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### Director's Message



Since the commencement of the Automotive Supplier Excellence Australia (ASEA) program in 2007, there has been a key focus and a significant amount of discussion on the competency area of "Leadership and Management" (LAM).

The attention and emphasis on this area within the Automotive Supply Chain was confirmed when the analysis of the 63 company-wide assessments were completed in 2008, and published in a report titled "ASEA Stage 2 Report: Australian Automotive Supplier Performance". This report showed that the average competency scores from the assessments were directly related to a number of factors which included 1) the revenue of the company; 2) whether the company exported; 3) whether the company was part of a Multi-national.

This report (which can be found on the ASEA website) also showed that of the more than 250 Improvement Plans identified and documented during the 63 assessments, more than 37% of them were recorded within the competency area of "Leadership and Management". With 11 different competency areas evaluated across the entire business, this is a particularly high percentage to have in one specific competency.

This outcome was however, further supported by the results from the 65 company-wide assessments conducted in 2010. These assessments identified 394 Improvement Plans (IPs), of which 17% fell within the LAM competency. However, the IPs provided to each company are prioritized, and if we look at the first and second priority IPs, we discover that the LAM competency again has the highest percentage of any competency area with more than 27% of the total.

As detailed in the ASEA Stage 2 Report, the improvements implemented within the LAM competency "impact fundamental business and operational issues that go to the core elements of management, planning, employee engagement and culture. Good performance in this area is a necessity in order to successfully implement and sustain organizational changes in other areas. This is also expected to have considerable flow-on effects

*in providing greater drive and direction for other areas of the business."*

The order of the major gaps (and therefore improvement needs) identified within the LAM competency during 2008 did not change significantly in 2010, with the most common areas of improvement opportunities being:

- Strategic & Business Planning
- Operational Planning & KPI Structures
- Management & Leadership Training
- Organisational Development & HR Processes

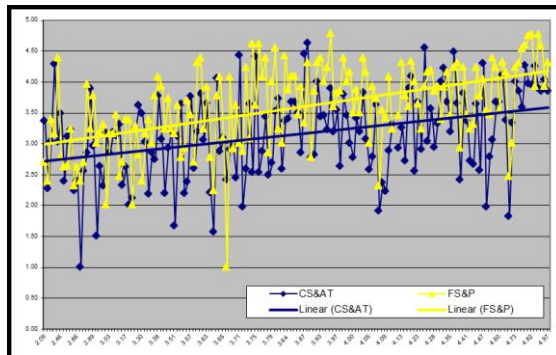
It is apparent that many companies still do not clearly understand the purpose of strategic and operational plans, and/or their planning processes are generally poor or non-existent. Likewise, many companies are not actually driving any value out of their strategic plans, simply because they are not communicating, cascading or implementing them. In fact, only around half of the companies assessed had a clear link between their strategic, operational and budget plans, and generally the smaller the company, the larger the gaps.

In referring again to the ASEA Stage 2 Report, it stated, "Improvements in the area of Management & Leadership address cultural issues within the organization as a matter of priority. Improvement opportunities centering around the Executive Vision, Strategic Planning and KPI structures are first order priorities for a majority of companies. Addressing these priorities first, lays a cultural foundation and provides a stronger base for the implementation and sustainment of subsequent Improvement Plans."

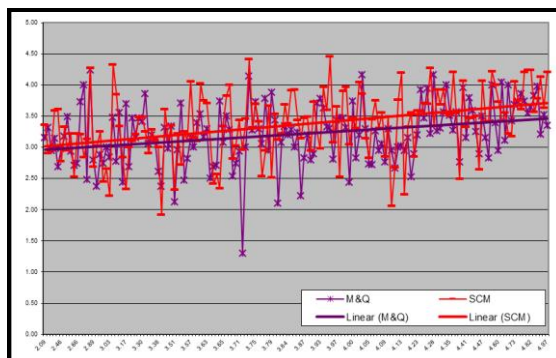
Since the initial Stage 2 program in 2008, ASEA has conducted more than 150 company assessments, so we now have a significant amount of data. I recently came across an excellent report published in 2009 titled, "Management Matters in Australia: Just how productive are we?"

