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ELEVATING AVAYA'S SUPPLY CHAIN TO BEST-IN-CLASS

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Benji Green (Left) and Fred Hayes (Right)

AVAYA IS A RECOGNIZED INNOVATOR IN BUSINESS COMMUNICATIONS. THE COMPANY ALSO APPLIES INNOVATION TO ITS OWN PROCESSES, INCLUDING AN IMPRESSIVE TRANSFORMATION OF ITS SUPPLY CHAIN OPERATIONS IN RECENT YEARS

“Over the time I’ve been here, there’s been a radical transformation in our supply chain across many areas. Today, we are a best in class supply chain on all 11 metrics that we benchmark against externally.” These are the words of Benji Green, Avaya’s Senior Director, Integrated Supply Chain Planning & Operations. **“It’s been an amazing transformation,”** he continues. **“I feel very lucky to have been part of it, but also proud to have had a hand in driving it.”**

As a global leader in delivering superior communications experiences, Avaya provides the most complete portfolio of software and services for multi-touch contact centre and unified communications offered on premise, in the cloud, or as a hybrid. Today’s digital world centres on communications enablement, and no other company is better positioned to do this than Avaya. As such, the company needs to constantly transform and improve to maintain its leading position.

Avaya’s supply chain transformation to best-in-class has been a global, multi-year strategic initiative based on targeted investments in people, processes and partnerships directed towards a clear vision to be the very best. Fred Hayes, Senior Vice President of Supply Chain, clearly defines its vision to “Exceed employee and customer expectations while fuelling profitable growth.” This vision drives every decision the team makes.

IN THE BEGINNING

Avaya’s supply chain has not always been industry-leading, far from it. “In the beginning, it was tough,” says Green. “12-hour days, hair

on fire supply constraints, excess inventory, completely manual processes, imbalanced supplier terms and conditions, poor cash to cash. You name it, it was bad. It was hard to imagine becoming best-in-class at the time.”

Nine years ago, Avaya’s supply chain was considered one of the biggest obstacles to companywide performance. Hayes recalls: “Just to give you an example, at one point before I had started, the Chief Executive Officer at that time in an all hands meeting apparently made some reference to Avaya having the worst in class supply chain on the planet.” There was a long way to go to reach the best-in-class vision and Fred knew it began with the team. Avaya needed world class talent, with the right attitude, immersed in the right culture to deliver world class results, and this became Fred’s first priority.

TALENT AND CULTURE

Avaya began by making substantial investments to attract, train, and retain the best and brightest candidates. The talented team at Avaya was built and developed over several years and it

