



IMI: Continuing the Journey to Excellence

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Overview

Introduction

Trends and Strategic Initiatives

Moving Towards Excellence

Conclusion



IMI - Integrated Microelectronics Inc.

- Started in 1980 as a joint venture between Ayala Corp. and Resins Inc. engaged in the packaging of ICs
- Progressed into a leading Electronics Manufacturing Solutions (EMS) provider in Asia

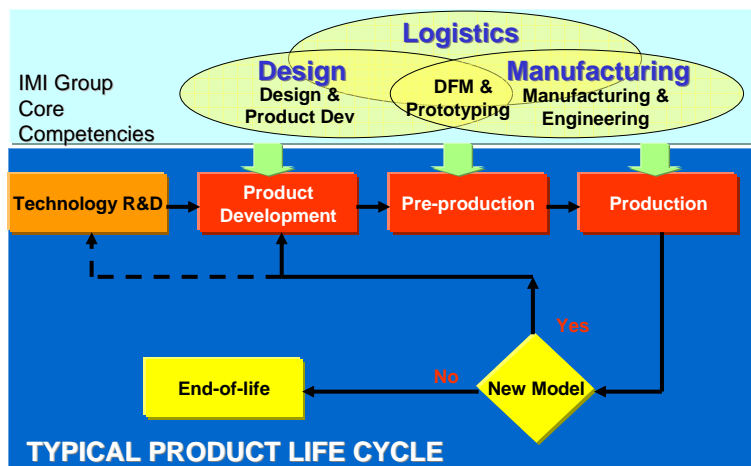
Design Services



Manufacturing Solutions



Complete Solutions Provider



Vision and Strategic Direction

VISION

Be the best Electronics Manufacturing Solutions provider for our global partners

STRATEGIC DIRECTION

Become a global EMS company with annual revenues of no less than US\$ 500M by 2008



