

## Message from the CAO

With the launch of *Transform Olympus*, a number of initiatives to drive efficiency in our operational and financial performance have been set in motion. We hear from Stefan Kaufmann, Chief Administrative Officer (CAO) and Chief Transformation Officer (CTrO), about the current state of these initiatives and issues to address moving forward.



### You started the *Transform Olympus* process in 2019. What progress has been made over the past year?

I am excited about how much we have achieved in a relatively short time. Importantly, most of our employees understand the purpose and direction of the transformation, and they are fully committed to contributing. To ensure staff are fully engaged, we conducted hundreds of workshops across all regions and businesses to identify areas for improvement. We have identified over one thousand initiatives, and after only one year many have already had a positive impact on our performance. Some very successful bottom-up initiatives have resulted in increased efficiency in our R&D operations and promotional activities that are better aligned globally. In this first year, we focused on initiatives that improved profitability.

In addition to enhanced financial performance, the goal of *Transform Olympus* is to improve organizational health. Our ability to operate globally and cross-functionally to overcome organizational silos has advanced significantly. As an example, one of the largest activities involves training five to six thousand managers and employees over the transformation period, with the goal of strengthening their ability to execute projects and to manage more efficiently.

We also have some small but important changes in the

way we appreciate our colleagues. In order to recognize and acknowledge how hard everyone is working, whenever we hold our *Transform Olympus* review meetings, we always highlight the performance of individuals and teams and announce that within the company.

### What are your targets as CTrO for the current fiscal year and the coming three years?

The overall mission of our company remains to become a leading global medtech company and obviously *Transform Olympus* must contribute to this ultimate goal. A key aspect of the transformation initiatives involves delivering on financial indicators that are on par with our peers, as well as changing our global operating model.

We established several financial targets at the outset, the most prominent being an operating margin of over 20%. I have no doubt that we will accomplish this, but we need to examine the impact of COVID-19.

As part of changing our global operating model, we are working to manage the company in a much more integrated manner. This includes steps to establish global business services (GBS). We are also adapting our approach to be more in tune with patient needs, as well as anticipating changing market demands.

As CAO and CTrO, my highest priorities are to help our company become more global and more efficient. We live in a complex and complicated world, and I think it is a sign of the times that when balancing these priorities, the answer is not either/or—it is always both. We have to find a smart balance between goals that, at first glance, may seem conflicting.

### Among the one thousand initiatives, on what areas did you decide to focus?

There are two areas where we have revisited our concept of *Transform Olympus*. First, the COVID-19 pandemic required us to carefully manage our resources. As a result, we have reprioritized initiatives to focus on the ones that require less investment but deliver early impact. Second, we have started to group initiatives to make a total of seven strategic priorities. These are:

- End-to-End Supply Chain Transformation
- R&D Transformation
- Finance Transformation
- Go-to-Market Transformation
- Global Business Services (GBS)
- Digital Transformation
- Organizational Health

Everything we do is ultimately for the benefit of our customers and patients. When you look at priorities like end-to-end supply chain, one of the goals is to improve customer satisfaction by improving on our delivery promises. This is very much in line with our purpose to make people's lives healthier, safer and more fulfilling.

### What challenges have you encountered in the transformation so far? What has been the effect on employees and how has Olympus kept employee motivation high?

The biggest challenge has been COVID-19, because it has impacted both *Transform Olympus* and daily operations. It has forced us to act in a very agile manner, adapt our concepts, and set new priorities. On the positive side, COVID-19 has been an accelerator for us to work in a more global and connected way.

Like any company, there are some areas where employee satisfaction is higher than in others. Along with our *Transform Olympus* initiatives, we have introduced another survey tool to measure organizational health. In addition to general initiatives, we have started taking action to improve satisfaction in areas that are low.

From my perspective, there are three main levers to improve employee motivation. The first is that every employee must understand his or her role and be compensated accordingly. In order to achieve this, we

reformed the Japanese HR system last year, with clearly defined job descriptions and appraisal processes. The second is related to leadership. Within *Transform Olympus*, we have initiated many programs to improve leadership competence, including succession planning and talent development. The third lever for employee motivation is communication. We utilize digital global town hall meetings, digital newsletters, and one-to-one communication to ensure that information is shared at every level.

### How has Olympus made progress in the area of employee diversity within *Transform Olympus*?

One area where we have made rapid progress is the utilization of talent around the globe. An area that needs further work is gender diversity, since the ratio of female leaders in our company is still low. We have made some strategic decisions to improve gender diversity, such as setting a target of gender ratio for the recruitment of new graduates in Japan and, on a senior level, looking to recruit from outside the company.

At the end of the day, everything comes down to the motivation, determination and ability of our employees. It is also a target of *Transform Olympus* to become an employer of choice. We want to create an environment where the most talented people in the world would like to build their careers with Olympus and be part of our success.

### The COVID-19 pandemic has made it clear how important IT is in adapting to new work styles. How is Olympus' adaption process going?

In general, IT has become a stronger partner for all our businesses and functions, and its role has been broadened significantly over the last six months. No one could have imagined how rapidly all of us have been able to adapt to new work styles. The COVID-19 situation has driven IT utilization like no transformation officer could have done. In a very short time, our IT function has been able to make all the necessary changes to our IT infrastructure to enable us to work remotely. We really appreciate the support of our IT colleagues and we are delighted by how well all of our employees have embraced these changes under difficult circumstances.

Having said this, I believe that we cannot and should not continue to work 100% virtually and remotely. What we are striving to accomplish as a company is a blended model. We will promote working from home, but at the same time still encourage personal meetings and exchanges, as those are the only ways to shape a corporate culture.