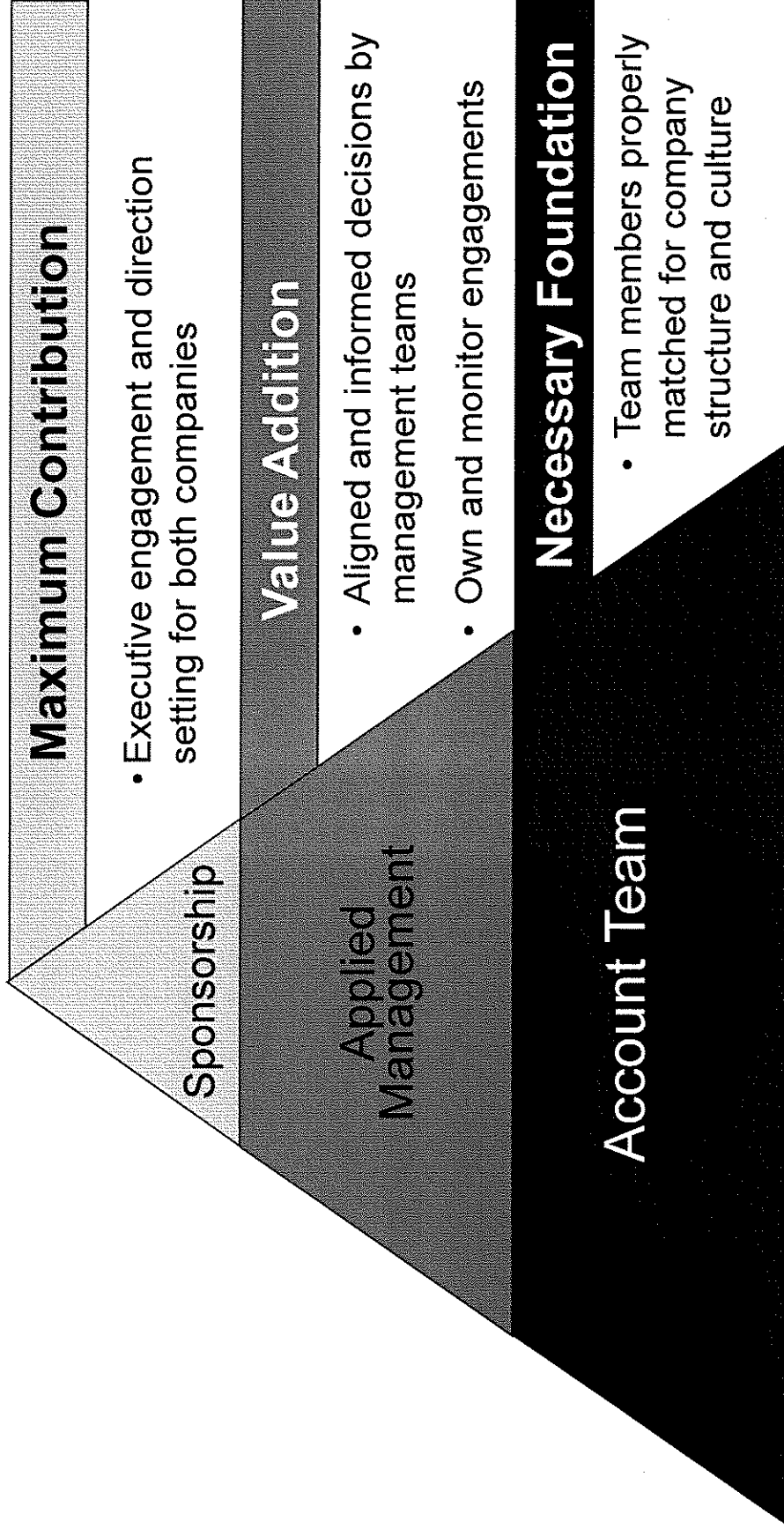
**Strong Relationships are Key**

# Benefits for buyer and supplier



	Relationship based model for long-term value	Goal based model for quick wins
<b>Buyer Gains:</b>	<ul style="list-style-type: none"><li>• Alignment with important providers</li><li>• Preferred customer status</li><li>• Win/Win growth strategies</li></ul>	<ul style="list-style-type: none"><li>• Greater control over short term decisions</li><li>• Increase competitiveness for key suppliers with visibility</li><li>• Strategic lever for negotiations</li></ul>
<b>Supplier Gains:</b>	<ul style="list-style-type: none"><li>• Personalized relationship management</li><li>• Direct access to senior leadership</li><li>• Win/Win growth strategies</li></ul>	<ul style="list-style-type: none"><li>• High visibility across the business</li><li>• Opportunities to expand revenue quickly</li><li>• Expand product/service base with customer</li></ul>
<b>Save Time</b>		<b>Save Money</b>