Quality Achievements



*PQA Level III recognition for
Mastery in Quality Management*



Golden Shell Award



ISO 14001



ISO 9001:2000

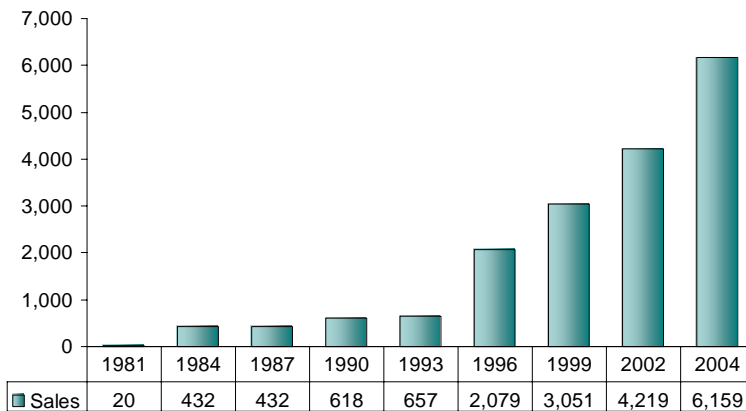


ISO/TS 16949



Sales Revenues

In Million Pesos



Introduction

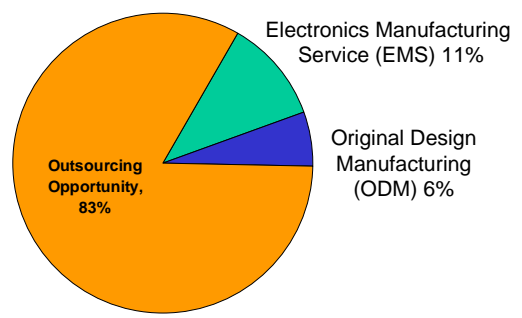
Trends and Strategic Initiatives

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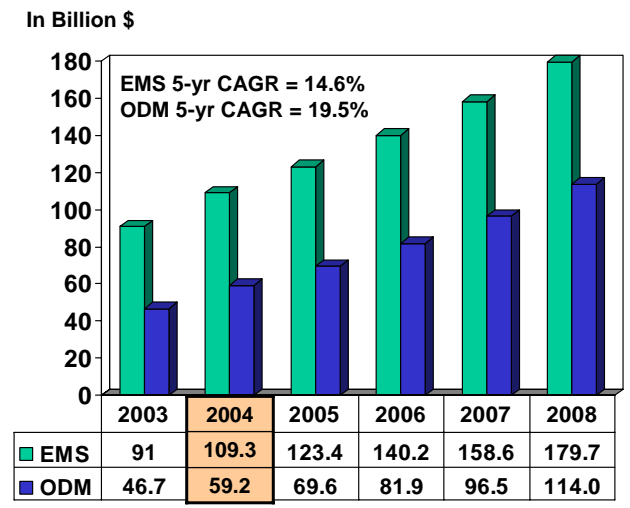
Opportunities for outsourcing abound



Source: Technology Forecasters figures in Merrill Lynch December 2004 report on EMS outsourcing



EMS and ODM Market Forecasts

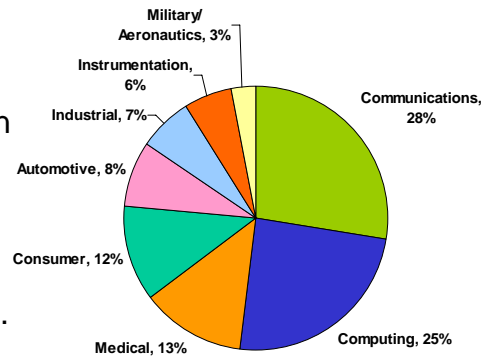


Source: Technology Forecasters figures in Manufacturing Market Insider January 2005 issue



Trend

Computing and communications market segments are most mature in terms of outsourcing. Industrial, consumer, and automotive electronics sectors offer more growth opportunities for outsourcing.



Source: Technology Forecasters figures in Merrill Lynch December 2004 report on EMS outsourcing



Strategic Initiative

Develop business opportunities with existing and potential customers in promising market segments (industrial, consumer, and automotive electronics)

- Diversification into segments other than computing not only provides IMI new engines of growth but also shields us from isolated industry downturns



Trends

- OEM customers have become very demanding and discriminating. The bar of excellence has been raised for EMS providers.
 - A global benchmark would include expanded services as well as manufacturing on the three major continents
- Design services are growing in importance as an EMS capability



Strategic Initiatives

- Enhance capabilities by investing in new technologies and systems, and acquiring new talents and developing current employees
 - Focusing on higher value capabilities (design services, ODM, materials procurement, mnfg process dev, engineering, quality & reliability mngt)
- Expand manufacturing and design facilities and capabilities in the US and Asia
- Expand design services and ODM solutions for wireless endpoint connectivity



Trends

- Consolidation of EMS companies continues.
- Outsourcing to China intensifies.
 - China's EMS revenues increase at a CAGR of 21% until 2008 (iSuppli)



Strategic Initiative

- Expand manufacturing and design to high-potential regions through partnerships and acquisitions
 - Completion of the merger with Speedy-Tech which has production facilities in China





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Lessons

- Document strategies or plans
- Utilize Balanced Scorecard in managing strategic performance



Application

Improved the documentation of the Strategic Plan

- Using **S.M.A.R.T.** criteria – Specific, Measurable, Accountable, Realistic, Time Bound

Strategic Objective 3: Increase IMI's value-add through advanced technology development and engineering services

| Strategy | Action Plan | Measurement/ Milestone | Timeline | Champion |
|-----------------------------------------------------------|-------------|---------------------------|----------|----------|
| • Evaluate existing engineering/design competency centers | • | • | • | • |



Application

Utilizing **Balanced Scorecard**, a mngt system that enables organizations to clarify vision and strategic direction, segmenting them into four major perspectives

- Introduced in 2002 and still trying to perfect its implementation

| | |
|---------------------------|----------------------------------------------------------------------------------------------------------|
| Financial | US\$500 million revenues by 2005; revenue CAGR of __; profit CAGR of __ |
| Customer | Expansion of existing business; conversion to turnkey; expansion of customer base; customer satisfaction |
| Internal Business Process | Advanced Technology Development & Eng'g; full implementation of SAP; Six Sigma |
| Learning and Innovation | Integration of new facilities/capabilities; competency development |



Lesson

Engage in continuous learning and innovation



Exploiting Cycles of Learning

- **Cycles** are complete sets or series of regularly recurring events.
- **Cycles** can be observed but their outcomes are not always predictable.
- **Cycles** can generate discontinuities. Discontinuities mean opportunities. Exploiting these opportunities turns cycles into **cycles of learning**.



