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Agenda of **Walt Disney**

Dirk Holbach,
Corporate SVP & CSCO
Laundry & Home Care, Henkel

“Success depends
to a large extent
on people”



Strategy

On September 1 Henkel purchased the laundry and home care company, The Sun Products Corporation, in the USA, an acquisition that took it to second position in the North American laundry care market. With a price tag of around 3.2 billion euros this is the second-largest acquisition in Henkel's history. The deal is in line with the German company's four strategic priorities: to outperform the competition as a globalized company, with simplified operations and a highly inspired team. Playing a major role in the integration of the new company will be Dirk Holbach, Corporate Senior Vice President & CSCO Laundry & Home Care. For several years he and his team have been driving operational excellence in the supply chain by making processes faster and more standardized, focusing on cost-efficiency as well as end-to-end optimization. We met him at the new global supply chain office in Amsterdam where he is now located. ➤

By Helen Armstrong, Martijn Lofvers and Edwin Tuyn

Dirk Holbach (45) was born in Saarburg, Germany and now lives in Laren, The Netherlands with wife (Norma) and children (Milla, 8; Konstantin, 6; Benedikta 6)

Experience:

July 2015 – Present:

Corporate Senior Vice President & Head Supply Chain Laundry & Home Care, Board Member HGSC B.V. Henkel Global Supply Chain B.V, Henkel, Düsseldorf.

November 2014 – June 2015:

CVP - Head of Supply Chain Laundry & Home Care; Board Member Henkel Global Supply Chain B.V. Henkel, Düsseldorf

January 2014 – October 2014

Corporate Vice President - Head of Supply Chain Laundry & Home Care Henkel

September 2011 – December 2013:

Corporate Vice President International Production, Henkel, Düsseldorf

January 2009 – August 2011

Corporate Vice President Global Supply Chain Operations, Henkel, Düsseldorf

May 2008 – December 2008

Director Global Production Steering, Henkel, Düsseldorf

November 2007 – April 2008

Director Sales, Henkel, Düsseldorf

September 2004 – October 2007

Director Global Purchasing Laundry & Home Care, Henkel, Düsseldorf

March 2004 – August 2004

Manager Corporate Purchasing Laundry & Home Care, Henkel, Düsseldorf

March 2002 – February 2004:

Head of Purchasing, Henkel Mexicana, Mexico

December 1996 – September 2000:

Junior Manager (Corporate) Purchasing, Henkel, Düsseldorf

Education:

2000 – 2001: University of Duisburg-Essen, Ph.D., Business Information Systems

1991 – 1996: Technische Universität Kaiserslautern, Master, Mechanical & Industrial Engineering

Dirk Holbach, Corporate Senior Vice President & CSCO Laundry & Home Care, Henkel

“Success depends to a large extent on people”





Henkel, the German-based global consumer goods and technology company founded in 1876 and well-known for its brands such as Persil, Loctite and Schwarzkopf, has undergone continuous change over the last years. Having firstly streamlined its portfolio and footprint, it recently centralised supply chain operations in Amsterdam. This along with an integrated IT platform will allow it to further standardize and accelerate business processes. Its three business units - Laundry and Home Care, Adhesive Technologies and Beauty Care - together employ around 50,000 people from 120 countries and generated sales of more than 18 billion euro in fiscal 2015. The diverse employee base is purposefully gathered to give the company a competitive advantage as it leverages its strengths in mature markets and further expands in emerging markets.

What is your responsibility?

“I am head of end-to-end supply chain for our Laundry and Home Care business unit which has net sales of more than 5 billion euro. The acquisition of Sun Products will take this towards 7 billion Euro. Each business unit has a similar supply chain operation and each unit has its own Executive Committee of which the supply chain head is a member. I have end-to-end responsibility from net demand planning, manufacturing and procurement of materials to delivery to customers. We also have six regional hubs, as well as 31 factories and more than 70 warehouses within my business unit.”

Why centralise global supply chain operations in Amsterdam?

