



Supply Chain Resilience with Sphera Sub-tier Visibility

Best Practices from DEUTZ



Benefits of Collaborative
Supply Chain Risk Management



Executive Summary

The DEUTZ Group is one of the world’s leading manufacturers of innovative drive systems for off-highway applications. The company has integrated Sphera Supply Chain Risk Management [formerly riskmethods] into its global risk management within procurement, with the key focus on securing supply and being risk aware. Central risk monitoring and identification are coordinated by the risk management department of DEUTZ AG as the executive parent company. Implementation of mitigation strategies lies with the local procurement divisions of the company’s subsidiaries. These local departments are also connected to Sphera Supply Chain Risk Management [formerly riskmethods].

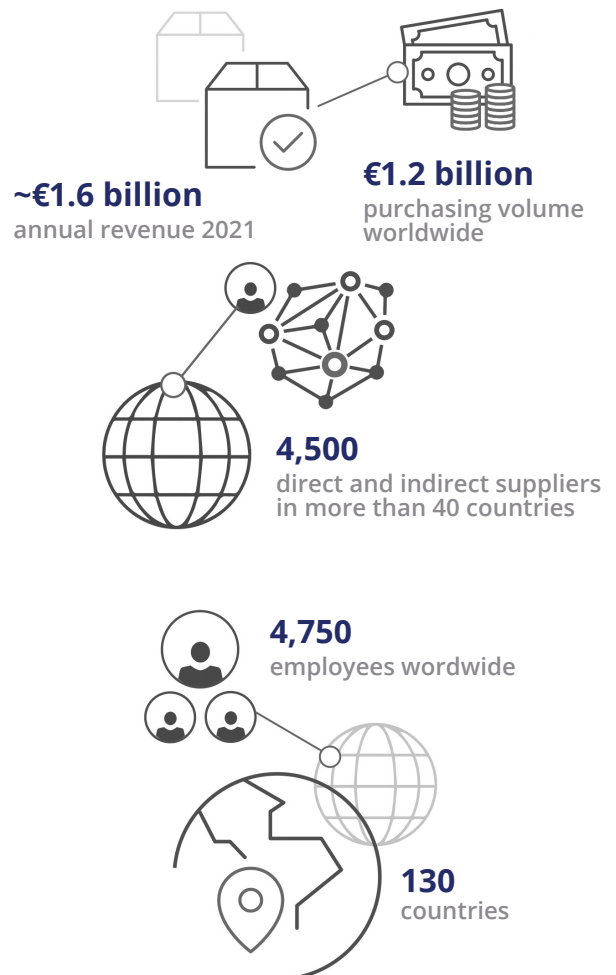
To increase transparency across the supply network and uncover sub-tier risks faster, DEUTZ decided to implement Sphera Sub-tier Visibility in 2021. Learn how collaborative risk management through Sphera Supply Risk Network enables DEUTZ to proactively address risky situations and strengthen resilience of the entire network.



Headquartered in Cologne, Germany, DEUTZ was founded in 1864 as the world’s first engine company. Its core competencies are the development, production, and distribution of drive solutions used in a wide range of applications including construction equipment, agricultural machinery, material handling equipment, commercial and rail vehicles, and boats. The current portfolio extends from diesel and gas engines to hybrid, all-electric, and hydrogen drives.

In 2021, DEUTZ employed around **4,750** people worldwide and generated revenue of **approx. €1.6 billion** in more than **130** countries across Europe, the Americas, and Asia/Pacific. The global production network extends to Germany, Spain, the USA, China, and Morocco.

DEUTZ maintains business relationships with more than **4,500** direct and indirect suppliers in more than **40** countries. With a purchasing volume of nearly **€1.2 billion** worldwide, its supply chain makes a significant contribution to its value creation process.



Supply Chain Risk Management Challenges at DEUTZ AG

To minimize the risk of tight supply situations that could lead to lost production time, DEUTZ uses Sphera Supply Chain Risk Management [formerly riskmethods], so it has the right material, in the right quantity, in the right place,

- Currently DEUTZ monitors approximately 1,600 suppliers in 44 countries. This includes all direct suppliers, along with the top 300 non-productive suppliers who provide services critical to maintaining operations, for example. The company collaborates well with their direct suppliers. However, **DEUTZ realized that limited visibility into sub-tiers represents a significant risk of supply disruptions or shortfalls.**
- In 2022, the focus is on being able to meet the currently strong demand, fulfill delivery obligations, and keep supply chains up and running. At the same time, the German Supply Chain Act with special focus on human rights and environmental protection along the supply chain, drives companies such as DEUTZ to perform risk management and reporting for all suppliers.