The results of this report matched incredibly closely with those obtained from the ASEA assessments, even down to the rating system they used with a score out of five. They found the same results as ASEA relating to LAM competency scores verses the size of a company, based on both revenue and number of employees. They also graphed LAM scores verses company productivity, and found that the higher the LAM competency score, the higher the company productivity.

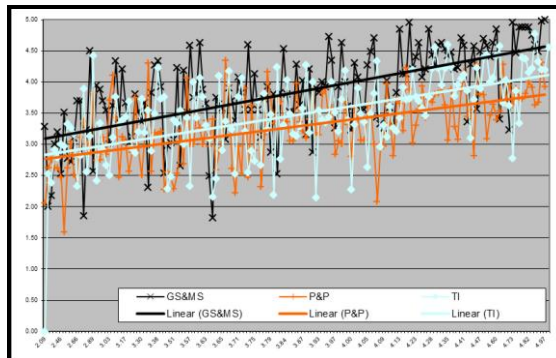
This prompted me to undertake a very interesting analysis using all of the competency scores from the 150+ company assessments conducted by ASEA. The following graphs show the scores for each of the 10 competencies (y-axis) plotted against the scores for “Leadership and Management” competency (x-axis), along with their corresponding trend lines.



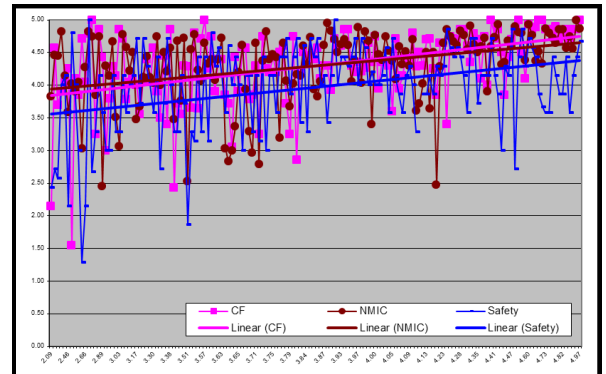
*Finance Competencies (CS&AT & FS&P) Vs LAM*



*Operational Competencies (M&Q & SCM) Vs LAM*



*GS&MS, P&P, TI Competencies Vs LAM*



*CF, NMIC & Safety Competencies Vs LAM*

From these four graphs, there is absolutely no doubt at all that good Leadership and Management has a positive influence on every other competency area, but with some having a far more significant effect than others.

As documented in the ASEA Stage 2 Report (and now verified), the three competencies with the highest scores were “Customer Focus” (CF), “New Model Introduction Capability” (NMIC) and “Safety”. These 3 continue to have the highest scores across all companies despite the LAM scores. The trend lines for these competencies clearly shows that even at the lowest end of the LAM scores, they have much higher starting scores (all above 3.50) than every other competency. These are usually the 3 competencies that have the highest priority within a company, and must be attended to in order to have on-going/repeat business. Hence they not only have the highest scores, but they also have trend lines with the lowest gradients.

Conversely, the steeper the trend line for any specific competency, the greater the effect of the LAM. Interestingly, the starting scores for all other competency trend lines except “Global Sourcing and Marketing Strategies” (GS&MS) are between 2.7 and 3.0, which is between 20% and 30% lower than the average of the other 3.

The competencies most influenced by LAM (those with the steepest trend lines) are GS&MS and “Financial Systems and Practices” (FS&P). These are closely followed by “Technology Investment” (TI), “People and Performance” (P&P) and “Cost Systems and Analysis Tools” (CS&AT).

