

CASE STUDY - Multinational (collaborative)

Industry - Automotive

Problem - Big financial losses; threat of losing at least 60% of the business due to the two main customers leaving

1. SNAPSHOT

A global business with a project team of over 100 staff in 8 countries across Europe, Asia, and America was responsible for P&L, acquisition, design, development and delivery of high-precision automotive electronic systems for several concurrent car platforms for the Asian, European and the North American markets. Inability to effectively respond to constantly changing customer requirements led to spiraling R&D costs and highly dissatisfied main customers (OEM) and Tier-1 suppliers. Potential threatening law suits would seriously inhibit the company's growth in the Asian market

2. PROBLEM

The extremely high customer expectations (including accommodation of frequent requirement modifications and cutting turnaround time to 30% of that being commonly accepted in the industry) led to high manufacturing costs, poor product quality, financial loss of approximately 20% across all car platform projects, and very high stress levels among staff.

3. IDENTIFIED CAUSES

- A uniquely challenging business dynamics meant that the company's project team was in fact a Tier-2 supplier to the customer through two separate Tier-1 suppliers which were its competitors trying to jeopardise the relationship between the company and its client in order to secure future business for themselves;
- Internal conflict between the development and manufacturing teams, the project leader, and the business units serving the projects in several locations around the world due to lack of understanding of cultural differences in customer-supplier relationship and expectations between East and West;
- Lack of "big picture" view of all the projects and their imminent milestones; sole focus on managing from one day to the next (over 100 emails a day on project issues from around the globe);
- Inadequate resource distribution, overcommitment, and misplaced loyalty of some staff members (due to cultural differences);
- Delays in addressing warranty returns; rigid, inflexible, not customer-oriented processes varying across the globe (customer experienced each business unit as if it were a separate company);
- Loss of productivity through "endless" regular and crisis meetings;
- Staff unable to operate independently (need for heavy micromanaging due to cultural differences and lack of adequate training);
- Cross-cultural conflict amongst project team members.

4. SOLUTION

1. Understanding key drivers of both the customer and the Tier-1 suppliers (and what they are willing to compromise) enabled recouping some of the R&D funds and reducing them in the future.
2. Training not only in technical skills but also in team-work, collaboration, basic project management, coaching and mentoring by the manager for staff members to become more independent and capable of solving existing challenges.
3. Introducing innovation and improvements initiatives: e.g. setting up a coffee room to serve as an environment which increases collaboration, knowledge-sharing and improvement ideas amongst the staff and management teams (scheduled regular meetings focused on improvements).
4. Design and development of an online tool to help more accurately track all projects during the product development phase (quality, delivery times, cost).
5. Simplifying and streamlining the existing processes and creating new ones to improve collaboration, speed up product development and delivery and increase product quality.
6. Using commonly available components and simplifying the part numbering system to eliminate unnecessary tests.
7. Creating a close-knit global community of dedicated and flexible project team members (e.g. establishing a better relationship with European-based manufacturing unit for greater flexibility and turnaround time).
8. Staff to maintain a healthy balance between work and life: reduced work hours from 70 to 50 per week through better productivity, encouragement for membership at a fitness centre, and fewer international trips to reduce stress.

5. OUTCOME

- Significant reduction of manufacturing costs through streamlining of tests, use of more commonly available components, and reducing part numbers from 200 to 75;
- Successful (on time, on spec and on budget) delivery of all projects;
- Smooth succession following 12 months of training and preparation for the new project leader;
- Improved communication and atmosphere in the department; staff more motivated, healthier and happier;
- 25% reduction in mistakes compared to the year before (gain of \$2.7 million);
- Improved relationship with the four customers resulted in RFQ for a number of new projects.