“With the centralisation of our global supply chain activities we foster the harmonization of processes across the entire company. This will lead to higher process standardisation, improved customer service levels and enhanced efficiency. Logistically it is very well located. We are 10-12 minutes from Schiphol which is one of the best airports in Europe for global connections. Also, Amsterdam is a hub for many supply chain companies so you find talent here. But we also search for people globally and Amsterdam is an attractive location to move to. Our company headquarters in Dusseldorf is just a couple of hours away which is another advantage.

Dirk Holbach: “Supply chain is stepping more and more into customer relationships and we are trying to add more value with better service, more transparency and a proactive approach.”

PORTRAIT

Work and travel “I live 35km from the office, usually going there by car. On average I travel 50-60% of my time to visit my teams around the world, and of course the global headquarters in Dusseldorf, Germany.”

Clothing “In the office it’s business/business casual and at home sporty & casual.”

Management style “To build highly engaged

“Supply chain is stepping more and more into customer relationships.”

Last, but not least, the local environment provides the necessary infrastructure when setting up a business.

We now run global operations for all three business units out of Amsterdam. The big advantage of a central office is that it fosters communication between the departments. A lot of people are travelling so we have shared desk space which not only is more efficient, it creates movement. We have seen a significant increase in interaction between the three supply chains and our purchasing colleagues based on a joined agenda.”

Do you expect any supply chains activities to be merged into one business unit?

“The three businesses are very different from the end market point of view but within the supply chains there are similarities. We have a platform that enables us to find the right balance between doing what we can do in common while leaving enough room to be flexible and agile to react to different markets to create the best value for customer. Even before we moved to Amsterdam we had some cross business unit initiatives, for example, joint purchasing of logistics services or equipment supplies. The results have been encouraging so these initiatives have now being leveraged to planning, production, transportation & warehousing, safety, engineering, quality and to creating standard IT programs where we can leverage value. For example, as a result of our TMS initiative our entire transport management in Western Europe soon will be supported from our own shared service centre in Bratislava. In future we plan to extend this from shared service centres in Mexico City and Manila too. One team serves different business areas but they talk to the same carriers and can scale up and down as needed. This again is part of our strategy on standardization and simplification.

Warehousing is another example: In Italy we are moving warehousing of Laundry and Beauty Care to one provider because we often have the same customers. This is the optimum mid-term solution for this specific market because the business in Italy has the right size for that and we deliver to a sufficiently high number of customer drop points together. However, such a solution would not necessarily be a good one in other markets, e.g. where the size of business is different as well as the logistic requirements driven

by the product portfolio and the customers.”

When should you centralise and when should you keep operations regional or even local?

“We started our centralization process several years back, and in fact not all stakeholders were convinced at that time. It’s important to first find the right organisation, governance and process model, but its success, of course, depends to a large extent on people. We transfer continuously local people from countries to central or regional units and vice versa to bring in specific know-how and allow them to develop.

Net demand planning, production, and supply planning, one of the main pillars in supply chain, have been centralized over the last three years into the six regional centres. For example, the planning team for Western Europe is based in the regional hub in Dusseldorf and comprises around 30 people. We want to keep the business side of operations close to the market; closer to sales. Other areas follow the same principle. Take, for example inventory or customer service levels. We set the targets on a global, regional and local level from Amsterdam and globally review the developments on a weekly basis. Applying such rigid process tells us at every moment where we stand and where we want to be. Execution is then followed-up in regional hubs close to the markets.”

You don't schedule the factories from Amsterdam?

“No, here we decide about the overall structure and our footprint; how many plants, with what capacity and for which category, etc. as well as the specific mid-term and short-term targets for our globally standardised KPI set. All investment decision bigger than 25,000 EUR are run via the global team and need my approval.

The regions and the local operations execute within this given frame, and for instance the factories organise the line scheduling together with the regional planning centres. Because our laundry products are quite bulky we cannot ship them too far. Therefore we produce them as close as possible to the area of consumption. Only if we launch a very special product with unique technology would we consider centralizing its production providing necessary scale effects outweigh transportation disadvantages.”

Looking at the financial figures, it is remarkable that supply chain is always mentioned. How does it impact the top line?

“Laundry and Home Care can impact the business in two principal ways: Agility and Efficiency. We produce fast moving consumer goods so our ability to react quickly to market demand – which can change for a specific item by a few hundred percentage points within a few days - is of the essence. Also our ability to launch new products fast and reliably is very important. Agility is one of our USPs.

