Accelerating Speed to Market in the Highly Competitive Automotive Industry

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Executive Overview

This White Paper will discuss the value of an Enterprise Project Portfolio Management solution in accelerating the launch of new automotive products to achieve full lifecycle return on investment.

Introduction

In the auto industry, introducing new products to market can cost up to $1 billion depending on the product’s complexity. Getting these products to market on time is crucial in order to realize ROI during the full lifecycle of the product. Without a timely launch, OEMs aren’t only affected, but suppliers, dealer sales & services and aftermarket ecosystems lose out, as well.

Earlier this year, we saw new product launches that struggled and experienced recalls, with the potential loss of thousands of units in sales and corresponding loss of market share and customer confidence -- something that in this competitive environment is hard to win back.

Studies also suggest that for every day an automotive launch was late, an OEM missed out on a million dollars in sales. One OEM believed that after being three months late on a major launch – it had lost 60% of the lifecycle profit.

Why does production fall behind? Often the culprits are a lack of transparency and communication between the hundreds of business units in design and production or unforeseen issues with suppliers, retooling or specialized resources. Outside forces also place additional pressures on OEMs. Consumers demand advanced technology and better fuel efficiency in every new product launch, which requires more highly skilled workers in the right places at the right time during production. Global economic uncertainty, heightened regulatory compliance and legal issues complicate product launches even further.
Project management has direct ties to the bottom line. When project schedules falter, customers wonder whether automakers are delivering a good product, and investors lose confidence. A record 500 global vehicle launches are forecasted between 2012-2016, according to IHS Automotive Consulting. To gain competitive advantage, a timely rollout is essential to capture the full lifecycle and ROI of these products.
Getting on the Fast Track

Over the next 10 years, the automotive industry will likely see the most dramatic changes in customers’ buying preferences in its 100-year history, according to Deloitte Consulting. 4 Attitudes altered by the recession will continue to evolve in mature markets, while a shift from economy cars to luxury segments will occur in emerging markets. Advancements in alternative technologies will also transform consumer mobility. Manufacturers need to be able to cater to ever-changing customer demands in the shortest possible time. They need to gain access to technology faster and ensure the technology is launched faster. OEMs will struggle to make required investments and develop the capabilities to deal with these trends, according to Deloitte. The winners will be the ones that profitably and flexibly meet regional customer requirements.

As these technologies advance at a rapid pace in new vehicles, new high-level skill sets are required in the production processes – while many operations have gone to countries with declining skills, and OEMs must ensure that they have the right people at the time to address those technology needs.

Workforce Flexibility

The current major transformations taking place in the automotive industry are occurring on a number of fronts, all of which require a flexible workforce, according to Deloitte. They include:

- **Technology.** The growing demand for greener engine technologies, coupled with a shift towards increased integration of mechanical, electrical and software engineering.

- **Production.** To reduce risks and costs, OEMs and suppliers are shifting towards the closest low-cost production environments within trading zones.

- **Research and development.** To meet the needs of new customers in emerging markets, companies’ R&D and design efforts are being centered in the markets they expect to serve.

Each of these factors will have an impact on talent management as OEMs struggle to find the right numbers of employees with the right skills in the right place at the right time.

Risk Management

To succeed in the fiercely competitive auto market, OEMs must plan and select the right projects that focus on design, engineering, estimating, schedule, risk, supplier and cost controls that will provide the desired ROI, minimize risk exposure and increase market share. Next, OEMs need to manage and execute projects to improve operations. Finally, OEMs need to leverage best practices for growth and reduced risk. Project portfolio management plays a key role in each of these areas.
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The Solution

The automotive industry needs a solution to help manage the innovation and time-to-market cycle. It also needs a tool that can integrate into existing ERP and PLM solutions. These tools provide a funnel for innovative ideas, selection of the best project mix, management of resources, and the mitigation of risk that enable industry to accelerate the time to market.

An enterprise project portfolio management solution (EPPM) can refine the project analysis, selection, management, reporting and risk mitigation processes associated with new product launches.

EPPM is a comprehensive collection of business processes for prioritizing, selecting, planning and executing projects, programs and portfolios integrated with financial, HR and capital asset management information. Successful management of these processes ensures alignment of strategy with planning and execution of stakeholder’s most critical projects. It also supports balanced resource utilization and ensures the focus of the stakeholders’ most critical resources on the highest return projects. EPPM can also maximize ROI and allow for repeatable success while lowering costs and/or increasing revenue.

• EPPM provides visibility and collaboration across the enterprise to bring heavy vertically positioned groups together to share project status, information and updates in a timely manner – thereby minimizing delays. To effectively leverage resources, such as personnel, equipment and materials, the utilization view must extend to more than just one project, and cross utilization must be appropriately coordinated. New car development teams usually include groups of engineers covering such things as chassis and body, suspension, drivetrain, control systems and other major subsystems. Other teams may be dedicated to eliminating "NVH" (noise, vibration and harshness), meeting government regulations, or developing the most technologically advanced in-car infotainment system. An EPPM solution keeps Operations apprised of project status in each area, anticipates schedule delays and helps plan for the next phase of the launch.

• An EPPM solution enables organizations to align the right resources to the right projects at the right time. As technologies evolve, OEMs will endeavor to distinguish and develop talent pools with traditional and non-traditional workers by technology and region, according to Deloitte. Workforce requirements for each region will be determined by function and scale. Certain functions — such as design, engineering and parts production — will be carried out on an increasingly diverse geographic basis, working together in a virtual environment. An EPPM solution ensures that these resources are fully leveraged, and resource requirements are clearly understood.

“88 percent of automotive executives see new products and technologies as the major growth tactic for the next five years.”

KPMG Global Automotive Executive Survey 2013
• An EPPM solution gives all appropriate participants access to vital project and portfolio information. Participation is also enhanced with integration to mobile devices. By connecting everyone involved in the project process, both information velocity and decision-making are faster and more accurate.

• EPPM can also help Operations pick the right projects to take to market. Risk Analysis provides a comprehensive means of determining confidence levels for project success and easy techniques for determining contingency and risk response plans. EPPM also provides a view of required contingency plans to account for cost and schedule uncertainty, and analyzes the cost effectiveness of risk response plans.

• EPPM can help improve return on investment. With EPPM, financial goals are met, providing increased revenue, stakeholder satisfaction and increased market share.

Conclusion

The future looks bright for the automotive industry. Monthly car sales in 2013 have outpaced pre-recession levels, and falling unemployment has given consumers confidence to make car purchases. Timely product releases and superior quality are crucial to winning market share in this highly aggressive industry.

An enterprise project portfolio management solution can be a strategic tool in capturing competitive advantage.
http://www.freep.com/article/20130616/BUSINESS01/306160051/auto-suppliers-Ford-Chrysler-TRW
5. KPMG Automotive Executives Survey 2013.