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Director's Message

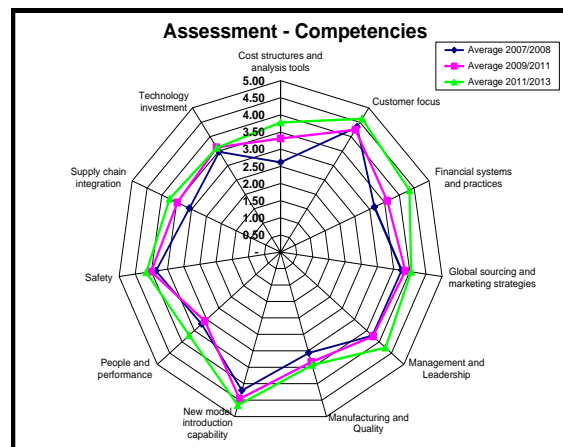


With the Automotive Supply Chain Development Program (ASCDP) coming to an end on June 30th, it is time to reflect on the past four years of this very successful program. Since commencing the ASCDP in 2009, there have been over 85 Companies participate, and more than 300 improvement projects successfully completed.

However, this does not include the projects implemented in ASEA Stage 2 in 2007/2009, when 63 Companies participated in the very first ASEA Program. This means that we now have a huge amount of data and information on the Australian automotive supplier industry that spans over 6 years.

In that time we have completed more than 250 Company Assessments, with some Companies having completed their 3rd or 4th Assessment. In fact we have over 30 Companies that have completed 3 or more.

This provides an outstanding opportunity to look at the effect of implementing improvement plans, and should demonstrate where the supply chain has improved and by what magnitude. If we plot the average results for these Companies for each of the 11 individual competencies that are measured during each Assessment, we can show how and where they have improved.



The spider graph shown above, displays the average Assessment scores for these Companies, for ASEA Stage 2 in 2007/2008, for ASCDP Round 1

in 2009/2011, and for ASCDP Round 2 in 2011/2013. It shows the progression for these Companies across a 6 year timeframe, and clearly demonstrates the competencies where improvements have occurred, and in which time period they have occurred.

It demonstrates continuous improvement within a number of competencies across multiple time periods, and also shows improvement in two of the highest scoring competencies ("Customer Focus" and "New Model Introduction Capability") proving that there is always room for more improvement.

If we look at the combined average percentage improvements for the competencies and metrics across the three Assessments for these companies, we find the following:

Competency	Improvement
Cost structures and analysis tools	45%
Financial systems and practices	37%
Supply chain integration	22%
People and performance	16%
Management and Leadership	14%
Manufacturing and Quality	12%
New model introduction capability	11%
Safety	8%
Global sourcing and marketing strategies	8%
Customer focus	7%
Technology investment	4%

This spider chart shows the progression of an "average" Company as they commence their improvement journey, and then continue to focus on improving. It is very clear to see that the big changes that occurred between the time the program commenced in 2007/2008 with the ASEA Stage 2 assessment, and when the second assessment occurred during the 2009/2011 ASCDP Round 1, were very much focused on reducing and improving the control of costs, and with Supply Chain Integration.

There was also an improvement in Manufacturing and Quality, which is also typically focused on productivity and efficiency gains, and cost reduction.

Between the first and second Rounds of ASCDP, we can now see significant changes in the scores for Management & Leadership (MAL) and for People and Performance (PAP), which are both more focused on long term strategy and culture. The improvements seen in the MAL competency were

really due to a significant focus in this competency between 2007/2008 and 2009/2011, but the effects were not seen until the later assessment.

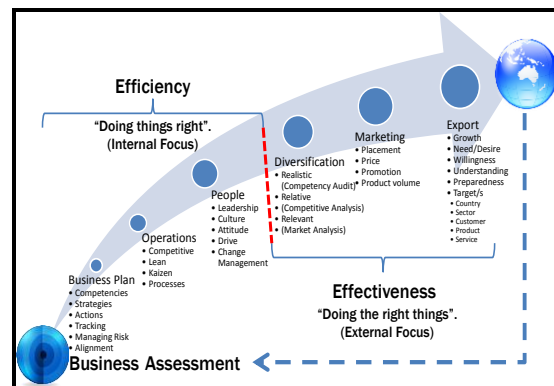
Noting that these improvements are “averages”, it is also interesting to note that more than 60% of these Companies have improved at least one competency by more than 50%, and some have improved their competency scores by more than 100%.

