



DEVELOPING LEADERS AT OFFICE DEPOT

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"We must remain flexible to adapt to change. The rate of change inside an organization needs to be faster than the outside or the end is near."
-- Jack Welch

Agility comes naturally to the young. To watch an athlete nimbly dart around a pack of opposing defenders, or a gymnast twist and flip as she defies gravity is a thing of grace and envy. To avoid the torpidity that often comes with age, we know we must exercise our faculties; be in charge of the change we want. So, too, is it with successful and resilient organizations. Companies that are rewarded with growth and longevity must be acutely mindful of retaining its agility in order to navigate ever-new challenges.

Office Depot recognized that its keys to agility lay in the leadership and culture of the organization. Using leadership development and education as an accelerator, Office Depot, working with Penn State, is transforming its workforce to tackle significant complex strategic initiatives, break down silos of functionality and communication, and implement continuous process improvement as a way of life. Here is how they are doing it.

The Demands of Leading through Ubiquitous Complexity

Celebrating 25 years as a leading global provider of office supplies and services, Office Depot is Taking Care of Business for millions of customers around the globe. For the local corner store as well as Fortune 500 companies, Office Depot provides supplies and services to its customers through 1,641 worldwide retail stores, a dedicated sales force, top-rated catalogs and global e-commerce operations. Office Depot has annual sales of approximately \$11.6 billion, and employs about 40,000 associates around the world. The Company provides more office supplies and services to more customers in more countries than any other company, and currently sells to customers directly or through affiliates in 55 countries.

Office Depot incorporated in 1986 with the first retail store in Fort Lauderdale, Florida. Office Depot has grown organically and through almost 30 acquisitions, mergers, joint ventures, licensing and franchise agreements. To accelerate Office Depot's ability to achieve its global vision, the Supply Chain organization has been transitioning to be more efficient and focused on customer service. The transition has included major organizational changes.

As a result, the complexities of supply chain management have increased dramatically. The leadership competencies required for success have changed from tactical expertise in a single element, such as warehousing or transportation, to an end-to-end supply chain perspective that utilizes strategic thinking about generating business results. Certainly supply chain directors must understand inventory management, transportation, merchandising, marketing, and how these areas impact the entire supply chain. They also must be adept with financial tools and make decisions that have direct impact on the financial results of Office Depot.

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Investment in People and Process

The Office Depot Supply Chain Leadership team recognized that both a mindset shift and cultural change were required to transform tactical managers into true supply chain leaders. They felt that a well-designed learning process would help them accelerate this transformation.

Office Depot chose Penn State's Smeal College of Business, through Penn State Executive Programs and the Center for Supply Chain Research. The discriminator in the choice of academic partners was Penn State's willingness to collaborate, its ability to extend action learning beyond the classroom to create business results, and its outstanding reputation in supply chain research and education.

Leadership Development and Education as an Accelerator

Penn State and Office Depot created an integrated Supply Chain Leadership Development solution that includes:

- Campus-based executive education programs for two levels of management with customized learning modules, case studies, simulation, and applied learning
- "Office Depot Challenges" where cross-functional teams apply program concepts to address strategic initiatives
- Executive-level involvement
- Benchmarking, research, and networking with other supply chain executives through membership in the Penn State Center for Supply Chain Research

One of the key ingredients to the success of this program was the formation and engagement of the Design Team composed of Office Depot leaders from Supply Chain, Human Resources, and Organizational Development as well as Penn State faculty. The Design Team works collaboratively in synthesizing the elements of the initiative, integrating Office Depot strategic information, facilitating action learning, evaluating results, and making adjustments throughout the engagement.

The first deliverable was the two-week time-phased Penn State-Office Depot Supply Chain Management Program targeted at the director level with supply chain responsibilities from both corporate and field locations as well as select participants from other business areas including IT, Finance, HR, North America Retail, and Merchandising. This program was delivered in Fall 2010, Spring 2011, and is scheduled for Spring 2012.

Penn State faculty also attended the annual Supply Chain Leaders Meeting to update the financial results in the PICO Model and to facilitate Office Depot Challenge Team meetings.

In Fall 2011, the second campus-based program called the Penn State-Office Depot Senior Manager Supply Chain Leaders Program will launch. This will be a one-week program designed to share critical concepts, ensure an end-to-end supply chain perspective, and build a strategic leadership perspective.

Outcomes

At the onset of the engagement, Office Depot established that Supply Chain Transformation and the supporting leadership development engagement must always be viewed in terms of continuous improvement accomplished by:

- Developing a pipeline of supply chain talent within Office Depot
- Delivering the right supply chain skills at the right level at the right time
- Incorporating change management and effective supply chain problem solving techniques
- Educating supply chain managers to sell their ideas to upper management
- Leveraging supply chain innovation through input, feedback, and suggestions

The impact of the engagement has far exceeded the expectations of the Office Depot Design Team as evidenced by the following metrics:

- Several participants have been promoted, including two individuals who were selected for Vice President roles.
- Recommendations from the Office Depot Challenges teams are being implemented and beginning to generate real results.
- Supply Chain directors championed the launch of a revolutionary new program, the Office Depot GreenerOffice Delivery Service, through which customers can receive their supplies in a paper bag instead of a cardboard box. During the pilot phase, over 90 percent of eligible customers opted in to the GreenerOffice Delivery Service. The program is now being rolled out nationwide and is projected to replace five million cardboard boxes with paper bags in next 12 months - resulting in major environmental benefits.
- Office Depot's earnings press release for the second quarter of 2011 list reduced distribution costs and operational efficiencies a factor in improved performance.

Penn State Executive Programs

Since 1954, organizations and individuals around the world have turned to Penn State Executive Programs to meet their leadership development needs. Drawing on the vast resources of one of the nation's top universities and the internationally ranked Smeal College of Business, executives and senior managers develop capabilities that translate into strategic creativity, effective leadership, innovation, and efficient business processes. Supply chain education is a distinct competence at Smeal. We are currently ranked among the very best for supply chain by AMR Research, *Supply Chain Management Review*, and *U.S. News and World Report*.

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Chief Learning Officer magazine has awarded Penn State Executive Programs with its highest Learning in Practice award for our academic partnership with Office Depot, Inc. This is the second consecutive year we have earned this distinction.