Secondly, the laundry business produces high volumes in the main categories so, next to speed, efficiency is a very important competitive factor. Our networking capital is pretty lean, too. Hence our contribution to the business has been very significant over the last five years.”

high performance teams; attract the best talent in the area of supply chain; drive continuous performance with a clear vision of where to go.”

Vacation “Typically beach & sport on the Mexican Riviera.”

Hobbies “I like to spend my free time with the family and I bike, run, sail and

swim, all of which you can do perfectly well in the Netherlands).”

Music/Books “I listen mostly to contemporary musici and from time to time classical music.”

Inspiration “My grandfather was certainly one person who inspired me and gave me good advice.”



“When people are not ready to follow digitalisation, it will lead to disruption and a lot of sunk investment.”



Another of the company's strategic priorities has been to simplify operations. How do you count the cost of complexity?

“We initially ran complexity reduction initiatives and since 2008 we have been following very clear strategies in different areas such as: clearly defined make-or-buy strategy, limited number of packaging formats per filling line; combined production and warehousing so no replenishment to warehousing; a central warehouse concept, co-packing on site etc.

The strategy and approach has to be right and then it has to be followed very consequently. It takes time but over a long period you reap the benefits and we can prove it. We can see on our cost curve that the savings have been very significant; we have cut millions on an annual basis.”

Is it possible to standardise cost accountability globally?

“When we moved to our One Global Supply Chain we changed systematically our cost allocation in the logistics area. In past we had a different approach in different areas of the world, sometimes based on pallets, sometimes weight etc. Now we have standardized it and we roll it out globally in 2016 and 2017.

We have also standardised cost to serve at customer level. Now we can better calculate profitability, including the logistic effect.

This has brought a change in mindset in the area of customer collaboration as now we discuss logistics with customers on a different level. In that respect supply chain is stepping more and more into customer relationships and we are trying to add more value with better service, more transparency and a proactive approach.”

The whole world is talking about digital transformation. Is this one of challenges in the supply chain over the next two to three years?

“It would be a surprise if this doesn't become an even stronger element in our One Global Supply Chain over the next years.

Internally we are doing a lot with digitalisation, not only in terms of new technology, testing and rolling-out new products but also making sure that people in the organization are able to follow it. Otherwise it will lead to disruption and a lot of sunk investment if people are not ready for it. We have already developed a road map that crosses all business units and strategic purchasing. We have analysed our pain points and where we see potential and as a result have set up a number of pilots in robotics, automation, sensorics, analytics (data and process analytics) and data integration throughout the different business units. We

share the information with each other.

In 2013 I made a strategic decision to invest in a 'digital backbone' – software that connects all our global manufacturing facilities real-time. Having the software in place we add modules as we go along. We started with a digital process analytics application for utilities: energy and water usage. We installed several thousand sensors so we could take tangible measurements. The result was a saving of water and energy alone contributing to our sustainability footprint and on top of that the entire system easily paid itself back. In the meantime we have rolled out additional applications as we add on modules continuously. For example, we now have a real time inspection system to check each of our 2,5 billion liquid bottles per year for the right label and packaging quality. We also have one that makes available efficiency data for our line operators and continuous improvement teams. Also the apps allow me to see on my smartphone or laptop how fast and when lines are running.”

Where are the core competitive advantages of the supply chain in your business?

“On the face of it competitive advantages appear to be linked to technology: Advantages can be generated but they typically vanish fast if within a short timeframe everyone has access to the same software, for example. On the other hand people and their competences still provide a much longer-term competitive advantage because they can't be replicated or built up quickly: Their importance will not decrease on account of technology. I personally believe people will become even more critical to our business due to their ability to anticipate and adapt quickly.”

So what is your approach in supply chain to gathering a talented, inspired and diverse team?

“I am strong believer in diversity whether it be age, social background, capability, or education. You cannot stipulate the exact mix within a team but what I am doing, in collaboration with our HR manager, is to build the team in a balanced way. I want a mix of internal and external to gather specific knowhow and spark the dynamics within the team. In the past we had movement across the supply chain. Now we look systematically across the globe and regions to see who we have in the pipeline, based on annual performance evaluations.”

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