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Demand Chain challenges

Strategic intent to Action

Presented by Ramki

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Agenda

- Automotive Demand Chain Trends
- Extended Enterprise/Collaboration
- Customer Expectations adds Agility
- Known Solutions but what will differentiate
- Key Success factors

Automotive Demand Chain Trends

- New Economies provide both market and supplier base opportunities
- Customers move manufacturing and sourcing base
- We follow customers-BCC manufacturing and Sourcing integral part of strategy of most companies in Automotive
- Supplier base, manufacturing footprint and customers-all three components of chain shifting creating impacts on how we deal with our suppliers, how we manage manufacturing and how we deal with customers. Innovation confused with short term fixes!
- Long Distant Sourcing emerges with its set of challenges to organization designs, managing complexity of logistics, legal frameworks and more requests to validate products with new suppliers of components as new risk or cost reduction opportunity identified
- Special steel and major commodities price increasing squeezing margins for component suppliers with strong share threat to major players from “Just enough Market segments” in China and India

Six Key Trends in Demand Chain

- Demand Driven chain-not forecast/capacity driven. Focus on interactive/iterative approach to planning. We have changed our organization from Supply Chain to Demand chain to reflect this change.
- Globalization-if not following footprint change better be aware that there are others who will come in
- Increased price pressures & new competitive positions-just got a bit more worse with uncertain economy!
- Outsourcing-speed is increasing with redefinition of core and non core!
- Shorter/more complex Product life cycles-Long chain is less flexible!
- Collaboration between Stakeholders of Demand Chain

Collaboration not as a word but as an active two way process, working beyond preset boundaries to win in the market. A battle to redefine boundaries of organizations!

Moving To The Extended Enterprise

- Most companies still struggling to make cross functional teams within company to effectively deliver →
- Still thought of cost reduction of components and consolidation to get better bargaining power →
- But move to effectively work in cross organization teams is the only way to optimize processes and deliver value—means a two step leap for a lot! Arms length relationship a thing of past?
- But we need to start to think of creating supply partnerships which reduce costs and create competitiveness! Those who do win!

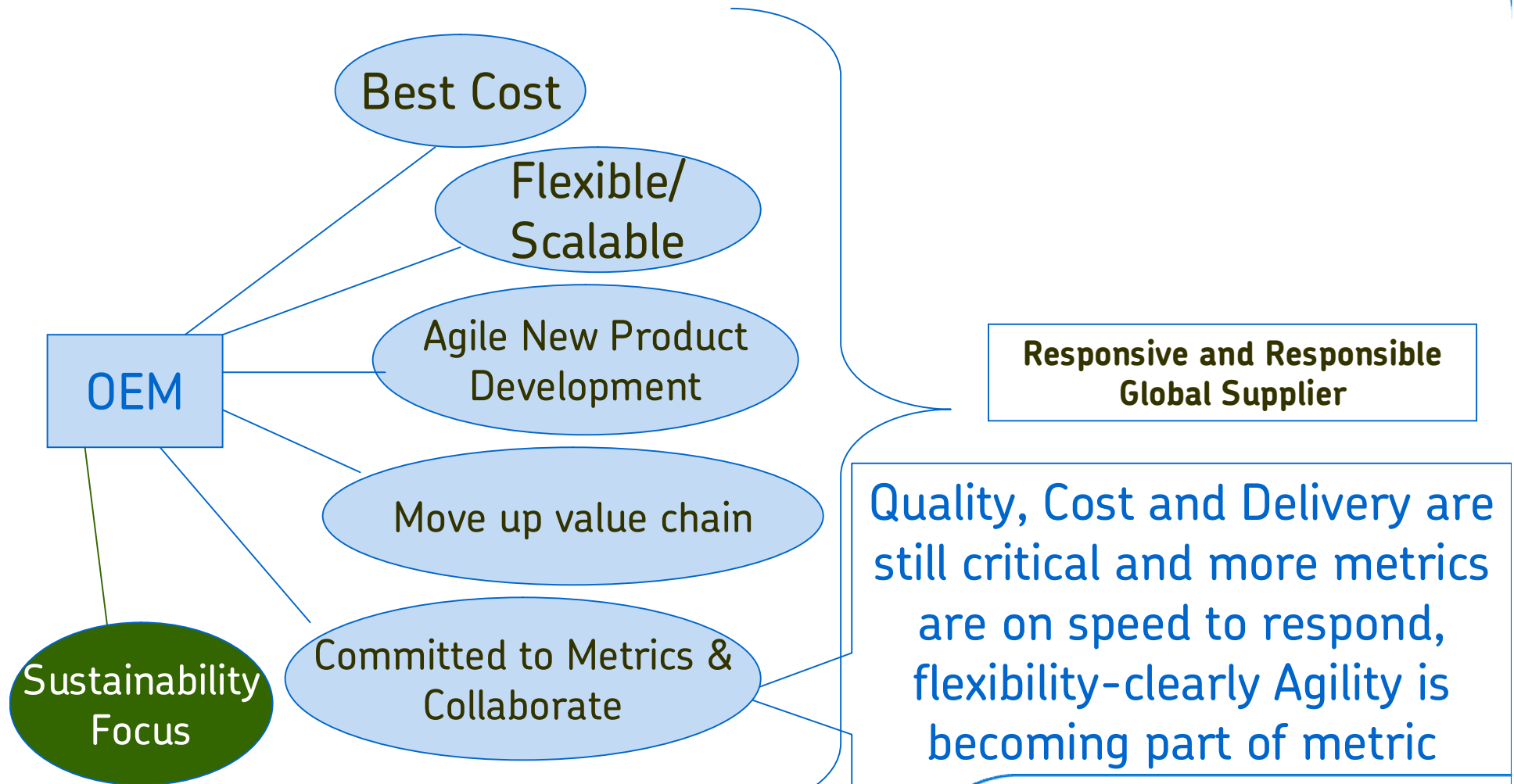
From Cross functional to Cross Organizational