The German Supply Chain Act leads companies to increase transparency by mapping their suppliers. Sphera [formerly riskmethods] gives us the possibility to monitor all suppliers on different aspects and, by this, to fully meet the legal requirements.

Mike Schröter
Manager Supply Risk
DEUTZ AG

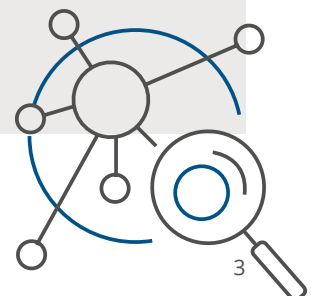
Why Previous Attempts at Gaining Sub-tier Visibility Failed

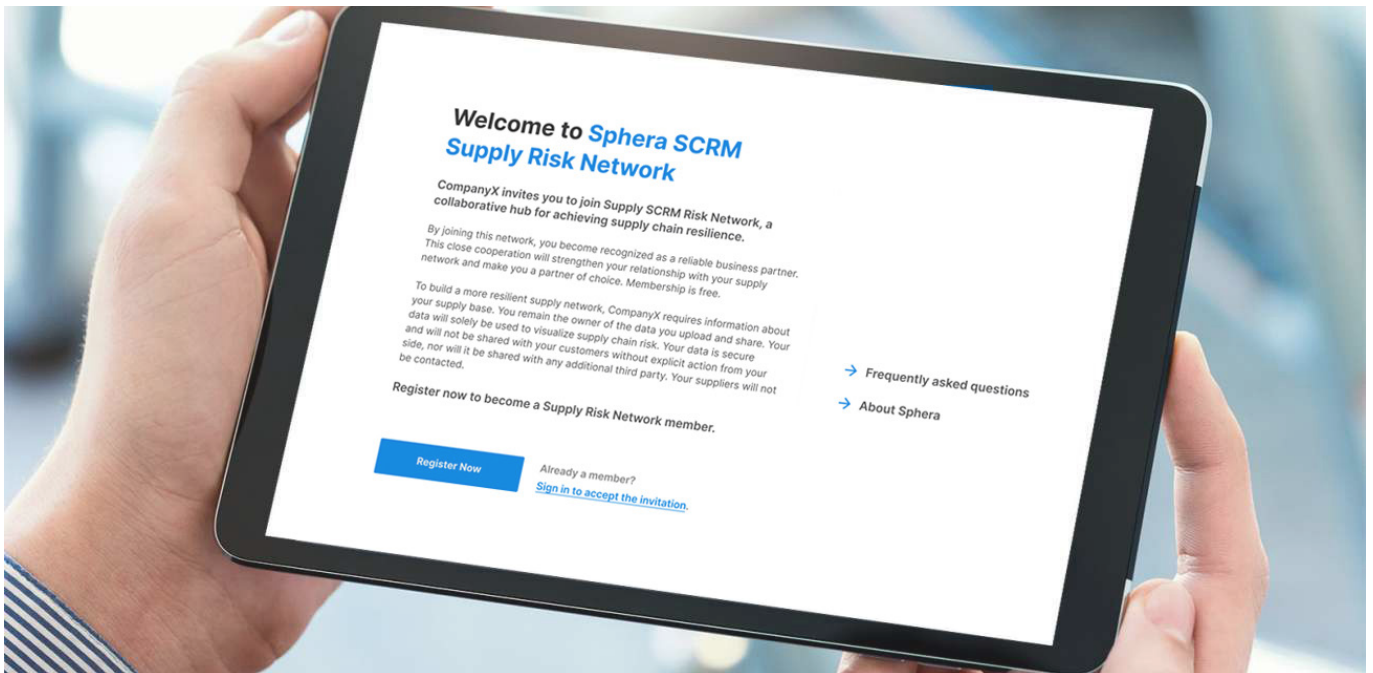
DEUTZ's attempt at manual identification of sub-tier suppliers failed due to two significant hurdles:

1. Did not meet the requirements of the European General Data Protection Regulation (GDPR).
2. High expenditure of time, yet did not provide value to neither DEUTZ nor their customers.

