

Procurement Assignment

by Julien Andre

Submission date: 02-Apr-2019 08:06PM (UTC+0100)

Submission ID: 103908096

File name: 13541_Julien_Andre_Procurement_Assignment_170041_549398050.docx (304.47K)

Word count: 2483

Character count: 15388

UNIVERSITY OF WALES TRINITY SAINT DAVID

Procurement

Airbus

André Julien

02/04/2019



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

CRITICALLY ANALYSE AND DISCUSS THE PROCUREMENT STRATEGIES WITHIN A COMPANY
OF YOUR CHOICE

Content

Introduction:.....	1
I. Presentation of the company	1
II. Strategic procurement	2
III. Airbus suppliers.....	5
Conclusion	7
References	8

Introduction:

Culturally accustomed to placing quality above all else, the aeronautics sector is now facing cost pressure which also forces it to review its processes at all levels of the supply chain (design, supply, production, provision of spare parts, etc.) to improve performance and lead times (*Supply Chain Magazine*, 2009). A long-term effort to work more collaboratively between functions, but also with customers, suppliers and partners, in an increasingly international context. Airbus, like other companies in the aerospace industry, depends on many different supply chains that provide the raw materials and components for the manufacture and maintenance of aircraft and their engines. This supply chain therefore represents a major challenge for the proper functioning of the company. The organization set up must therefore be optimal in order not to encounter major problems that could jeopardize the company's sustainability. In this report, **Stylistics** ☐ before focus on the Airbus group's supply chain in order to better understand its functioning and identify the different flows driving this world-renowned company. **Good Intro.**

I. Presentation of the company

Airbus is one of the world's leading aircraft manufacturers, whose customer focus, commercial know-how, technological leadership and production efficiency have brought it to the forefront. Today, with an estimated turnover of more than 63.7 billion Euros in 2018 (source: airbus.com), Airbus meets almost 50% of orders for civil aircraft (*Airbus Group**, 2014). The company continues to strengthen its position and expand its product range by bringing its expertise to the military market. Airbus is responsible for the design, sale, production and after-sales support of the most modern and complete aircraft family on the market. Listening to its customers since its creation, Airbus has sought to best meet their needs and offers them a complete range of several aircraft families, guaranteeing airlines unparalleled levels of reliability, innovation, comfort, efficiency and flexibility. Designing high-performance and advanced technology aircraft, manufacturing aircraft that are more comfortable, safer, more environmentally friendly, more profitable, in line with passenger expectations and airline requirements has enabled Airbus to constantly win new market shares (*Airbus Group**, 2014).

Airbus is the result of a long and effective cooperation between four European manufacturers: German, English, Spanish and French, united to position the European aeronautics industry

against an American mono Citation Needed; the name of the company was chosen because it could be pronounced without problem in the languages of the four partners and corresponded to the ambition to carry a large number of passengers and therefore to be "air buses" (*Monatour, 2015*). This company, whose head office is in Toulouse, is an AIRBUS GROUP division (active in the civil and military aeronautics and space sector). Airbus relies on the skills and know-how of 15 industrial sites located in Germany, Spain, France and the United Kingdom. This international company employs more than 55,000 people worldwide, with subsidiaries in the United States, China, Japan and the Middle East, spare parts centres in Hamburg, Frankfurt, Washington, Beijing, Dubai and Singapore, training centres in Toulouse, Miami, Beijing, Hamburg, Bangalore and Seville for military activities, and more than 150 representative offices with companies worldwide (*Airbus Group, 2014*). Airbus also works in industrial cooperation and partnerships with major companies around the world and has a network of some 1600 suppliers in 30 countries.

The cultural diversity of the teams has been one of the elements of Airbus' specificity and success for more than 40 years. This multi-cultural character of Airbus personnel allows the company to fully understand the needs of its customers, suppliers and other industry players in the aeronautical world.