Interestingly, based on this analysis the competencies which are least influenced by LAM are the two that most directly affect the value chain, being “Manufacturing and Quality” (M&Q) followed by “Supply Chain Management” (SCM). They are also the two competencies where most of the improvement projects are currently being implemented, as they both have a direct and immediate impact on the company’s bottom line.

All this analysis just goes to back-up the fact that as well as being efficient and “doing things right”, it is also important to be effective by “doing the right things”. If the focus of the company’s LAM is all about efficiency and not about effectiveness, organisations can waste a lot of time, money and energy, working very efficiently on the wrong things. For companies using the ASEA Program, our products and processes help them make sure they are not only working efficiently, but also working effectively “on the right things”!!

### Industry Forum “Leadership - Management - Energy”

On Thursday 21<sup>st</sup> June, ASEA held their most recent quarterly Forum, at the Toyota Headquarters in Port Melbourne. Feedback from the attendees was overwhelmingly positive, with more than 95% rating it as Good to Excellent.

The 3 best features of the forum, as rated by participants were:

1. Information presented
2. Networking with others
3. Quality of presenter/s



At the forum:

- Gavin Davies from Ford Motor Company presented a status update of Ford’s supplier support programs Lean Supplier Optimisation and Team Value Management.
- Paul Jones from Total Tooling Company shared experiences, learnings and achievements during their development of their Strategic Business Plan.
- Cecilia Wood from DIISRTE presented details about the Automotive New Markets Initiative, including the \$30M Automotive New Markets Program (ANMP). This program is also strongly backed by the Victorian Government (contact: Christopher Wong from DBI), and by DMITRE in South Australia (contact: Daniel Nycz).
- Darrin Spinks from Precision Components (Adelaide) delivered an energetic summary of Precision’s recent history. Darrin emphasised the importance of stakeholder support, having a clear strategy, and building internal capability to deliver on that strategy.
- Peter O’Brien, of Leadership+Strategy+Command outlined a number of useful practical frameworks for leadership development, and the corporate energy required to achieve change. He then shared some memorable anecdotes illustrating the difference between good and poor leadership.
- Andreas Kammel from Toyota presented a very informative and entertaining update of Toyota’s plans and actions to meet the challenges of the Clean Energy Futures Scheme, including support programs for Toyota suppliers. He asked suppliers to keep him informed of their various activities, so the information can be shared within the supply chain.



Thank you to Barry Budge and the team at Toyota, for their support of ASEA by providing an excellent venue.

Links to presenter websites:

<http://www.precisioncomponents.com.au>

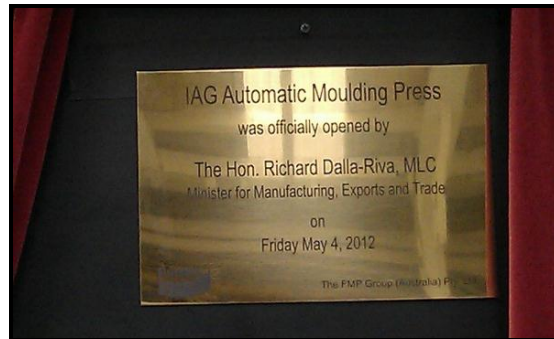
<http://www.totaltooling.com.au>

<http://www.innovation.gov.au/Industry/Automotive/InitiativesandAssistance/Pages/ANMI.aspx>

<http://www.lscconsulting.com.au>

### FMP Bendix Opening - 4<sup>th</sup> May, 2012

On 4<sup>th</sup> May, 2012 The Hon. Richard Dalla-Riva, MLC Minister for Manufacturing, Exports and Trade officially opened the new IAG Automatic Moulding Press at FMP Group (Australia) Pty Ltd.



FMP has been a very active participant in the ASEA Program, speaking about the positive results from a variety of their projects at the March 2012 Forum held at Ford, and hosting a Best Practice Visit in November 2011.