In analyzing the wealth of information we have gathered, it clearly pointed towards two distinct but related Phases of Company development, that were inextricably interlinked. The first phase was very much focused “Internally” within the Company, in order to help them become more competitive, and was really directed at improving their “Efficiency” across all levels of the organization.

The second phase, which relied almost totally on the success of the first phase, was focused “Externally” outside the Company, and was directed at helping the Company become more “Effective” by developing and implementing a sustainable business model focused on the long term.

This “journey” can only be undertaken by firstly knowing which areas of their business needs improving (identified by the Assessment), and then importantly, by successfully implementing improvement plans (the Projects) to address the gaps and move to the next step in the journey.

The diagram below tries to demonstrate this journey quite simply on one page, starting at the “Business Assessment”, and finishing as competitive and sustainable “Global Supplier”.



In examining this journey in more detail, there are a number of critical issues and definitions that need to

be understood. The first is the difference between Efficiency or “Doing things Right” and Effectiveness or “Doing the Right Things”.

The simplest example I can give is an Automotive Company that manufactures wooden wheels. This company can be the most competitive manufacturer of wooden wheels in the world (VERY Efficient at “doing things right”), but if all the Automobiles are using steel or alloy wheels and there is no market for their products, then they will go out of business. To survive and be sustainable, they therefore must also be Effective by not only understanding their customer’s needs and wants, but by also identifying other opportunities in other sectors, understanding global markets and trends, and “Do the right things”!



OR



The second issue - which is the transition of the Company between Efficiency and Effectiveness - has required the ASEA team to review the products that had been developed throughout ASEA Stage 2 and ASCDP Round 1, and assess their applicability over the entire journey, particularly in the second phase of Effectiveness.

The conclusion was that there were no doubts at all that all of the products were first rate and were doing the job they were designed to do, which has been further confirmed and reinforced by the outstanding results that have been achieved by the Companies using them. However, it was also determined that we needed some additional products that were specifically focused on addressing the requirements of Companies moving into this second phase.

The result has been the development of an integrated series of training/coaching products that have been packaged together into a comprehensive Program that we have called “Evolving Innovation”. The brochure explaining the Program can be seen below.

The highly integrated program is divided into four separate but related modules, which comprise the three individual products.



Automotive Supplier Excellence Australia Newsletter



We now have clear data proving beyond any doubt that Companies continuously focusing on implementing improvements will absolutely improve. To demonstrate this, we have reduced the scores/results for each Company we have assessed since 2007 to a single number for that Company. We have done this by adding their scores for each of the 11 Competencies, and dividing by 11.

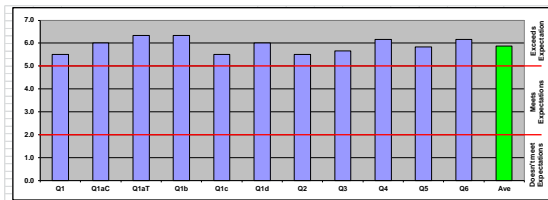
This provides us with a single score for each Company. We have then taken the scores for all of the Companies that have completed an "Initial Assessment" and allocated them into 0.25 increment buckets. E.g. A Company with a score of 3.84 goes into the 3.75 - 4.00 bucket.

As each Company is at a different point on their "Journey to Success and Growth", it is important that each product can stand separately, but equally important that they are all integrated and interconnected.

