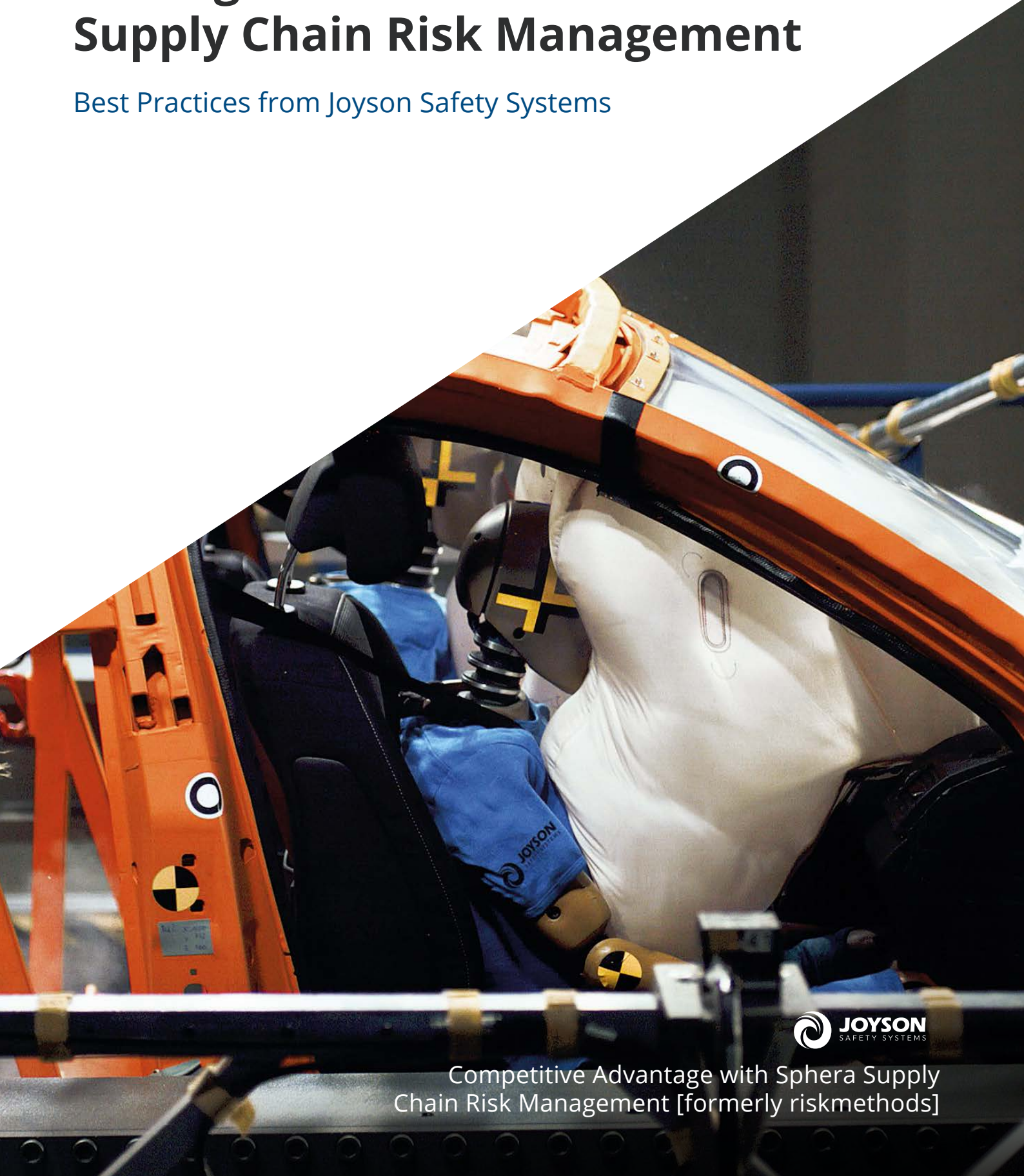




Driving Value Creation with Supply Chain Risk Management

Best Practices from Joyson Safety Systems



Competitive Advantage with Sphera Supply
Chain Risk Management [formerly riskmethods]

Executive Summary

Providing automotive safety system solutions of the highest quality is the mission of Joyson Safety Systems (JSS). To keep its supply chains running reliably, JSS needs accurate, real-time risk data and a single source of supply chain risk information.