In his dedication speech, FMP Australia's General Manager, Mr. Graeme Dixon personally thanked the ASEA team for the support provided in helping with

the IAG Press project, as well as a number of other important projects.

It was great to see new state-of-the-art equipment being installed into the plant of such an enthusiastic Automotive Supplier, and particularly rewarding to see the investment by FMP into the regional community of Ballarat.

The team at ASEA wishes FMP a bright and prosperous future, and look forward to continue to work with them on many more projects.

### Best Practice Visit - 11<sup>th</sup> July, 2012 Hella Australia Pty Ltd

A key part of the ASEA Program is to identify "Best Practices" within the Australian Automotive Supplier Industry, and in that light we have asked Hella Australia to host a Best Practice Visit at their plant in Mentone, Victoria.

They manufacture a range of automotive lighting products which are supplied to all 3 local manufacturers as well as various export programs. Globally Hella Australia is a Centre of Excellence focused on design, manufacture and marketing of specialized mining industry lighting products and electronics systems. In Australia, they are operating at best practice standard in a number of areas in manufacturing and leadership overall. Specific examples of manufacturing excellence include their lean operations, error proofing, practice of 5S, and their use of visual management.

Hella Australia has kindly agreed to host a tour of their manufacturing plant on Wednesday 11<sup>th</sup> July 9:15 - 11:00am, and as a participant in the ASEA Program we are inviting you to attend this tour.

Places are limited to one person per organization and fifteen people overall. The first 15 persons to reply will secure places on the tour. If you cannot commit to attending the tour at that time, then please do not apply.

**Hella's location is:**  
54 - 76 Southern Road  
Mentone Victoria 3194  
[www.hella.com](http://www.hella.com)

If you would like to apply for a place to attend the tour, please respond to Judy Boyce via email: [judy.boyce@asea.net.au](mailto:judy.boyce@asea.net.au) by Thursday 5<sup>th</sup> July, 2012.



### South Australia Update

There were 39 projects completed in South Australia during ASCDP Round One, and the ASEA team is well on the way to equaling or bettering this figure in Round Two.

So far there has already been 3 ASEA projects completed in South Australia, with another 10 well under way. There are also another 7 projects scoped out and close to starting, with a further 7 identified and in various stages of preparation.

There are 4 new companies about to undergo ASEA assessments in the next 2 months, and a number of others considering signing up and committing to the program.

Round 2 of ASCDP is focused on expanding Round 1 activities further down the supply chain, providing assistance to Tier 2 and 3 companies. In South Australia 2 new Tier 2 companies are about to have assessments conducted.

All companies are reminded that funding for ASCDP Round 2 finishes on the 30<sup>th</sup> June 2013, and if they wish to conduct projects prior to this time, not to delay the assessments or project scopes too long. Delays typically result in a huge workload and lack of time at the end of the program, and companies may not get all they wish out of the ASEA Program due to time and capacity constraints.

The distribution of Round 2 projects in South Australia are as follows:

People and Performance	37%
Manufacturing and Quality	21%
Financial Systems and Practices	16%
Management and Leadership	16%
Supply Chain Management	10%

If your company has not yet had its 'Annual Assessment' scheduled or conducted, or your company has projects it would like to discuss, **DO NOT DELAY**. Contact Peter Cesco, SA ASEA Client Manager to ensure they can happen within the time frame.

Email: [cescop@optusnet.com.au](mailto:cescop@optusnet.com.au) or Mobile: 0422 006 111.

### Victoria/Tasmania/Queensland/New South Wales Update

We now have just less than 12 months to go in Round 2 of the ASEA Program. Participating companies in Victoria, Tasmania, Queensland and NSW in Round 2 have already completed 23 projects, and commenced an additional 35 projects.