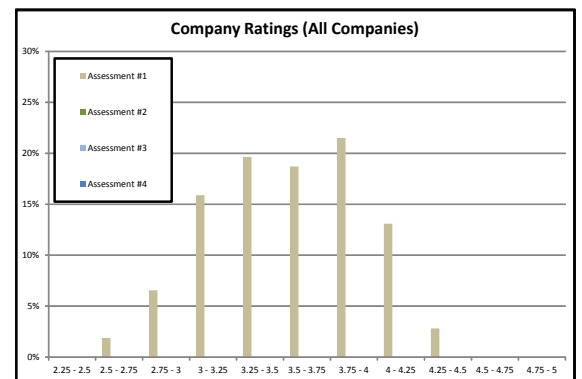
We have added up the number of Companies in each bucket, divided by the total number of Companies in all buckets, and this leaves us with the percentage distribution of the entire group of Companies. With over 100 Companies, this provides an excellent representation of the Automotive Supply Chain Industry.

During ASCDP Round 2, there were six separate projects delivered by ASEA, and completed using these products. The range of Companies completing these projects included multi-national and Australian, and included Australian Companies in the small, medium and large categories. Considering we used these six projects as "pilots" to help us to refine the products and improve the delivery materials, the feedback has been quite exceptional as can be seen from the average results shown below.

What we had hoped for was a "normal distribution" (which is what is expected), and that is exactly what we got (See below). It is very close to a normal distribution, centered roughly around a score of 3.5.



These products will be used to help companies with their diversification projects in the Business Capability Support Program (BSCP).

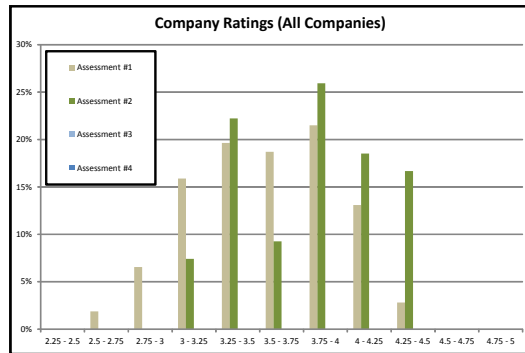


Finally for this Newsletter, I would like to highlight the incredible improvement in the Automotive Supply Chain that we have experienced over the past 6 years.

We then did the same thing for the Companies that had completed a 2nd Assessment, and this graph is shown below. As can be clearly seen, the distribution has moved to the right, and is now centered roughly around 3.75, a 7% improvement.

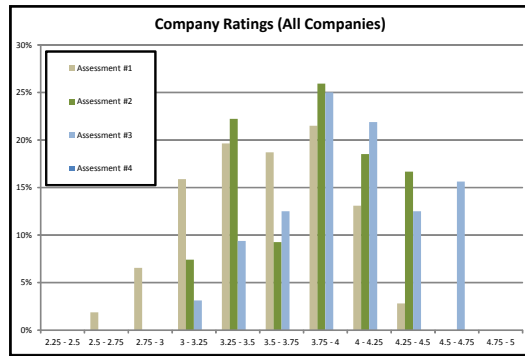
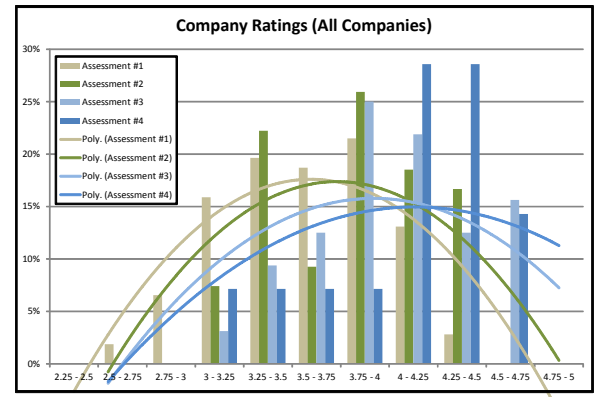
We are fortunate to have conducted Assessments on more than 100 Companies during this time, and even more fortunate to have worked with many of them since 2007 conducting multiple Assessments, and helping them to significantly improve their businesses.

However, the spread of scores has also narrowed, with the minimum score improving from 2.5 - 2.75 to 3.0 - 3.25, an improvement of 19%.



The process was repeated for Companies that had completed a 3rd Assessment, and the results are shown below. The mean has continued to move to the right, now somewhere between 3.75 and 4.0, but there has also been a significant shift of Companies to the right, and the distribution is now “skewed”.