On the following pages, you'll learn about the challenges facing JSS as a global player in the automotive supply industry, as well as its unique circumstances following a merger. Discover why JSS turned to Sphera Supply Chain Risk Management [formerly riskmethods] to help standardize and consolidate risk management processes across its entities around the world. Key aims of the

- **Improve transparency and visibility in the supply chain to reduce the risk of disruption and strengthen resilience**
- **Ensure compliance to strict automotive standards and regulations to avoid fines and protect reputation**
- **Monitor financial stability of suppliers, including many small and mid-size businesses, to avoid shortfall of supply**
- **Turn unwieldy, inefficient processes into a standardized system, and create a single source of data-driven risk information to improve reporting accuracy and boost team performance**

We will also look at how automated supply chain risk management helps JSS simplify its sourcing process, mitigate costs for customers, and drive sustained value creation for stakeholders. By achieving state-of-the-art supply chain risk management, JSS is building the foundation for the future.



In the past, our supply chain was designed primarily for cost efficiency rather than resilience or agility. In today's more challenging market environment, a key success factor in our purchasing strategy is managing our supply chain risk. This supports us in our mission to deliver more value to our customers.

Velat Özkilinc,
Executive Vice President, Chief Purchasing
Officer at Joyson Safety Systems

Challenge: Managing Supply Chain Risk Efficiently

In the automotive industry, strict sets of government regulations and industry standards apply to ensure product safety, quality, reliability, and business integrity. As a tier-1 supplier of safety systems to automotive manufacturers, compliance to such laws and rules has long been an important part of JSS's sourcing processes.

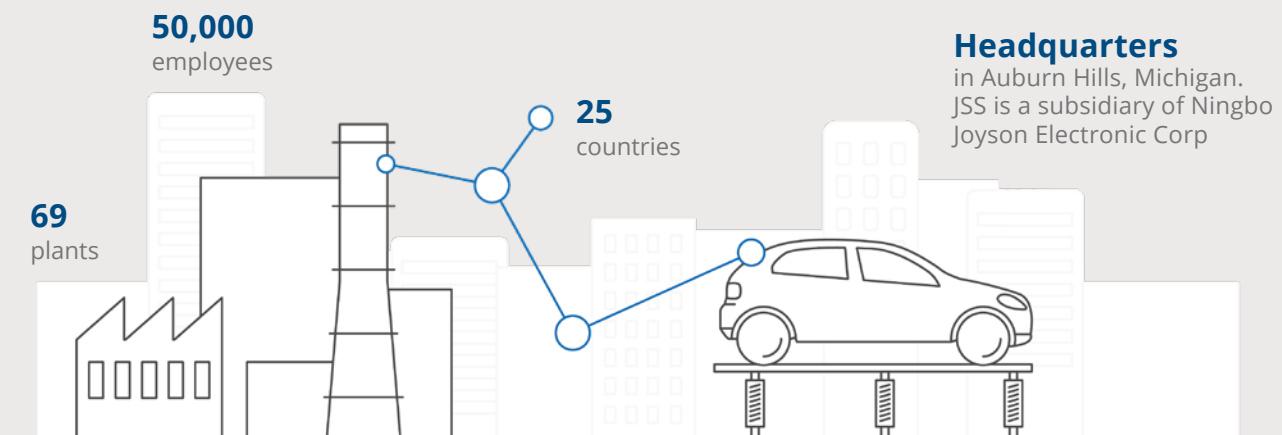
In addition, car makers are well-known for their just-in-time manufacturing. However, as the coronavirus pandemic revealed, this model makes supply chains vulnerable to disruption. Another consequence for JSS, who relies on many small- to mid-sized suppliers for specialized parts, components, and materials, is that the financial stability of suppliers has become a major risk. Ensuring compliance and financial stability of its suppliers are two key reasons why JSS turned

