



PROFITABILITY IMPROVEMENT VIA CHANGE MANAGEMENT

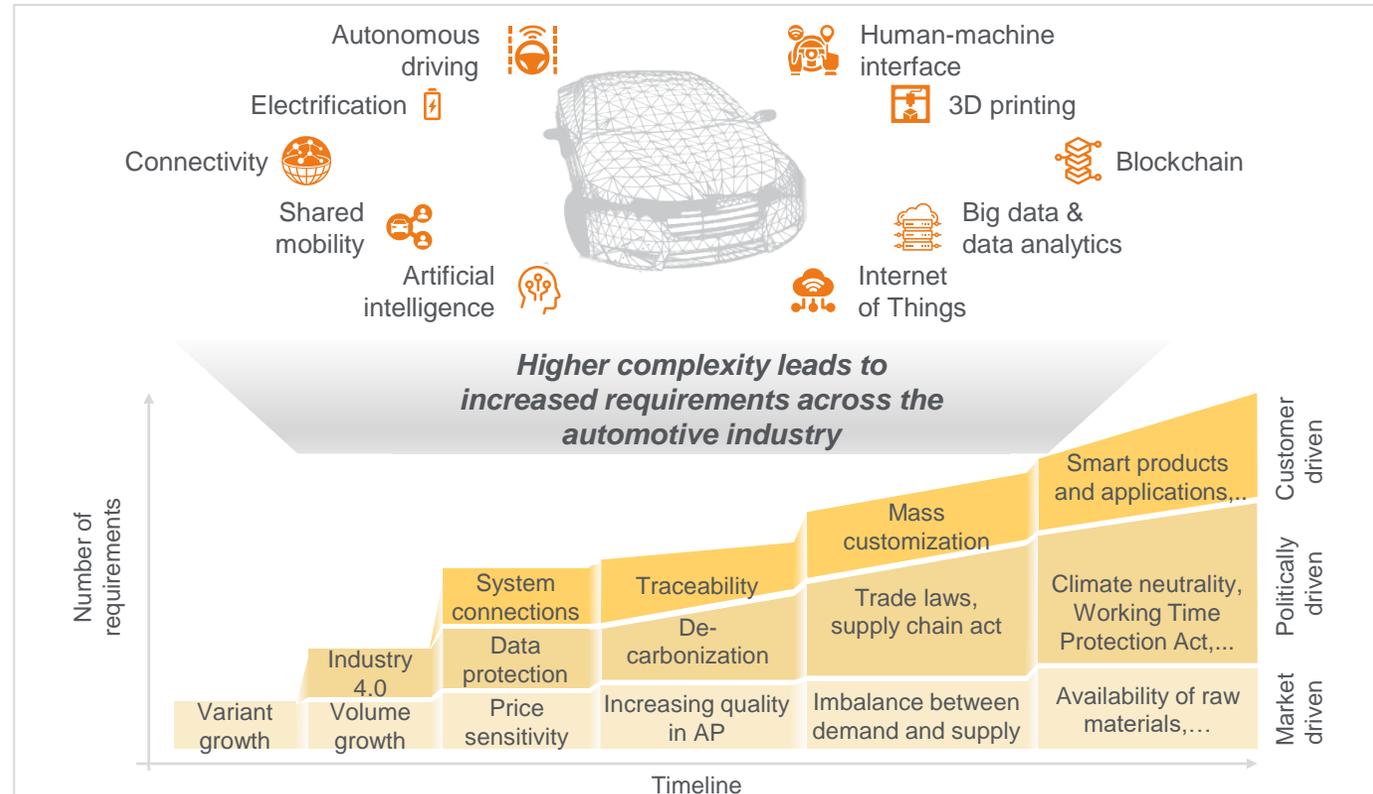
How automotive Tier-1 suppliers can achieve sustainable profit enhancement

 **EFESO**
MANAGEMENT CONSULTANTS

PROCUREMENT & SALES
INSIGHT

New technologies in automotive industry are leading to increased requirements on change management for Tier-1 suppliers

New technologies in the industry lead to increased requirements



Consequences



Missing experience in R&D teams



Higher uncertainty in projects (e.g., volume fluctuations, technology changes)



More development loops & increasing number of changes

Impact for Tier-1 suppliers

With change management becoming more important, its relevance for the overall profitability is rising



Tier-1 suppliers must adapt their change management processes.



