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Webinars

TRANSCRIPT: Optimizing Supply Chains for Sustainability – ASQE March 2024 Ascend Webinar

0:01

Hello, everyone, and welcome to our first Ascend Webinar of our 2024 series.

0:08

If you're new to ASQExcellence or are experiencing our events for the first time, we're really glad to have you and you're welcome as we begin this journey for this year.

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But if you're also returning to a new year of our thought leadership offerings, we're glad you're here as well.

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And we know there's a lot of different time zones and countries represented today, so this is amazing.

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We're really glad all of you are here.

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Today's webinar, we're going to be focusing on the topic of optimizing supply chains for sustainability.

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So before we get started, I'm going to introduce myself.

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For those of you who I haven't met yet, my name is Erin Bauer and I am the Product Development Manager for ASQExcellence.

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My team and I for delivering these exclusive learnings for our ASQ member benefits and we these are part of the ASQE affiliate employee membership benefits.

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So as employees of your organizational membership companies, you're given these invites every year to attend and be a part of our community offerings.

1:07

These events are also driven by our insights and excellence benchmarking research and my team and I are directly responsible for publishing that research every year.

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But that gives us the ability to work with quality subject matter experts from ASQ's technical communities to bring these key topics to life.

1:22

And you're going to meet a few of those experts today, which we're really excited about.

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If you're new to Ascend Webinars, these are, again, are free as part of your employee benefits as being in the organizational membership community.

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And as a reminder, this PowerPoint deck as well as a resource guide with the quality body of knowledge links for today's webinars topic are all available to you within our events portal.

1:45

So that link has actually been previously shared with you in the reminder emails that you received leading up for today, but our team will also include that in chats as we go forward.

1:54

And then also just as another friendly reminder, today's webinar is going to be recorded so that you can use it for future use.

2:02

So a few more housekeeping items before we get started here.

2:05

Again, for those of you who are new to ASQExcellence, we have a collaborative relationship with ASQ, the American Society for Quality.

2:12

So think of us AS2 entities that have a symbiotic relationship as illustrated in this Venn diagram.

2:19

So IoE are insights on excellence.

2:21

The research that my team and I that we lead is actually at the heart of this relationship.

2:26

And ASQ is responsible for individual members and the growth and professional career pathing that they take through certifications, learnings or community networking that they have within the technical communities.

2:39

But on the ASQE side, we are a trade association, and our membership is comprised of organizations such as the ones that you work at.

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And our company benefits also include the IoE benchmarking tool.

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And this benchmarking tool is actually an exclusive benefit for the ASQE organizational members.

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But this tool actually gives you in depth insights into how your company's performing across nine different categories of performance.

3:03

So the other kind of cool thing that's happening right now is coincidentally benchmarking season just opened this week.

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So if you are primary, secondary or an executive contact of your organizational membership, you just got an e-mail saying that benchmarking season is officially open.

3:18

And we do recommend that you think about who it is in your organization that you wanna have participate because the the tool gives you exclusive reports just for your company.

3:27

And then this research that we gather within the tool along with our Forbes Insights research partner that does global research for us as well, all of that data gets rolled up into our annual IoE benchmarking data set and this is what fuels the research that we're gonna be showcasing for you today.

3:43

So if you're not familiar with all the benefits that you have available to you as an employee of an ASQE organizational member company, you can find that on our Insights on excellence.org website.

3:53

Or you can always contact our team too, and they'll be happy to help.

3:58

But in a really great illustration of how this Venn diagram works is actually this event today.

4:03

So we're going to be showing you key insights from IoE.

4:06

But then we're also going to be having an active discussion with three key subject matter experts on this topic from the ASQ technical communities.

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And they each represent a way in which you can get involved with ASQ and also with the IoE research.

4:20

So let's get started.

4:22

So again, today's topic is optimizing supply chains for sustainability.

4:26

Now thinking about the topic of sustainability, it's gigantic, right?

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It's, it's something that also if you're working for a publicly traded company or if you are a supplier to a publicly traded company, you're probably already engaged to some degree in sustainable development.

4:41

I myself, I have a master's degree in sustainability.

4:43

So I know how big this topic can get.

4:46

But our goal today is really to narrow down areas of prioritization for you in relation to this topic and get more actionable because of quality professionals.

4:55

You're really good at solving problems and a lot of times that's what sustainability requires, is solving complex problems that have a myriad of different factors.

5:04

With the panel discussion today, you're going to be hearing from those subject matter experts on how they interpret the data and also their own experience about what they've experienced in their own own fields and also in their own organizations.

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And if we have ample time today, we're going to have a little bit of a live Q&A session and then we'll be sure to have some exciting announcements at the end.

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Here's a summary and next steps that you can be a part of.

5:27

So when we're thinking about this topic and now we're going to get to really the meat and the heart of where this all comes together.

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The reason why we picked supply chain as a leading topic is because several sources are indicating the supply chain still remain an issue, meaning that there's quality issues, there's delays, there's other things that are coming around this whole topic that mean various different things based on whatever industry you are in.

5:51

So when we looked at also the different sources that we could use to incorporate and combine with our IoE data, Dr. Nick Vyas had written an article back in May 2022 in ASQ's Quality Progress Magazine and he highlighted the way that lean was implemented and especially in the United States, how that might have actually been a contributor to the issues of resiliency within supply chains.

6:13

And resiliency is actually a key point within sustainability, right.

6:16

It means that there's long term viability for how a supply chain can weather the natural ebb and flow that it normally encounters.

6:22

But when we also took a look at our IoE data, we're noticing that year over year over year delays, delays from suppliers as well as quality issues from suppliers keep bubbling up.

6:33

And there's probably a loaded reason behind that for various different reasons as to why supply chains continue to have struggles.

6:40

But when we also look at our IoE research, we've been focusing more on the topic of environmental social governance, which is the way that companies can measure the sustainability.

6:48

And when we see the correlation, there's a huge Venn diagram overlap of quality methodologies and sustainability.

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This definitely let us down the track of.

6:56

We want to talk about this as a topic because case in point, it's probably affecting you and the work that you're trying to do as well as probably the goals that your organization is trying to solve for.

7:06

So just so you know, there's a variety of resources that we included again in those portal documents for you.

7:11

Nick's article is one of them.

7:13

And I highly suggest if you haven't read it to give it a read because it's a great overview of some of the challenges that have been presented in the past.