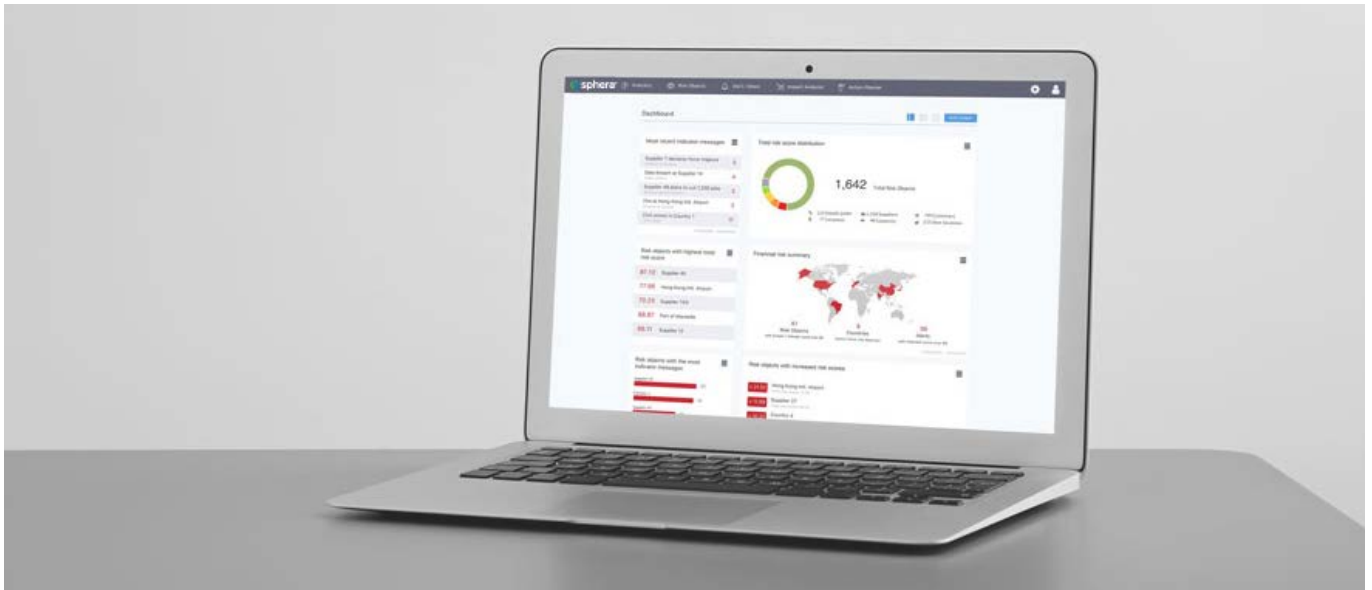
to Sphera Supply Chain Risk Management [formerly riskmethods] for supply chain risk management.

Yet the enterprise also sought to remedy **numerous operational and process challenges**. Joyson Safety Systems was founded in 2018 through the merger of two global automotive suppliers, creating one of the world's largest manufacturers of automotive safety solutions. "In practical terms, the merger was not between two companies but five," notes Velat Özkilinc, Executive Vice President, Chief Purchasing Officer at Joyson Safety Systems. This is because each company had regional operations. Japan, Europe, China, and US each had their own processes and structures. At the regional level, risk management was rudimentary. Globally, it was fragmented. Efficiency was challenged on two fronts.



Joyson Safety Systems (JSS) is a global leader in mobility safety, providing safety-critical components, systems, and technology to automotive and non-automotive markets. Its safety systems solutions allow its customers in the automotive sector the design freedom and confidence to drive the next generation in mobility.





CHALLENGE 1: UNSYSTEMATIC SUPPLY CHAIN RISK MANAGEMENT

Going into the merger, JSS did not have supply chain risk management departments in any of its regions. Supplier risk evaluation concentrated primarily on whether the supplier was financially stable, and for existing partners, JSS tended to react to perceived threats unsystematically. And it often took weeks for suppliers to inform JSS of incidents.

Risk reporting was based mostly on downloads from the various regional systems, which were then consolidated manually. Some offices still processed data using spreadsheets. This led to:

- **Too much time and effort needed to produce a report**
- **Semi-manual risk reporting increased the likelihood of human errors**
- **Questionable accuracy and reliability of reporting data**

Such cumbersome processes could cause staff to miss KPI targets. Overall, JSS diagnosed that its lack of visibility and transparency in its supply chains arose through its **high dependence on people rather than on its systems and data.**



Manage before damage: With Sphera Supply Chain Risk Management [formerly riskmethods], we can mitigate supply chain risk & minimize the cost impact for our customers.

