



110 Fast Tracking Business in Today's Accelerated Economy

Stacey D. Rabbino

Intellectual Property Counsel
VeriSign, Inc.

Sandra R. Sanders

Enterprise Systems Group Counsel
Dell Computer Corporation

Clifford M. Sloan

Vice President, Business Affairs and General Counsel
Washingtonpost.Newsweek Interactive

Faculty Biographies

Stacey D. Rabbino

Intellectual Property Counsel
VeriSign, Inc.

Sandra R. Sanders

Sandra R. Sanders is counsel to the enterprise systems group of the Dell Computer Corporation at its headquarters in Round Rock, TX. Ms. Sanders provides worldwide support to Dell server product development, manufacture, and distribution, as well as all related software licensing, including server operating systems, systems management solutions and applications. She provides strategic and day-to-day support for ESG WW marketing initiatives and alliance relationships. Ms. Sanders also advises on a broad range of issues, such as protection of Dell IP when dealing with third parties, developing technology alliances, joint development arrangements, offshore development, and business process improvement (BPI).

Prior to joining Dell, Ms. Sanders spent six years at the IBM Corporation in Austin, TX, where she acted as staff attorney to such groups as OEM, business development, sales, service, operations, environmental affairs, health/safety, human resources, and staffing. During her time with IBM, Ms. Sanders completed a short-term assignment abroad at IBM Japan.

In addition to her ACCA membership, Ms. Sanders also belongs to the ABA and the Austin In-house Counsel Group, and serves as a mentor for the Girl Scouts of America.

Ms. Sanders graduated with her BS from the College of Arts and Science, her MBA from Katz Graduate School of Business, and her JD from the University of Pittsburgh School of Law.

Clifford M. Sloan

Clifford M. Sloan is vice president, business development and general counsel of Washingtonpost.Newsweek Interactive, The Washington Post Company's internet and new media subsidiary.

Mr. Sloan has served in various government positions, including associate counsel to the President of the United States, assistant to the Solicitor General at the U.S. Department of Justice, associate counsel in the Office of Independent Counsel (Iran-Contra), and law clerk to Supreme Court Justice John Paul Stevens and U.S. Court of Appeals Judge J. Skelly Wright. He has extensive Supreme Court experience, including five Supreme Court arguments and service as head of the White House confirmation team for Justice Stephen Breyer.

Mr. Sloan has taught the law of cyberspace as an adjunct professor at Georgetown University Law Center, George Washington University Law School, and American University's Washington College of Law.

He is a graduate of Harvard Law School, where he served as an editor of the *Harvard Law Review*, and Harvard College.

Fast Tracking Business in Today's Accelerated Economy

E-Business and Supply Chain Integration:
Creating a Web-Based
Ordering System

ACCA 2002 Annual Meeting
October 21, 2002
10:30 a.m. – 12:00 p.m.

Why Move to On-line Supply Integration?

- Today's Economy
 - Globalization
 - Complexity of networks
 - B2B exchanges
 - Government policies
 - Dot com bust
 - Decrease in product life cycles; pressure to market
 - Certifications
 - Consumer demand
- Benefits
 - Remain competitive
 - Faster time to market
 - Improve customer service and customer experience
 - Decrease fulfillment times
 - Penetrate new markets
 - Perfect return on assets
 - Enhance efficiency
 - Control costs

Where to Start?

- Set goals, create the strategy
 - Identify budget
 - Develop metrics
 - Set time line
 - Avoid “Internet time” pursue long term strategy
- Create the systems
 - Consider legal implications
 - Select and integrate tools
 - Create the site
 - Choose suppliers
 - Develop procedures
- Remember basic business principles

