

IN ASSOCIATION WITH



CASE STUDY

INTRODUCTION

Over the past 10 years, the automotive supply chain has seen intense and relentless cost pressures – driven by the vehicle manufacturers. It is commonplace for suppliers to have to offer annual price reductions just to retain current business.

In order to maintain competitiveness and minimise the erosion of margins, suppliers must therefore reduce their own costs and all areas of operation are affected. Generally – the cheaper the location, the longer the supply chain and achieving the optimum balance between the costs of manufacturing and the associated logistics is of paramount importance.

In most automotive supply situations, today's "competitive benchmark" becomes tomorrow's market price

THE COMPANY

Leoni is one of the world's largest and longest established global suppliers of wires, cables and wiring systems. With more than 33,000 employees worldwide and a total of 70 facilities, the group generated consolidated sales of EUR 1.55 billion in 2005. The principal customer base is the automotive industry, for which Leoni designs and supplies technically sophisticated products from single-core automotive cables through to complete wiring systems with integrated electronics. The quality principle is resolutely applied at Leoni, it is part of its corporate philosophy and is firmly embedded in production, personnel management as well as communications.

Leoni UK, based in Newcastle under Lyme with 230 employees is a tier 1 supplier with a prestige customer base including Ford, Land Rover, Aston Martin and JCB.

THE CHALLENGE

Throughout the last 20 years relentless cost pressures from above have caused suppliers to migrate manufacturing to low cost economies. Leoni is no exception and today the UK division draws assembled wiring harnesses from Leoni plants in Romania, Egypt and Tunisia. The advantages of moving to North Africa were clear. An abundance of young, well-educated, hard-working people, competitive manufacturing costs, active support from the Egyptian and Tunisian governments regarding foreign investment, excellent attendance levels (e.g. > 99% in Egypt) and exceptional employee commitment in both countries.

The challenge was to ensure that all the benefits of this manufacturing transfer were realised and not dissipated by extended lines of supply, the costs of logistics, duplication of functions, communication breakdowns and reduced customer focus. With shipment times from Egypt of up to 14 days, but air freight costs exceeding sea-borne transport by up to 30 times, it is essential that all processes are under rigorous control with no recourse to emergency action.

Axel Wittenburg, Director and CFO of Leoni UK says, 'I have found that establishing clear processes and common understanding is the key to operating a successful business across different cultures. The traditional British culture can be similar to the German culture: "This is my bit – I just do this. Anything else isn't my problem." But a strong sense of pride is central to the Egyptian culture. This can result in people not identifying there is a problem in completing a task or achieving a deadline. It was essential that we overcame this'.

So, as in any business, effective team-working is the key. It is essential to have total clarity of processes with clearly defined interfaces and total understanding of the cultural influences on both sides.

THE TRAINING

All of the UK staff at Newcastle underwent an intensive training programme supported by Skills4Auto, the Midlands spoke of the Automotive Academy in partnership with Clement Consulting from Germany.

The project opened with the S4A 'Skilldrive' diagnostic technique which defined a total of 11 recommendations relating to culture, communications and development strictly referenced against Leoni's business targets and objectives.

Then under the title 'Winning the Future' Clement Consulting Germany, in cooperation with S4A, developed the architecture of a Change Process including intercultural issues. The Change Process included a number of facilitated workshops involving everyone in the company right up to and including Director level. This change process helped people to uncover and focus their combined knowledge and experience in order to meet the challenges of the future.

It consisted of a series of small and large group workshops designed to deliver a paradigm shift and integrate all the necessary changes. It applied an 'action learning' approach, using groups that represented the entire range of stakeholders, levels, functions, geography and using their ideas as accelerators. It also touched the intercultural aspects caused by the fact that Group headquarters are in Germany and production sites are in Egypt and Romania.

Above all, the workshops ensured that all of Leoni's strategic objectives and the company's Business Plan were communicated to the entire workforce for the first time. In addition, the prior tendency to hide 'bad news' was replaced by a new atmosphere of honesty, openness and respect.

The workshops were augmented by a range of Academy lean tools and techniques training courses including 3 cohorts of Business Improvement Techniques at NVQ Level 2 and two cohorts of Value Stream Mapping. VSM is a recognised best practice approach to business redesign and a strategic diagnostic tool. It is a method of visually representing the whole design-to-customer process allowing a detailed understanding of the current situation, implementing stability and control, then defining a future vision and a plan to realise it. It studied Leoni's material and information flow, prioritised opportunities for improvement, and visually communicated what needed to be improved and why.

There were casualties as an outcome of the programme. Despite the transfer of production operations to North Africa, some duplicate functions in Production, Quality and Procurement in the UK remained. These jobs had to be eliminated and redundancies resulted. Fortunately all those concerned were soon re-employed locally

but, most importantly, the jobs that remain now place the greatest emphasis on skills, the ability to control a complex logistical process and a total focus on customers.

Dr Horst Rudolph, Managing Director adds, 'We now have interfaces that are defined and supported by robust processes. We know that high quality local management is vital and that intercultural differences need to be recognised and pro-actively managed in a sympathetic way. For that to happen common understanding and business language is essential. Objectives must be defined and communicated in conjunction with key accountabilities for sites, teams and individuals. We have transformed a functional organisation that operated in silos, into a matrix structure where everyone understands their roles and respects the needs of others to deliver against our Business Plan.'

The work at Leoni will be on-going. Recognising that 80% of costs are fixed at the design stage, further breakdown of departmental barriers is essential such that the Engineering and Purchasing functions are brought closer together. One side benefit of the entire process to date has been a colossal reduction in email traffic to be replaced by face-to-face dialogue.

Above all else a once loss making enterprise has been restored to several months of continuous profit.

Axel Wittenburg concludes, 'Having delivered our sales growth and restored profitability we are working to deliver the next growth phase. The UK restructuring and reorientation activity will allow us to devolve further responsibilities down the supply chain to North Africa. In the UK, and working hand-in-hand with our customers, we will focus on developing our technologies, to giving our employees rewarding and secure employment, winning new contracts and delivering profits to our parent company'.

BENEFITS TO LEONI UK

- Return to profitability
- Improved productivity
- Reduction of waste
- More customer focus
- Better motivated and skilled workforce
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BENEFITS TO STAFF

- Improved understanding of Leoni strategic direction and Business Plan
- New skills acquired
- Increased enjoyment of work
- Security of employment
- Greater involvement in business and decision making.