Velat Özkilinc,
Executive Vice President, Chief Purchasing Officer
at Joyson Safety Systems

CHALLENGE 2: MULTIPLE INTERFACES OF SYSTEMS AND DATABASES

However, following the merger, applications also needed streamlining. JSS had to consolidate many separate enterprise resource planning (ERP) systems and siloed databases being used in its regional offices. But applications that had been developed internally often were missing documentation or source code, and had various interfaces. The systems also provided no real-time global connection with other sites. Reconciliations between different systems was very time-consuming. In short, such applications **relied too heavily on the expertise of the software developer who created them.**



JSS Embarks on Its Supply Chain Risk Management Journey

As one company, by 2019, JSS decided to bundle its strengths and knowledge to form a global purchasing organization and to leverage its purchasing power. Strategically, this would enable the enterprise to implement global commodity management and consolidate its supplier panel, while focusing on supplier safety management.

In parallel, JSS intensified its search for a global supply chain risk management solution supported by automation. This would empower procurement and supply chain to achieve short-term the maximum benefits, such as:

- **Implement the strategy “Manage before damage.”** Procurement at JSS can be faster when responding to incidents in their supply chain. Ideally, to be the first one who approaches the suppliers and transportation companies, a tactic that offers more mitigation options.
- **Install state-of-the art supplier safety management.** By adopting a holistic solution based on technology, rather than on siloed regional efforts, JSS can deliver a consistent **global experience to suppliers.**

- **Equip processes at JSS for next-decade product portfolio.** Digitalization and automation provide efficiencies and scaling possibilities that are not possible with manual means.

Such benefits also lay the foundation for reaching further strategic procurement goals:

- **Achieve long-term SCRM plans:** Having a global and unique supply chain risk management solution serves as an inroad to Industry 4.0. In the rapidly changing automotive industry, JSS acknowledges that digital transformation accelerates efficiency and competitiveness.
- **Attain long-term competitive advantage:** Through algorithms, artificial intelligence, machine learning, JSS aims to set an industry benchmark. Real-time risk visibility and big data analysis are fundamental to a data-driven decision-making, along with the capability for integration of further specialist partners.

Why JSS chose Sphera Supply Chain Risk Management [formerly riskmethods]

JSS recognized that it needed to consolidate, coordinate, standardize, simplify, and digitalize all of its risk management data, processes, and systems into one solution. This would enable the global organization to counteract increasing costs and shortages, manage worsening economic and political conditions, while allowing it to continue to construct a lean and competitive cost structure.

Sphera Supply Chain Risk Management [formerly riskmethods] concept was tailored to achieve various focus topics for JSS, among others:

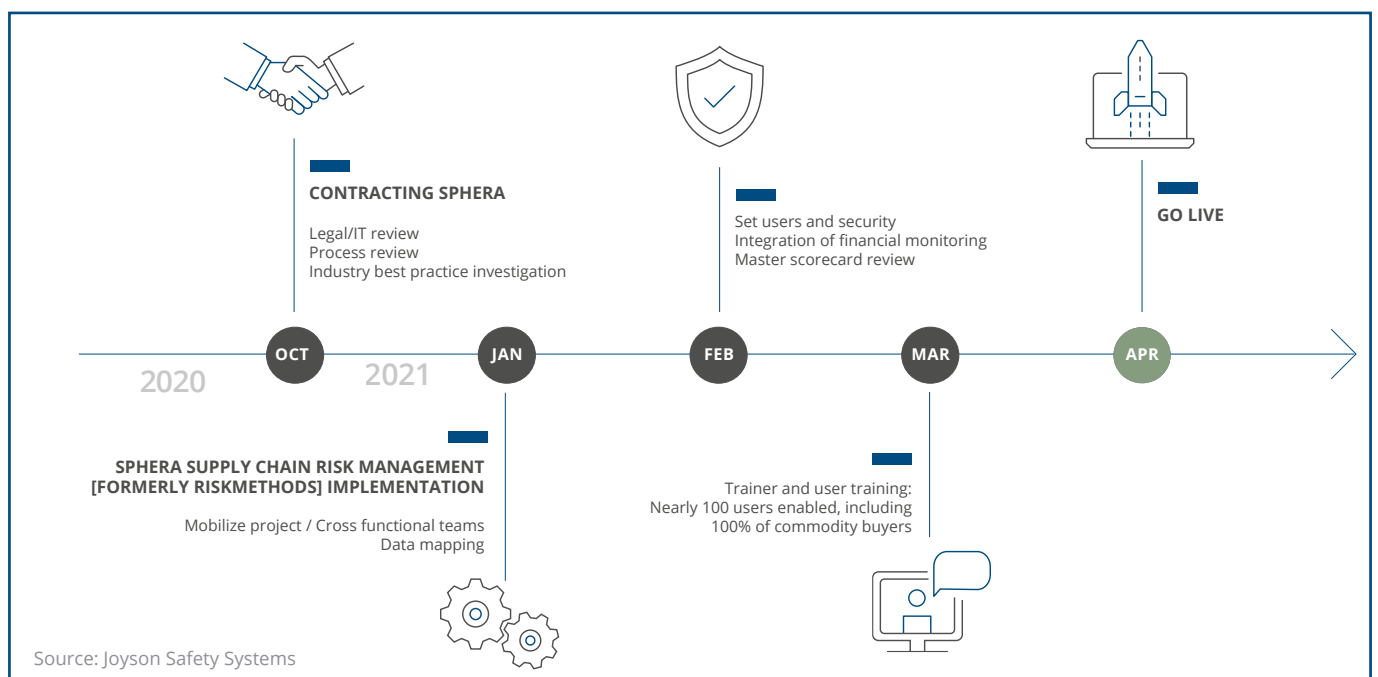
- **Manage changing supplier portfolio and consolidate supplier development**
Initially focus on procurement, with the option to expand to departments such as legal or quality control
- **Slice the information for maximum relevance** for specific roles (such as global commodity directors and local procurement site managers)

- **Integrate data into the existing procurement environment** through specialized-partner interfaces, for example with financial-risk ratings

Other considerations included the ease of filtering data, and the automated data integration offered by Sphera Supply Chain Risk Management [formerly riskmethods], its ease of use, and ongoing customer support.

In addition, the risks of **not** adopting a holistic system were factored in. These included losing market share, inability to monitor or score all Joyson suppliers across the globe, and an overall threat to business continuity. JSS decided to use the advanced technology of Sphera Supply Chain Risk Management [formerly riskmethods] to support its **obsession with securing the highest quality and compliance.**

IMPLEMENTING SUPPLY CHAIN RISK MANAGEMENT AT JSS



How JSS uses Sphera Supply Chain Risk Management [formerly riskmethods]

Implementation of Sphera Supply Chain Risk Management [formerly riskmethods] began in early 2021. Within approximately three months, JSS had integrated a base of around 2,000 suppliers. During this time, Sphera Supply Chain Risk Management [formerly riskmethods] was embedded into JSS systems, supporting functions such as critical parts management, dedicated crisis management, central supplier management, and topic management.

To ensure a lean process structure, JSS installed procurement performance management. The company named “expert key users” who also contributed to implementation of the supply chain risk management solution. Supported by riskmethods customer success team, JSS enabled nearly 100 users during this period, including 100% of the company’s commodity buyers.

Using Sphera Supply Chain Risk Management [formerly riskmethods], JSS can map suppliers, its own sites, supply paths and further risk objects such as transport hubs, on an interactive world map. Early warnings in near real-time enable crisis prevention, quicker adjustment in critical situations, and improved risk management capabilities, among them:



Be risk aware

Comprehensive transparency and a total view of risk within JSS’s value creation, including but not limited to supplier financial distress, geopolitical situations, natural hazards, reputational risks, and man-made events such as labor disputes and explosions.



React faster

Real-time visibility on all supply chain risks. All data is embedded into a source-to-pay procurement software within holistic supplier lifecycle management processes. This enables JSS to combine centralized risk management with (de-) centralized crisis management.