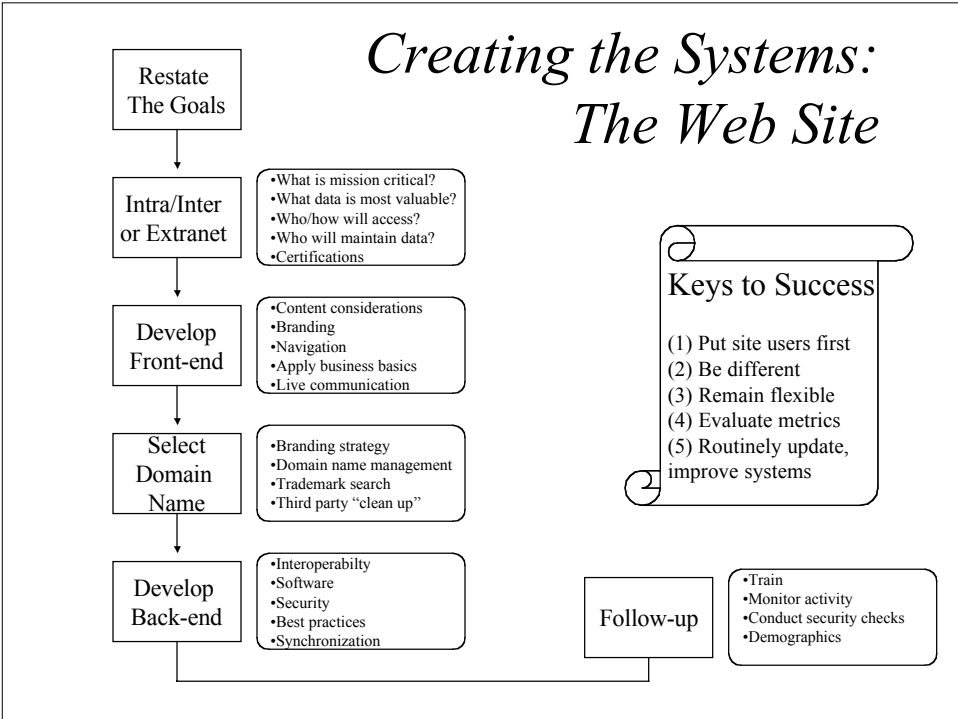
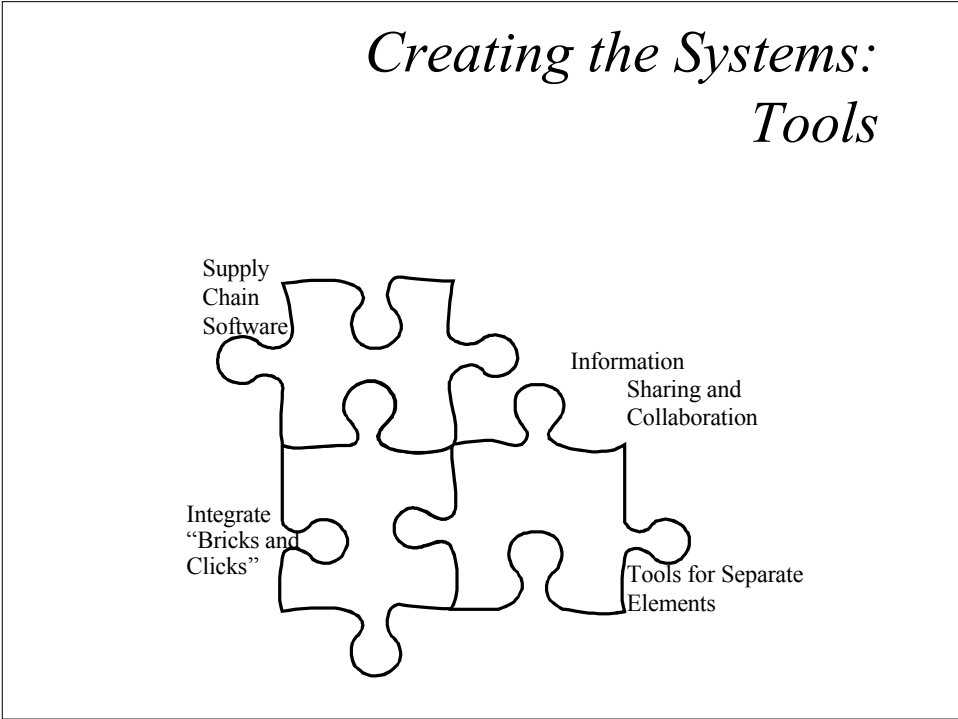
Creating the Systems: Legal Considerations