Real-Life Consequences of Lack of Sub-tier Visibility

In 2020, two sub-tier supply chain disruptions occurred: a factory closure in Vietnam due to COVID-19, and an insolvency of a sub-tier supplier. It took DEUTZ time to receive detailed information about these impacts – this time is critical for emergency and mitigation actions. Such incidents motivated DEUTZ to use Sphera Sub-tier Visibility from its launch.

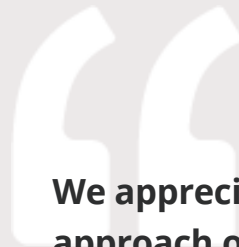




How DEUTZ Implemented Sphera Sub-tier Visibility

In 2021, DEUTZ became a first-mover customer of Sphera Sub-tier Visibility. In this approach, enterprises invite their suppliers to join Sphera Supply Risk Network™, and to share basic information about their own suppliers. As soon as suppliers upload data on their relevant suppliers, enterprises can visualize their sub-tiers on a digital world map within Sphera Supply Chain Risk Management [formerly riskmethods]. Using this collaborative approach enables companies to connect the dots, create multi-tier transparency, and monitor risk below their direct suppliers. With visibility throughout the supply network, companies gain early insights into risks before these become critical.

Suppliers benefit from being able to visualize their own suppliers on a world map and receive risk alerts free of charge through Sphera Risk Radar Network Edition™. These capabilities empower suppliers to become more risk aware, react faster, and thus avoid disruption in their own supply chains. In this way, the entire supply network becomes more resilient.

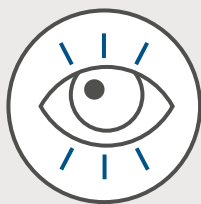
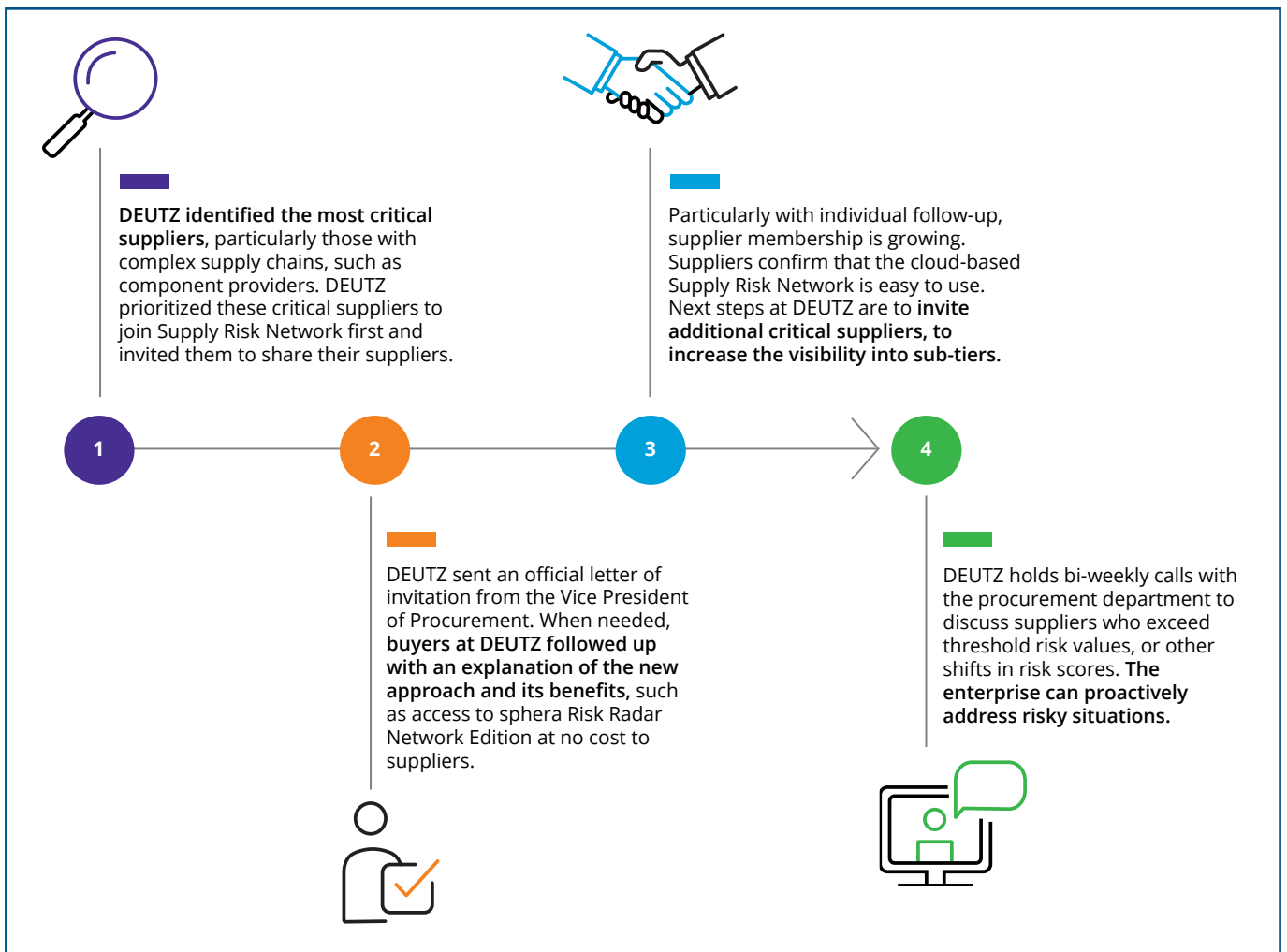