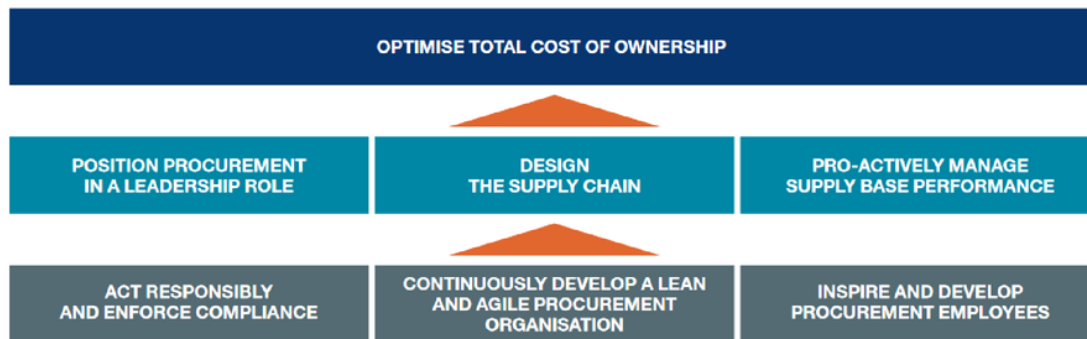
II. Strategic procurement

The rigour with which Airbus Group manages its supply chain contributes significantly to the Company's success. Citation Needed The external supply chain represents an important part of the value of Airbus Group's products. In 2013, the share of external purchases as a percentage of Group revenue remained stable compared to the previous year at around 70% (*Airbus Group, 2013*). The amount of these purchases includes payments to main suppliers on the basis of invoices for goods and services, including commissions. In 2012, external purchases amounted to 39.5 billion Euros (*Airbus Group, 2013*). The increase of approximately 12% over the previous year was mainly due to the ramp-up of production in the commercial aviation segment. Thereafter, in line with the Group's revenue growth, total external purchases increased slightly to €43.0 billion in 2014 (*Airbus Group, 2014*). Europe continued to account for the largest share of total expenditure, with a share of 71% in 2012, while North America's share was 26%. In 2013, the Airbus Procurement Academy was rolled out throughout the Group to harmonize job profiles, as well as the skills and abilities required in the purchasing function. "The Academy" introduced as a new main measure the presence of centralized training centres covering the entire supply chain.

With an international supply policy, Airbus continues to extend its supply chain beyond Europe, in order to strengthen its access to growth markets and increase its exchange rate hedging. One of the Group's strategic objectives is to increase supplies of US dollars in order to reduce exchange rate risk. Indeed, the company cannot afford to lose money by buying its raw materials in Euros and selling its aircraft in dollars (the value of the euro being always higher than that of the US dollar). In 2014, 53% of external purchases were denominated in US dollars (51% in 2013), 42% in Euros and 4% in pounds sterling (*INSEE, 2016*). In 2014, 70% of Airbus Group's external purchases were from European suppliers, while 30% came from other regions of the world. In addition, the group has assigned more responsibilities to procurement offices in countries such as India, China, the United States and Brazil to develop supply chains in the Middle East, East Asia, North America and South America respectively (*Airbus Group*, 2014*). These national procurement offices have also contributed to the company's international expansion by helping it identify a diverse base of high quality suppliers outside its traditional countries of origin. The development of the private aeronautics sector has also generated an increase in the supply chain in emerging countries.

The Group takes a proactive approach to supply in order to anticipate and limit potential problems, in particular those related to production lines that are being upgraded and those related to the tight series production chain of the A350 XWB, for example. Group-wide procurement committees continued to exchange, monitor and measure the performance of common suppliers. In 2013, an assessment of supply chain compliance risk was carried out, taking into account in particular the geopolitical situation, so-called "sensitive" countries, the risk of corruption, tax havens, sensitive raw materials and the level of compliance of the supply process (*Airbus Group, 2013*). This evaluation led to the strengthening of this process and the introduction of new Key Performance Indicators (KPIs) in order to better integrate procurement activities at Group level, objectives have been set between the Group Purchasing Director, who has been appointed to the Airbus Group Executive Committee, and the Purchasing Directors of each division to further strengthen governance and coordination throughout the organization.

PROCUREMENT STRATEGY: SIX CORE ELEMENTS



(Airbus Group, 2013)

Program management is a key element of the company's operational performance. Recently, Airbus has established an improvement plan to develop very advanced expertise and maintain skills. This plan is part of the group's cultural changes and, to this end; programme management is a discipline in its own right with well-defined career plans. In order to maximize efficiency, Airbus plans to promote training in program management directly within the supply chain. Suppliers play a key role in increasing production rates. The company must therefore collaborate as best as they can with them. In 2014, several major programs reached critical phases with the ramp-up of production, which also created significant difficulties for the supply chain (*Airbus Group**, 2014). Suppliers make an essential contribution to the group's success by providing essential systems, subsystems and components for all major products. A process of ramping up production is underway in a number of programs under development. In order to manage challenges and maintain close control over the supply chain, improvement programs have been put in place with suppliers. In the Airbus division's series programs, for example, these initiatives, combined with joint development activities with suppliers, have reduced the number of missing parts by more than 60% (*Airbus Group*, 2014).

