



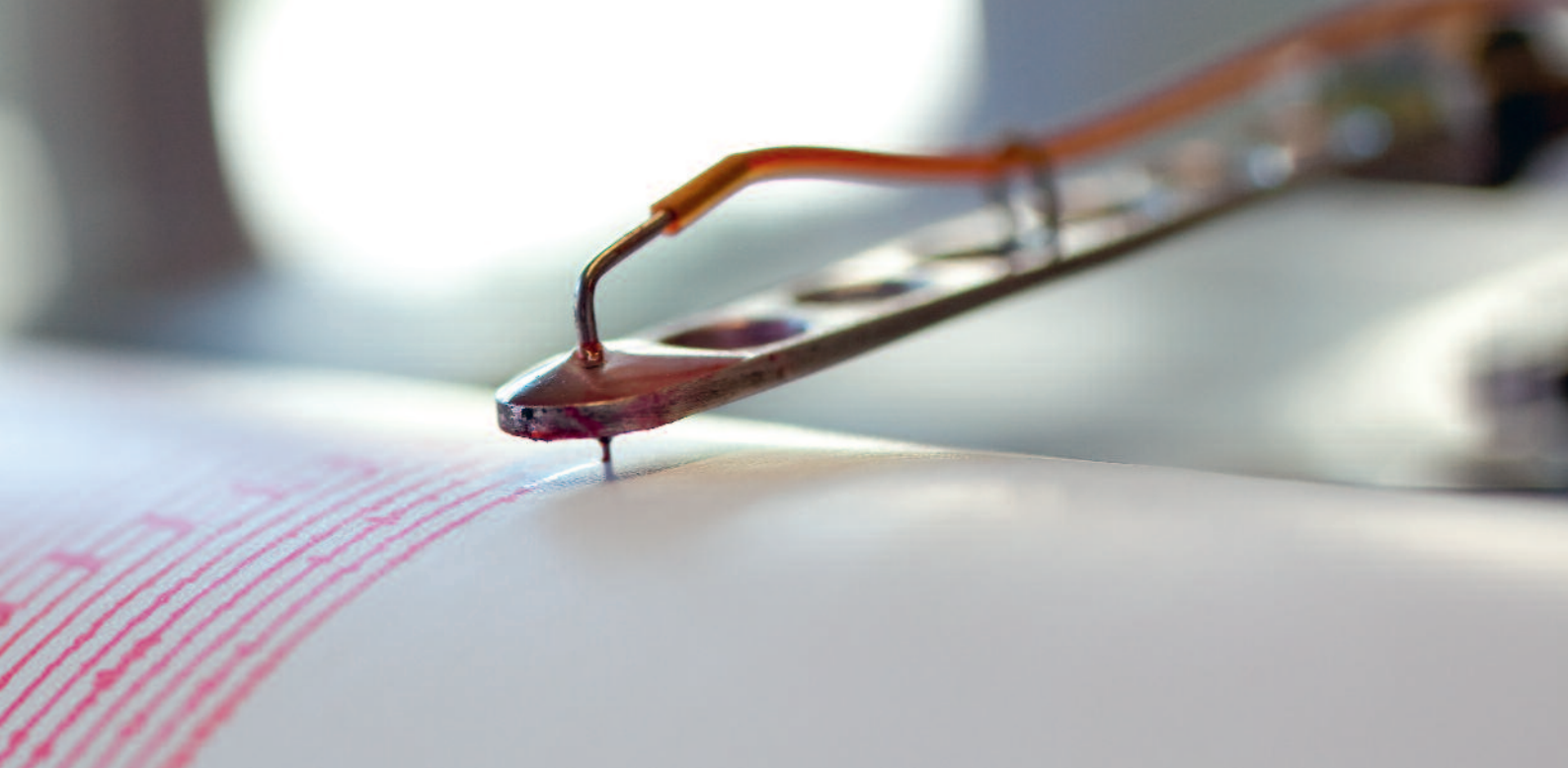
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### Get to know our Automotive Team.

Oliver Wyman's automotive experts have broad industry experience and a commanding track record of successful consulting projects for leading automotive OEMs and suppliers in Europe, America and Asia. We offer consulting services along the entire value chain of the auto industry: R&D, purchasing, manufacturing, sales and channel management, after sales and financial services. Oliver Wyman's global Automotive Practice supports clients with strategic topics like brand management, customer orientation, corporate and business strategies, market, competitive, and technology analyses, product development, innovation management, sales strategies and after sales programs. Operational optimization includes purchasing, production optimization, efficiency improvement programs, reengineering, turnaround management and restructuring. In addition, Oliver Wyman offers the whole range of mergers & acquisitions consulting services, from partner search to evaluation, transaction support, and post-merger integration.

