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Jean Marc Lechêne

Executive Vice President & COO, Vestas

“Everything boils down to one unique challenge: changing people’s mind-set”



FROM S&OP
TO IBP

Jean Marc Lechêne, Executive Vice President & COO, Vestas

“Everything boils down to one unique challenge: changing people’s mind-set”

Love them or hate them, wind turbines have become part of the modern landscape. As global demand for renewable energy increases as it becomes cheaper and more efficient, wind systems providers such as Vestas are striving to keep up with the relentless growth and fast pace of new product introduction. “It’s an industry that naturally and constantly pushes you out of your comfort zone,” says Jean Marc Lechêne, Chief Operating Officer, for the world’s largest supplier of wind energy systems. Besides technological leadership, what has kept Vestas one step ahead of competition in the past seven years is its cross functional three-phase transformation program called “Accelerate Earnings”, that culminates in end-to-end, full value chain optimisation. “We’ve changed from silo mentality to working as a cross-functional team and have developed an open book relationship with many of our strategic suppliers. After all, we’re all on the same boat,” says Lechêne.

Interview conducted by Martijn Lofvers and Oskar Verkamman, written by Helen Armstrong

If you’ve ever been up close to a wind turbine or seen part of a tower or blade on the back of an oversized lorry you know the enormity of such constructions. Towers of up to 170 meters and blades of more than 75 metres take a feat of engineering and precision organisation to set up. But Vestas, the world’s leading supplier of wind energy systems, does not shy at a challenge. It has a history of unforeseen setbacks and has always bounced back with grit and its “Will to Win” culture.

The Danish company’s roots go back to the late 19th century when it began as a blacksmith. It later went into milk coolers, hydraulic cranes and in 1970s secretly began experimenting with wind energy. A flaw in its first commercial version led to it designing a more robust model with the priority on safety and quality, attributes that are still at the foundation of the strong company culture. By the mid 1990s it had developed a turbine that could supply the grid with an even electrical output and it delivered its first off shore wind farm.

Today, Vestas employs nearly 25,000 people and has installed over 67,000 windturbines in 80 countries, representing a installed capacity of more than 100 GW. This year annual turnover will exceed 10 billion Euro. As the global appetite for renewable energy accelerates, Vestas anticipates that by 2020 10% of global electrical consumption might be supplied by wind energy.

Jean Marc Lechêne, Executive Vice President & COO, Vestas, describes how he is helping to deliver this growth.

What is your responsibility?

“I am responsible for Global Procurement, Manufacturing, Safety, Quality and Environment. It comprises over 14,000 employees in 22 factories over 5 continents and EUR 8bn of spend. We also have eight additional factories that we sub-contract, for both blades and nacelle assembly.

It is noteworthy that Supply Chain Planning is a separate function and sits between Sales and Manufacturing, so the Head of Planning is on the Sales Management Committee as well as the Manufacturing Management Committee in order to ensure full alignment. Also, Sales is in charge of Construction in order to ensure the most effective dynamic optimization with customers.”

How have things transformed since you joined in 2012?

“When I arrived seven years ago we launched the program “Accelerate Earnings”, the aim of which was to reduce the cost of purchase by 15% in two years (2013-14). Vestas was not very lean at that moment and purchasing was scattered. So, the name of the game was to optimize commercial terms: we consolidated purchases, reduced the number of suppliers while implementing A, B, C segmentation. We also ensured we were fully prepared

Jean Marc Lechêne (60) was born in Paris, France and currently lives in Denmark with his wife. They have four grown-up children.

Education:

1988 MBA, INSEAD, Fontainebleau (FR)
1981 Master Degree in Engineering, École des Mines de Paris (FR)

Former positions:

2011-2012 President, Lechêne Consulting (FR)
2008-2011 Executive Vice President, Truck Tires Europe, Michelin (FR)
2002-2008 Executive Vice President & President, Cement Operations North America, Lafarge (USA)
2000-2001 Senior Vice President & President, Canadian Cement Operations, Lafarge (CA)
1996-2000 Executive Vice President, China Cement Operations, Lafarge (CN)
1993-1996 Senior Vice President, Cement Strategy, Lafarge S.A. (FR)
1988-1993 Senior Manager, Manager and Associate, McKinsey & Co (FR)
1986-1987 Deputy Technical Director, Dassault Systemes S.A. (FR)
1984-1986 Technical Sales Engineer, Dassault Systemes S.A. (FR)



for negotiations with respect to estimated cost, cost of inputs, margins etc. By discussing mostly prices with our suppliers, we achieved our target.

Then, we launched the second phase of the program, “Accelerate Earnings Pro”, which was a three-year, cross-functional program. The name of the game was to reduce the cost of wind turbine components by reducing waste in the supply chain in conjunction with suppliers. So we started to work with categories centred around components, gathering people from Technology, Manufacturing, Procurement and Quality. This approach enabled us to reduce the cost of components and achieved significant savings at a similar pace to the first phase.

We are now in the third phase of the program, “Accelerate Earnings 3”, which runs until 2020. It’s end-to-end, full value chain optimisation, from design right through to service. It starts with the fact that the cost of the wind turbine components (on which we had focussed on the first two phases of AE) is only 50% of the full cost of a wind energy system project, the rest being transportation, construction, infrastructure and service. So, we realized there was still significant untapped potential for cost reduction in these areas. But achieving that potential required that we stepped up the cross-functional work at the next level. In essence, the designers need to know the requirements of each activity across the value chain, among which cost structure and drivers, in order to find the sweet spot between achieving performance and full cost optimization. It is essentially an organizational and executional challenge.”

How does Vestas incorporate supply chain requirements into R&D?

“We are entering a new way of developing products that is centred around modules; each module encompasses the entire supply chain. The objective is to get it right the first time so that we don’t have to redesign due to mistakes or shortfalls. By taking into account the full value chain we are becoming more effective and reducing time to market.

Suppliers are also involved in R&D because we want to benefit from their expertise and good ideas: we have more than 2,000 engineers and technicians but our suppliers combined probably have over 30,000. Each time we purchase a part, about 3% of the purchase price goes towards the supplier’s R&D department so it makes sense to use their skills too! However, it is a journey: gradually our engineers are realising the benefits. It means we can focus our scarce resources where it makes a greater difference and creates more value for Vestas.”

What were the biggest challenges during the Accelerate Earnings programs?

“Everything boils down to one unique challenge: changing peo-

ple’s mind-set and ways to operate, from vertical functional silos into horizontal cross-functional teams working on a wider and wider scope. It means that everyone opens his or her mind, is more curious, develops networks across the value chain and ensures quick flow of relevant information, in order to eventually make better decisions and choices.

This sort of change management involves a combination of many things: first the leaders have to lead by example, showing by their behaviour that they want to work more together. I tend to attend internal gathering with my peers from ExCo to show that we are all on the same page and promote end-to-end, cross-functional collaboration. It is about inspiring and sharing stories, so that people see the value in working together. Then, cross-functional processes have to be implemented. And finally, it’s about each individual deciding to change his or her behaviour to eventually achieve a much richer and more satisfying work experience.” <>

Read the full interview in the regular issue of quarterly magazine Supply Chain Movement Q2 2019.

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