7:21

And I kind of hinted at this a little bit, but we're going to go a little bit deeper today on the sustainability topic surrounding supply chains.

7:28

So those of you who are actively engaged in your companies within greenhouse gas measuring, you probably are already aware that supply chains represent about 90% of a company Scope 3 greenhouse gas emissions.

7:41

I'll pause for just a moment and explain scope 1-2.

7:43

And three for those of you that this might be new language for Scope 1 emissions, greenhouse gas emissions is basically the energy that your facility outputs, right?

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So that could be through a factory emission, it could be through HVAC, that type of thing.

7:56

Scope two is actually the energy you consume.

7:59

So it's what are the energy sources that are feeding your operation.

8:01

And scope 3 is actually the most challenging of all of these greenhouse gas emissions to calculate because that represents the entire value chain of an organization.

8:11

And the EPA has a lot of resources on this.

8:14

And then based on their calculations, and this is current based on their website, that they estimate that about 90% of an organization's greenhouse gas emissions come from that supply base.

8:25

So if you think about your organizational operations or if you're someone in the supply chain department and you're not having a seat at the table with supply chain and sustainability conversations intersecting, that's a problem, right, Because no organization is going to be able to adequately calculate a greenhouse gas emission calculation or a carbon footprint measurement unless they have these things accounted for.

8:46

And again, at ASQE, we really focus on ESG within our IoE research because this is really how organizations can build goals within each one of their pillars, the E, the S and the G But we're bringing these topics forward because no organization is going to be able to hit those goals effectively if they're not thinking about the organization in its entirety, including their suppliers and their supply chain professionals.

9:09

And much like you hear a lot of ASQ members usually say as quality as everyone's job, in many ways, sustainability is also everyone's job.

9:16

And we'll talk about that in a few slides.

9:20

Sorry about that.

9:21

All right.

9:21

So without further ado, I'm really pleased to introduce to you all today's experts.

9:26

So I'm going to go around and introduce them all and we'll get a word of hello from them.

9:33

But to lead us off is the person actually I mentioned earlier who had written an article for us, Dr. Nick Vyas.

9:38

He is with USC Marshall.

9:39

He's an ASQ fellow as well as a Lean Enterprise Division leader.

9:43

And he's also the founding director of the Randall R. Kendrick Global Supply Chain Institute.

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He's also academic director of the MS

9:50

Global Supply Chain Management department.

9:52

And he's an author and speaker clearly.

9:55

So Nick has been an educator and a global thought leader for many years.

9:58

He's also been an author and a keynote speaker and has been with ASQ for many years.

10:02

So Nick, if you want to say hello to the group and thanks for having.

10:06

Good morning.

10:07

Good afternoon, everyone.

10:08

Look forward to having this conversation.

10:10

Excellent.

10:11

Thank you.

10:12

And next up is Marcel Minutolo.

10:14

He is coming to us live actually from one of his teaching posts here.

10:19

He's from Robert Morris University, but he's also at University of Pittsburgh today.

10:23

He's an ASQ member, leader and he's been with the social responsibility division for some time.

10:28

He's a professor of management and he's also an author and a speaker.

10:31

And Marcel has has a background, He's got a very interesting background.

10:34

He's been an entrepreneur.

10:35

He's also been a business development consultant and currently is professor of strategic management with a focus on artificial intelligence.

10:42

Well, in the Rockwell School of Business.

10:45

So, Marcel, you want to say hello?

10:48

Thank you, Erin, and welcome everybody.

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It's good to see so many of you attending today.

10:52

And we've got 40 young students from University of Pittsburgh here with us who many of whom are working on their supply chain certificate.

11:01

Well, hello to everyone.

11:02

We're glad to have you all.

11:04

All right.

11:04

And last but not least, we have Russ Snyder.

11:06

And Russ was actually with Intel Corporation for quite a long time.

11:09

He's now retired.

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He's an ASQ senior member and he's been with the customer supplier division as well for some time.

11:15

He's also a WCQI speaker.

11:18

He's going to be at the World Conference of Quality and Innovation, which we'll talk about at the end of our presentation.

11:24

But he also coincidentally received an award from Dr. Nick Vyas back in 2020.

11:28

He was the Lean Excellence Award winner from the USC Marshall School of Business.

11:32

So hello Russ.

11:34

Hello Erin.

11:35

Thanks for having me.

11:37

And you know, I think sustainability is the topic of of the day and I think it's vital to our future.

11:44

And I'll represent more the, the application side where I actually manage suppliers around the globe and had to had to encourage them to comply with some of our requirements and that is definitely in the trenches the type of knowledge that we need to to talk about today.

12:02

So thank you very much.

12:04

All right, gentlemen.

12:05

Well, let's get into it.

12:06

So we're going to talk about one of our first set of data points here.

12:09

So in thinking about the research that we gathered within IoE, these are actually on the on the left-hand side of the screen.

12:16

These are the top three environmental initiatives that our respondents showed that were the most important to them for the organization's long term planning efforts.

12:25

So as you can see, carbon footprint measurement was #1, but very closely behind it was adhered to standards.

12:31

Now I talked about a little or a little bit about that scope, 1-2 and three and how they play a role in environmental initiatives.

12:38

If the whole system isn't being taken into account.

12:40

Carbon footprint measurement is very, very challenging then to fully calculate.

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And then we know obviously that the EPA is talking about 90% of greenhouse gas emissions often being accounted for within the supply chain.

12:52

So in this slide in particular, this is why I really wanted to show this slide because this illustrates really a challenge that we're at right.

12:58

This is the intersection of where supply chain optimization is really critical because if it's not a part of the conversation, then an organization ultimately is going to be set up to fail.

13:10

They have to be able to count for all these things and make sure that also the supply chain professional has a seat at the table.

13:17

So again, as I mentioned earlier, you do have access to some of these recommendations that Nick, Marcel and Russ are going to be talking about in that portal document that we referred to you.

13:26

So don't worry, you've got access to these things.

13:28

But just wanted to help tee up the topic and why this is such an important thing that we're going to be talking about today.

13:35

So let's get into that.

13:36

So knowing how important this topic is now we're going to be talking about how executives and supply chain professionals actually view this in the real world at their organization.

13:45

So on this graphic in particular supply chain.

13:47

And this is directly coming by the way from our latest IoE focus study that we published which Nick, Marcel and Russ all contributed to, which is optimizing supply chains for sustainability.

