

## WE ARE PURPOSEFULLY AND CONSISTENTLY STABILIZING AN AUTOMOTIVE SUPPLIER'S SUPPLY CHAIN

### BACKGROUND

Increasing customer requirements, shorter product lifecycles and competitors who are catching up. To meet these requirements, most companies' supply chains today are not only global, but also precisely matched to each other in order to produce just in time – or even better, just in sequence.

Even though logistical strategies like these and expansion of the production network are necessary to stay competitive, they involve high risks at the same time, too. For example, a supposedly minor disruption can trigger a chain reaction and have an impact on all other links in the chain.

These can range from increased need for coordination in logistics, procurement or sales, on to production losses through to line standstill at the customer's premises. The latter, worst case scenario must be prevented by all means – not only due to the threat of penalties, but also for the benefit of long-term customer retention and reputation.

Unfortunately, even forward-looking planning and the most precise risk analyses cannot entirely rule out such cases. Numerous

events worldwide have shown that volatility, uncertainty, complexity and ambiguity have long since been an integral part of our so-called „VUKA“ world. That's why it is essential to create the best possible prerequisites to be able to react quickly and efficiently during crises, but above all to be able to take action, too.

### INITIAL SITUATION

Due to staff strikes, material supply bottlenecks and the management's questionable response behavior, production downtimes are increasing at a foundry in a neighboring European country.

In light of delayed deliveries or even non-deliveries, the situation also has consequences for the customers and puts one of our German 1st tier automotive suppliers on higher alert. This supplier urgently needs the cast components for its own in-house production and hardly has any stock left in the warehouse due to a just-in-time delivery strategy.



To complicate matters further, there's a single source policy that also excludes timely replacement deliveries from other suppliers as an alternative.

Management must respond: Production is reduced and shifts are shortened, but the situation around the foundry is not stabilizing as quickly as hoped. At the same time, any planning is becoming increasingly difficult in light of the intensifying unreliability and empty promises made by the foundry.

Consequently, our 1st tier supplier's delivery commitments are now also at risk, the threat of a forced shutdown of production lines at several European OEMs is looming, combined with substantial financial damage, for example through high contractual penalties.

Triggered by actionism, the foundry that is now insolvent was bought up at a horrendous price and is trying to get back on track with its own management and specialist staff. However, the accumulated backlog in the supply chain is still there.

That's when a prudent manager of the beleaguered supplier asks Hanselmann & Compagnie for the fastest possible support. We start our work on-site the very next day.

## THE CHALLENGE



The first and foremost objective is to prevent the impending shutdown of the production line at the OEM's site by any

and all means, and to stabilize the supply even beyond „firefighting.“

This results in myriad new challenges: To even be able to make statements and decisions at all, transparency must first be created in all material and information flows. On this basis, the overall situation is then analyzed to identify additional bottlenecks and the current state of the backlog.

An additional hurdle here is also the coordination and communication effort to be mastered throughout the whole project, which is due to the multitude and diversity of the stakeholders involved and data generated.

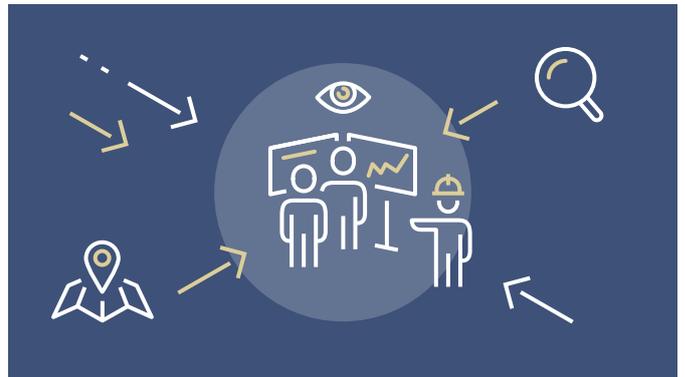
Another challenge is posed by then always making optimal use of production according to the volatile and therefore unplannable

deliveries of cast parts. As soon as the delivery of cast parts has returned to normal to some extent and the reduction of the production backlog can be tackled, it's also necessary to make sure that the sudden increase in the number of pieces does not lead to further supply bottlenecks for other components. As a precautionary measure, the inventories and delivery performance of all components and suppliers must be reviewed to ensure the needed upturn in production.