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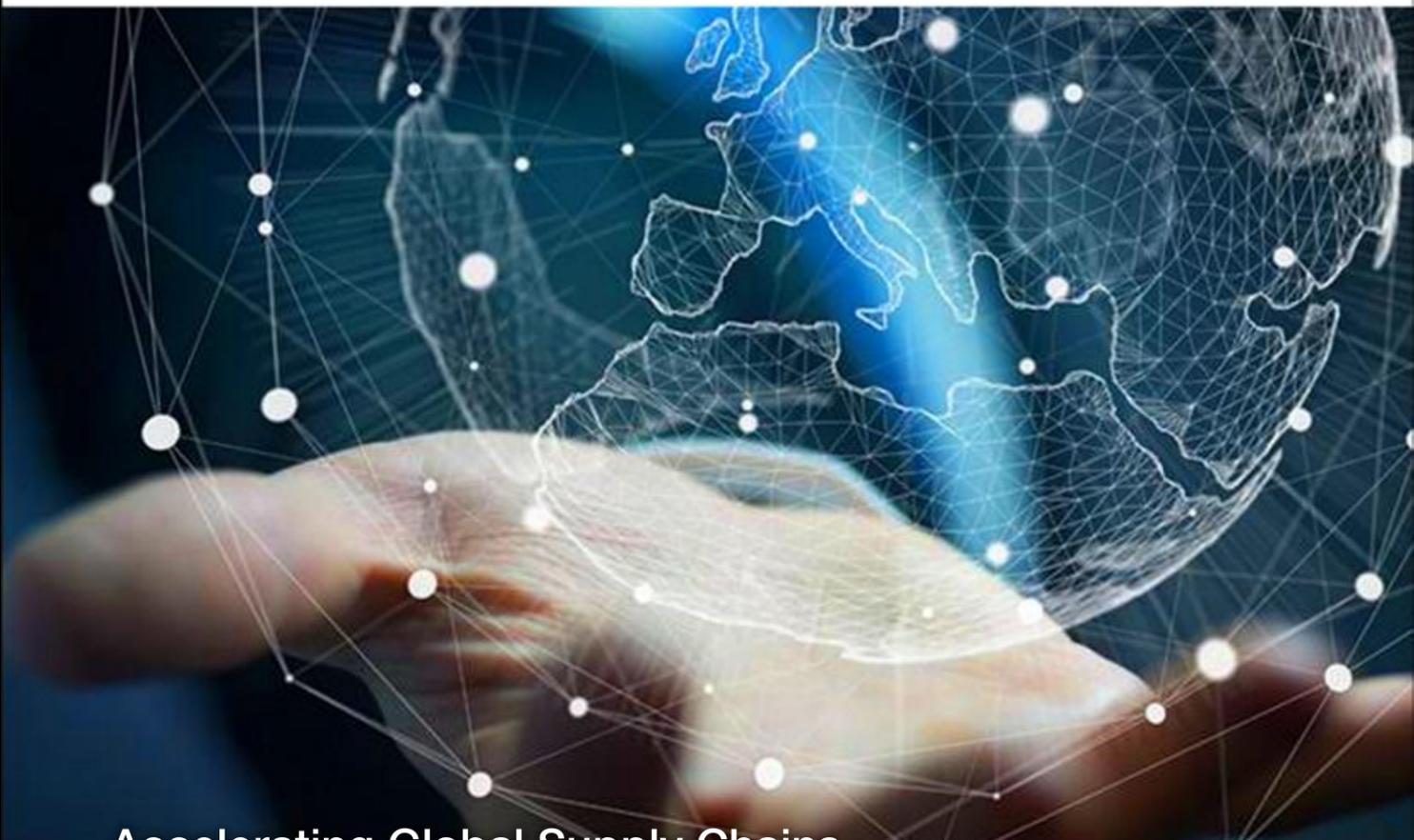
started when Avaya hired Jim Chirico as COO. “He began the process, first hiring Fred Hayes as Head of Supply Chain. We targeted proven talent outside of the telecommunications industry that had the functional expertise and leadership to transform the culture and organization. I was part of that initial team that was recruited to help lead the transformation,” reflects Green. Over the first year, Fred built an entirely new supply chain leadership team, each hired for specific expertise. “We completely overhauled the team, from logistics and warehousing to order management, to planning, to procurement. Each leadership hire was a critical part of the transformation strategy,” describes Hayes.

The new leadership team embraced the vision and the mandate to become best-in-class. In turn, each leader made a commitment to drive cultural transformation for their team across all levels. This has been fundamental to driving the business forward. “It is about having the right attitude, the attitude of empowerment for the employee, the expectation of delivering continuous transformation, delivering on commitments, delivering

results,” notes Green. “That includes leadership that is willing to take risks, that supports and promotes taking risks, is not afraid of making a change to improve the business.” To make sure the right attitude and culture permeates the organization, Avaya leverages a robust HR talent management program, top to bottom, as well as an employee engagement process.

For Avaya, the performance management system is a critical way to create a culture that engages employees and attracts people who will contribute to the team’s success. Avaya sets clear expectations and rewards the high performers. Employee compensation, bonuses and opportunities for promotion are all tied to robust and clearly defined performance metrics. Green summarizes: “What that does, by definition, is retain high performers and drives everybody to better and better results.

“The flipside of this type of culture is that we also consistently let go of our lowest performers. We give significantly larger bonuses to the highest performing employees, we give no bonuses to low performing employees,



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and the lowest performers typically will be worked out within a year. What that does, by definition, it retains high performers and drives everybody to better and better performance.”

Employee engagement is another key to culture development as it's one of the single best predictors of employee retention and productivity. “We actually use an employee engagement survey, which is a cross-industry survey that measures the employee engagement across four key variables. Our employee engagement has gone up 60% over the last six

years. They are happier because the culture is very clear, the expectations are very well defined,” observes Green.