13:57

In this graphic in particular we we brought forward this because it shows the disparity right now between top executives at so, leadership of organizations and quality professionals on how they rated the top five environmental priority selection about creating a sustainable supply chain.

14:14

So as you can see on the left side, quality professional said 13% of them like, yeah, it's important, but executives were 10 points higher at 23%.

14:24

And then both of them however said that adherence to standards was their top concern that their top priority that they were looking at.

14:32

So I'm going to kick it over to Nick 1st and and when we look at this traffic and we think about the disparity like the jump between especially on the on the quality professional side and what's most important from a priority perspective.

14:45

I know when we were talking about this, Nick, you had mentioned alignment with standards actually improves the long-term sustainable efforts that that promotes.

14:53

So I'm curious to know a little bit more about what how you view this graphic.

14:58

Yeah.

14:58

So Erin, this is, this is a great data point.

15:01

So let me actually before I answer the question set up one more data point because I just actually had a an interesting keynote that I delivered to the Naked, which is the National Association of Corporate Directors.

15:13

These are the corporate board member, the C-Suite reports too.

15:18

So think of this as your Fortune 100, Fortune 250 where they all are responsible to executive Board in many cases, but both publicly and privately held companies.

15:32

If you ask them the same question, they would say over 70 to 80% of their focus, but their judiciary responsibility is sustainability, NESG pushed COVID so that gaps continues to actually become some wider as we climb the ladder and then you get into the shareholder and stakeholders.

15:53

I mean this is incredible gap that we start to measure.

15:57

So I want to highlight that point simply because the importance of this message has not been actually translated a well and B percolating all the way down to the organization.

16:11

So that that's something I wanted to set that as a sort of a backdrop of how important this is for supply chain sustainability and sustainability as a whole for it to become somewhat amicable to be achieved goal with carbon neutral by 20-30, the cup 24 and 20 and forward.

16:35

I think it can only happen if we are synchronized between top down and bottom up.

16:41

In terms of the priorities and execution, yeah, that's an excellent point to make.

16:46

And I know Russ you actually had kind of commented about that too and your responses to us when you were talking about really what Nick is getting at which is setting that expectation because there are pressures coming in from different sources to move in this direction.

17:00

And so I'm wondering on your what, what's your take on this as well.

17:04

Well, I think I'm, I'm a little spoiled being in the electronics industry.

17:09

We've been on about a 20-year journey starting with an organization called the EICC to basically implement ESG not only with inside our corporation but up and down the supply chain.

17:22

So our Intel has as a primary, one of our primary goals is to be a responsible corporate citizen and this initiative basically helps align the supply chain to responsible business practices and and it set the standard.

17:42

So we use a common standard that's drawn up by the electronics industry consortium that all of us have to adhere to.

17:51

And I will say that you know it's it's not only a standard but it's auditable as well as we can hold suppliers accountable and you know we can change our supply base if they decide they do not want to comply.

18:08

We've had very great success with suppliers who have been close to being eliminated who have actually decided that they would comply with our ESG requirements.

18:18

So setting the standard is possible and it's possible in across entire industries I think.

18:26

Yeah.

18:26

And that's a great point.

18:27

And and if we stick a pin in that we're actually going to be talking about supplier accountability in a in another slide.

18:32

So you did, you had a great precursor to what this looks like coming down the road too.

18:38

And Marcel, you know when we were talking about this slide initially too you, I think you had a great point kind of going back to what Nick and Ross were just saying.

18:44

But you were, you were focusing more on the communication and engagement across an organization and the lack of that results in things like this, right.

18:51

Is, is that still your opinion on this slide?

18:55

Absolutely.

18:55

I I still maintain that opinion and we saw this at WCQI last year at the Social Responsibility Technical Communities booth where we had the SDG goals posted up and we were asking participants to tell us what industry they're in and what their company is doing to meet some of the SDG goals.

19:15

And we.

19:15

I was surprised at how many of the quality professionals did not understand or didn't weren't able to articulate what their company was doing with respect to sustainability.

19:26

And and so this is largely a lack of communication from leadership who as this slide suggests is concerned about sustainability down to the frontline quality professionals who are actually implementing it and and not being able to connect what they're doing with what the company is trying to achieve.

19:44

Absolutely, Yeah.

19:46

Well, and I, you know, when I look at this and I think, OK, quality professional, you know, most of the times they're trying to just get the job done at at hand, right.

19:53

They're trying to accomplish the task they need to do.

19:56

But if they're not, to your point, aware of what the company's doing, they're meaning sustainable supply chains are an important priority.

20:03

You're not going to hit the standard.

20:05

So it it's the chicken or the egg argument in many ways.

20:08

And Russ, I remember you saying something when we were first talking about this, you had mentioned.

20:12

That this should be a bit of a wake up call for managers to also get behind this, right?

20:16

So if the manager is not understanding how to articulate this to their employees, an employee is not going to know what to do, correct?

20:24

Yes.

20:25

Oh, well, I've.

20:26

I've been a leader for a long time and we've tried new initiatives and I myself has been disconnected on exactly what I wanted and what I expected.

20:36

And it's easy to be disconnected, especially when you're starting out with a new, new expectation within your organization or within adjacent organizations.

20:45

And I think it has to be, you know, you, you have to reiterate, you have to be consistent and you have to expect something new.

20:55

But be patient too, 'cause people don't move there that quickly.

20:59

Exactly.

21:00

Yeah.

21:00

And we're going to be talking about that at our round table in WCQI actually to talk more about the workforce movement on this.

21:06

So again, you're a great precursor to the content to come.

21:10

All right, well, let's keep it moving then.

21:12

So going back to the topic of accountability, so when we think about the supplier vendor relationships especially with their client organizations and also with the client back to their suppliers, we asked the question in our IoE focused study of our respondents to say what is the extent that they agree with the following statements regarding their own organization's compliance with ESG regulations and standards.

21:35

And one of the things that they indicated of concern was their organization effectively holding those

accountable or those external partners and or vendors accountable to ESG regulations and standards as part of the normal outsourcing process.

21:49

So when you think about setting up new vendors, setting up suppliers, things like that, is that part of the relationship or even with existing long term relationships that are out there?

21:59

And what's interesting about this graphic, just so everyone's awareness and how to read this is that in orange is the total respondent base that we have which is over in, in this case the slice of data is over 1000 respondents.