Last but not least, the supply chain must be stabilized and secured on a sustainable basis to prevent such situations in the future. By dealing openly with the lessons learned and anchoring protective measures, the strained confidence of own customers can be regained.

## COMMON PATH TO SUCCESS

In a first short briefing with all managers and divisions involved, we present our problem-solving approach and get commitment and buy-in from all of them to support us on the path forward.



A central control station/war room will be set up where all information flows come together so that access to the necessary information is ensured for all relevant persons at all times. However, this also requires direct intervention in the usual communication channels. For example, in order to make the supply chain transparent from the foundry right up to the plant, notifications of the foundry logistics regarding quantities of goods, and timing of completions of production, final inspections, loading and departures must go directly to the control room. The same holds true for the arrival of transports of goods at the gate, incoming goods, the warehouse and at the production station. Each single position in the flow of goods is recorded in terms of quantity and time.

To minimize this effort as soon as possible, asset trackers from our digital partner T-Systems are sent to the foundry. Each transport unit (grid box or similar) is equipped with its own tracker, which

sends its position to the cloud at regular intervals via GPS, WLAN or 2G. On a dashboard interface, which can be called up via notebook or mobile devices, progress of the transport or product within the plant can be precisely visualized.



To maintain the supply of own production and that of the customers in parallel, special transports are immediately commissioned and coordinated from here – depending on urgency with truck, sprinter or in extreme cases with a helicopter, too (extreme situations sometimes call for radical measures). On this basis, the delivery situation can be analyzed in absolute detail, bottlenecks identified and own planning can be adjusted accordingly.

Previously, there were waiting times or total stoppages of work shifts or unforeseen set-up efforts/costs for the lines due to delivery delays because components had arrived unexpectedly – or parts differed from those announced or were even completely unanticipated.

By forecasting the entire supply chain, own production can be prepared for deliveries in minute detail right down to the individual lines, which also results in a lasting improvement over the long haul.

At the same time, customer deliveries can now also be forecast precisely, which in turn eases the situation for OEMs again, too.



Thanks to the implementation of the measures described above, not only is the supply chain more stable than before, but it can also be continuously further improved.

## RESULT

- **Supply chain** stabilized again in just a few weeks and the **production backlog** caused by this was **eliminated** within two months
- **Production stoppages** at the customers' (OEMs') sites and the related **consequences were avoided**
- **Sustainable improvement** of the **whole supply chain** by implementing the digital solution concept and **transparency** achieved thanks to: real-time monitoring, cloud-based dashboard
- **Forecasting optimized:** Reliable **forecasts** for **own production** and **supply of customers**

## CURRENT REFERENCE



Due to the exceptional situation facing the economy and the temporary standstill, pipelines and supply chains are fully depleted – from OEMs to suppliers, straight through to material producers.

Our use case can be adapted to the challenges during this time, too. Step by step, the supply chain must be refilled and put into a reliable working mode. A cold start like this partly requires radical measures. Only through maximum transparency can the necessary, right decisions be made and risks or sudden showstoppers be identified early on and countered accordingly.

If you need a reliable and experienced partner for your company during this situation, we're here to support you.

## OUR DIGITAL PARTNER T-SYSTEMS

Together with our partner T-Systems, we can offer our customers a scalable, digital solution. Among others, this includes a plug & play installation with autarkic trackers and sensors for the digital determination of position and condition – without interference in sensitive corporate networks. Parts and components can be precisely tracked to within a few meters, supply chains can be transparently evaluated, and measure-based effects can be measured directly

All data required to track the supply chain flow directly through an individual, web-based, real-time dashboard of Deutsche Telekom's Cloud of Things (CoT). This means that relevant information can be shown transparently and in a mobile way at all times, decisions can be prepared with the use of a solid database or sudden changes can be quickly identified and response times shortened.

### Advantages at a glance

- Data from all relevant areas are consolidated centrally and can be used as the basis for meaningful decisions
- Interactive dashboards with agile infographics and informative reports based on up-to-the-minute key performance indicators and location data enable a comprehensive view of all data: within the company, regionally or even globally
- Dynamic forecasting within the entire supply chain makes it possible to optimally use own production and reliably supply customers
- Communication and data storage take place according to the „Made in Germany“ data protection guidelines on German servers. Encryption pursuant to Deutsche Telekom's strict security standards ensures data security and trust.



The Hanselmann & Compagnie team looks forward to an in-depth exchange and your questions.  
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