# Structured Collaboration

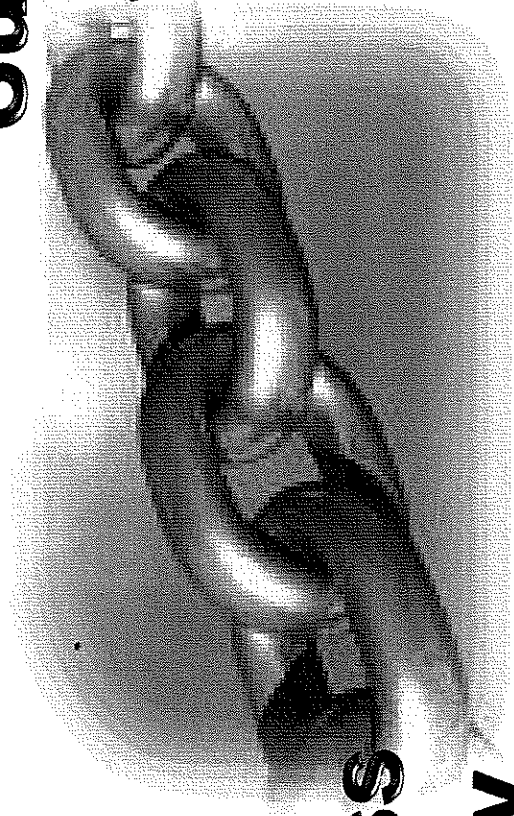


**Alignment**

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**Supply Chain  
Strategy**



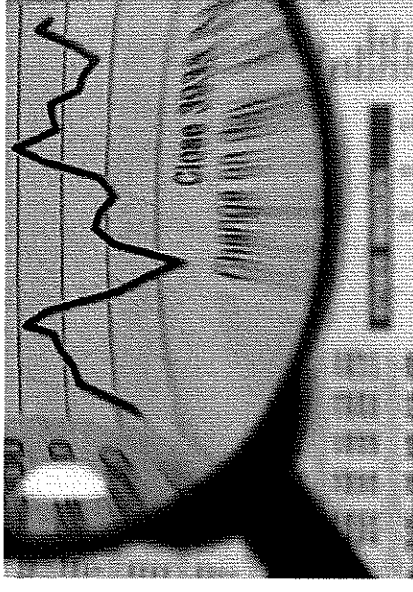
**Business  
Strategy**

# The need for Strategic Planning

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- The Current Landscape
  - Prolonged Recession/Slow Recovery
  - Unemployment
  - Liquidity Concerns
  - Volatile Commodity Markets
  - Excess Inventories
  - Supplier Health



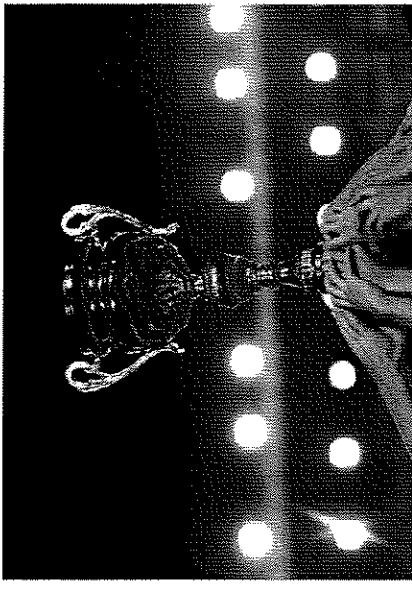
- Link supply chain to business strategy
  - Take actions consistent with objectives
- Vary strategy by category
  - Consider the duration of contracts based on business cycle, economic impact and commodity influence
- Be Flexible
  - Change strategy with changing business environment
- Benchmark with other supply chain organizations and key suppliers
  - What are their expectations and projections?

# How to Win!

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- Drive innovation and improved efficiencies
- Use Supply Chain as the growth engine
- Process innovation
- Nurture long term relationships
- Think outside the box!



**Play Offense**

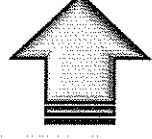
# Live Your Values Every Day

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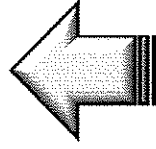
## Integrity

- Champions integrity & trust
- Managerial courage



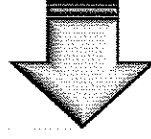
## Excellence

- Customer focus
- Learning / change agility



## Teamwork

- Builds effective teams
- Manages vision and purpose
- Manages diversity
- Develops direct reports/others



## Accountability

- Drive for results
- Business acumen