22:10

But then we also dissected just for the supply chain and logistic industry respondents in blue, they're actually pretty, pretty similar.

22:18

And the thing that we're looking at the most in this is that 63% of logistics and supply chain individuals, their industry respondents are saying that they disagree, that their organization effectively holds partners accountable.

22:31

So this is people in the supply chain industry saying, no, this is not happening effectively.

22:36

So going back again to our thought about the greenhouse gas scope 3 emissions and what supply chains really represent in the topic of supply sustainability.

22:44

Again, if those suppliers are not effectively tracked or held accountable again, then that carbon footprint measurement is going to be next to impossible to to really get after from a goal setting standpoint for the org.

22:56

So when we think about this again Marcel, I'm going to come back to you.

22:59

So when we look at this graph, I know when we were talking about this offline, you had mentioned that there was opportunity here for both up and downstream.

23:07

But also you thought this also had a good segue to emerging tech like Web three or blockchain.

23:13

So I'm hoping you can elaborate a little bit more on that, Erin.

23:17

I could talk all day on this topic alone.

23:20

Absolutely.

23:21

So one of the things that we're seeing increasingly is rating agencies, scoring companies with respect to their ESG disclosure.

23:30

And in order for them to fully disclose and be transparent with with how they're adhering to the ESG, they have to be engaged with their partners upstream and downstream.

23:42

And one of the things that we're looking for and we're seeing this develop in the AI and blockchain world is audibility, auditability of and verifiability of what's being reported throughout the supply chain.

23:56

And to do that, we have to connect our systems together more seamlessly.

24:00

That gives us an opportunity to be more engaged with our partners both up and downstream in the supply chain.

24:06

So.

24:06

So I see a great deal of opportunity here and it it'll help with the communication piece of it too because everybody who's tied into that system, whatever that system it is that we adopt, we will be able to see what all of our adjacent units are doing and be able to have conversations about that.

24:23

So there's a, there's a great deal of opportunity and I think the future is pretty bright in this area.

24:28

Yeah, that's well said.

24:29

I, I think the emerging tech piece, especially for when you think about supply chains right now, a lot of it and I know Russ can probably speak to this too about the amount of manual work that goes into tracking those relationships.

24:40

There's obviously opportunity for AI to come in and help assist with that.

24:44

And Nick I saw you nodding when we when I was initially talking about this graph, we were talking about the, the collaboration really that needs to take place between suppliers and vendors and especially around the auditability that Marcel was just talking about.

24:56

So I'm hoping that you know when we were chatting I know you had mentioned something like that as well.

25:00

So I'm wondering how you can speak to this especially in relation to those standards again.

25:04

Well, no, absolutely.

25:05

I think and this is dear to me because in 2015 or 14 rather actually that I, we signed the MOU at the Institute with the White House on digitization of supply chain and one of the first book that were written Blockchains in supply chain and subsequent addition to that.

25:26

I mean I think one of the things we highlighted is I believe the root cause of this is MIS incentives.

25:34

Incentives are not aligned right across the value chain.

25:38

And I can I'm going to touch on this topic is that we have matrix within the organization that they're counterproductive far less to talk about if I go upstream and downstream.

25:51

So imagine we create counter narratives, counter intuitive incentives that not only collaborate but it actually competes with the very thing that we need to be collaborating with, right.

26:05

So then how do you actually go into upstream and downstream and create that value chain so that it's In Sync where the incentives are aligned, priorities are collaborate aligned and then the processes set up correctly, right.

26:22

I mean all due respect my my friend here Russell, Intel obviously has been a great corporation.

26:29

But you think about it, if I take Intel such a powerful organization, right and many in Fortune 100 Tier 1 supplier to then I go to Tier 2 to Tier 3 and further down I mean that gaps widens.

26:47

In fact, I would propose that there is probably very little visibility of any beyond Tier 2 and those things I think we have to look at it.

26:57

How do we actually create sort of a linkage that is not only verifiable, I don't need to verify that it is auto triggered.

27:08

The data collection is based on IoT devices independent to having Marcel or Russ or you or I actually sitting with our clipboard and taking the data points.

27:19

So I think we are now running into the phase where this emerging technologies, it's autonomous data collections, data authorization and qualitative measurements and actually build building the layer on top with the predictive and prescriptive ways to really help us align the corporate philosophies with the incentives and execution on their own databases.

27:46

Yeah, I think that's really well said and and Russ, actually I'll open up to you to respond because I I know I saw you nodding along.

27:51

So with what Nick was saying, especially with the tier one and Tier 2 suppliers, what are your thoughts?

27:58

Well, first let me let me tell you what I think this data means.

28:01

What I I think this data means is there there is a lack of corporate leadership and commitment among most corporations to focus outside their own organization and you know and not not set the same standard for the supply chain.

28:22

You know, actually this is a a pretty surprising number.

28:25

But I guess given given the pressure you know from many corporations to delay Scope 3 reporting, I I think that it shows that that the industry isn't ready yet and that leadership isn't there in a lot of corporations and a lot of industries to go to go do this.

28:46

Now you know again I have been spoiled working at Intel because Intel publishes a corporate responsibility report every year and it and and I just read through it this morning and it we we already published Scope 3 emissions as required by the RBA.

29:02

Our our our alliance with other electronics companies and many of our suppliers are also a member of the same standard that which requires us to look down our supply chain multiple tiers to understand Scope 3.

29:15

Now how good is the data beyond our Tier 1 supplier?

29:20

It is the question.

29:21

You know, I I don't know that and it's probably not very good.

29:26

But starting to report and holding yourself accountable to understand what your benchmark is helps leadership move the organization into the next next phase that they're gonna need to eventually anyway.

29:40

So I think, you know, organizations can lead and be proactive instead of waiting until they have it's a mandate, right.

29:48

Yeah.

29:48

And I I think that's a really important point.

29:50

And sorry, Nick were you gonna jump in?

29:52

Yeah.

29:52

No, I was just a rest part of a very good point.

29:56

So I'm on the Advisory Board.

29:58

It's a company called Trace Chain dot AI.

30:01

It's a traceability company, right.

30:03

And and we as a quality professionals, we know you can manage what you can measure right or other way of looking at it, you can only manage which you can measure right.

30:15

Think about 2027 and I'm giving this data point because I just came up the road trip to Asia for over 4 1/2 weeks.