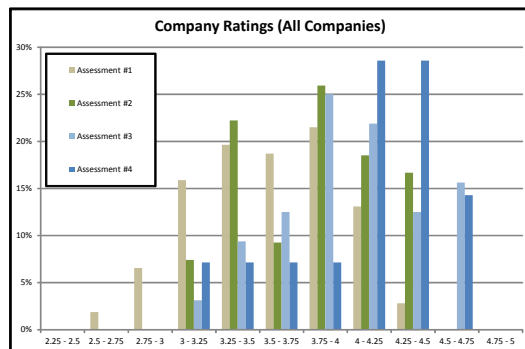
Finally, if we ask the computer to add the “polynomial line of best fit” to the graph for each set of data, we get the graph shown below. Again, the skewing of the distribution to the right (and hence the improvement of the Industry) is VERY clear.



Finally we have plotted the results of Companies that have completed a 4th Assessment, and the trend of skewing the distribution to the right has continued. In fact it is VERY clear from the graph below, that a Company that continues to focus on implementing improvement projects will absolutely improve, and in fact the entire industry has shifted significantly to the right.

Lastly, I would like to sincerely thank everyone involved in the ASCDP Program, particularly the ASEA team, and look forward to continuing to work together with Suppliers on the Business Capability Support Program.

**Industry Forum - Adelaide, SA, on
“Diversification Opportunities for
Automotive Suppliers” - 28th May, 2013**



Continuing the Diversification theme from past Forums, and with the BCSP well underway, the relevance and popularity of the topic at the recent ASEA Industry Forum on “Diversification Opportunities for Automotive Suppliers” held in the Crystal Room of the Stamford Plaza Adelaide, attracted a huge audience.

The Forum was jointly collaborated with Mr. Will Angove, the newly appointed Automotive Supplier Advocate and who also acted as Master of Ceremonies. Commencing with an overview of the day, Mr. Angove explained his new role and the challenges facing the Supply Chain Sector in Australia.

The Honorable Tom Kenyon MP who has represented the electorate of Newland in the South Australian House of Assembly since 2006 and is the Minister for Manufacturing, Innovation and Trade and Minister for Small Business, spoke on "The Importance of Automotive Manufacturing within Australia". His presentation was well received with continuing discussions following his speech.

Mr. Linsey Siede, the ASEA Director spoke on "Capabilities within the Supply Chain" including a review of the Automotive Supply Chain Development Program (ASCDP) and the Business Capability Support Program (BCSP).

The forum continued with Mr. Greg Lowe, General Manager, TI Automotive speaking on, "Using your capabilities to drive your business further", Mr. Mark Osborne, Business Advisor, Enterprise Connect, presenting "Doing business in another sector - the benefits and considerations", and Mr. Darrin Spinks, Managing Director of Precision Components Australia Pty Ltd, shared experiences about "Expanding your business Globally".

Precision Components has taken the brave but necessary decision to extend its operations and expertise globally through strategic joint ventures underpinning an opportunistic future for the business and people.

Following a comprehensive networking session, representatives from other sectors presented "Current capabilities and opportunities for growth". Mr. Tony Carney, National Sector Manager for Rail, Mr. Christian Larsen, the Minerals Supplier Advocate and Mr. Chris Burns, CEO of SA Defence Team Centre, all gave valuable information to advise/encourage diversification into these sectors.

Mr. Anthony Kittel, Managing Director, REDARC Electronics, who took the company over in 1997 presented the REDARC story of succeeding in diversifying.

The Forum continued with presentations, Tapping into the Services of the ICN from Ms. Amanda Wood, State Director, Enterprise Connect, Mr. Grant Steinberg, Case Manager from Commercialisation Australia, and Mr. Phillip Cross, Supply Consultant, Industry Capability Network, SA.

The positive energy throughout the Forum was captured in the feedback survey at the completion of the event, with the best features cited as:

- Networking
- Information
- Quality of Presenters

The Forum was overwhelmingly popular with 100% of registered guests attending, plus others registering on the day. Media coverage through the Adelaide Advertiser and the ABC News was also excellent.