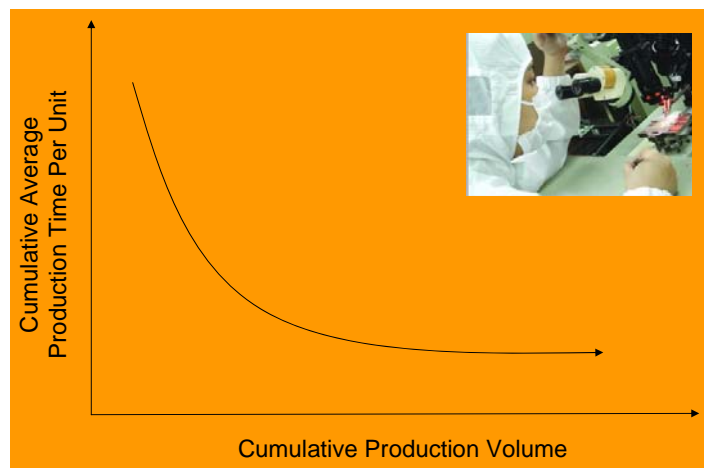
Cycles of Learning in Manufacturing



The more you make of a product, the more opportunities there are to learn how to make that product more efficiently.



70% Learning Curve



Application

Exploiting Cycles of Learning at IMI

- Shortening cycle times
 - Understanding the process
 - Mapping the process by identifying steps that add value and those that can be eliminated
 - Eliminating insignificant steps
 - Improving or innovating with regards to remaining steps through JIT and other methodologies

- Simultaneous learning and doing



Application

Manufacturing Turnaround Time (TAT)

Benefits of faster TAT:

- Faster feedback on finished goods, faster response time if problem occurs
- Elimination of wastes due to better inventory management and production planning
- Higher flexibility in converting from one model to another
- Faster translation of costs of materials and labor to revenues



Innovation Using Six Sigma

- **Six Sigma** is a mngt philosophy that emphasizes setting extremely high objectives,collecting data, and analyzing results to a fine degree as a way to reduce defects in products/services .
- As companies raise their standards of excellence, they graduate from continuous improvement programs and embark on **business process innovation**.



Application

IMI's Six Sigma Experience

- Started in 2003 by orienting all managers and then conducting intensive training for the champions
- Objectives include:
 - Achieving world-class business processes
 - Improving business margins
 - Strengthening customer relationships
 - Enhancing employees' competencies
 - Developing a culture of innovation
- 2003 pilot projects resulted in P5.4 M financial gains; 2004 projects, P33 M
- Still far from the required 99.99966% of perfection but the fundamental culture of the company has changed



Lesson

Utilize technology in improving execution



SAP Solutions

SAP is an I.T. system that helps in consolidating and streamlining a company's core business processes to improve execution.



Application

IMI's SAP Experience

- Conducted business process reengineering
- Installed mySAP suite
- Improving operational efficiency will depend on compliance to business process, monitoring performance, and raising the performance bar



How has SAP improved business processes at IMI?

- Materials Planning – better materials inventory management
- Production Planning – improved order tracking, production cost monitoring, materials traceability
- Quality Management – better materials/product quality assurance



How else can SAP improve execution at IMI?

- Business Warehouse Management – providing information on performance metrics to resolve issues faster
- Customer Relations Management (CRM) – providing information on customers' requirements, habits, etc. to better serve the customers



Conclusion

- The journey to excellence is a continuous process. There's no room for complacency.
- Excellence is about having the passion and commitment to identify the right things to do and to get the right things done right.





Thank You