The most popular project competency areas are:

- Manufacturing & Quality
  - mostly Lean Operations 25 projects, 43%
- Energy Reduction 11 projects, 19%
- Strategy 8 projects, 14%
- People 7 projects, 12%
- Others 7 projects, 12%

Other competency areas:

- Finance 2 projects, 3%
- Safety 1 project, 2%
- Sourcing 2 projects, 3%
- Diversification 2 projects, 3%

There are an increasing number of companies who are undertaking the ASEA Energy Efficiency Diagnostic which provides a quick but comprehensive review of energy efficiency and usage, from the perspective of both People & Processes and Equipment & Hardware.

Once companies see the large potential improvement opportunities identified in the Report following the Energy Efficiency Diagnostic, they are then pursuing more detailed "deep dive" projects to achieve sustainable reductions in energy usage as part of their strategy to offset increasing energy costs.

Following on from the Tier 1 successes in Round 1, 6 Victorian Tier 2 companies and 1 NSW Tier 2 company have now signed up to the ASEA Program in Round 2. The first of these have been assessed and have commenced projects.

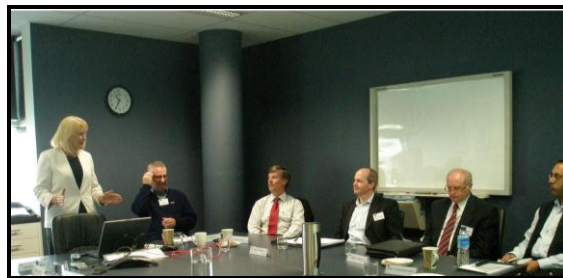
There are still a few remaining places available for Tier 2 or Tier 3 automotive supply chain companies wanting to join the program, but they are going fast. For further information about the ASEA Program contact:

Peter Taylor, email: [peter.taylor@asea.net.au](mailto:peter.taylor@asea.net.au) or Tom Chappell, email: [tom.chappell@asea.net.au](mailto:tom.chappell@asea.net.au)

### ASEA Coach Accreditation

On the June 6<sup>th</sup> and 7<sup>th</sup>, the ASEA team conducted another coach certification program in Melbourne and Adelaide, respectively. Seventeen people from a range of backgrounds undertook the one day training program, facilitated once again by Dr. Margaret Rossiter.

Margaret has been the trainer for all coach certification sessions since the beginning of the ASEA Program in July 2007, and this has provided consistency and continuity to the coach certification process. The one day training content included a status update of the ASEA Program, Socratic coaching skills, coaching role plays plus a foundation level coach assessment.



*Dr Margaret Rossiter (left) with participating Victorian ASEA Coaches*

The specific training in coaching fundamentals covered active listening, powerful questions and direct communication. The Socratic coaching approach used by ASEA Coaches, is an inquiry approach that involves critical thinking, structured and disciplined reasoning that facilitates the participants to discover rather than being fed answers.

Effective coaching from ASEA provides participants with a greater capacity to produce robust results and an enhanced confidence in their ability. Certified ASEA Business Coaches are an integral part of the project engagement process with participating companies and they are critical to the transfer of competencies and successful projects.

### Waste Management Brochure

Waste Management is an area which has seen increasing attention lately, as companies recognise the potential for reducing costs in that area, while

enhancing their reputation with customers and employees.

ASEA has recognised the importance of Waste Management and Reduction. In 2011, ASEA engaged GreenChip to lead a successful Waste Management project at Continental Pty Ltd in Bundoora. This project was written up as a case study and published online, see:

<http://www.whittlesea.vic.gov.au/business-and-industry/growing-your-business/local-business-case-studies/case-study---managing-waste-to-reduce-costs-and-generate-income>

ASEA has produced a brochure on Excellence in Waste Management and Reduction which was included in the pack provided to attendees at the recent ASEA Industry Forum. The brochure outlines the approach, the tools and methods, the schedule and the expected benefits from doing a project on Waste Management and Reduction.

The companies which implement the Waste Management projects for ASEA are GreenChip Pty Ltd (Director, Anthony Peyton) in Victoria and Enemess Energy Services in South Australia (Principal, Murray Stephenson).