Source: EFESO research

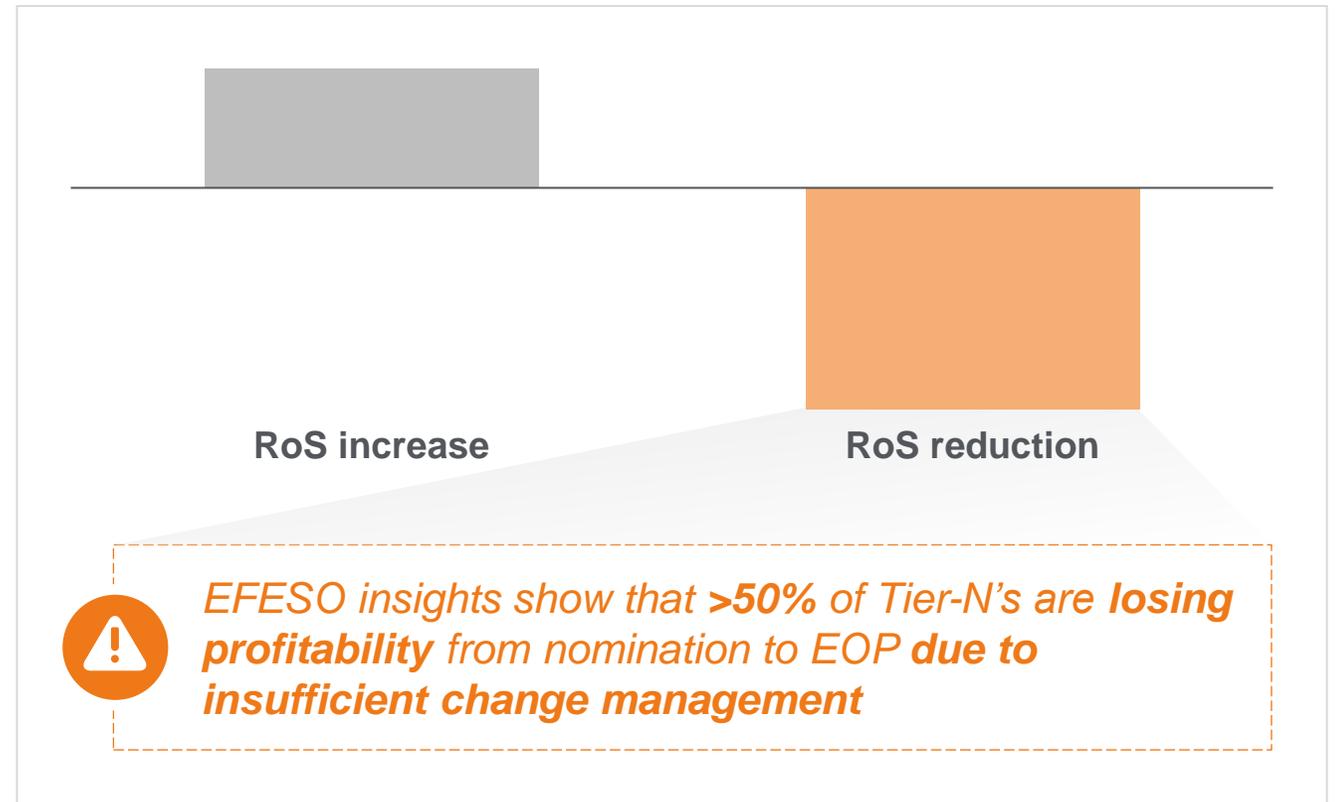
1) Increase in number changes between nomination & EOP for an example part in the previous and the current vehicle generation of a textile covering part for an automotive OEM

All types of changes impact profitability, affecting the RoS in each project. For most Tier-1 suppliers, this leads to reduced profitability

Influence of changes



Implication on Tier 1 suppliers



EFESO insights indicate that most Tier-1 suppliers are currently not equipped to effectively manage change.

