ev3’s Strategic Planning and Alignment Process

“Doing the Right Things…. Right”

Dave Mowry, President Neurovascular Division
Irvine California
Level Setting
A Brief History of ev3

• Venture Funded Minneapolis MN Start-up, founded in 2000

• Founders – Group of disempowered / disgruntled Medical Device Professionals
  – “Wanted to Created a Place where everyone could make a difference”

• Business Model → Acquire & Develop products specifically for unmet needs
  – Cardiovascular,
  – Peripheral Vascular, and
  – Neurovascular

  3 Endovascular Markets = EV3

• Re-focused & Dedicated to the underserved PV and NV Markets in 2003

• Growth fueled by a steady flow of Organic Development & Acquisition
  – Microvena (Minneapolis, MN) - 2003
  – MTI (Irvine, CA) - 2005
  – FoxHollow Technologies (Redwood City, CA) - 2007
  – Chestnut Medical Technologies (Menlo Park, CA) - 2009
Our Strategic Planning Efforts were retooled in 2008 at a pivotal point in our company’s existence

**ev3 in early 2008**

- On the end of a tough M&A integration
- Unrealistic goals & inconsistent performance
- Reactive, “Fire-fighting” culture
- Lack of external credibility
- Unsatisfied Constituents
  - Customers
  - Employees, and
  - Shareholders
Enter a Man and a Vision ..... 

• Bob Palmisano, CEO

• HPMS – High Performance Management System
  – A single page strategic plan......
  – Aligns resources to “Vital Few” Initiatives
  – integrates Corporate Priorities with Individual
What is the High Performance Management System and how does it fit within Strategic Planning?

The integrated process by which a company involves and aligns its employees in accomplishing the goals and objectives of the organization.
The HPMS is built on Shared Values – The Values selected are designed to transform the organization

Customer 1st
Customer needs are understood and considered in every decision. We ensure every customer contact, both internal and external, is accurate, respectful, prompt and meaningful.

Empowerment
We establish clear objectives, surround ourselves with talented people, and then get out of their way.

Accountability
We say what we will do, and do what we say. We reach agreements and hold each other equally accountable.

Teamwork
We achieve results through open collaboration where the talents of each team member enable the greater success of the team.

Candor
We express our honest intentions in everything we do.

Sense of Urgency
The Vital Few programs are our top priority; we reject complacency, embrace change and courageously confront obstacles to deliver on-time results.

Continuous Process Improvement
We seek to continually increase our efficiency by following a disciplined approach to assess and improve our business processes; we seek breakthrough improvements and Best in Class performance.
... and focuses on delivering value to the company’s three constituents in a balanced scorecard approach.

DELIGHTED CUSTOMERS

MOTIVATED EMPLOYEES

SATISFIED SHAREHOLDERS

SUCCESS
The Success Cycle

Success Alignment

Execution of Strategic Objectives

Customer Survey

Financial Metrics

Employee Survey

Strategic Alignment

Breakthrough Job Ticket

Data-Driven Decisions
HPMS Strategic Planning Process Overview
Step 1: Determining Current State - Where are we today?

Delighted Customers
Motivated Employees
Satisfied Shareholders

Employee Survey

Financial Summaries

Customer Satisfaction

Timing
2X Year
Spring / Fall
HPMS Strategic Process Overview
Step 2: Setting the Desired State - Where do we want to go?

Company Vision: To be recognized as the best ...

### Delighted Customers
- **Current State**: ___% would recommend us to their peers and colleagues
- **Desired State**: 100% would recommend us to their peers and colleagues

### Motivated Employees
- **Current State**: ___% would recommend us to their peers and colleagues
- **Desired State**: 100% would recommend us to their peers and colleagues

### Satisfied Shareholders
- **Current State**: Revenues, Gross Margin, Profit, Balance Sheet
- **Desired State**: Revenue Growth, Gross Margin Improvement, Increased Profit, Increased Cash Flow

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Step 3: Building our Plan - How will we get there?

Opportunities
Selection
Resource Assessment
Sequencing

Opportunity Tracker

Opportunity Form

Resource Model

Business Roadmap

Stents
Investments to gain share and secure indications

Notes: Net Value = Gross Margin – Investment 2009-11, Investment estimates include project costs and other costs

Timing
2X Year
Spring / Fall
1. Rigorously follow six of the 8 Steps of the STI Breakthrough Process as the project is managed.

- **Step 8**: Measure Resulting New State, Recycle if Required
- **Step 6**: Develop Transition Plan
- **Step 4**: Determine Current State Level and Process
- **Step 5**: Determine Desired State Level & Needed Process
- **Step 7**: Implement & Execute Plan
- **Step 3**: Activate Team and Leader
- **Step 2**: Select a diverse team made up of members from each of the appropriate or affected business functions.
- **Step 1**: Select a team leader, facilitator and note taker.

Statement of the goal / problem or issue to be worked:
- **Customer**, **Employee**, **Financial**

Approver: Bob Palmisano  
Date: 06/12/08  
Team Leader: Rich Lunsford  
Sponsor: Bob Palmisano  
Team Members: John Dolphin, Peter Cooke, Paul Kapsner, Maureen Pistulka, John Nolan, Jorge O'Hara, Kevin Klemz.

Members At Large: Pete Malyak, Murray Sales, Mike Ennen, Erica Roeller, Jack Dombroski

**Sales Force Optimization**

**Requirements:**
- Complete the plan in 60 days.
- Test Recommend solution with Sales Management Team, Sales Leadership Council and MD Customer.
- In the proposed plan, briefly cover how each of the requirements of this job ticket were accommodated.
- Ensure a platform for the RM’s to support their management of P&L efficiently to achieve internal goals in the proposed plan.
- In the proposed plan consider the effect of Sales Management in overall Sales Force Optimization.
- Include recommendation to overcome potential HQ change resistance elements.

- Consider within the plan the transition process of the bottom 10% (performance) of the sales force.
- Keep in mind the necessity to minimize and unintended consequences on the customers, employees or financial performance.
- Discuss and come to consensus on needed actions or changes that will accomplish the project objectives and close the gap from the current to desired states.
- Develop and come to agreement on a desired state, and target a substantial improvement of the current levels.
- Benchmark other Sales and Marketing entities to include other companies outside of medicine while incorporating customer MD/hospital feedback.
- Achieve consensus on measures, processes, approaches or events that contribute to the current performance relative to the project using measures and metrics.
- Select a team leader, facilitator and note taker.
- Adopt a disciplined team process following steps 3-6.

**HPMS Strategic Process Overview**

**Step 5: Implement our plan & connecting the organization**

**Success Tree Cascade**

- **Corporate**
  - Key Gap Closers
  - **Goals**
  - **Customer Satisfaction**
  - **Employee Motivation**
  - **Financial Performance**

- **Divisional**
  - Key Gap Closers
  - **Goals**
  - **Key Gap Closers**

- **Departmental**
  - Key Gap Closers
  - **Goals**
  - **Key Gap Closers**

- **Individual**
  - Key Gap Closers
  - **Goals**
  - **Key Gap Closers**

**MBOs**

**Job Tickets**

**Budgets**

**Timing**

Ongoing
We have realized a significant turnaround in all three constituent groups

**Increasing Employee Motivation**

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**Increasing Delighted Customers**

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**Satisfying Shareholders**

+153%
Key Lessons and Experiences with HPMS

• It takes time
• The journey is littered with obstacles
• Stay true to the system
• Celebrate the small victories
• Commitment comes for the Top
• Invest in HPMS / Strategic Alignment whenever possible
• Perfection is your enemy