30:25

There are like 378 new regulations are coming primarily from EU where I'm heading next for three weeks US and rest of the world 378 EY and KPM GS report recent 6% of the companies A is prepared to understand the implications and be in compliant for those upcoming regulations on sustainability, right.

30:58

So when we think about and not only just the sustainability but being able to trace that to entire value chain, right, the regulations coming here in our country for example, they don't have punitive damages.

31:12

But if you now look at the EU, there is a tremendous up to 4% of your gross top line revenue can be in jeopardy in terms of the punitive damages.

31:24

So the significant numbers we're talking about and when we said 2027, we are literally four years out and if only 6% of the companies.

31:32

So I think what I call this, the burning platform that the conversations we're having today, it's not just let's have it for the sake of fun or the lunchtime talk.

31:44

This is something I think the top of the leadership all the way down to the quality professionals on the front line and bottom up.

31:53

It needs to really percolate and start to transform the way we think, the way we execute and the way we incentivize throughout the value chain.

32:04

Yeah, absolutely.

32:05

And Marcel, I know you and I have had conversations in the past too about the ROI and the brand impact for companies that aren't moving that direction, kind of what Nick had just talked about.

32:14

So that's an economic concern too.

32:17

And I wonder if you have knowing that.

32:19

We've talked about that before.

32:20

I'm curious based on this graph, what your thoughts are on that.

32:23

I was actually chomping at the bit to say something about this.

32:26

Absolutely.

32:27

So my own research has demonstrated that firms that disclose more with respect to their ESG or if you're a higher education organization, you're doing Stars reports, maybe you're you're publishing on a Sass B framework.

32:41

Whichever of these frameworks you're disclosing on, the ones that disclose more have higher returns.

32:47

And and the research has demonstrated this and it's not the disclosure itself that's resulting in the higher returns, it's the activities that you have to go through to disclosure sustainability efforts that result in it.

33:00

It's the engagement and and to Russ's point, early on, we see right now companies that are getting ahead of it instead of waiting for the regulation, they're doing it voluntarily.

33:12

They're the ones who are outperforming the others in the industry and and they're doing, they're achieving this through gains and efficiency and effectiveness throughout their supply chain, reducing the amount of energy consumption throughout the entire supply chain, better supplier relationships resulting in greater performance of our suppliers, greater distributor performance because of the relationships that we engage in with them and we just see better performance overall.

33:38

So those somewhat disagree and completely disagree.

33:41

Those are are gonna be those are probably the lagging companies.

33:45

Those are the ones who are waiting for the regulations to come forward and and they're not getting ahead of it and leveraging this as a source of differentiation, right as something that sets them apart from the other providers in the industry.

33:58

Yeah well said.

33:59

Well and I wanna take a moment too to to dive a little bit even deeper into this.

34:02

So we've talked about the different frameworks.

34:05

So you mentioned SASB Marshall.

34:06

There's also, you know, there's a, there's unfortunately, there's a lot of different frameworks out there.

34:11

And that's one thing that there's a criticism about that comes out of sustainability circles is there's almost too much to pay attention to, right.

34:18

So Ross, I'm curious because obviously you were in the trenches with this with Intel and knowing Intel's actually been an industry leader for some time, what are the various tools you used or or what were the frameworks at least you guys had to pay attention to on a regular basis to comply?

34:37

Well, we have like I said earlier, we're a member of the Responsible Business Alliance and it is primarily made-up of electronics firms.

34:47

But any firm who uses electronics in their product such as automotive could also join the RBA.

34:56

The RBA basically has a comprehensive suite of tools that measure everything from worker conditions to compliance with local laws, to chemical and hazardous waste handling, to greenhouse gas emissions.

35:12

It has a standard for all of it, as has a standard for how you calculate GHG.

35:19

It it and it, It goes for the entire supply chain now.

35:25

So we've we've embrace that and we have been one of the leaders in the RBA and one of the good things about it is there are third party firms that are set up as auditors.

35:38

So it's not just the standard, but it's also auditable by a third party that gives us a report on how our suppliers are doing and we can hold our suppliers accountable to the findings in those reports.

35:50

And we do excellent, yeah, I know and I and I hope that helps everybody who's listening in because I think obviously this, this matters differently based on the industry you're in, right.

36:01

So there are different things that are happening.

36:05

One thing I think that's important for everyone to understand is especially from the economic impact, the Dow Jones indices and other types of investor rating indices are very pro on what Marcel had had talked on too, which is the companies that are actively reporting are getting those higher investor ratings.

36:20

So this is the amount of disagree is concerning because that means that there's a workforce and a leadership discrepancy of the understanding of what why this matters.

36:27

But that turns into real dollars at the end of the day for shareholders, for company equity, for things that matter on the bottom line, which is where leadership comes into role or comes into play.

36:37

So if they're concerned about making sure their company has that long term viability especially financially, this is the time to get on board.

36:45

So I know that you know obviously we could, we could not talk about this graph for a very long time, but I want to know, but any other thoughts we had about this graph before we move on to the next one.

36:54

Just really about that accountability piece or about the ways in which this is needing to be and if you were to look at this right from the quality professionals lenses when we do the value analysis of our processes, it's pretty ironic because the the research of about 600 plus companies that we have looked at it about over 60% of them they value this process of tracking something to do with the sustainability, the non-value and essential.

37:25

They're like you know it's something that we don't really add value to the customer but it's we're forced to do it right.

37:36

It's no longer non valued essential this needs to be the value add right and that that entire paradigm ship needs to be in my value analysis when I measure through other value stream mapping or assigning this task that how do we make this as a value add.

37:54

How do we actually innovate with the using the emerging technologies to reduce the friction for capturing of the data, authenticating the data, making it much more transparent both upstream and downstream.

38:08

So that this mindset of non-valued essential for the last 20-30 years to now making it value add.

38:17

Yeah that's a great point.

38:18

Yeah.

38:18

Marcel any final thoughts I saw you nodding.

38:20

Yeah no I I had like ten thoughts on that one Nick that was that was great.

38:27

You know a couple pieces here 1.

38:28

The institutional investors are looking at these scores and the disclosure as proxies for risk.

38:35

And so when they're making investments on who they're going to the vest in and who they're going to divest in, they look at those scores to see how much risk are they exposed to throughout the value chain because they can't see every activity that we engage in.

38:48

And and this gives them some measure for this and we see companies being rewarded for this, these activities right through increase in share price decrease and cost of bonds issuances and and otherwise.