Thank you to all our speakers for their time and efforts in preparing and presenting to the Forum.

Industry Forum - Melbourne, Vic, on "Diversification Opportunities for Automotive Suppliers" - 6th June, 2013



Following on from the well-attended and successful Forum held in Adelaide, the theme was continued with a similar forum at the Melbourne Convention Centre, South Wharf on Thursday 6th June, 2013.

With Mr. Will Angove, Automotive Supplier Advocate as Master of Ceremonies, the event proved even more popular with over 120 representatives from Victorian, South Australian and Federal Governments, FAPM, ICN, Enterprise Connect and over 45 different Automotive Supply Chain companies.

Mr. John Conomos, Automotive Advocate, who recently returned from the US, spoke on "The

Importance of Automotive Manufacturing” and “Expanding your Business Globally”.



L-R: Mr. Will Angove, Automotive Supplier Advocate and Mr. John Conomos, Automotive Advocate

Mr. Linsey Siede reiterated to the Melbourne audience, the success and outcomes of the ASCDP and the progress of the BCSP.



L-R : Mr. Jim Griffin, Chief Executive Officer, Diver Consolidated Industries and Mr. Daniel Nycz, Principal Industry Development Officer - Automotive, Government of SA, Department of Trade and Economic Development

Mr. Jim Griffin, CEO of Diver Consolidated Industries gave a presentation on “Diversification and the Auto Component Supplier”, giving an entertaining presentation on learning what the company’s capabilities are and extending these capabilities outside the automotive sector.

“Doing business in another sector - the benefits and considerations”, was presented by Mr. Dale Thompson, Business Advisor at Enterprise Connect. The very important line up of sector representatives, including Mr. Tony Carney, National Sector Manager for Rail, Mr. David Ryant, National Sector Manager for Health, and Mr. Paul Johnson, Energy Supplier Advocate who all presented “Current Capabilities & Opportunities for Growth” in their respective sectors.

Composite Materials Engineering’s Managing Director, Mr. Brian Hughes spoke openly about his company and the diversification challenges they faced, and are still facing. A very positive speech, and very well received by all.



L-R: Mr. Brian Hughes, Managing Director, CME, Mr. Mario Turcarelli, Managing Director, Dolphin Products and Mr. Linsey Siede, Director, ASEA

Presentations from Mr. Rod Nelson, Victorian State Director of Enterprise Connect, Mr. Ron Mack, Case Manager at Commercialisation Australia and Mr. Stephan van der Lit, Regional Manager, Eastern Metropolitan Region, Industry Capability Network, followed a valuable networking session on Tapping into the services of their organisations respective government assistance programs.

As with the previous Forum, the feedback was very positive with the best features being Information, Networking, and the Quality of Presenters. Thank you to all our Melbourne Presenters who also took out time from their busy schedules to be part of this Forum.

South Australia Update

During ASCDP Round 2, there were 40 projects successfully completed in South Australia. There were also 3 Best Practice Visits and 2 successful Forums in the state in the same period.

ASEA is now fully focused on the delivery of BSCP projects to companies in South Australia, with a number of Automotive suppliers already actively involved in this new program.

The distribution of Round 2 projects in SA were:

- People and Performance 30%
- Manufacturing and Quality 20%
- Financial Systems & Practices 22.5%
- Management and Leadership 22.5%

Included in the Financial Systems & Practices were 6 Energy specific projects, which comprised 15% of the overall number and delivered some excellent results.

All South Australian companies participating in ASCDP will be contacted shortly by the Client Manager, to discuss their ongoing needs. Should you wish, please contact your ASEA Client Manager in SA for information regarding the BCSP program.

The ASEA Client Manager for South Australia is:

Peter Cesco Mobile: 0422 006 111
 Email: cescop@optusnet.com.au

Victoria/Tasmania/Queensland/New South Wales Update

With effective completion of Round 2 of the ASCDP on Friday June 28, the participating companies in Victoria, Tasmania, Queensland and NSW have now completed 136 projects.

