



Relationships are **rooted in our values**

Interview with Rory Lamont, CPO

Bullet train manufacturer Hitachi Rail is no stranger to speed, but it is the Japanese values of wa, makoto and kaitakusha-seishin that help it run so smoothly and make strong relationships the norm.

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Despite struggling through a bout of sinusitis “thankfully it’s not Covid”, the vagaries of video-calls (an audio glitch our end), and juggling work and home life (as he awaited a call to secure his son’s birthday present), when asked how supplier relationship management works at Hitachi Rail, Group CPO Rory Lamont immediately enthuses. “People here see the development of long-term relationships as the absolute standard way of thinking, which is a real breath of fresh air.”

Lamont, who joined the business just under three years ago says he’s never worked anywhere where relationship management thinking comes so naturally. “We don’t talk much about ‘SRM’ here, it’s just expected that you collaborate with the supply chain. It’s not only procurement, but everyone. The engineers appreciate the importance of long-term relationships

and it’s very much understood at a senior level.

“Supplier relationships are viewed as something to be invested in, nurtured and brought on. We’re very lucky.” The approach mirrors the company’s Japanese values of ‘wa’ meaning harmony and showing respect to colleagues, suppliers, clients and stakeholders; ‘makoto’, for sincerity and acting with integrity; and possessing a pioneering spirit – ‘kaitakusha-seishin’.

Embracing change

Leading with ambition and flexing to meet the changing needs of the business is what kaitakusha-seishin is all about. It is this focus on adaptability that saw Hitachi Rail trial its technology in the UK market in 2002, and following massive success, shift its headquarters



Image credit: Hitachi Rail

from Japan to the UK in 2015. "Hitachi Rail has spent around £1.8bn in the UK supply chain since we opened our UK manufacturing facility in 2015. For every pound we've spent, we calculated that a further £1.30 is generated by our suppliers and members of their supply chains," says Lamont.

"We haven't typically gone to traditional suppliers, but have instead worked with a lot of small suppliers like those for metal parts, glass and kitchens.

"We invest in relationships and take time to build them, then suppliers want to work with us again and again." It built up from an initial base of 10 UK employees to the current count of 2,500, around 400 of whom are in procurement.



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And while its cultural roots remain in Japan – where its first steam and electric locomotives were built in the 1920s, followed 40 years later with the now world-renowned bullet trains – around 80% of Hitachi Rail's annual revenue, which in 2019 reached ¥580.3bn, now comes from elsewhere.

It continues to deliver Shinkansen (bullet trains) for Japan but has successfully exported its technology and expertise to multiple rolling stock projects across the globe. These include high speed, light rail and metro, and driverless technologies for passengers and freight. It has a presence in 38 countries, 11 manufacturing sites on three continents and some 12,000 full-time employees.

Organic expansion in the UK led to major contract wins including the Class 395 rolling stock for High Speed 1 and the Intercity Express Programme, followed by the acquisition of global brands AnsaldoBreda and Ansaldo STS.

Now it has teamed up with competing train manufacturer Bombardier in a joint venture for the UK's second high-speed rail project (HS2). A £2.75bn contract to design, build and maintain at least 54 trains for the first phase. And in July, Hitachi Rail and Hyperdrive Innovation

signed an exclusive agreement to develop battery packs to power zero-emission trains and create a battery hub in the UK's north east.

Future plans include aiming to expand further into key geographies, such as North America and India, and deliver new digital and Internet of Things (IoT) products, drawing on the wider Hitachi Group's technology capabilities and R&D.

Partnership working

Success and expansion is in part credit to an invested and supportive supply chain, a fact Lamont publicly acknowledged in an open letter to suppliers posted on his LinkedIn account earlier this year. That message thanked suppliers for their ongoing and pragmatic help, noting that nearly all the providers it had worked with in the past year operated in countries affected by Covid-19.

The company also reached out to vendors in individual letters and asked them to get in touch if they were experiencing challenges. "We like to think our approach gives us a point of differentiation in the supply chain," he says. "I always ask account managers what it's like working for us and they tell »



The company pioneered 'bullet trains' with the first Shinkansen Series 0 delivered in 1964 to coincide with the Tokyo Olympics. Its fastest bullet train now achieves speeds of up to 320km per hour.

me we're much more human – we listen better than others. That's an image we want to portray and live."

Those messages – both public and private – led to a number of conversations that generated improvements for suppliers, everything from simple clarifications to cash-flow assistance. "Paying on time can be the difference between a supplier going under or lasting another eight weeks, so we've done a lot of work on our payment performance," says Lamont. In addition, category managers track 250-300 suppliers on a weekly basis to check their health and status as businesses continue to be hit by the pandemic.

Help is both given and received. The respect, or 'wa', shown to suppliers pays off in kind. Lamont highlights a recent instance when a problem was discovered in the windscreens of trains set to run on Scotland's Edinburgh-Glasgow route.

"We had some challenges with how they performed in certain light conditions, so we went back to the supplier to get the defects looked at. We had project and category managers working on it until it bubbled up to my level and I received a call from the supplier's business unit lead in Japan."

The two of them discussed what was required and Lamont was impressed at how well versed the unit lead was. Hitachi has had a relationship with the supplier for 50-60 years, so it was committed to ensuring the issue was resolved.

Despite the long-term connection, Lamont says he was pleasantly surprised at just how well the supplier handled the problem since he knew the amount of windows being scrapped would be causing production and financial problems. "I was expecting to get a call from someone at a senior level to explain this to me and find a way to minimise it.

"Instead, the calls were focused on making sure we got what we needed and as quickly as possible. It's usually me that makes those calls. I don't think it's ever happened the other way around where a supplier has called me to ensure they were doing everything they could to make it succeed." Strong relationships require two-way communication and Hitachi Rail

runs face-to-face meetings for its top 50 providers to discuss performance on both sides. It also holds well-established 'corporate partner days' attended by the CEO and business leads and hosts a webcast to let suppliers know of future plans.

Fast and slow

Speed is of the essence when it comes to assessing and mitigating potential risks, such as those presented by Covid-19. "You need to be really clear on what conversations you need to have about any project milestones that are at risk and ask suppliers to communicate with you immediately if anything moves," he advises.

Lamont says one thing that can be done quickly is an assessment of the quality of account team managing you on the supplier's side. "If, for example, you have a global account team contact, conversations and actions can move pretty swiftly, but if an organisation is less mature, you may need to speak to a regional contact in the first instance, which can take more time."

And when it comes to challenges with speed, the "stuff that takes a lifetime" he says, is getting hold of holistic and reliable information with which to have data-driven conversations with suppliers. "We're working very closely with the supplier quality management and product quality team to improve the regular flow of data from warehouses to procurement and a case has been made for a system to do that."

One advantage Lamont has operating in a company where strong supplier relationships are universally valued, is he is able to lean on the wider organisation when his team is stretched. "If you're drowning in work, don't be afraid to use the full width of your organisation," he suggests, "not everything has to be dealt with by procurement."

Strong communication is essential both outside and inside the business. "My one piece of advice?" he says, "SRM handbooks worry me. There's no point pursuing an SRM programme if you're not clear what your organisation is trying to achieve.

"Rather than acting as the guardian of an SRM programme, spend more time talking to the business about what's important to them. Line-up with sales and engineering, work out what's key and get behind it." Lamont has a small team embedded with the commercial department to ensure procurement is involved in the sales pipeline and has early insight into needs and developments.

For example, he says the fuel cell agreement signed in July came from a specific conversation a year before. "If you listen, the business will tell you what's important, then you know what you have to focus on." ■