- Statutory prohibitions
 - State
 - Federal
- Taxes
- Antitrust
 - Especially in B2B exchanges
- Intellectual property
- Jurisdiction
- Privacy
- Data control

Top 10
E-Commerce States:

1. Oregon
2. Utah
3. Indiana
4. Louisiana
5. Iowa
6. Alaska
7. Hawaii
8. Idaho
9. Michigan
10. Colorado

Source: Progressive Policy
Institute, March
2002



Creating the Systems: Security

- Develop and Document Security Policy
 - Firewalls
 - Patches
 - Vulnerability assessment
 - Training program
 - Organizational structure
 - Response plan
- Secure Applications
 - APIs
 - Encryption
 - Access and authorization controls
 - Password protection
 - Record keeping
 - Employee records
 - Digital signatures
 - PKI
 - Segmentation

Creating the Systems: Security Enforcement

- (1) Install and maintain a working network firewall to protect Internet accessible data
 - (2) Keep security patches up-to-date
 - (3) Encrypt stored Internet accessible data
 - (4) Encrypt data sent across public networks
 - (5) Use and regularly update anti-virus software
 - (6) Restrict access to data on a "need-to-know" basis
 - (7) Assign a unique ID to each person with access to data
 - (8) Do not use vendor-supplied defaults for passwords / parameters
 - (9) Track access to data by unique user ID
 - (10) Test systems / processes regularly
 - (11) Maintain a policy that addresses information for employees / contractors
 - (12) Restrict physical access to cardholder information
- Visa's Cardholder Information Security Program (CISP)*

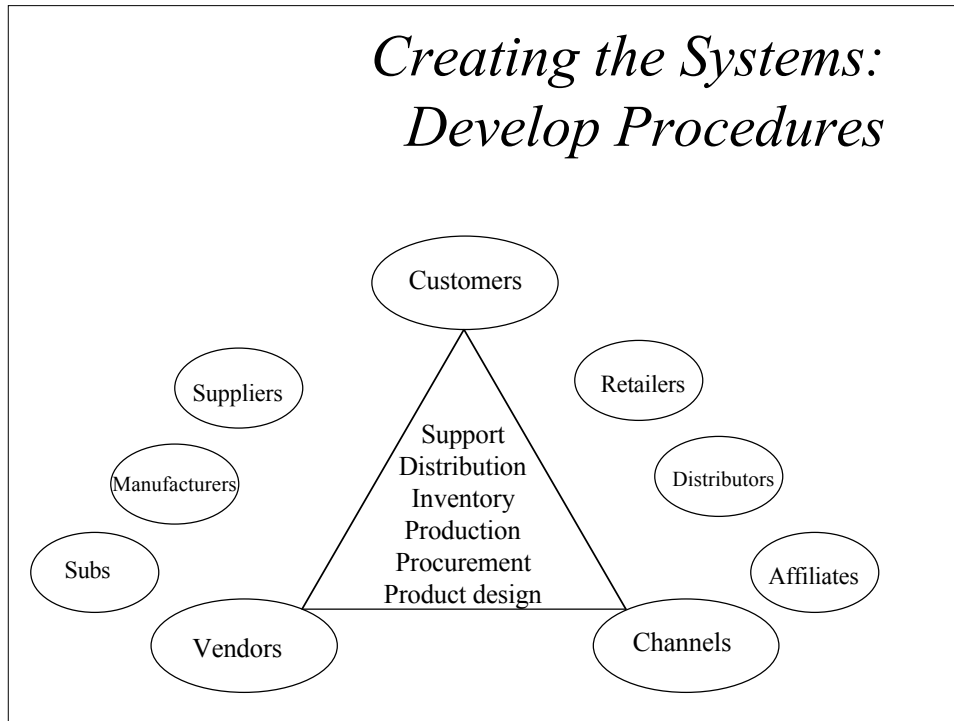
- Enforce Partner Security
 - Review partner policies
 - Demand partners follow your policies
 - Contractual language
 - Rules
 - Indemnification
 - Liquidated Damages
 - Termination
 - Penalties
 - Compliance Audits
 - Third party
 - Internal with certification