We appreciate the new approach of a collaborative supply risk network that benefits both sides of a business relationship. We were eager to pilot Sphera Sub-tier Visibility from the beginning.

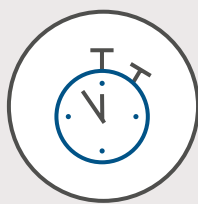
Mike Schröter
Manager Supply Risk
DEUTZ AG.

Encouraging Suppliers to Participate

To get DEUTZ started, Sphera [formerly riskmethods] provided a project charter and best-practice approaches for implementation of Sphera Sub-tier Visibility. This involved enabling suppliers to become members of Sphera Supply Risk Network.



Be risk aware



React faster



Be proactive



What typically hurts us and causes disruption is the lack of visibility in the supply tier of our suppliers, our tier 2.

Mike Schröter
Manager Supply Risk
DEUTZ AG

How DEUTZ Benefits from Achieving Sub-tier Visibility

Sphera Sub-tier Visibility enables DEUTZ to react faster and quickly begin mitigation. This is why real-time notification is a high priority for the company and provides a real competitive advantage.



Strengthen supply chain resilience. Gaining sub-tier visibility enables DEUTZ to receive relevant risk information on disruptions in the sub-tier level in real time.



Gain competitive advantage. The company can avoid shortfalls or shutdown of operations and ensure ongoing production.



Improve transparency and ensure compliance. Sphera Supply Chain Risk Management [formerly riskmethods] is easy to scale, allowing extended use in the future. It simplifies reporting for audits of German and EU supply chain laws.



Understand supply bottlenecks such as diamond risks. DEUTZ continually measures and evaluates overall sub-tier risk scores, to assess the risk posture in its sub-tiers.