From Physical efficiency to Market Effectiveness

Collaboration-What does this mean?

- Collaborate for Agility- Reduce Lead times, 100% Local Deliveries, Zero Broken promises, Build Flexibility, Break bureaucracy, *Breathe* Lean
- Collaborate To Compete-Cost reduction by innovation, proactive alignments and Process Excellence, Zero Defect, *Live* Six Sigma
- Collaborate in Information-move to Integrate Forecast/planning process, *Think* Extended enterprise
- Collaborate to Win-Knowledge sharing, Joint Projects (incl. Sustainability) and Long term partnerships, *Build* Positive Spiral
- Perform, Weave In and *Grow together!*

Customer's expectations



Lock In strategy!

Thinking some years ago in Logistics Companies was!

- System as a way to gain business and lock In
- Customers cannot move out easily!

Is this a sustainable strategy or extended enterprise thinking?

Reality is unless there is dynamic collaboration built we will fail in Locking customers!

If everyone has ERP and web tools there is no special competitive advantage!

Physical flows and value created are as critical as information flows in Demand Chain...we tend to oversimplify!

Known Solutions!

- Systems-ERP, Web solutions/EDI, SRM/CRM, Data warehouse/mining tools
- Process: Six Sigma, Lean, S&OP etc
- Strategic organization, Globally connected strategy

Many people think that Demand Chain will excel with Systems, Process and Strategy. People running same ERP/other systems, committed to process excellence, have a clear strategy still struggle with Agility!

Why?

What will differentiate?

Demand chain management excellence comes from 20% systems, 10% strategic alignment and 50% execution focus and 20% metric focus!

You know we miss Execution focus if a lot of time is spent on meetings discussing

- What the system cannot do than what it can do?
- Passive Aggression-everyone agrees but no one moves

Future will be for those who excel in

Execution Focus+ Extended Enterprise

It is not possible to easily replicate this between organizations as change drivers are significant once we move from Supply to Demand chain...

What will be key?

- Speed: More people involved more time spent...review this with open mind as driving consensus is also speed breaker! Take a balanced view!
- Six Sigma: Focus on more Joint Demand Chain projects with suppliers/customers as sales people/purchasing people interface alone is not enough to get process efficiencies
- Collaboration: Reward simple successes of suppliers and reinforce positive spiral...don't wait for the big Supplier day!
- Innovation: Young teams with open mind always help to build Extended enterprises!

Make a beginning and you will see the change!

What objectives!

- Supply chain planners are the brain of the flows-ensure they don't spend too much time in fire fighting or other NVA
- Take a marketing approach to Tool usage-don't say implementation complete for any tool.
- Make Six Sigma projects with suppliers as an Objective-this enables understanding processes better and sets a frame for Extended enterprise and collaboration
- Enforce Execution rigor by watching passive aggression symptoms
- Create Positive Spiral by encouraging informal networking-make it official!

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