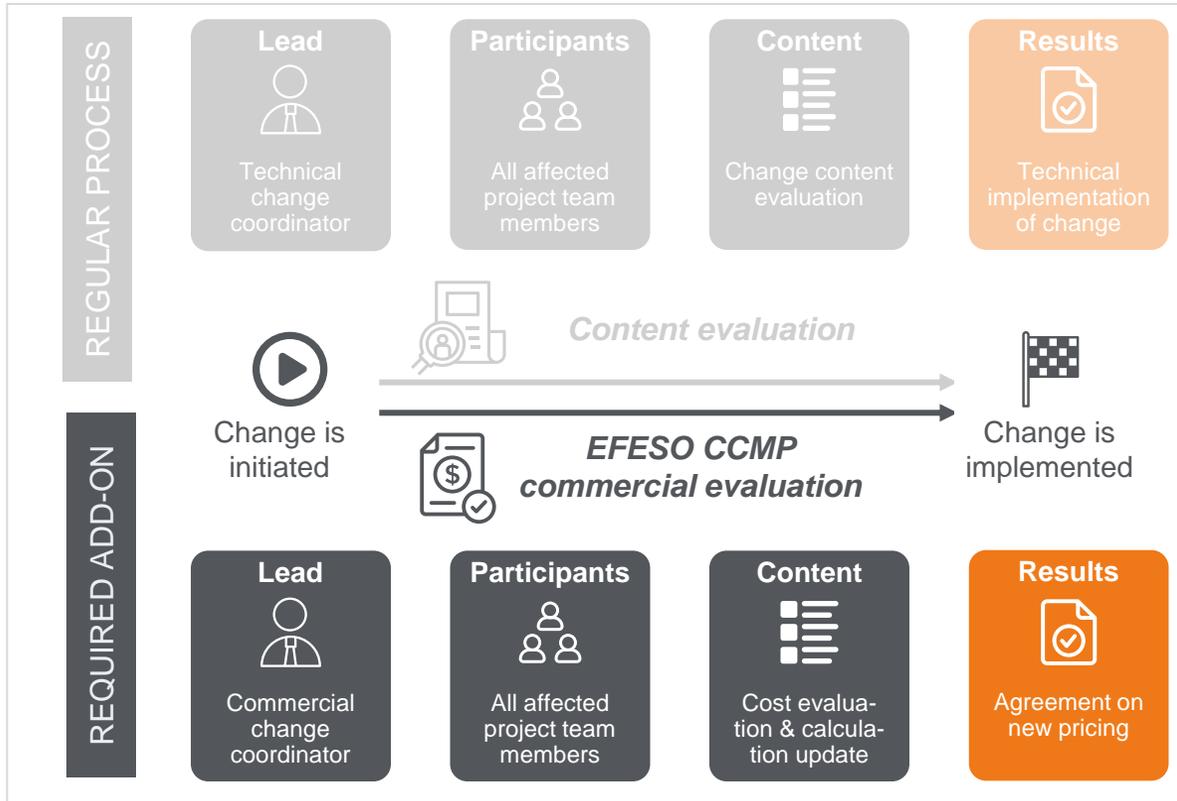


EFESO insight: suppliers with best-practice CM use it to enhance profits, while others lose money due to weaknesses, particularly in four key areas

		
 General process	✓ Content & cost evaluation	✗ None / just a content evaluation process
 KPI tracking	✓ KPI & profitability tracking at project level	✗ Profitability is not tracked at project level
 Reimbursement	✓ price update & change negotiation	✗ Commercial impact is not conveyed
 Governance	✓ Project team & CCB, incl. all stakeholders	✗ Changes are handled one-by-one
	Suppliers with best practice CM use it as continuous profit enhancement	Suppliers with weak CM continuously burn money with every change

The focus on commercials in a CM process is ensured with a secondary process flow, the EFESO Commercial Change Management Process

2 workstreams in the Change Management process



Details of the EFESO CCMP

To fully evaluate a change, a **commercial workstream** is required on top of the regular content evaluation.

