

Q&A with Stephen Delaney, CEO, Celestica

Circuits Assembly: As the new CEO of Celestica, what are your top short-term goals (1-3 years out) for the company? Any specific programs or improvements you'll be initiating?

Stephen Delaney: Certainly, returning to profitability while maintaining solid customer execution is foremost on my mind. We're well on our way to achieving that goal. We're also achieving differentiation in our EMS [electronics manufacturing services] execution through our lean manufacturing implementation, while driving our ROIC [return on invested capital] above the cost of capital. We then want to grow and expand our breadth of service offerings to our traditional IT [information technology]/communications customers, while growing our nontraditional market sectors like aerospace and defense.

As far as specific programs or improvements, we have initiated changes to our organization to reduce structure and overhead. We'll reduce capacity in high-cost geographies, and we're implementing lean production systems throughout all our plants. Our implementation of lean manufacturing will be completed this year or early next year. Finally, we're dedicated to growing in new market sectors, and we're investing in development of IP [intellectual property] for services or products that fit our strategy, especially in the 64-bit server market. This is brand new technology being released into the market today. Celestica has some server designs that we've developed that fit our customers' gaps in their design portfolios. For cost effectiveness, some of our customers would rather rely on our already-existing server designs than develop new designs themselves.

CA: With so much buzz about lean manufacturing and Six Sigma initiatives these days, I understand that Celestica with you at the helm will have a unique perspective on these ideas. What makes your approach different?

SD: I've seen a lot of people in the industry who have combined lean manufacturing and Six Sigma initiatives into one effort such as "lean sigma." I have been reluctant to do that because I believe that you can get many gains in both programs. I'm somewhat of a zealot for lean manufacturing.

With lean manufacturing, we've developed experts that are mentors, trainers and leaders in lean manufacturing. We've developed a lean manufacturing method that's very unique. Without giving away all of the ingredients in our secret sauce, we've been told by customers that our imple-



mentation is the best they've seen. It's a very systems-focused plan to lean implementation.

Six Sigma is a different story. With Six Sigma, we've created a data-driven culture, and we have the asset of hundreds of Six Sigma Black Belts at Celestica. In some cases, Six Sigma may not be supportive of lean manufacturing, so we'll keep our lean manufacturing and Six Sigma initiatives separate. Regardless, the expectations of savings and part of the responsibilities for Six Sigma are placed on the individual manufacturing sites and Six Sigma Black Belts there.

CA: Celestica completed its acquisition of EMS provider MSL first quarter of this year. How is that integration going and what has MSL brought to the Celestica table—both in technical capabilities and in customer relationships?

SD: The integration is going as planned, and I've been extremely pleased with the MSL folks that have joined our team. Financially, they are already contributing to our earnings, and they have brought us some very deep relationships

with customers in the aerospace and industrial segments in addition to our traditional IT markets. The addition of these capabilities gives us terrific capability in meeting the high-mix, low-volume needs of these customers, as well as a global fulfillment platform for growth in that segment. We're enjoying definite sales and cost synergy between Celestica and the assets MSL brought to the table.

CA: From a 10,000 ft view, where would you like Celestica to be in five years, both from a technology standpoint and business-wise?

SD: Certainly, I want Celestica to continue to be known as the technology leader in EMS as well as the leader in execution of manufacturing and supply chain processes. Our customers expect world-class capability from us, and they'll get it.

We'll be serving more diversified markets, but IT and communications will still be a big part of our business. We will be broader in our service offering, so that as PCA [printed circuit assembly] manufacturing gets commoditized, we'll continue to provide value in product integration and test, fulfillment services and other technical and supply chain services.

Financially, we've said in the past that we believe this business can return 5% operating earnings and 30% return on tangible invested capital, and I think those are good targets for us. I want to be solidly ahead of earning our cost of capital.

—Lisa Hamburg Bastin, Editor-in-Chief