

"WE ENABLE OUR CUSTOMERS TO EXTEND THEIR TECHNOLOGICAL LEAD"

Interview with Egon Hämmerle, EVP Global Operations,
VAT Vakuumventile AG

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DIALOG: Mr. Hämmerle, VAT is an innovation leader in vacuum valve technology. How difficult is it to defend this position nowadays?

EH: Over the last 50 years, innovation has been the driving force behind VAT's development, bringing us technology leadership in the field of vacuum valves and their application. However, defending a position of leadership is never easy.

"The major challenge is to map the concepts developed and proven over many years in a global footprint"

Our customers operate in a highly competitive market environment that is characterized by short innovation cycles and the highest quality standards. Demands in the areas of cleanliness, precision and stability of vacuum components are growing at a rapid pace owing to ever shrinking structures. We enable our customers to extend their technological lead and for their part to assert their position in the market. We employ one-fifth of our workforce of 1.100 people in the area of research and product development in order to maintain this outstanding position of innova-

tion leadership. But high levels of customer focus, flexibility and, of course, quality are essential for this, too.

DIALOG: You operate in a very demanding market environment, especially with regard to the semiconductor industry. How dramatic have the changes in competition been in recent years?

EH: The concentration of production capacities in the semiconductor industry has resulted in a tougher competitive environment and a greater procurement power on the part of the semiconductor manufacturers. This has increased the cost pressures for equipment manufacturers immensely, and the equipment manufacturers in turn pass on this market pressure to their suppliers. Market growth in the semiconductor sector as well as in the solar and flat-screen areas is mainly taking place in Asia. This is leading to a

globalization of the supply chain and necessitating global supply concepts on the customer side as well as on the client side – both for our customers as well as for their suppliers – like VAT.

New fields of application for vacuum technologies are opening up new opportunities for the use of vacuum valves, but they are also placing greater demands on our products. This trend is increasing the complexity and diversity of our product portfolio. VAT is addressing these market requirements with innovative product concepts that are based on standardized components and platform concepts and which therefore allow customer-specific solutions without extending the range of parts. This ensures that we can develop outstanding solutions together with our customers, and that we can offer them at fair market prices.

DIALOG: *To what degree is this development affecting VAT's production concept and production strategy on the one hand and the creation of the company's global footprint on the other?*

EH: VAT reacted promptly in this respect by establishing a second production plant in Malaysia, in addition to its main plant in Switzerland. Both principal plants are supplemented by production facilities in

Eastern Europe and Taiwan. Firstly, this ensures the necessary proximity and flexibility, as well as short lead times. Secondly, it means we can achieve a better balance of the currencies in which we generate income and incur expenses.

Process stability, sustainable quality standards and security of supply are fundamental prerequisites for long-term success in the industries that we supply. For this purpose, VAT has built up an excellent network of suppliers over the years and traditionally purchases a large share of added value from selected partners. This was the only way in which we were able to counteract the cyclical nature of the business and the associated dramatic fluctuations in capacity utilization in the past. Very rapid ramping up and ramping down of production capacities are part of the daily challenges in the semiconductor industry and also shape VAT's production concept.

The major challenge is now to map this concept which has been developed and proven over many years in a global footprint. This not only entails transferring complex and highly demanding processes. It also means developing new local suppliers in order to safeguard our customers' quality requirements.

This calls for clear strategies regarding the production equipment, the manufacturing technologies and the design of technology chains that we will implement at each of the production locations. We will also adapt our make-or-buy strategies to the new global footprint.

DIALOG: *Besides production, it is primarily purchasing and logistics that are responsible for achieving a high level of operational excellence. What is the strategy you are pursuing in these two areas?*

EH: Our footprint concept, which we developed with the support of ROI Management Consulting and which we validated with their experience from many projects in a wide range of industrial fields, does in fact focus on both production and the supply chain. I have already mentioned the central role of our supplier network. Our partners are involved in product de-

About VAT

Over the last 50 years, VAT has built up a global leadership position in vacuum technologies based on constant innovation and a single-minded focus on quality and reliability. VAT develops and manufactures vacuum valves, modules, bellows, and related services for the semiconductor and vacuum coating industries as well as for the research sector. The company has more than 1.100 employees and is headquartered in Haag, near St. Gallen in Switzerland.

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velopment from a very early stage and contribute their expertise entirely. Our suppliers are aware of our customers' requirements and have harmonized their production processes to match them.

Increasing operational excellence through the lean production approach means that continuous process improvements and the elimination of waste must take place across departmental and company boundaries. We will closely integrate our preferred suppliers into this initiative in order to gain a holistic view of the production, logistics and administrative processes. Reducing lead time is at the top of the agenda of any optimization. This will enable us to become even more agile and to reduce the capital employed.

New concepts for the management and distribution of goods will play a significant role in helping to cut lead times. Categorizing orders into "make-to-stock", "make-to-order" and "make-to-project" in production planning and establishing regional distribution centers will ensure optimum harmonization between the supply chain and our customers' requirements.



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