A Why?

- All changes have a **cost impact**
- Reimbursement from customers **requires a structured process**
- Dedicated **focus on commercials** is required to safeguard profits

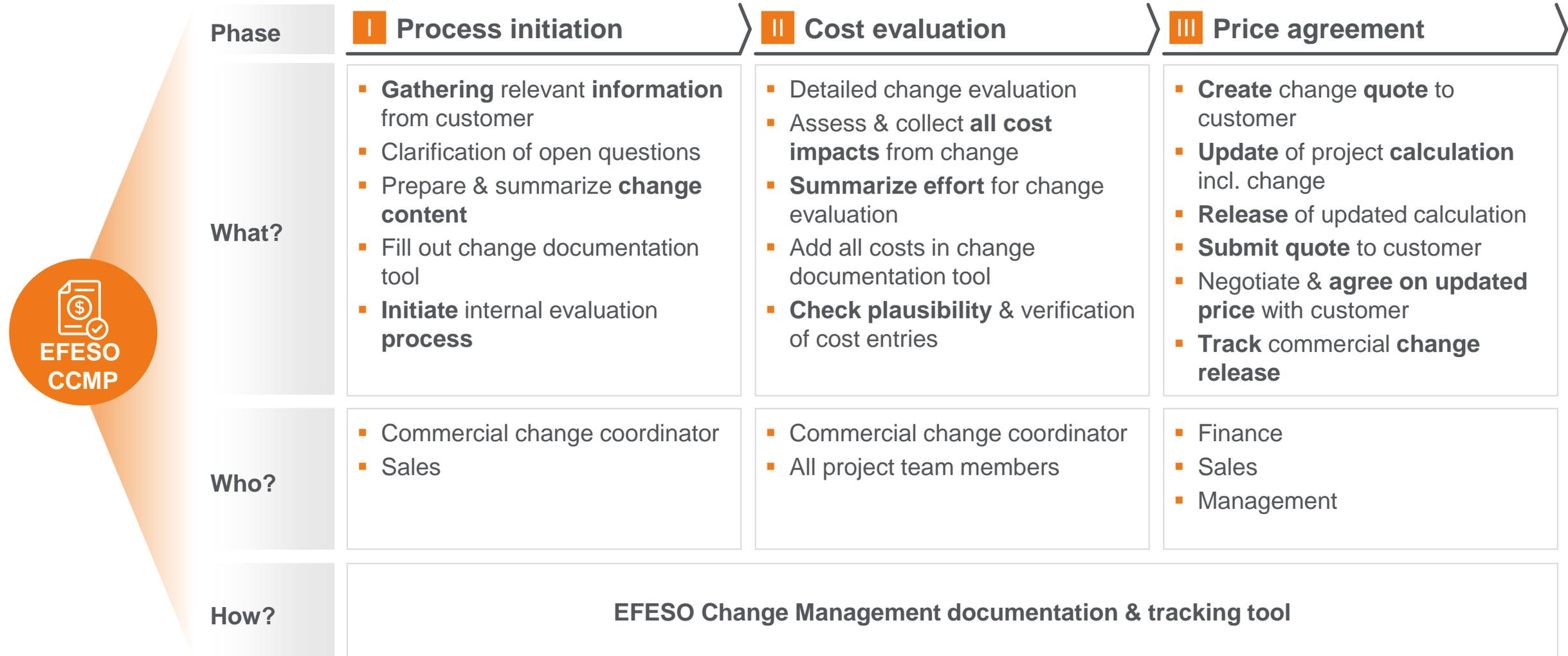
B How?