A final piece of the talent puzzle has been Avaya's university engagement program, created to attract and quickly develop young talent. “We have a strong new graduate program. We bring in fresh talent out of a top university system and put them through a multi-year, multi-position, multi-organizational rotation program,” states Green.

“We're bringing in new talent with academic pedigree. Most of them



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have come in already Lean Six Sigma trained and certified through a green belt program. We're immediately throwing them into the rotation program, immediately requiring them to do projects. You start with every new employee driving that culture."

With the right team and culture, Avaya began to transform. "What will happen, in my experience, in that type of culture and that type of environment, is you will naturally build very systemic processes that constantly improve and reinforces the behavior."

MANAGEMENT SYSTEMS

Hayes and the new leadership team began to create a robust management system obsessed with achieving best-in-class standards. At the management systems' core are continuous improvement, metric management, and globalization.

Stemming directly from and reinforcing the supply chain culture, the leadership team developed multiple continuous improvement programs. As an example, Avaya's supply chain has a formal project management office with Lean Six Sigma black belt certified project managers, prioritizing and

driving the biggest and most important opportunities. Frank Carbone, Director of Supply Chain Strategy and business lead for the Project Management Office, says: "This dedicated team of supply chain architects, senior program managers and data management experts have helped deliver the 'key game changers' for our supply chain. The team's focus is to drive positive change every day. Their leadership, expertise, collaboration, passion and drive champion a continuous improvement culture at Avaya."

"Additionally, we have an ongoing Lean Six Sigma training program that is available to any employee who wants to submit their name to it and has a project they can prove has a clear return on investment and is warranted for the company. That's good for the employee and good for the company," Green observes. "Continuous improvement is a culture and a process."

Metric management leverages the HR performance management process to ensure every employee's individual objectives are successfully tied to the organizational, and that company objectives and are clearly

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defined and measurable. It answers two fundamental questions: Are the employees' objectives meaningful to the organizations' objective? And, can the company measure the organizational objectives to ensure it delivers best-in-class?

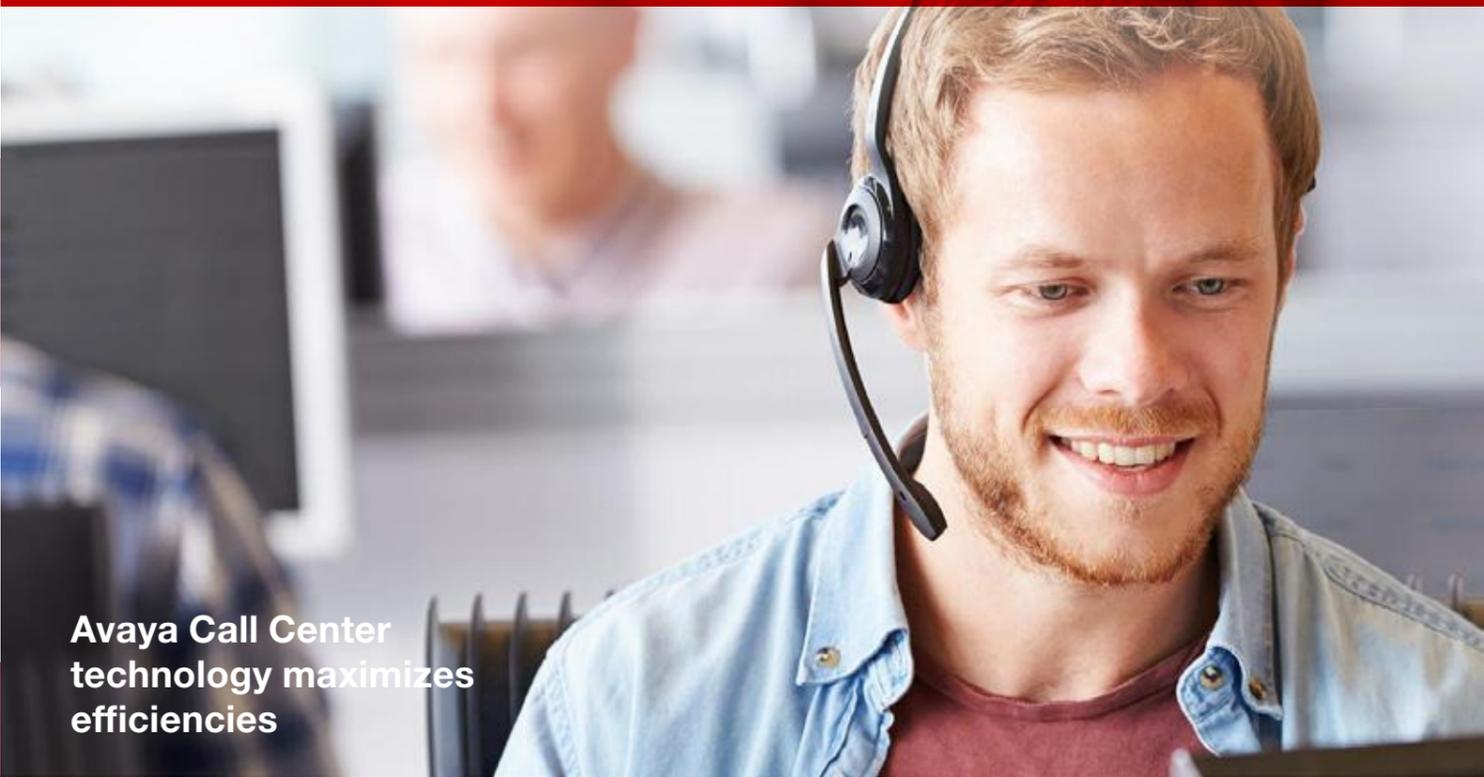
"We very clearly define our objectives at the start of every year and we very consistently measure each of those objectives," Green explains. "I have a customer satisfaction metric for on-time ship. I don't look at it once a quarter or