Creating the Systems: Failure to Secure

- System attacks
 - Virus could disable you or your partner's systems
- Data tamper
 - E.g., switching a digit in a product SKU number
 - Releasing data in violation of privacy
- Halt supply chain operations
- Legal liability

Creating the Systems: Choosing Suppliers

- Selecting the Supplier
 - Supply positioning
 - Supplier preferencing
 - Matrix, objective process
 - Assessment
 - Supplier
 - Market
 - Vulnerability
 - Evaluation and award
- Inking the Deal
 - Legal considerations
 - Protect IP
 - Define rights, obligations
 - Strengthen ownership rights
 - Insulate client from liability
 - Business Considerations
 - Generate revenue
 - Increase sales, awareness
 - Relationship with supplier
 - First step in a larger relationship
 - Resolving other business issues



ACCA Annual Meeting 2002

"Fast Tracking Business in Today's Accelerated Economy"

Grand Hyatt Washington
Washington, DC

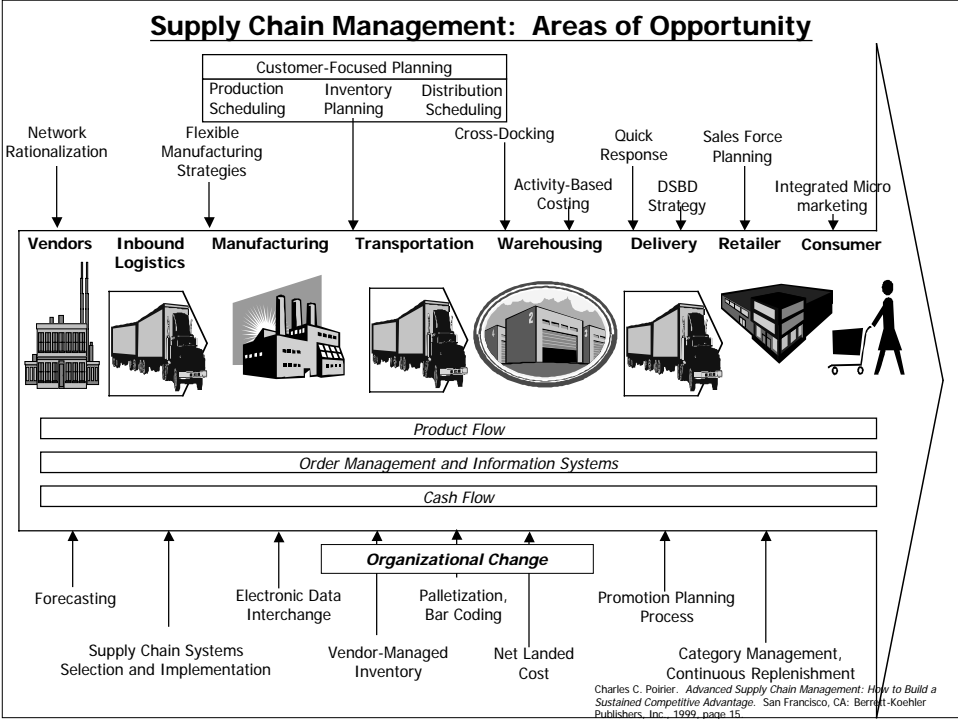
Sandra Sanders, ESG Counsel,
Dell Computer Corporation

Oct. 21, 2002

SCM - Definitions

- **Formation of internal and external networks for sourcing raw materials, manufacturing products or creating services, storing and distributing good and delivering products and services to customers**
- **Requires the creation of supply and demand networks and an IT infrastructure to support network growth**
- **Common sense at its best – natural progression of efficient use of all resources**
- **Operational Excellence**
- **Coordination of information, materials and logistics to support customer requirements**

- ### SCM - Principles
- Define the ideal structure based on core business operations
 - Describe processes necessary to support infrastructure
 - Prioritize action plan taking into account the dynamic nature of SCM
 - Collaborate with suppliers and customers to improve operations
 - Invest / Reinvest in SCM IT, training, and skills
 - Outsource non-core operations
 - Supply = Demand