Be proactive

Risk prevention for better sourcing and awarding decisions, along with proactive supplier development. This allows JSS to avoid conducting business with risky suppliers. Used in connection with crisis identification, JSS can react as one of the first on the market, enabling it to fulfill the company maxim “manage before damage.”

Incident management: Supplier fire

When one of JSS’s suppliers in Latin America burned down completely, reaction time was critical. Alerted by Sphera Supply Chain Risk Management [formerly riskmethods], JSS could immediately send a technician to (what was left of) the suppliers facility. JSS was able to retrieve its specialized tools, minimally damaged, from the ashes. JSS refurbished its tools, and shipped them to a partner who could continue production. “The supplier probably wouldn’t have informed us of the fire until a few days later,” estimates Velat Özkilinc, Executive Vice President, Chief Purchasing Officer at Joyson Safety Systems.

Those few days were pivotal, because JSS also had limited inventory levels. With Sphera Supply Chain Risk Management [formerly riskmethods], JSS could avoid production downtime. Özkilinc considers this is a big success.

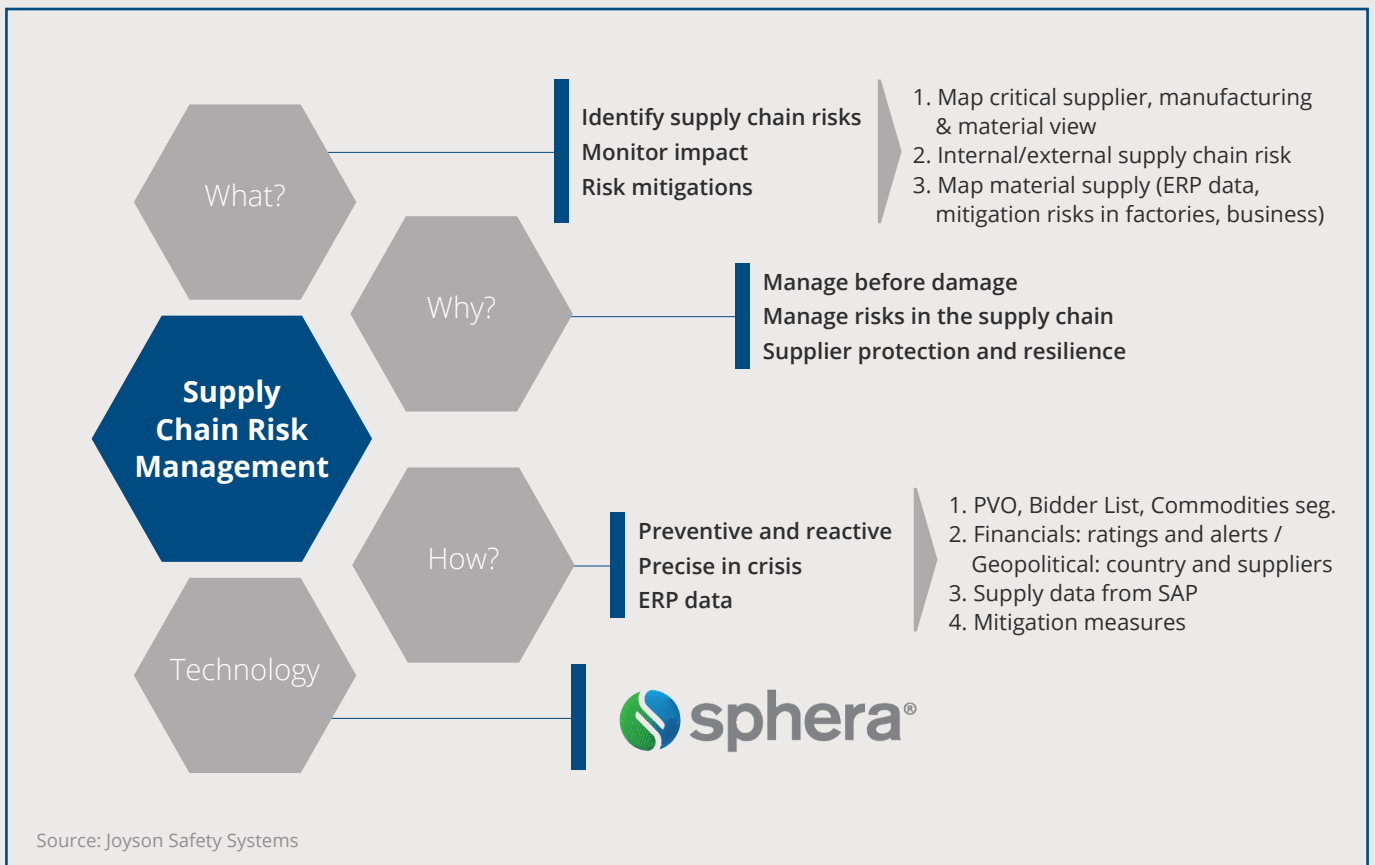


With Sphera Supply Chain Risk Management [formerly riskmethods], we are able to mitigate any risk in our supply chain by almost 100% and improve the productivity of our purchasing team by more than 60%.

Velat Özkilinc,
Executive Vice President, Chief Purchasing Officer
at Joyson Safety Systems

SUPPLY CHAIN RISK MANAGEMENT AND MITIGATION 2021

Continuity of supply and minimize supply disruptions



Benefits of Automated Supply Chain Risk Management



At the enterprise level, data accuracy and reliability empower managers to make faster and more accurate decisions. Streamlined decision-making leads to general business benefits for JSS, such as:

Avoid disruption, emergency freight costs, and penalties

With a single repository for supply chain risk information, and through real-time warnings, JSS can manage incidents quickly.

Drive sustained value creation for shareholders

Sphera Supply Chain Risk Management [formerly riskmethods] state-of-the art technology includes an interactive world map, which provides visible proof for stakeholders that JSS has sophisticated risk management.

Deliver value and mitigate costs for customers

By understanding in advance where risk events could happen, JSS can better ensure continuity of supply.



At the process level, standardized procedures and documentation increase transparency in sourcing and procurement. Having an automated workflow serves to eliminate redundancy and reduce error. Users benefit further in the following ways:

