

FMEA Interview Documentation – Intuitive Surgical Simulated Case

Interviewee: Michele Dimartino, Chief Human Resources Officer

Date/Time: July 5, 2022, 6-8PM

Interviewers: Girrrls Consulting Team

Risk Category: Operational – Human Resources

Risk: Inability to retain and hire critical employees – with increasing employee mobility and abundant employment opportunities, talented people with strong, relevant skillsets are in high demand across the competitive workforce landscape.

Scenario: 3-A (credible worst-case)

Scenario Description: We lose staff in key roles, where we do not have sufficient replacement staff with the same/similar skills to step in. Our operations suffer and it takes 9-12 months to find the right people to fill the void, possibly leading to negative publicity, loss of market share and difficulty attracting new customers/retaining existing customers. It can cause a downward spiral also harming our ability to attract new hires, obtain sponsorship, advertising deals etc. This could conceivably be a global issue, so it is something we really need to get on top of.

Likelihood: 5%

Impact(s):

1. We will experience a decrease in our number of qualified employees globally in the first through the third year, therefore,
 - For employees belong to Cost of Product cost center, the headcount decreases below baseline by
 - i. 4% Y1
 - ii. 2% Y2
 - iii. 1% Y3
 - For employees belong to Cost of Service cost center, the headcount decreases below baseline by
 - i. 6% Y1
 - ii. 5% Y2
 - iii. 3% Y3
 - For employees belong to Selling, General and Administrative cost centers, the headcount decreases below baseline
 - i. 4% Y1
 - ii. 3% Y2
 - iii. 1% Y3
 - For employees belong to Research and Development cost centers, the headcount declines below baseline by
 - i. 5% Y1
 - ii. 3% Y2
2. This results in a disruption to our operations and has a material adverse effect on our business as a result of various dissatisfied customers, impacting our revenue on all our business segments negatively as follows:
 - For Systems segment globally, the number of systems sold per salesperson declines below baseline by
 - i. 4% Y1
 - ii. 3% Y2

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iii. 2% Y3

For Instruments & Accessories – US segment, the number of procedures performed using our systems declines below baseline by

i. 5% Y1

ii. 3% Y2

iii. 2% Y3

For Instruments & Accessories – OUS segment, the number of procedures performed using our systems declines below baseline by

i. 3% Y1

ii. 2% Y2

iii. 2% Y3

For Service segment globally, the service revenue drops below baseline by

i. 3% Y1

ii. 2% Y2

iii. 1% Y3

3. Due to competitive labor market, for Systems segment globally, the salesperson retention rate drops below baseline by

i. 4% Y1

ii. 3% Y2

iii. 1% Y3

4. Hiring costs will increase over the next 3 years to recruit top talent with the necessary skills to replace the missing talent. In U.S. the costs increase by 5%, 4% and 3% respectively. Outside of U.S., the costs increase by 4%, 3% and 2% respectively.

5. We will also increase the overall employee compensation and benefit packages above our baseline to retain employees from year 1 to year 3.

For employees belong to Cost of Product and Cost of Service cost centers, the increase is

i. 4% in Y1

ii. 2% in Y2

iii. 1% in Y3

For employees belong to Selling, General and Administrative cost centers, the increase is

i. 3% in Y1

ii. 2% in Y2

iii. 1% in Y3

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For employees belong to Research and Development cost center, the increase is

i. 5% in Y1

ii. 3% in Y2

iii. 2% in Y3

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Scenario: 3-B (moderately pessimistic)

Scenario Description: Our PR efforts, coupled with increased salary packages help reduce the level of employee attrition softening the impacts of 3-A. We implement succession planning and improve the restraints clauses in our employment contracts.

Likelihood: 15% likelihood

Impact(s):

1. We will experience a decrease in our number of qualified employees globally in the first 2 years, therefore,

For employees belong to Cost of Product cost center, the headcount decreases below baseline by

- i. 3% Y1
- ii. 2% Y2

For employees belong to Cost of Service cost center, the headcount decreases below baseline by

- i. 4% Y1
- ii. 3% Y2

For employees belong to Selling, General and Administrative cost centers, the headcount decreases below baseline

- i. 3% Y1
- ii. 1% Y2

For employees belong to Research and Development cost centers, the headcount declines below baseline by

- i. 3% Y1
- ii. 3% Y2

2. Lack of performance (delivering to our customers) is mitigated, results in less dissatisfied customers, impacting our revenue less negatively as follows:

For Systems segment globally, the number of systems sold per salesperson declines below baseline by

- i. 4% Y1
- ii. 2% Y2

For Instruments & Accessories – US segment, the number of procedures performed using our systems declines below baseline by

- i. 4% Y1
- ii. 3% Y2

For Instruments & Accessories – OUS segment, the number of procedures performed using our systems declines below baseline by

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- i. 3% Y1
- ii. 2% Y2

For Service segment globally, the service revenue drops below baseline by

- i. 4% Y2
- ii. 2% Y3

- 3. Due to competitive labor market, for Systems segment globally, the salesperson retention rate drops below baseline by

- i. 3% Y1
- ii. 2% Y2

- 4. Hiring costs globally will increase over the next 3 years to recruit top talent with the necessary skills to replace the missing talent, by 3%, 2% and 2% respectively.
- 5. We will also increase overall employee compensation and benefit packages above our baseline to retain our employees from year 1 to year 3.

For employees belong to the Cost of Product and Cost of Service cost centers, the increase is

- i. 3% in Y1
- ii. 2% in Y2
- iii. 1% in Y3

For employees belong to Selling, Marketing and General and Administrative cost centers, the increase is

- i. 2% in Y1
- ii. 1% in Y2
- iii. 1% in Y3

For employees belong to Research and Development cost center, the increase is

- i. 3% in Y1
- ii. 2% in Y2
- iii. 2% in Y3