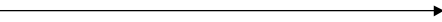

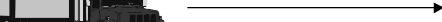

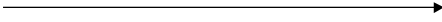








Supply Chain Optimization Opportunities

| | |
|--|--|
| <p><u>Product Development</u></p> <ul style="list-style-type: none"> • Concept-to-market • Voice of the consumer <p><u>Forecasting</u></p> <ul style="list-style-type: none"> • Forecast accuracy • Short-interval planning <p><u>Sourcing</u></p> <ul style="list-style-type: none"> • Partnering • Alliances • Global aspects <p><u>Pricing</u></p> <ul style="list-style-type: none"> • Competitive • Profitable | <p><u>Order-to-Cash</u></p> <ul style="list-style-type: none"> • Order fulfillment • Error elimination • Inventory management <p><u>Enterprise Resource Planning</u></p> <p><u>Logistics</u></p> <ul style="list-style-type: none"> • Warehousing • Distribution • Transportation <p><u>Electronic Commerce</u></p> <ul style="list-style-type: none"> • EDI • IT integration • On-line sales |
|--|--|

Charles C. Poirier, *Advanced Supply Chain Management: How to Build a Sustained Competitive Advantage*, San Francisco, CA: Berrett-Koehler Publishers, Inc., 1999, page 64.

Expenditure Levels: Critical Areas for Cost Reduction and Process Improvement

| | | |
|---|--|------------|
|  Purchases |  | 55% to 65% |
|  Transport |  | 3.5% to 7% |
|  Labor |  | 2.5% to 6% |
|  Inventory |  | 3% to 9% |
|  System and Administration |  | 1.5% to 3% |
|  Facilities |  | 0.7% to 2% |

Charles C. Poirier, *Advanced Supply Chain Management: How to Build a Sustained Competitive Advantage*, San Francisco, CA: Berrett-Koehler Publishers, Inc., 1999, page 9.

SCM – Focus from Internal to External

Internal

- identify key suppliers
- eliminate inventory not tied directly to demand
- order entry
- finance process
- warehousing
- transportation

External

- real-time exchange of data
- common IT / software
- universal coding
- accuracy
- reduce paperwork
- data mining

SCM – First Steps

Simplify

- product categories
- need for unique parts and suppliers
- customer segmentation

Increase

- speed
- use of e-commerce
- VMI (vendor managed inventory)

Manage / Synchronize

- supply / demand
- product life cycle
- segmentation

SCM - Cautions

- **Improvements can be a win-win for the entire network. Many companies seek improvement at the cost of the suppliers.**
- **Increased need to share data to move from forecast to actual demand date. Comply with privacy laws.**
- **Remember the ultimate goal – supply chain improvements should be made to better serve customers not merely to improve internal efficiency.**
- **Savings should be passed back to the network as well as the customer.**
- **Requires an investment of time AND money AND executive support**
- **Focusing primarily on cost containment will not result in long term sustainable growth**
- **Aggressive growth (pass all savings to the customer) without profit analysis is not sustainable**

SCM – Optimization Results

- ✓ **Increased customer attainment / retention**
- ✓ **SCM costs are low**
- ✓ **Chain is dynamic**
- ✓ **Advanced data systems**
- ✓ **Outsourcing**
- ✓ **Innovation**
- ✓ **Supply = demand**
- ✓ **Decreased inventory**
- ✓ **Ability to monitor orders real-time**
- ✓ **Ability to focus on long term, capacity, and global planning**
- ✓ **Increased continuity of supply (COS)**
- ✓ **Decreased inventory**
- ✓ **Increased cash flow**
- ✓ **Decreased time to fulfillment**

SCM – Case Studies to Consider

- **Dell – usage of e commerce with suppliers and customers**
- **FedEx – speed, transportation, and delivery**
- **Heineken – fulfillment based solely on consumption**
- **Levi Strauss – commoditization**
- **Sun Microsystems – IT tools that increase effectiveness of alliance relationships**
- **Wal-Mart and P&G – order fulfillment based on actual data**
- **Office Depot – speed, transportation, and delivery**
- **Select Comfort - commoditization**