Increase individual headcount productivity, freeing up capacity to focus on what's important

Reduce the effort needed for creating risk reports and reduce cost of audits

Improve communication through real-time global connection with other sites

In short, Sphera Supply Chain Risk Management [formerly riskmethods] makes life easier for procurement and supply chain teams at JSS, making them more efficient and increasing their performance.



Conclusion

Until recently, organizations just expected their supply chains to run flawlessly. The focus was primarily on cost, and getting the goods from A to B on time. However, one lesson of the pandemic is that supply chain risk management is a must-have. With the complex nature of global supply chains in the automotive industry, manufacturers increasingly expect it from tier 1 suppliers.

For JSS, having a single source of supply chain risk data and standardized supply chain risk management makes headcount more efficient and processes collaborative. Procurement has gained precious days and weeks in risk events and incidents. In fact, the entire approach to risk management has changed through AI-driven monitoring. Now that JSS gets up-to-the-minute supply chain risk information, teams can react faster than their competitors, and even proactively avoid or mitigate events.

Put simply, leveraging automated risk management puts JSS ahead of the curve. Sphera Supply Chain Risk Management [formerly riskmethods] equips JSS to minimize supply chain disruption, and to deliver value and mitigate costs for customers.

Sphera Supply Chain Risk Management [formerly riskmethods] is a supply chain risk management solution that provides a competitive advantage, and helps win the trust of stakeholders and investors. For information on how to set up an AI-based supply chain risk management solution for your enterprise and suppliers, just contact us.



**riskmethods was acquired by Sphera in October 2022. This content originally appeared on the riskmethods website and was slightly modified for sphera.com.*

About Sphera

Sphera is the leading provider of Environmental, Social and Governance (ESG) performance and risk management software, data and consulting services focusing on Environment, Health, Safety & Sustainability (EHS&S), Operational Risk Management (ORM), Product Stewardship and Supply Chain Risk Management (SCRM). For more than 30 years, we have served over 6,700 customers and a million-plus users in 80 countries to help companies keep their people safe, their products sustainable and their operations productive.



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Contact us to learn more about how Sphera can help your business meet its safety, sustainability and productivity goals.