39:02

And and as Nick was saying that I was reminded also as far as the value added, you know I'm sitting here with with 40 of my students and a few years back they did a sit in the students and alum of of Pitt trying to force Pitt to decarbonize their endowment investments.

39:18

And so now Pitt, in order to decarbonize their investments for their endowments, are looking at companies and where their value chain is, where their entire supply chain is to determine whether or not they're gonna continue to invest their dollars in this.

39:32

And so when we get the verifiability that Nick was talking about and we reduce the transaction costs associated with the monitoring, it makes it easier for partner institutions to decide who to engage with and who not to engage with.

39:44

So, So this is an exciting time, I think.

39:47

Awesome.

39:48

Well, thank you all.

39:48

Yeah, we have, this is again, we could fill an entire hour with just the slide alone, but we've got one more to get to and it actually goes again a little bit deeper on this topic to talk a little bit more about not only from a regional view of this challenge, but also when we talk about just the transparency factor, right.

40:05

So we talked about the level of disagreement that.

40:09

It's really challenging to hold suppliers accountable, but it needs to happen, right.

40:12

So now we want to switch the gears and go a little bit deeper into so when we actually start asking a supplier to be transparent and to actually start giving us that data or to give us more data.

40:22

So we might already be getting data from a supplier, but is it the right data in terms of ESG focused data.

40:28

This graph goes into a little bit more of an explanation around the level of respondents thinking about this from their perspective of supplier transparency being a priority for them, right.

40:41

So is it something that's actively happening within their in their total supply chain.

40:46

But also this is also the question that we asked in our research was around the economic concerns and and supplier transparency and monitoring was actually one of the top three.

40:55

So this is translating into that dollars equation like we were just talking about, especially from an investor rating.

41:01

But we can see on the graph here, it's not translating the same across the regions of the world, right.

41:06

So there's a lot of different viewpoints on how this is coming into play.

41:10

Similarly to the graph we saw, we broke this into total respondents across the globe versus the logistics and supply chain professionals themselves.

41:19

What's interesting about this graph in particular is that of the logistics and supply chain respondents, 0% of the North American respondents indicated the supplier transparency was a top three economic concern.

41:31

So if we think back about 20 minutes ago, we were just talking about how obviously regions of the world are more advanced right now than North America, but it's coming for us, right?

41:41

Like like there's a bunch of movement that's just happening right now.

41:44

So Nick, I want to go back to you because I know that this is a topic that's passionate for you as well and you live in California.

41:49

So California is leading the way in many cases on climate resiliency or climate regulations to to build resiliency.

41:56

So I'm wondering how you to take a look at this graph and and what comes to mind to you immediately.

42:03

Yeah, no, absolutely.

42:04

I think talking about the California, I think if the California were to ever get decoupled, I think it would merge right into EU philosophy in terms of how they look, we we look at it in terms of their sustainability.

42:17

But I think for our participants today, I think the message really needs to be that when I use the term burning platform, I meant burning platform, right That the urgency by which the supply chain professionals, quality professionals that we need to start to help change the paradigm or even break the paradigms that exist over the last several decade, which was if we were to just sit back for a second, it was a very singular dimension.

42:55

We as a quality professionals, we were very focused on other optimization on cost, our speed, our quality in many cases would pick one over the other just to deliver to what our incentives were.

43:09

In terms of the KPIs, I've been substantially about going from the singular focus to triple bottom line where we learn to manage both our mindsets and our day-to-day actions with triple bottom line where agility, resilience and sustainability are integrated in a design of our value chain and the inception, not after the fact, right, Because I still believe it's a waste.

43:37

If we were to wait till the final product comes to our door and then go back and start tracing things, it needs to be proactive.

43:45

So the point of design thinking, how do I build a first principle and build my product, service models and those things and say, hey, if I were to do this again, how would I do it?

43:57

It's so that it delivers this multi-dimensional value proposition which is so crucial today to my shareholder, my community.

44:06

So the ESG becomes ingrained as ADNA and the culture of my organization rather than after the fact, right.

44:13

And so, so the view here, the way I see this is that it's important.

44:19

It's no longer going to be optional, right.

44:22

I mean regulations and I I would urge you to investigate the industry that you're in.

44:27

Look at the upcoming 2027 and 2030 traceability, requirements and enforcement and then the rules and regulation.

44:34

So in the chip manufacturer, I want to know where your essential earth minerals were extracted from, right?

44:42

If I'm a food producer, I want to know from farm to the table, right from the cradle to the grave.

44:47

I mean everything from the source to the the end circular reverse logistics and post consumption life cycle of this product will also be managed.

45:00

So I think it's a fascinating time for all all of us in the field of supply chain, in field of quality management to see how do we actually bring this best practices and really take these things to the next level.

45:16

So I'm, I'm really excited Erin and I think these are the things that we spoke about today can certainly help move the needle on the sustainability front.

45:24

Agreed.

45:24

Yeah.

45:25

And and for your students and from our cell students, you guys have a fantastic set of teachers here that are bringing you all into this.

45:31

And so you're very lucky to be learning from the best here.

45:34

So I appreciate that Nick, that's awesome.

45:36

And Ross kind of piggybacking on what Nick just said to been talking about.

45:39

I know you had been also when we were chatting about this before.

45:42

We're talking about the ability to coordinate that data coming in from all different suppliers, but also that if the suppliers not being transparent, are there geopolitical reasons potentially for that too, right.

45:54

We had kind of had a nuanced conversation about that before.

45:58

Well, I think Nick said it very eloquently about you know traceability of root materials and and and at the very beginning of supply chain and and I think currently it's very opaque in most industries.

46:13

I think that it's it's not very traceable and and I'm gonna go to this this metric that you show and I I believe that you know for North America supply chain respondents, I still believe that most supply chain organizations are trying to get resiliency in their supply chain over adding more transparency or even even looking into ESG, right.

46:37

I think that a lot of the geopolitical risk that involves specifically Taiwan and the electronics industry has been at at at front and foremost attention.

46:49

So I'm I I would say that transparency being 0 percent is down there because of of many higher priority pressing issues among North American supply chains.

47:02

Now that doesn't mean that there aren't significant gaps and I think it's not just gaps in sustainability, but I think many, many supplier, many supplier I, I'll call them metrics were not visible when the last 20 years.