The most popular project competency areas have been:

- Energy Reduction 36%
- Manufacturing and Quality 26%
- Strategy 12%
- People & Performance 10%
- Diversification 6% (not including BCSP - designated diversification projects)

Projects in other competency areas were:

- Strategic Sourcing 4%
- Finance 3%
- Safety 2%
- Waste 1%

There has been a consistent focus on projects that deliver productivity improvements quickly for companies, as can be seen in the number of projects completed in the Energy Reduction, and the Manufacturing and Quality competencies.

Our feedback indicates that companies expect payback on their project investments within 12-18 months.

Complementing the quick payback expected for the projects in those competency areas, many companies have completed longer term projects in Strategic Planning, Leadership, People and Performance, Diversification/Marketing Strategy,

and Strategic Sourcing, which are anticipated to position them well for the future.

During the last month your ASEA client managers have been very busy closing out multiple projects at participating companies. It has been most rewarding to see the ownership of project outcomes taken on by the project teams at the various companies.

Project feedback from participating companies indicates that the projects have been well received, and that there is still plenty of work to be done by companies on their productivity and efficiency.

The ASEA team will continue to provide value to participating companies through delivery of the Evolving Innovation products, assisting companies with their diversification initiatives, and supported by funding provided by the Business Capability Support Program.

For further information about the ASEA Program contact:

Peter Taylor, Email: peter.taylor@asea.net.au or
 Tom Chappell, Email: tom.chappell@asea.net.au

ASEA Best Practice Visit: Futuris Automotive Interiors - 17th May, 2013



Representatives from ASEA participating companies with FUTURIS employees

An important aspect of the ASEA Program has been the very well received "Best Practice Visits" to suppliers within the Australian Automotive Industry.

On Friday the 17th May, Futuris hosted a Best Practice Visit to showcase their Campbellfield, Victoria operation to their industry colleagues.

Futuris globally designs and manufactures automotive seating and interior solutions for

emerging markets, along with niche high value-add products for developed markets. Through a growing international network of design and manufacturing facilities across Australia, China, Thailand, North America and South Africa, Futuris create interior solutions that provide quality, value and innovation.

In Australia Futuris manufacture a range of automotive products that are supplied to all 3 local vehicle manufacturers. At their Campbellfield plant they are operating at best practice standard in a number of areas particularly their management of complexity and their use of visual management. The Campbellfield site manufactures a range of automotive and non-automotive products that are part of the Futuris diversification strategy.

During the plant tour, led by Vince Giglio and Anthony Francis, the group of 12 people from 8 different organisations viewed the extensive range of automotive & non-automotive products that were manufactured onsite.

The diverse automotive products include seats, pedal box modules, steering systems, window regulators, carpet, trunk trim, NVH acoustics products, headliners, package trays and the Ford beam axle. The non-automotive products include microheat, the e-Wood portfolio, and rail and tram seating.

The group gave very enthusiastic feedback on what they saw, and all attendees gained a much better appreciation of the complexity of the Futuris operations, their diversification activities, plus the 'living' examples of visual management.



L-R: Mike Arakilo, AutoCRC, Peter Taylor, ASEA and Mario Turcarelli, Dolphin Products Pty Ltd

ASEA Best Practice Visit: Continental Pty Ltd - 30th May, 2013



Continental hosted a Best Practice Visit at their Australian Head Office in Bundoora on Thursday 30th May 2013.

The theme of this visit was their energy efficiency initiatives and lessons learned. Continental was the recipient of the TMCA Presidents Award for Environmental Performance in April 2013. Continental's strong corporate citizenship ethic was once again demonstrated as they openly shared with other suppliers how they have been able to contain or reduce their CO2 emissions.

Eight participants attended the Best Practice Visit. There was a good exchange of lessons learned from the various attending participants and we all left the visit better educated.

Thanks to Angie Angelovski, Wolfgang Obst, Joy Adcock and Jeff McKeddie for organising this visit for the ASEA participants. Further information about Continental (Australia) can be found at http://www.contionline.com/www/automotive_de_en/general/regions_countries/australia/



Representatives from ASEA participating companies with CONTINENTAL employees