

Transcript Episode 22

SCM China – Adaptable Procurement in an innovative and digital market

Moderator: Thomas Holzner, Guest: Michael Haendel

Intro: The DigiPodcast – Digital trends in Supply Chain Management

Thomas Holzner

Hello and welcome to our DigiPodcast. I'm Thomas Holzner from Siemens SCM DigiNetwork with the DigiPodcast, a podcast on digital and innovative topics for procurement in the future. Digitalization is becoming increasingly important for every company. At Siemens in particular, digitalization is a fundamental element for success. Today we look at something special: we have the Head of Siemens SCM Supply Chain Management from the great 'Middle Kingdom' – from China – here. Hi Michael Haendel, how are you? And it is nice that you are here with us.

Michael Haendel

Thank you, Thomas, for the invitation. I'm doing well, thanks. I am very happy joining our DigiPodcast.

Thomas Holzner

Thanks a lot. And I think especially nowadays it is really a challenge for you. I have known Michael since several years and he's been doing a brilliant job in China for some – I think three – years? I think it's quite well for our listeners that you share with us how you cope with the crises of the last few years, like Corona, like the suggestion at the harbors. What was your approach there?

Michael Haendel

Thank you, Thomas, for the question. At first, China is an amazing country, everything is high speed, innovative and digital. For example, when you leave your home, you don't need to bring your wallet, it's okay if you have your cellphone with you. It's a country with great business opportunities and Siemens does an excellent job in accelerating our business here. Of course, we have seen a lot of challenges. And one challenge to start with is just the language, at least for me. After three years, I'm far away from being good in this. But there are also more challenges like the limitation of travelling outside of China. So just since summer, I've been back to Germany, Europe, for two and a half years. So, it was not so easy to leave the country and coming back. The lockdown in Shanghai was a special experience for all of us.

Not only keeping the factories running because we've had logistic challenges – we had material challenges, we couldn't get our products in and out. But also, to ensure your own supply of food and necessities. At the end of the day, you have to live with it and you have to always find solutions to overcome such challenges. That's why tolerance and flexibility are really important here in China.

Thomas Holzner

So, if I understood it correctly: from your home office you managed SCM China during the crisis?

Michael Haendel

That's absolutely true, our office was locked, and my compound was locked for almost eleven weeks. And of course, all the supply chain management topics have to be coordinated, supplier escalations, meetings, and making sure we feed our factories there. And this has been done - of course - all virtually. But we have also seen similar topics in Europe just one year before.

Thomas Holzner

I think that's amazing because for now going into details: SCM in China is a really high-performance organization and is creating a lot of value. Not only for China, but also for Siemens SCM globally with a lot of new suppliers, keeping the supply chain stable. Can you give us some insights on how it is structured?

Michael Haendel

Sure, Thomas. The most important elements of success are collaboration and empowerment. Especially the collaboration between the Commodity management, like the colleagues driving the strategy and contracts, and the Local Buying being close to the business and doing the execution. This is key for a high performance SCM organization. But also the openness to learn from others - like from countries, companies but also taking advantage of all the good stuff developed in the headquarter regards to SCM. It is not always possible to copy and paste, but at least to copy, modify and adjust it to your local requirements. I think this is important. What we also see here in China is that we need speed. We need to have innovation and we see a lot of new trends popping up here. That's why we need to be really close to this market and take advantage of those developments for the benefit of Siemens.

Thomas Holzner

Great! So that means we take what we have and then we do the blending to the local circumstances.

Michael Haendel

Absolutely right.

Thomas Holzner

That immediately leads to one of our core questions: What about digitalization? And what about the DigiNetwork doing in China?

Michael Haendel

I mean ... digitalization in China is not only a SCM priority, we have launched a companywide program headed by our top management to drive digitalization in SCM, but also in - let's say other functions. We in SCM have started more than three years ago to implement a Digi Network with volunteers - in the meanwhile we have close to 40 contributors across all businesses and functions. They are driving digitalization with focus on their daily work. On the other side I drive centrally programs like increasing the No Touch Rate and improving our processes via process mining, taking out unnecessary steps, becoming faster. And at the end of the day leaner. And this together makes us of course very competitive and it's always a task which is not done by tomorrow. It is more a mid-term project we are running. I think Digitalization is one of the most important ingredients for a high value adding organization. Not only today, but also tomorrow.

Thomas Holzner

Thanks. That's wonderful for the Digi Podcast because we are convinced about this. As we are in the center or the heart of most modern innovative mega cities of the world, what are your personal outlook, the view. What are the biggest challenges and most important things for Procurement in the future?

Michael Haendel

The most challenging part is not only to run digitalization and a professional supply chain management with your first-year suppliers. We have to manage the ecosystem. We have to be part of a larger ecosystem between customers and suppliers. We have to get in touch with second- or third-year suppliers. We have to have the opportunity to drive digitalization along the whole value chain. Of course, this is not a task that can be done over the night, this is clear. But step by step, we can get there. Also, to drive sustainability, you need digitalization as an enabler because those are the most important topics which we have on the mega screen. And as I said, digitalization is a major enabler of getting our - let's say - objective accomplished.

Thomas Holzner

I think it's good to hear that sustainability in China is important and we use, what we see as core digitalization, as a leader to getting better. If I understood you correctly: You don't have an analogue wallet anymore?

Michael Haendel

That's absolutely true, Thomas. In China, you use your cellphone for pretty much everything: for sharing your health code, paying your invoices for restaurants, but also for taxis, the subway, and everything else. You don't need to bring your wallet anymore. It's enough when you have your cellphone with you.

Thomas Holzner

I think we should this also consider in Germany as a benchmark and coming to my most favorite question. Last but not least: Who is Michael?

Michael Haendel

Okay, a personal question. I guess I like to explore new things and try out new ways. Maybe this is also a reason why I moved to Asia after living in the US and Europe before. On a private side, I'm passionate about sports. I like running, skiing, mountain biking. Of course, I'm struggling with the last two in China, especially in Shanghai, because the highest mountain is not even one hundred meters. But Thomas, since I know that you are also a mountain biker, I hope we can team up in Europe and can have one or the other tour together.

Thomas Holzner

First of all, thanks for the insights, Michael. And we will definitely go for a ride. I heard some rumors that you're from Franconian Switzerland, and with the steep hills and downs there it must be really fun and a little challenging. And to our listeners: I hope you enjoyed this episode of our DigiPodcast. If you have questions or want to find out more information about the SCM DigiNetwork or Michael and SCM China reach out to our Internet page siemens.com/diginetwork. I'm looking forward having you as a listener again at our next episode. Yours, Thomas Holzner from Siemens SCM DigiNetwork. Goodbye.