STRATEGY DEPLOYMENT

*Best Practices and Leadership Behaviors that Deliver Breakthrough Results*

Industry Week Best Plants Conference

co-presented by Pactiv Corporation and TBM Consulting Group, Inc.

April 2010
Your Presenters Today

Kevin Quinn
Vice President of Operations, Pactiv Corporation
Mr. Kevin Quinn is currently Vice President, Operations for Pactiv Corporation, headquartered in Lake Forest, Illinois. Mr. Quinn oversees 29 manufacturing facilities and 7 regional distribution centers throughout North America. Mr. Quinn joined Pactiv in 1999 following stints at Tenneco Corporation, Mobil Oil (chemical division), and the U.S. Navy. Mr. Quinn received a B.S. Engineering from the U.S. Naval Academy in 1981 and received his M.B.A. from Georgia State University in 1992.

Dan Sullivan
TBM Partner and Executive Vice President, TBM Consulting Group, Inc.
Dan Sullivan is responsible for all of TBM’s US and Mexico consulting operations. He has been a respected consultant, both internationally and in the U.S., for more than a decade. Sullivan came to TBM from the automotive industry. He worked at Ford and Nissan Motor Manufacturing Corporation in leadership positions in both engineering and manufacturing operations. During his 13-year career at Nissan, Sullivan developed expertise in all aspects of Toyota Production System principles. Sullivan is a graduate of the Georgia Institute of Technology, with a degree in Industrial Management.
What We’ll Cover Today

• What is a high-performance business system
• Strategy deployment overview
• Pactiv presentation
  – Pactiv Performance System (PPS)
  – Pactiv strategy deployment process
  – Benefits and lessons learned
A High Performance Business System

The Gold Standard

HOW: The Danaher Business System – started in late 1980’s

KEYS: Continuous improvement philosophy
Strategic planning
Employee engagement
Enterprise-wide employee training
Policy Deployment focus and passion
Customer centric
Product development and implementation
“We compete for shareholders” mentality
High-Performance Management System

**WORKING ON** the business
- Breakthrough focus
- Creates significant competitive advantage
- Drives accountability
- Ensures execution and results

**WORKING IN** the business
- Kaizen focus
- Creates repeatable process
- Drives sustainment
- More functionally driven

Daily Management

Business System

Strategy Deployment
Why use Strategy Deployment

• Enable progression to achieve 3-5 year breakthroughs

• Create focus on 1-year execution plan to stay on track towards breakthroughs

• Focus on the critical few, customer-centric objectives essential for long-term success

• Align breakthrough objectives with metrics, resources and support plans
Strategy Deployment Results

Current Year Year 1 Year 2 Year 3 Year 4

0 50 100 150

New Base New Base New Base New Base

Year 1 Objective Year 2 Objective Year 3 Objective

New Base

Current Base

Breakthrough Daily Management Kaizen
What You Can Learn From Pactiv

• Pactiv wanted to establish one enterprise wide business system to leverage continuous improvement

• Why
  – Improve alignment across recent acquisitions
  – Drive Revenue Growth and Productivity
  – Achieve substantial Earnings Improvement

• Key Learning from Today’s Session
  – Understand the approach
  – Gain insight to our process
  – Learn from our experience
Company Overview

- $3.4 billion specialty packaging company
- Leader in consumer and food service packaging markets
- Number one or two position in major product lines
- 46 manufacturing facilities
- 12,000 employees
Pactiv Corporation
Hefty® Consumer Products

38% of 2009 Sales

- 5 Yr. Sales CAGR: 6.6%
- 5 Yr. Profit CAGR: 9.1%
Food Service / Food Packaging

62% of 2009 Sales

- 5 Yr. Sales CAGR: 5.2%
- 5 Yr. Profit CAGR: 7.5%
The Pactiv Attitude

- Accountability
  - Drives Results
  - Helps Others Succeed

- Teamwork
  - Customer Advocate
  - Promotes Improvement

- Integrity & Ethics
  - Honest
  - Respects Others

- Valuing People
  - Shares Up, Down & Across

- Earning Customer Trust

- Continuous Innovation

- Communication
### The Pactiv Journey

#### How we formed the Pactiv Production System

<table>
<thead>
<tr>
<th>Phase</th>
<th>Details</th>
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</thead>
</table>
| Commitment  | • Senior leadership onboard  
   – Corporate and plant dedicated resources to CI |
| Readiness   | • Awareness and training  
   – All management levels  
   – Implementation Plans established |
| Launch      | • Phased roll-out across the facilities  
   – Leverage learning opportunities  
   – Best practices established/shared |
| Accelerate  | • Extend beyond the manufacturing plants  
   – Supply chain  
   – Logistics/distribution |
Why Strategy Deployment at Pactiv