once a month – I look at it every single week. Not only what it was last week, but what I think it's going to be for the next three weeks. It's a very micro and robust focus on the objective that's disseminated to all the employees, from the part-time employees all the way up to the CEO. They're all linked to company objectives," Green details.

The Avaya supply chain measures and reports over 100 metrics, each discretely aligned with four pillars: customer satisfaction, employee

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– Benji Green, Senior Director, Integrated Supply Chain Planning, Avaya



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satisfaction, cash to cash and supply chain expense. By rigorously tracking these metrics, Avaya is confident it is on track to realize its vision.

Globalization is a simple idea - organize and streamline distributed organizations and processes into easier, centralized, more automated workflows managed by the best talent globally. “The benefits are huge. It reduces headcount. It reduces redundancy. It recognizes talent. It drives process efficiency. It takes the best of each sub-process to create

the ‘best’ process applied globally,” states Green. Avaya’s supply chain reorganized into global teams focused on core processes: a global demand and supply planning team, a global logistics team and a global strategic procurement team. “We streamlined and flattened the organization, reduced headcount, improved accountability, and expanded responsibility for our top talent. Simultaneously we collapsed disparate processes into one best-in-class process.”

One notable example is Avaya’s

implementation and expansion of RapidResponse, a Gartner-recognized magic quadrant tool from Kinaxis for supply chain planning and collaboration. Over a five-year period, Avaya migrated its business processes onto the single platform. It was initially used only for supplier communication, before being expanded to include supply planning, demand planning, inventory planning, inbound and outbound logistics planning, procurement spend analysis, POS analytics and much more. “We do everything from daily supply assurance and revenue risk to strategic product transitions on RapidResponse,” explains Green. Central to globalization, RapidResponse allowed for extensive automation of non-value added work, standardization of processes across multiple MRP instances, products portfolios, and regional variations. The tool, properly managed, has globalized Avaya’s planning and operations processes and organization and helped deliver dramatic improvements and sustainable performance.

STRATEGIC PARTNERSHIPS

“I think the third piece of the puzzle

has been our consistent and persistent systemic strategy to really align our strategic supply base,” Green notes. In every area, from procurement to manufacturing, to software and service providers, Avaya has reduced the supply base, leveraging global providers and invested in longer term relationships with industry expertise.