- **Identify all costs** that occur in change implementation
- **Assess the impact on** business case & **profitability**
- **Prepare & submit a change quote**
- Ensure **achieving of commercial targets**

The commercial process requires a structured approach and clear process steps & responsibilities.



Several steps are required to perform the EFESO CCMP that are categorized in three phases



When the key principles are applied correctly, the EFESO CCMP ensures profitability improvements with every change

Key principles of EFESO CCMP

With the **following five key** principles, the EFESO CCMP leads to significant profitability improvements:



Single entry gate



Involvement of all stakeholders



Consideration of all costs & efforts

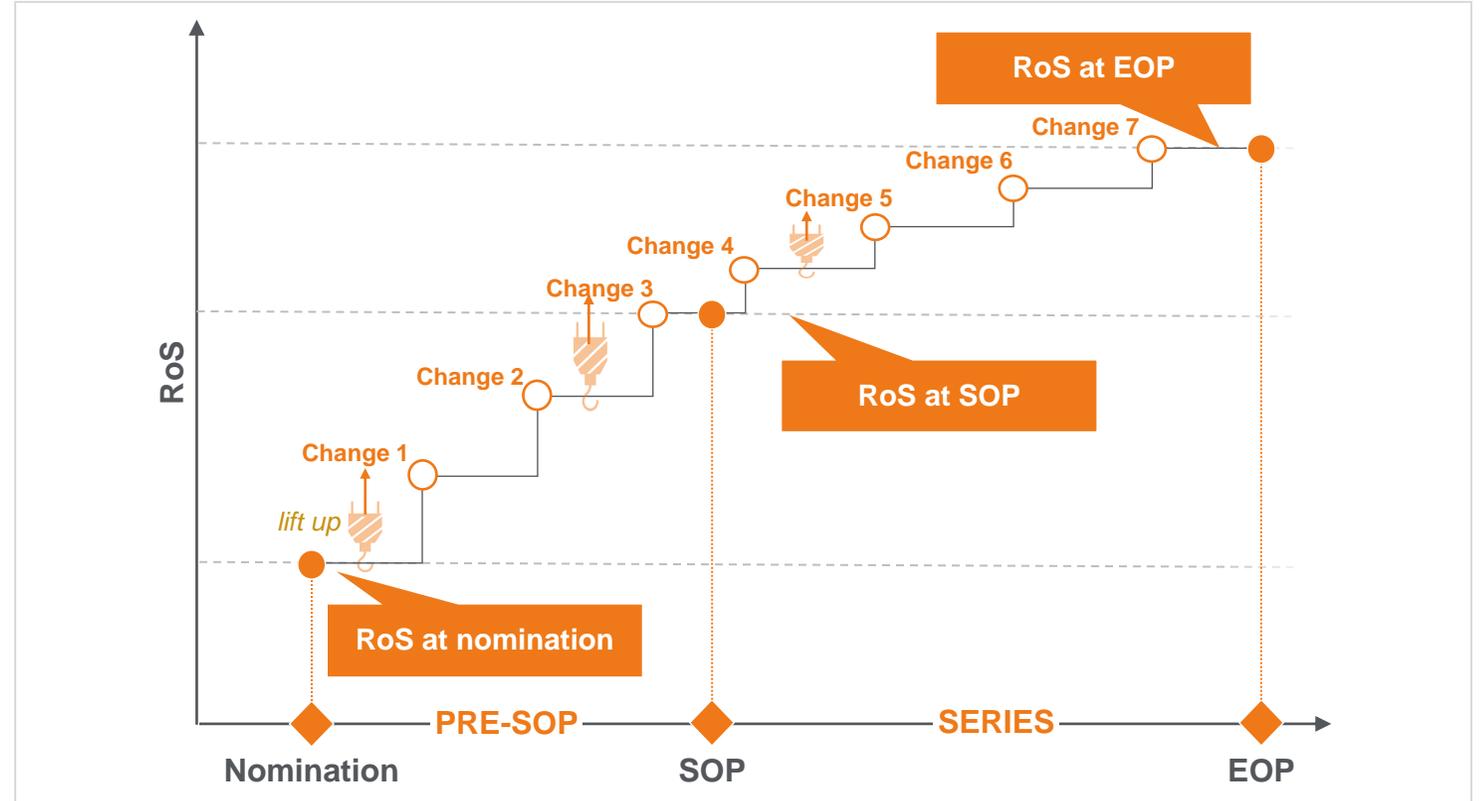


High attention on profitability



Focus on customer reimbursement

RoS development with the EFESO CCMP



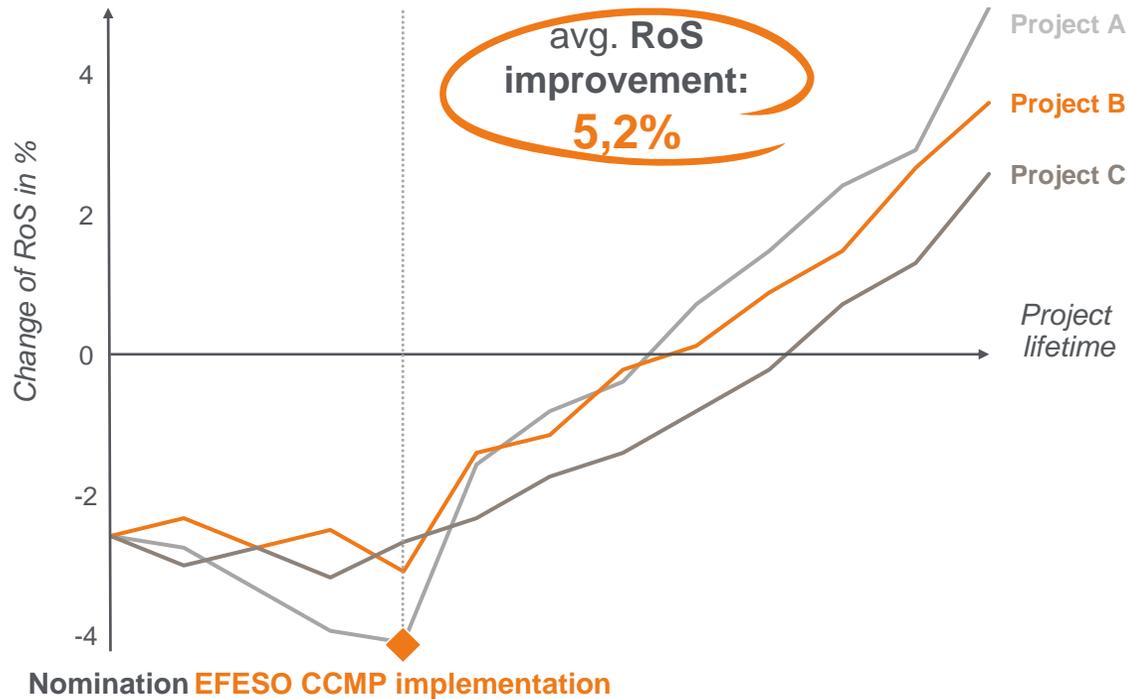
The EFESO CCMP boosts profitability having the focus set on commercial improvements in every change.



The EFESO CCMP ensures margin improvements in every project and provides additional major benefits for Tier-1 suppliers

Results: profitability improvements in every project

The EFESO CCMP ensuring **company-wide margin improvements for all projects.**



Additional benefits

Besides improvements in profitability, our approach **secures further enhancements in different sections.**



Applicability for all projects

EFESO CCMP can be applied for every project



Comparability for different projects

Data base & tracking allows to compare projects across company



Visualization of commercial impacts

Every change is monitored & tracked within project specific data-base



Transparency & traceability

KPIs of a project are permanently visible



Strengthening of cost sensitivity & awareness

Commercial sensitivity is enlarged within the whole organization