It should be noted that the Beluga aircraft is an integral part of Airbus' supply chain. Indeed, this aircraft makes it possible to transport large and bulky aircraft parts quickly and safely, which will not necessarily be the case if these parts had to be chartered by truck in an exceptional convoy (*Monatour*, 2015).

III. Airbus suppliers

For each major supplier, a risk profile has been established, showing the supplier's capabilities in program management, engineering, configuration management, quality management, supply chain and logistics, as well as industrial and product support. Operational performance is measured in terms of adherence to planning and objectives. Airbus has developed a tailor-made action plan for each supplier to support measures to increase supplier capacity and improve performance. Joint improvement" or "transformation" plans have been developed for high-risk suppliers (ITF, 2012). These plans align priorities between Airbus and the supplier, thereby strengthening program management and improving engineering and production capabilities. The objective is to create long-term partnerships while improving performance. In order to effectively control the supply chain, Airbus must have a complete picture of the performance of Tier 1 suppliers at all times. A digital control room integrates all supplier performance data, providing visibility into the supply chain and early detection of performance issues.

In addition, the Supply Chain Watchtower monitors the financial statements and operational performance of key suppliers and those who may be exposed to signs of distress (Hervé, 2015).

AIRBUS SOURCING PRINCIPLES: ENHANCED RESPONSIBILITIES

	Past	Today
Platform Assembly Large-scale Integration Value-added Parts and Assemblies Make-to-print Parts and Assemblies Raw Materials		
	- Fewer, but still many direct partners - Limited role for "integrators" - Some technical competences remain exclusively internal	- Far fewer large direct risk-sharing partners with whom to build strong ties and who can share capital expenditure, development costs and risk - A real global extended enterprise - Extensive role for "integrators" - Design to functional specifications of large main components or sub-assemblies - Some technical competences remain exclusively internal

(Airbus Group, 2013)

Thereafter, for Airbus, corporate social responsibility is a key element for long-term success. As a signatory to the United Nations Global Compact, Airbus is committed to fully promoting the fundamental values of respect for human rights and good practices in terms of working conditions, respect for the environment and the fight against corruption. The Group is also committed to applying the highest standards of social responsibility in all its activities and supply chain. Co-founder of the IFBEC association (International Forum on Business Ethical Conduct), Airbus supports the application of global standards in ethics and business compliance (*Airbus, 2017*). IFBEC members have developed a model Supplier Code of Conduct that sets out the minimum ethical standards that suppliers must meet throughout the aerospace and defence sector. Airbus applies this code in its entirety and therefore expects its suppliers to comply fully with the laws and regulations in force in the countries where they manage their operations or provide their services.

Regardless of their location, suppliers must conduct all their business affairs in accordance with this Supplier Code of Conduct. They are also expected to communicate these principles along their supply chain. The Airbus Supplier Code of Conduct also encourages suppliers to go beyond legal obligations and apply internationally recognized standards to advance social and environmental responsibility and business ethics (*Airbus, 2017*).

This code clearly defines what Airbus expects from its suppliers so that its supply chain corresponds to the values claimed by the group. Indeed, with regard to imports by suppliers, they must ensure that their business practices comply with applicable laws, guidelines and regulations relating to imports of parts, components and technical data (*Airbus, 2017*). With respect to exports this time, suppliers must ensure that their business practices comply with applicable laws, guidelines and regulations regarding exports of parts, components and technical data. It is essential that they provide accurate and precise data and obtain export licences or prior consents, if necessary. Concerned about its impact on the environment and society, suppliers are required to put in place an appropriate environmental, health and safety management system (*ITF, 2012*). They are also required to conduct their business in a manner that actively manages risks, conserves natural resources and protects the environment in the communities in which they operate. Suppliers must protect the health, safety and well-being of their employees, suppliers, visitors and others who may be affected by their activities. That is why Airbus is uncompromising on the responsible supply of minerals for example. Indeed, suppliers must comply with applicable laws and regulations regarding "conflict minerals", including tin, tungsten, tantalum and gold (*Airbus, 2017*).