47:25

Supply chain organizations have sent, oh trust our suppliers, they're good at this.

47:29

They can do this better than we can.

47:30

We don't need to monitor, OK.

47:33

So you know we've gotten ourselves into a spot where OK, we weren't resilient, and we weren't transparent and now I think there's a lot of work to be done to get there.

47:44

And I think this the ESG requirements or leadership by North American corporations will drive some of this traceability, but it's going to take leadership and does that kind of I know something stuck out to me when you were and I were chatting about this before, but you were talking also about capacity of the suppliers or the how they were being utilized.

48:03

Do you think that that also comes into play here a bit?

48:07

Well, I think there you talk about trust and there's a difference.

48:11

There's a difference between trust and traceability and transparency.

48:15

Because a lot of things suppliers don't want you to know because they don't want you to use it as a negotiation tactic against you.

48:21

And that the whole cost negotiation drives a wedge in transparency with suppliers because they don't want you to know things that are you'll expect them to reduce their price.

48:36

So be careful.

48:37

It needs to be a balance where you trust your suppliers and you're willing to pay them fairly.

48:43

Yeah, no, that's fair.

48:46

So Marcel, to to kind of put a bow on all of this, I know when also we talked about this, you had mentioned I think a great point and I think both Russ and Nick also hit on this.

48:55

But there's also the, the human element here.

48:57

There's also the, the fear and concern potentially being a driving human factor.

49:01

And Russ just kind of hit the nail on the head with capacity or a supplier wanting to make sure they're keeping up appearances.

49:07

So curious on your thoughts again about that 'cause you had touched on that in our previous conversation.

49:13

Yeah.

49:14

Well if I can take a kind of a, a non-direct route as I'm looking at this slide, I I keep thinking there must be something a, a disconnect in the way that the respondents were interpreting a top three economic concern, right.

49:29

Because we saw where a supply chain put Chi Chi's out of business.

49:33

All right.

49:34

E Coli and their chives, we saw Kaninsky sue Nike because their provider of clothing in Mexico was using indentured labor.

49:47

The government is imposing fines on companies that use suppliers that use child slave or or other unfair labor practices, right.

49:56

And those fines are significant 150% of of the retail cost of goods.

50:01

So.

50:01

So these are real costs expenses to the the organization.

50:05

So I think that to me anyways this appears that there was a disconnect in understanding the the question fully.

50:13

And when we think about optimizing the supply chain, if we go back to that that that topic, we know that applying some some machine learning and some algorithms to better forecast, you know the efficiency of our supply chain.

50:27

We can get real cost savings and we can reduce the lags in our supply chains by doing these.

50:32

And and that's the that turns into translates to real economic benefits for the firms.

50:37

But I do think there's some concern by parts of our supply chain that if they disclose something as Russ was saying, we know something about you that you're either gonna hold me accountable to or you're gonna take advantage of me with.

50:50

And so I do think that throughout the supply chain, there will be participants who are afraid to disclose information for what might happen once they tell people about it.

51:01

But I would argue that that they really want to be because there's an opportunity once I disclose to have a conversation with you, my partner, about what we're disclosing and how we collaboratively can perform better than what we're doing right now.

51:17

Yeah, so and and just do it with Marshall's point, but I'm not surprised about the data.

51:22

I mean, think about our country, right?

51:23

We have become very polarized in terms of if you look at the sustainability and environmental impact, it has been politicized, right?

51:30

The science has been challenged, data has been questioned.

51:34

So it is not unusual for us to see When I travel globally and I get this question about why do we have the

views that we do carry, well, that's part of the democracy we live in, in which the despairing views are sort of a norm.

51:54

What degree to the norm?

51:55

I think that's questionable.

51:56

But I mean we can see this that we have everything that we talk about in terms of the major things.

52:02

There's a 50% billion, 50% doesn't.

52:04

So if I just take a sort of a neutralized approach, it washes out, gives you absolutely net zero.

52:11

And I think the data suggests that this is what it is.

52:14

Yeah.

52:15

No.

52:15

And I appreciate all of your viewpoints on this cause.

52:17

Yeah, the the it's one thing for us to report on the data.

52:20

It's another thing to think about it in critical terms and think about how as somebody who's who's answering this question what what are the nuances or the OR the struggles in which they're trying to give you a a a adequate answer back.

52:31

And and you know something that came to mind for me as all three of you were talking is this is really where a supplier code of conduct becomes crucial, right.

52:38

So if you are setting the table with the expectation of in order to do business with us, these are the rules of engagement, that could also be a solution here to help make this more transparent.

52:50

It all of you have, and I agree with all of you, it's it's not necessarily going to be absolutely perfect, right.

52:54

It's a journey, but at least it there's a baseline to start from and hopefully that that gives everybody something to think about too.

53:00

If you don't have supplier code of conducts in place, it'd be a good thing to start implementing.

53:05

Well time is coming to a close here, but I want to make sure we allow for a couple questions to start.

53:11

And I'm really happy to know that we actually do have a question in our chat from Tammy New who Hi Tammy, I know you're a long term member here.

53:19

So her question is do proprietary processes or data influences that suppliers have a willingness to disclose really what what kind of leverage might a business have with the suppliers assuming the suppliers have this information available and are willing to get it.

53:34

So I open it up to the the forum here Russ, Marcel or Nick your thoughts.

53:41

So I'll I'll take the first stab at it.

53:44

Again, I think I in my articles I had read about this alignment of incentive, right?

53:53

We if we operate in the world where the win lose proposition in which I operate from the mindset to my winning has to happen at Marshall's loss, right then it negates the entire conversation we just had.

54:10

So supplier has to understand Tier 1 to Tier 4, that it is a marriage between a parent company and our joint organizations altogether.

54:22

But there is a flow of both ways inbound and outbound are interconnected.

54:30

Meaning I treat you as with respect to the supplier and my interests are to make you successful does you actually making me successful.

54:38

So if we create that living Organism so trust and mutual benefit all of a sudden that there is a harmony, right?

54:46

And then and this really what the secret is that it's not the data is scarce.

54:52

The data is proprietary.

54:55

Guess what, The regular regulations comes in.

54:58

You're required to do that.

54:59

We can shield it.

55:00

The blockchain has an incredible capability of encryptions at the NTH degree of privacy, right?

55:09

The technology is at the point we live, 99% of our transactions are on the cloud coded.

55:16

We live our lives, our personal data, everything sits on the cloud.