Green explains: “We consolidated the manufacturing environment across a couple of really key suppliers – Wistron and Flextronics – for large volume contract manufacturing. We’ve leveraged Avnet’s in-region capabilities with their global reach for our more complicated, higher costs, build-to-order portfolio. We’ve also centralized around some key component suppliers like DSPG for chips and Tianma for LCDs, as examples.” These close relationships allow Avaya to have much better working relationships, including dedicated teams to work with each supplier for day to day operations, accelerating decisions and tighter operational controls. Both improve manufacturing readiness, quality control, allocation and freight decisions, build prioritization and more.

In logistics and warehousing, Avaya

has partnered with a few key providers as well, investing IT and resources to enhance and automate processes while reducing costs and consolidating spend. CEVA Logistics and Crane World Wide are contracted global logistics providers with close working relationships. Avaya gets controlled rates and predictable availability while suppliers get consistent, predictable volume and revenue. Choice Logistics has managed the majority of Avaya's 180 maintenance locations for over 10 years, providing small stocking locations, warehousing, and final

mile delivery. Similarly, Geis has provided provisioning and maintenance warehousing and fulfilment. Avaya has leveraged Geis' WMS expertise to automate replenishment, order fulfilment, export documentation, and more for all of Avaya's Europe, Middle East, and Africa operations.

Similarly, Avaya has partnered with the best-in-class software and services providers including Salesforce.com for CRM, Baxter for maintenance planning, Coupa for spend management, Luxoft and Mera for outsourced engineering and research

and development, and Sutherland for low cost, outsourced, but high skilled managed labor. Sutherland has also been a critical software provider, integrating solutions with Avaya's ERP for the very complicated reverse logistics tracking space.

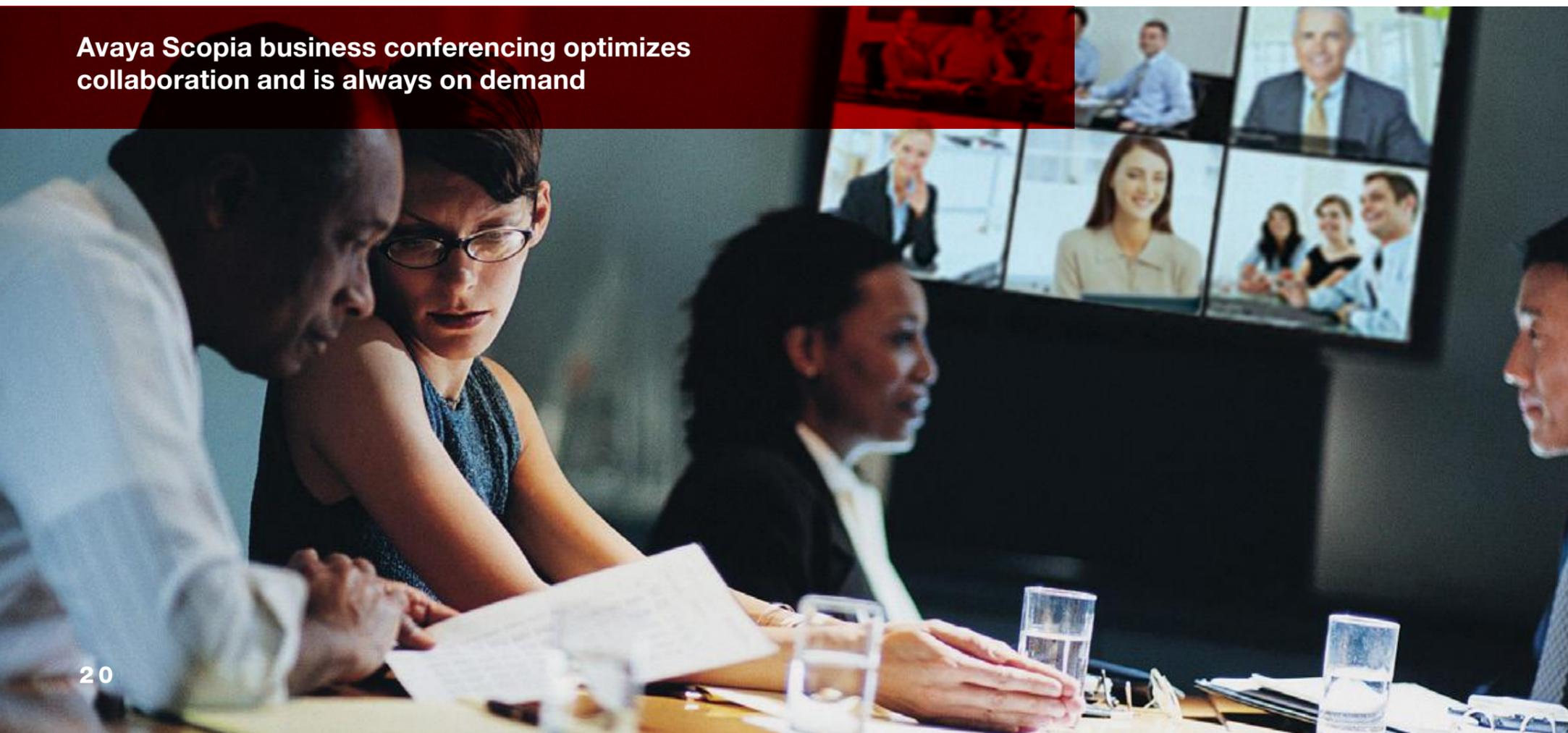
Such relationships are invaluable to Avaya. "We outsource more and more to functional expertise and we've consolidated and built strategic relationships with those supply partners. You develop relationships built on trust that maximize results for both parties,"