In addition, they are advised to put in place a policy to provide a reasonable guarantee that these minerals contained in the products they produce do not directly or indirectly finance or benefit armed groups that commit serious human rights violations. Suppliers are required, as required by law, to exercise due diligence on the source and chain of custody of these minerals and to require, at a minimum, their suppliers to do the same (*Supply Chain Magazine*, 2009). Finally, Airbus suppliers are required to develop, implement and maintain effective methods and processes adapted to their products in order to minimise the risk of introducing counterfeit parts and materials into the products to be delivered. Where applicable, they must also inform the recipients of such products and exclude them from the products to be delivered (*Airbus*, 2017).

Conclusion

To conclude this report, we can say that Airbus pays a lot of attention to the proper management of its suppliers and its supply chain. The company has put everything in place to ensure that nothing is left to chance to ensure that no mistakes can happen. Indeed, in a sector such as aeronautics where the final product has a high added value and is a product of high technological level, it is necessary to examine the slightest flow proactively in order to anticipate and not to fall short of stock, for example. This would result in huge financial losses. Moreover, given the large size of the company and the multiplicity of its suppliers, Airbus must study all the indicators that provide it with important information. This is therefore what the company does by virtue of the close relationship it maintains, especially with its main suppliers. We can therefore say that Airbus' supply chain is optimized in every respect.

References

Airbus Group (2013) *Panorama 2013 – We make it fly*

Incorrect referencing

<file:///C:/Users/Julie/OneDrive/Bureau/UNIVERSITY/Procurement/Panorama%202013.pdf>

Airbus Group (2014) *Panorama 2014 – Flying Efficiently*

<file:///C:/Users/Julie/OneDrive/Bureau/UNIVERSITY/Procurement/Panorama%202014.pdf>

Airbus Group* (2014) *Responsibility made by Airbus Group*

<file:///C:/Users/Julie/OneDrive/Bureau/UNIVERSITY/Procurement/airbus-group-crs-2014.pdf>

Airbus (2017) *Code de conduite des fournisseurs d'Airbus*

<file:///C:/Users/Julie/OneDrive/Bureau/UNIVERSITY/Procurement/Supplier-Code-Conduct-FR.PDF>

Hervé, L. (2015) *Le pilotage de la supply chain aéronautique*

<file:///C:/Users/Julie/OneDrive/Bureau/UNIVERSITY/Procurement/Pilotage%20Procurement.pdf>

Manatour (2015) *Bienvenue dans le monde d'Airbus*

<file:///C:/Users/Julie/OneDrive/Bureau/UNIVERSITY/Procurement/Airbus%20-%20Présentation.pdf>

ITF (2012) *Les chaînes d'approvisionnement aéronautiques*

<file:///C:/Users/Julie/OneDrive/Bureau/UNIVERSITY/Procurement/Le%20chaî nes%20d'approvisionnement%20aéronautiques.pdf>

Supply Chain Magazine (2009) *Aéronautique La chaîne se tend et s'étend*, N°34

<file:///C:/Users/Julie/OneDrive/Bureau/UNIVERSITY/Procurement/Enquete-34.pdf>

INSEE (2016) *La chaîne d'approvisionnement aéronautique et spatiale du grand Sud-Ouest*

file:///C:/Users/Julie/OneDrive/Bureau/UNIVERSITY/Procurement/ap_ina_06.pdf

Procurement Assignment

GRADEMARK REPORT

FINAL GRADE

45/100

GENERAL COMMENTS

Instructor

Limited research. Whilst there is good evidence of research on the chosen organisation, there is no evidence of wider reading on strategic procurement which would have helped contextualise the Airbus policies.

Limited evidence of knowledge and understanding of strategic procurement concepts.

Limited analysis. Very descriptive and fails to put the example of Airbus into strategic procurement context by using common concepts and models.

Well structured and good presentation.

PAGE 1

PAGE 2

PAGE 3

QM

Stylistics

Stylistics. Academic reports should be written in 3rd person not 1st person

Additional Comment Not first person (we)

QM

Good Intro.

Good introduction

PAGE 4

QM

Citation Needed

Cite Source:

Please use the link below to find links to information regarding specific citation styles:

http://www.plagiarism.org/plag_article_citation_styles.html

QM

Citation Needed

Cite Source:

Please use the link below to find links to information regarding specific citation styles:

http://www.plagiarism.org/plag_article_citation_styles.html

PAGE 5

QM

Citation Needed

Cite Source:

Please use the link below to find links to information regarding specific citation styles:

http://www.plagiarism.org/plag_article_citation_styles.html

QM

explanation required

explanation required

Additional Comment what is the significance of this?

PAGE 6

PAGE 7

PAGE 8

PAGE 9

PAGE 10

QM

Incorrect referencing