55:21

So the encryptions are in a high standard.

55:22

Yes, they're a bridge absolutely.

55:25

But I think this can't be the supply chain professionals, we always tend to use this trust and confidentiality as sort of a crutch to not overcome some of the mental barriers put on both personally and professionally.

55:40

So I think I would challenge Erin about suppliers.

55:44

I think it's just again, I'm going to keep using this word alignments on the incentives create a win.

55:50

Win situations.

55:51

Look for the prosperity for your partners to do business with you and your interest in vested interest in their success and you can create an incredible marriage that is trustworthy profitable and compliant at the same time.

56:08

Agreed.

56:09

Yeah, well said.

56:10

Well and I do have a question here and I I apologize to Michael Perel because I I skipped over it when I saw in the chat.

56:15

But he is new to this subject, Michael Perillo says.

56:19

But he's also, I believe, in the defense industry.

56:23

So he's asking if expected regulations that are coming are going to be applied to DoD and DoD suppliers in Marcel, I know you are an ex-military guy, so I'm going to pop this one over to you.

56:34

I was hoping you'd say that.

56:35

Yeah.

56:35

So former former Army military intelligence captain and.

56:40

And I've seen a turtle stop an entire battalion of armored tanks because the Turtle had the right away.

56:50

I couldn't operate a mission because of butterflies and woodpeckers at one point in time.

56:55

So the DoD is is really concerned about sustainability and it is going to come down to their suppliers and through their entire supply chain.

57:05

It's inevitable.

57:07

The Department of Defense has formally announced that climate change is a national security issue and dealing with all the things associated with climate change is, is of real concern to the DoD.

57:19

And so we see just up the road from me here, I have the 911th Airlift Wing and the 316th, and they're talking to me all the time about building energy resiliency into their system because they need to have 24/7 operations.

57:36

Even though they're a reserve and a National Guard unit, they have 24/7 missions.

57:41

So it is gonna be an issue coming down through the entire DoD supply chain.

57:47

Absolutely excellent.

57:49

Yeah.

57:49

Well and and and again this, this impacts everyone, no industry is immune from this.

57:54

So again it it we all depend heavily on supply chains no matter what industry you're in.

57:59

So again all of the things that we just talked about today are applicable.

58:03

So to be mindful of time, I apologize I'm not going to be able to get to everyone's question but we will have some resources for you here that we can help everyone get in touch after.

58:12

But just as a final housekeeping note, as we wrap up today and again thank you to Marcel, Nick and Russ for for today, today's incredible conversation.

58:20

I'm happy to say we're not done yet.

58:22

We're all going to be together in San Diego at ASQ World Conference on quality and improvement.

58:28

That's going to be on May 14th from 2:00 to 4:00 in San Diego on Pacific Time.

58:32

And we're going to be continuing this conversation because again, there's so much to cover here.

58:37

But the difference is, is when we meet up together in person, we're going to be talking about utilizing cross functional teamwork to get this done.

58:44

So you heard snippets of this before from all three of our panelists about how and workforce have to work together to do this.

58:52

But in true ESG fashion, this is across the board and across an organization, right?

58:58

It's not just one person's responsibility.

59:00

Yes, you should have a person who's leading the charge, but that person is going to have to work cross functionally to get all this information together including their suppliers.

59:09

So kind of the same web of data that we just talked about from a supplier network management standpoint.

59:15

Same thing applies within an organization to hit goals.

59:18

And I'm excited too because Russ, you're actually going to be going very deep on the supply chain topic at WCQI.

59:24

So I wondered if you could do a quick blurb about what you're going to be talking about.

59:27

The day after our round table in San Diego, I'll be talking about how to design A supply chain for resilience.

59:35

Now, I knew Nick's, Nick's published a book on sustainability for supply chains.

59:41

But I've been I've developed a model and I've I've normalized resilience across nodes on the supply network.

59:49

And what I feel like is if you really do the math on supply chain, you can solve a lot of your resilience issues.

59:58

And I I, I see a lot of articles about resilience and they're mostly, they're mostly not mathematical.

1:00:07

And I feel like you can really design AA resilient supply chain if you just do the math.

1:00:12

Yeah.

1:00:12

Well, excellent.

1:00:13

Well, we're looking forward to that.

1:00:14

And Nick, Russ kind of stole my Thunder here.

1:00:16

I was going to announce that you do have a book that's being launched soon.

1:00:19

So do you want to talk a little bit about about that?

1:00:22

Well, absolutely.

1:00:23

No.

1:00:23

Russ actually plugged it in, but it's it's called the network design How to design.

1:00:28

Agile, resilient and sustainable supply chain.

1:00:31

And there are a couple of case studies that we're integrated.

1:00:34

But truly, I think what we discussed today, the book actually goes into how to write.

1:00:41

And it's a it's a book that my colleague Grace Soshek, who's a sustainability expert at USC Das Das Gupta, who's a ex KPMG senior partner and faculty in supply chain in my program and I have written together is to truly highlight that how does the push COVID network design should look like?

1:01:05

How does the futuristic design should look like?

1:01:07

So when you look at 2030 to 2040, what is that network design should look like?

1:01:11

Where this is not a conversation one off.

1:01:15

Rather it's very integrated ways of us doing living and as a human species to take care of the one and only planet Earth that we know so far.

1:01:25

Exactly.

1:01:26

Yeah.

1:01:26

We're not going to Mars just yet.

1:01:27

So Yep, we got to take care of the one we've got.

1:01:30

So thank you all.

1:01:31

And again, WCQI registration is now open so the links are in the chat.

1:01:36

I want to thank my panel.

1:01:38

You guys are such a pleasure to talk with.

1:01:40

I hope everyone on the today's call gained something from today.

1:01:43

And again, please visit us when we're in San Diego.

1:01:47

Again, a heartfelt thanks to everybody.

1:01:48

There is going to be a survey at the end of this webinar that we all welcome our attendees to take because we are all about the spirit of continuous improvement and making sure that we're bringing you great thought leadership.

1:01:59

So Doctor Nick Vyas, Marcel Minutolo and Russ Snyder, thank you again so much from the bottom of our hearts.

1:02:04

We appreciate it.

1:02:05

And again, thank you to everyone for joining us today.

1:02:08

Have a great day.

1:02:09

Thank you.

1:02:11

Thanks, everyone.

1:02:12

Thank you.