observes Green. "Suppliers have been happier with us because they also see the value created through strategic long-term partnerships."

DELIVERING SUCCESS

"There is an absolute focus on delivering success," Green continues. "For us, success is best-in-class and we knew that from day one. There is very intense focus on the metrics, understanding what we had to do to our expense structure, to our people structure, to our customer satisfaction metric to make sure we were delivering

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"WE'RE ACTUALLY SPENDING A LOT OF OUR TIME DRIVING THE CULTURAL AND OPERATIONAL SUCCESS WE'VE HAD IN SUPPLY CHAIN TO OTHER ORGANIZATIONS"

– Benji Green, Senior Director, Integrated Supply Chain Planning, Avaya

“IT IS HAVING THE RIGHT ATTITUDE, THE ATTITUDE OF EMPOWERMENT FOR THE EMPLOYEE, THE EXPECTATION OF DELIVERING CONTINUOUS TRANSFORMATION”

– Benji Green, Senior Director, Integrated Supply Chain Planning, Avaya



This is Avaya

best-in-class to both our customers and our employees and fuelling profitable growth.” Avaya’s supply chain has delivered undeniable results.

Recently recognized by Aberdeen, Avaya exceeded industry benchmark best-in-class performance on all 11 metrics it tracks externally. The company has reduced supply chain expense by \$125mn per year, equivalent to a 50% reduction, and driving down expense to only 3.8% of revenue versus 4.4%.

Similarly, Avaya has reduced its cash tied up in net inventory by 94% to \$181mn. That’s resulted in a 224% improvement in inventory turns from 5.8 up to 13.0 turns.

Simultaneously, customer satisfaction and on-time shipments are at a record best, with 97% on-time in 2017 compared to 78% in 2010. This has driven optimal revenue recognition, cash to cash cycle, and reduced quarter end and weekly average unshipped hardware revenue by 95% to less than 0.5% of revenue.

Avaya’s supply chain transformation is well documented with tremendous results to move from ‘worst-in-class’

to best-in-class. It’s been achieved by a great team immersed in the right culture, delivering continuous process improvements, and leveraging strategic partnerships. Not surprisingly, the Avaya leadership team has more transformation planned for the future.

“With a very large data company like ours, global standardization continues to be an absolute mandate,” Green acknowledges. “We have opportunities to push this efficiency model and partnership model across the rest of the company. We’re actually spending a lot of our time driving the cultural and operational success we’ve had in supply chain to other organizations. That’s a pretty unusual story if you’ve got a supply chain team that’s helping shape the rest of your company in very cool, strategic ways.” ■



The Avaya logo is displayed in a bold, white, sans-serif font. A thick red horizontal bar is positioned directly below the logo.

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