- Needed to develop standardized processes across the organization to sustain improvements
- Leverage recent acquisition quickly
- Align each business to overall organizational ‘breakthrough’ goals and objectives
- Increase collaboration and sharing of best practices
Strategy Deployment Matrix

Level 1
Division

Level 2
Product Line

APET
Aluminum
Foam
OPS
Pressware
Cups

Level 3
Value Stream

APET
Aluminum
Foam
OPS
Pressware
Cups

Level 4
Plants

Plant 1
Plant 2
Plant 3
Plant 4
Plant 5
Plant 6
Plant 7
Plant 8

Food Service Matrix
### Strategy Deployment Level 1 Matrix

#### STEP 1: Define 3 Year Breakthrough Objectives

<table>
<thead>
<tr>
<th>Objective Description</th>
<th>AP</th>
<th>CS</th>
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<tbody>
<tr>
<td>Achieve Jaguar EBIT improvement through strategic actions to drive operational excellence, win in clear markets, and develop MIFS Spend Channel</td>
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<tr>
<td>Achieve increased total delivered cost to customer through Network Optimization</td>
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<td>Achieve inventory reduction through demand understanding and managing flexibility and supplier management</td>
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<tr>
<td>Achieve Lean Enterprise improvements and significantly improve the PCR and ATP processes</td>
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<tr>
<td>Develop and implement strategy to regain lost share in non-food distribution and cash &amp; carry with loss of margin (focusing on sales force optimization and productivity and reducing cost)</td>
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<tr>
<td>Achieve sustainable products sales growth through sourcing and new product development targeting new strategic customer Syco, Gordon Food Service, etc.</td>
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<tr>
<td>Achieve consumer packaged goods processor growth through new product development</td>
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<tr>
<td>Achieve MIFS Spend Channel growth through focus on top 10, driven by new product development in cups, cutlery, containers and straw</td>
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<tr>
<td>Achieve Foodservice EBIT through product line performance</td>
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#### Annual Improvement Priorities

- **Annual Financial Impacts**
- **Improvement Targets**
Level 1: Annual Objectives

STEP 2
Establish Year One Objectives
Level 1: Annual Improvement Priorities

STEP 3
Establish Annual Improvement Priorities
Level 1: Targets to Improve

STEP 4
Establish Targets To Improve
Assign Primary Leaders
Strategy Deployment: Cascading

Level 1

Level 2
Point of impact
Strategy Deployment: Cascading

Level 2
Product Line

Level 3
Value Stream Focus

Level 4
Plants
# Rollout of Strategy Deployment

<table>
<thead>
<tr>
<th>Division (L1)</th>
<th>September</th>
<th>October</th>
<th>November</th>
<th>December</th>
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<tbody>
<tr>
<td></td>
<td>Establish Breakthrough Objectives</td>
<td>Establish AIP’s &amp; Targets</td>
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<table>
<thead>
<tr>
<th>Product Line (L2)</th>
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<th>November</th>
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<tr>
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<td>Developed L2 AIP’s</td>
<td>Established Targets</td>
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<table>
<thead>
<tr>
<th>Value Stream (L3)</th>
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<th>October</th>
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<th>December</th>
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<tbody>
<tr>
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<td>Developed L3 AIP’s</td>
<td>Established Targets</td>
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<tr>
<th>Plants (L4)</th>
<th>September</th>
<th>October</th>
<th>November</th>
<th>December</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Developed L4 AIP’s</td>
<td>Established Targets</td>
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Monthly Review: Role of Leaders

• Lively review sessions to test understanding
• Don’t try to solve the team’s issues
  – Do they understand the situation with data
  – Are there resource conflicts
• Evaluate effectiveness of specific projects & action plans
• Evaluate effectiveness of the overall improvement process
• Decide what actions to take and when
Monthly Review: Questions for Leaders

- Are we meeting targets with sustainable business processes?
- Do we understand the root cause of bad results?
- Are we working on appropriate counter measures?
- Are we focused on strategic breakthrough objectives?
- Are we adequately resourced?
- Is improvement process inadequate?
- Are the implementation plays based on facts or opinion?
- Are we creating a blameless, learning culture using facts and data?
Strategy Deployment: Benefits

• Root cause and counter measures facilitate problem solving – create a learning culture
• Focuses on critical few priorities for the business
• Everyone aligned to the same objectives
• Employees are deeply engaged
• Review cycle enables accountability and discipline
• Annual improvements are process-based – creating a sustainable approach
Lessons Learned

1. Establish a clear, understandable 3 year Strategy
2. Establish and Agree on Annual Breakthrough Objectives
3. Cascade down to point of execution (product lines, value streams, plants)
4. Train teams at all levels in the process
   - Annual Improvement Priorities, Targets to Improve, Countermeasures
5. Establish monthly review process – all levels
6. Sustainable results come from reliable processes
More Information

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Questions & Answers?

Thank you!