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## Standardize, optimize then capitalize

Production managers at automotive supplier are under tremendous pressure today. They face an unfavorable investment climate, unpredictable future demand and unsettling short-term declines in volume. The good news is that suppliers that maximize the efficiency and consistency of their production processes now will become more competitive. This will improve their chances of survival and enhance their prospects for future success.

Lars Stolz,  
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In 2008, the global supply industry's 25,000 production factories and 6.7 million employees accounted for 480 billion euros in value added. Component production and vehicle assembly form the heart of the supply industry. This sector, which has been spoiled by its increasing importance in the automotive industry and many years of growth, is now under intense pressure. Plummeting new-car sales – down 20 percent and more in some countries – and the consolidation of plant capacities have forced suppliers to take action. As a result, operational excellence in every market segment and region has become essential for short-term survival and long-term success.

### Significant cost cuts

The term »operational excellence« represents efficient production design and increased

operational performance. The key to success is the development of tailored, standardized companywide optimization solutions. Such a methodic approach leads to cost cuts of 15 percent to 20 percent annually. In taking this approach, many companies have been able to reduce their controllable cost basis by more than half in less than a year.

To achieve such results, suppliers must rapidly and thoroughly analyze existing weaknesses in the production process. A plan that defines short-term and long-term measures will simultaneously consider location-specific solutions for the company's various production sites. A special challenge related to planning is considering and systematically reducing potential risks. These include delayed deliveries, excessively high materials costs and falling production volume.

### Faster success using best practices

Best-practice examples, knowledge transfer among plants, and benchmarking studies facilitate rapid implementation within the framework of an operational-excellence process. In addition, automotive suppliers must prioritize identified measures. The objectives are, on the one hand, analyzing relevant cost data and their effect on the present value of costs and the savings potential of every individual measure and, on the other hand, evaluating the measures in terms of their feasibility.

Another important requirement is the timely analysis of critical aspects for performance from several points of view. These aspects include customers' needs and priorities, an integrated product and process design, as well as the effects of start-up quality on production efficiency. For customers, this type of in-depth analysis exceeds the usual satisfaction studies. During the start-up planning, a company that truly understands its customers already has a good grip on such crucial criteria as the regular examination of the efficiency of processes and facilities, the integration of suppliers, and timely feedback on quality and from customers. A central point in today's business environment is consideration of manufacturers' requests for a fast adjustment of the model mix and volume during the start-up or stabilization phase. For this purpose, the supplier needs flexible product systems that prevent additional costs, delivery delays or losses of quality.

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### Five success factors for operational excellence

- 1 The deeper the insights are into global market developments, the business environment and future challenges, the more precise the concept is.
  - 2 Benchmarks and best-practice examples on performance optimization help achieve goals much more rapidly.
  - 3 Training of key individual employees in the plant facilitates fast processes and the elimination of existing hurdles.
  - 4 Together with know-how from the areas of lean manufacturing, Six Sigma, supply chain and logistics, financial analysis, benchmarking and value-stream mapping, a data-based approach guarantees quantifiable results.
  - 5 Operational excellence goes hand in hand with transparency, trust, communication and the integration of all stakeholders.
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pliers: Compared with the purchase of new technologies, the investment requirements for chaku-chaku systems are lower.

This demonstrates that the flexibility of a company's production processes is critical to its performance capability. Flexibility also plays an important role in initial investments, the cost basis and the return on investment that is ultimately achieved.

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**»Companies can no longer afford to view business areas and locations individually. To massively reduce costs and to ensure long-term success, a holistic approach is necessary – and operational excellence provides it.«**

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### Flexibility pays off

The demands for such flexible production systems frequently require a radical reorganization of production technology. Here, simple, less automated systems provide a higher level of flexibility and process stability for suppliers than new technology. For instance, the chaku-chaku system is extremely flexible and simultaneously facilitates comprehensive quality controls. Chaku chaku is a form of series production in which all work stations involved in the production of a work piece are arranged in a circle. In this system, the individual cost-efficient and automated assembly stations are not necessarily linked to one another. Rather, qualified workers load and unload these stations and pass the work pieces to the next step in production. In such a system, higher volumes can be smoothly managed by the use of additional personnel. And the best part for recession-battered sup-

### More quality from the start

Improving start-up quality produces direct cost savings in many areas. As a result, the reject cost can be reduced by more than half, and the cost for additional work in the areas of production and repairs can be cut by up to 65 percent. In contrast, cycle times are shortened by 30 percent to 70 percent depending on the extent of vertical integration. Working with Oliver Wyman, one company was able to manage its entire production in two shifts instead of three because the improved start-up quality facilitated higher cycle times. This is what operational excellence is all about.