

Lord of the Parts

Text JÜRGEN HOFFMANN / Photo MARCO PROSCH

Three million parts. No, this is not the most difficult puzzle in the world, but the rough number of parts in an Airbus A320. From the solitary screw to ready-to-install components like seats, Airbus gets most of these parts from suppliers. Around 80 percent of the value creation in a modern aircraft takes place externally—it's no wonder, then, that Airbus places the utmost importance on smooth-running processes in the supply chain. Together with Porsche Consulting, an organizational model for a flexible and efficient operational procurement apparatus was developed.

Some 2.3 million individual parts arrive daily at Airbus plants worldwide. That amounts to roughly 600 million parts annually. These parts are supplied by around 3,200 European, American, and Asian companies. Airbus's strategic procurement department is responsible for the contracts with suppliers. Daily operations are handled by the operational procurement department, which counts 1,800 employees from twenty-four countries at eleven locations. As the director of this business unit, Thomas Moik was all too aware of the complexity of the endeavor: "Providing the right parts at the right time to the right workstations in order to enable smooth production and top quality demands exceptional performance from the operational procurement team."

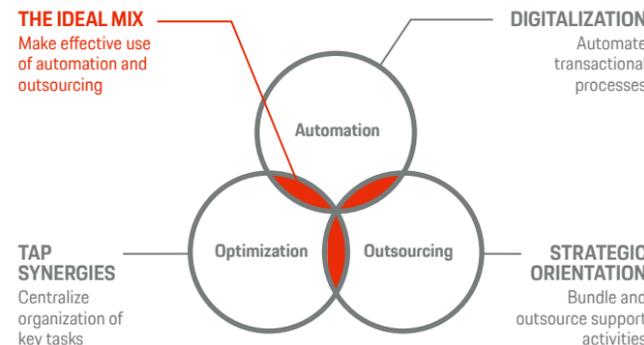
Accomplishing it calls for continual organizational adjustments and workflow optimizations. The transformation of the internal supply management apparatus is an evolutionary process. One major step forward was the collaboration with Porsche Consulting: "We asked the consultants to find answers to three key questions: Which activities do we want to outsource and which do we want to handle internally? Which processes can and should be automated? And which internal work processes can be harmonized and optimized?"

In order to find the answers, the consultants first needed to get a clear picture of the unit, which is spread over Germany, France, and Spain. A functional analysis provided the



HIGH PERFORMANCE ORGANIZATION

Airbus is trimming operational procurement for high performance using three levers



Thomas Moik
As the director of operational procurement for Airbus, Moik is responsible for millions of parts—all of which have to be at the right place at the right time.

needed information. The next step was to contact each of the locations and teams and ask them to complete an online survey. This approach made it possible to quickly and easily survey all employees of the operational procurement unit about their precise activities. They didn't have to wait long. After just ten days, the results were in: "The analysis was very informative," says Moik. "Through it we were quickly able to establish a consistent picture of our situation and in particular our current capacity distribution." In contrast to the conventional method used, which involves analyzing an individual location and then extrapolating from that to the overall situation, this approach enabled Airbus to draw on an exact, fact-based assessment. "The survey also enabled us to get the employees on board," says Moik. Involving the workforce in a change process, he says, is critical to ensuring its ultimate success.

Together with input from employees and management, the answers to the three initial questions ultimately emerged. Some 65 percent of transactional processes can be automated. A further 20 percent can be improved through harmonization and reorganization of processes. And 15 percent of procurement tasks can ideally be performed by external service providers.

To the surprise of the Airbus management, it turned out that many activities that were previously outsourced should be brought back in-house. "We had actually expected that the share of outsourcing would rise relative to the automation and optimization," recalls Moik. "But in fact, the exact opposite was the case: the slice of the pie for outsourcing actually got smaller. When looking at the two other instruments, we found that we have a lot of capabilities within the team that we need to put to better use and that we can build on through further training measures. And that for some task packages that we previously outsourced, all we have to do is re-sort things in order to be able to perform parts of those activities internally in the future."

Moik has been very pleased with the results to date: "Our employees, who have enormous potential, can now do many more jobs, and in a less reactive and more proactive manner. Another aspect of this is that we can now think and act in a more data-driven way, plan and simulate with greater foresight, and thereby avoid disruptions in the production process. And finally, we have identified many new digital tools that we can use in processes and that lead to efficiency gains." One example is that orders can be automated with the use of small programs known as bots.

The build-up of the High Performance Organization in the operational procurement unit is now in full swing. "We're at about 80 percent in terms of outsourcing and are hard at work on programming further bots," says Moik. One particularly important point for the aircraft manufacturer is the reduction of the rate of missing parts, which the company was able to reduce by factor of six between 2012 and 2017. "But that is not yet the performance level that we need for our production," emphasizes Thomas Moik. "We are currently at an availability rate of 99.3 percent, but our goal is to get up to 99.6 percent." The automobile industry serves as the model for this European aircraft manufacturer. All the more reason why, as Moik notes, "That's why we chose Porsche Consulting to advise us." In addition, he says, he was also looking for a partner "that doesn't just put together a PowerPoint presentation but has actually conducted and implemented similar projects in practice in the past."

For Airbus, optimizing the operational procurement apparatus is of decisive strategic importance to its effort to remain ahead of the global competition in the industry. Flexibility is one aspect—a manufacturer has to be able to react swiftly to market shifts. Another aspect is the planned expansion of production of the A320 family from currently sixty to sixty-three machines a month by 2021. Moik explains, "One thing is clear: everything we're doing helps boost the efficiency of our production. The key to our success is to manufacture top-quality products with the fewest possible disruptions under serious cost pressure."