Driving Cultural Change & Creating an Environment for Disruptive Innovation

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### Innovation Through The Years

|-----------------|-----------------|-----------------|-------------|

### The Challenge

#### Internal
- No Strategy
- Culture?
- People
- Lack of Focus
- Internally Driven

#### External
- Tough Competitors
- Slowing Construction Market
- Users Segmented by Trade
Milwaukee Global Sales (MMs of USD)

- Rest of World
- North America

Housing Boom
$1.9MM Starts/year on average

2004 2005 2006 2007 2008 2009

$555 $575 $600 $574 $597 $586

Monthly Operating Rhythm

- Business Unit Review
- New Product Development
- Continuous Improvement
- Operations
- Sales & Operational Planning
How Do We Change The Culture?

- People
- Outside In
- Speed/Agility
- Strategy/Focus
- Disruptive Innovation

Strategy Statement

- We focus on our targeted core end-users in Electrical, Plumbing, HVAC, MRO, Remodeling, and Mechanical trades in commercial, industrial, residential construction and service.

- Our Products are best-in-class by developing product innovations, both disruptive and incremental, for Power Tools, Accessories, Test & Measurement, Hand Tools, Lifestyle, and Battery Powered Systems.

- We achieve the best-in-class brand equity by delivering productivity solutions and creating end-user preference/demand leading to a pull-through strategy with distribution.

- We will invest in driving incremental opportunities by leveraging our core products across targeted non-core user groups and channels.

- We must maintain a best cost position, not only with our products, but throughout every facet of our business.
Disruptive Innovation...

"Problems cannot be solved by the same level of thinking that created them."
-Albert Einstein

...Think Differently

Strategic Development

Speed

9 Months To Market!
DELIGHT OUR CORE USERS

☑ SOLUTIONS & PRODUCTIVITY
Committed to the Electrical Trade

New Product Development

NEW
MILWAUKEE
KNOCKOUT SYSTEM
PRODUCTIVITY PROBLEM

- Manual & Underpowered
- Poor Markings = Rework
- Heavy & Unbalanced
- Unclear Hole Sizes & Jammed Slugs

PRODUCTIVITY SOLUTION

- One-Handed & Up to 4” Stainless
- Clear Crosshairs = Accuracy & Speed
- Quick Connect for Fast Set-up
- Clear Sizes & Jam-Free

New Product Development

HEATED GEAR

DISRUPTIVE INNOVATION

For Reference of NECA Now 2015
Attendees Only
How Do We Keep It Going?

Cultural Evolution

- OBSESSED
  - HIGH PERFORMANCE
  - DOMINATION
  - BRAND
  - END-USERS
  - INNOVATION
- CANDID
- SPEED, AGILITY, URGENCY
- WE CREATE EMPOWERED LEADERS
- NEVER SATISFIED, ALWAYS IMPROVING
Dual Operating System

**OpEX**
- Budgets
- Operating Rhythm
- Metrics
- Forecasting / R&O
- Job Responsibilities
- Problem Solving

**X2i**
- Agility and Speed
- Urgency on Opportunities
- Taking on Initiatives
- Barrier Removal
- Relentless Action
- Leadership Development

**Culture X2i**

**HOW COULD YOU APPLY THIS APPROACH?**
Focus on Hand Tools

Choices

Safe

VS

Opportunity

High Force Market

$550M
Culture X2i

Core Building Blocks

- 22 People
- $3MM Capital
- $3MM Testing

Culture X2i

High Force

$100M in 2017
$2 Billion in Sales

PILLARS FOR GROWTH

Business Partner Relationship
Best Cost Position
Best-in-Class End User Experience
Cultural Evolution
Focus on Core End Users
Best-in-Class Brand Equity
Disruptive Product Innovation

End User Preference/Demand

Enabling Functions

Sales and Commercialization
World Class Warehouse and Distribution
NPD Cross Functional Alignment
IT Innovation
Global Ops & Manufacturing
Financial Business Partners
BU Alignment and Management
Exceptional People

FOUNDATION: Corporate Vision and Strategy

5-20-20

$5B Goal
20% Y/Y Growth
2020 Vision
Questions

Up Next: Interactive Break in the Mezzanine

– Taking Your Company's Safety Training to the Next Level: Augmented Reality
– It is Not How Much Money You Get, but How Much Money You Keep
– Verizon M2M-Wireless Hub
– How to navigate necanet.org
– Profile of the Electrical Contractor