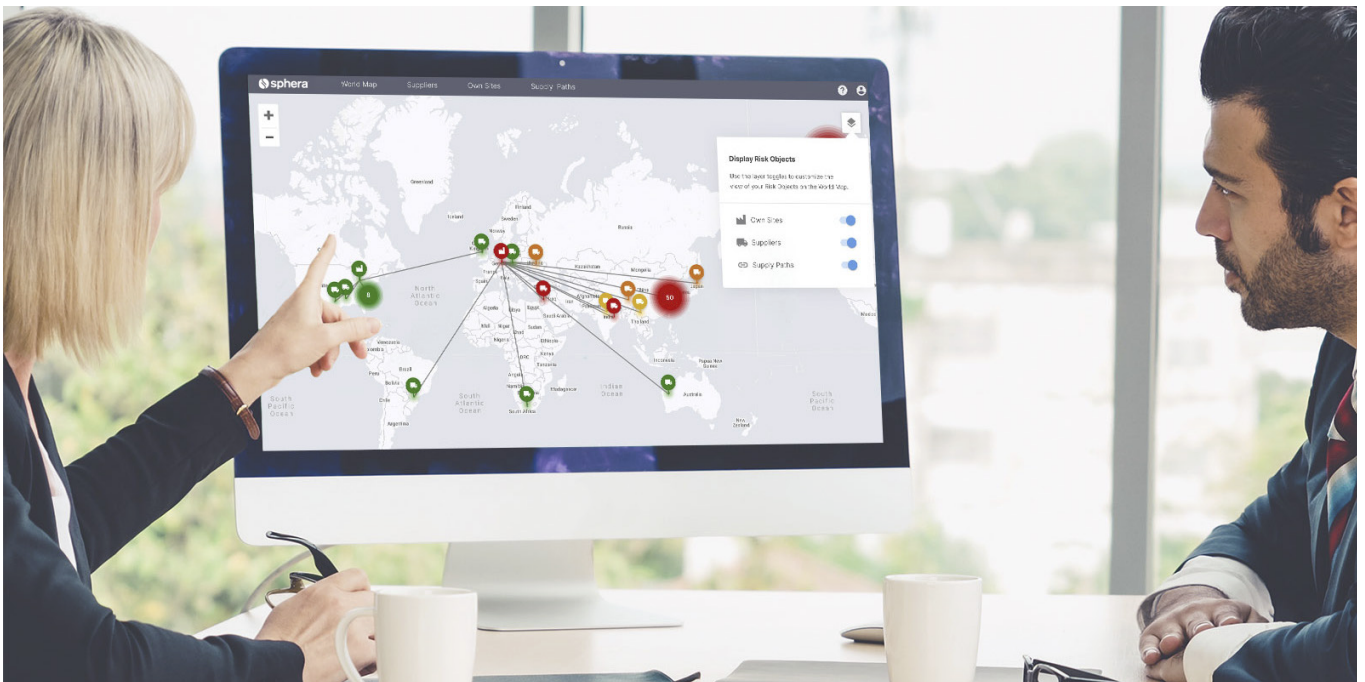
Save time and money. The enterprise is empowered to react faster. Instead of waiting weeks for information, DEUTZ can begin mitigation activities right away.



Improve the bottom line. By managing risk proactively, DEUTZ can avoid financial damage, such as emergency costs, lost revenue, or contract penalties.



Increase the resilience of the entire supply network. DEUTZ wants their suppliers to have risk insights into their own supplier base. This empowers their suppliers to avoid disruption.



Why Suppliers Are Motivated to Participate in Sphera Supply Risk Network

In March 2022, DEUTZ monitored nearly 250 sub-tier suppliers via Sphera Sub-tier Visibility. Suppliers want to become risk aware themselves, and view the collaboration in Supply Risk Network as an ideal starting point. “They like to have real-time insights and benefit from gaining real-time risk monitoring, so they can react faster and therefore avoid disruption in their own supply chains,” says Schröter.



Supply chains are becoming more complex, and we would like to work with our suppliers to create more transparency and more security for all participants in the supply network.

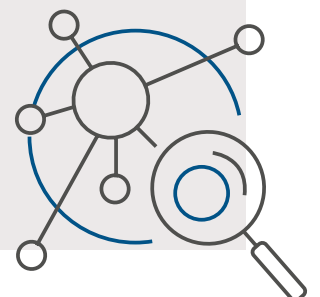
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Manager Supply Risk
DEUTZ AG

Real-Life Risk Mitigated by Sphera Sub-tier Visibility

DEUTZ learned of difficulties at a sub-tier supplier of plastic granules before the issues became critical.

Because DEUTZ was able to handle the problem at an early stage, the company avoided disruption and negative consequences, such as:

- Production downtime
- Loss of revenue
- Contractual penalties



Conclusion

DEUTZ plans to encourage further suppliers to join Sphera Supply Risk Network. Overall, the company aims to avoid disruption caused by limited visibility into sub-tiers, strengthen resilience, and keep its production running, to avoid costs as well as loss of revenue and reputation. As DEUTZ scales its program, it learns and benefits from setting best practice. “Our early participation in a sub-tier visibility program has proven to be absolutely the right step forward,” confirms Schröter.



Suppliers like to have real-time insights and benefit from gaining real-time risk monitoring, so they can react faster and therefore avoid disruption in their own supply chains.

Mike Schröter
Manager Supply Risk
DEUTZ AG

Sphera [formerly riskmethods] is a global market leader in supply chain risk management and serves companies worldwide. We empower companies of any size to master supply chain risk and to create reliable and more resilient supply networks.

Sphera **Sub-tier Visibility** provides visibility into sub-tiers through Sphera **Supply Risk Network**, a collaborative approach that benefits all partners. Suppliers have access to Risk Radar Network Edition and receive risk insights, enabling them to raise their own risk awareness and create a more resilient supply network for all participants.

For information on how to set up an AI-based supply chain 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.