



# Automotive Supplier Excellence Australia Newsletter - March 2014

Volume 6, Issue #01  
March, 2014

## Inside this Issue:

Director's Message 1

Business Capability Support Program 3

Manufacturing Productivity Networks 4

FAPM Trade Mission 4

Upcoming Events 5



[www.asea.net.au](http://www.asea.net.au)

## Director's Message



A lot has happened in the short time since our last Newsletter was issued on December 12<sup>th</sup> 2013, which just happened to be the day after GM Holden shocked the industry with their announcement that they would cease manufacturing vehicles in Australia in 2017.

The Toyota Press Release on February 10<sup>th</sup> 2014 announcing that they too would cease manufacturing in Australia in 2017 has changed the face of the Australian automotive manufacturing sector.

In less than 9 months since the Ford announcement on May 23<sup>rd</sup> 2013, we have heard that the automotive vehicle manufacturing sector will be departing Australia leaving behind an incredible history, a huge void, and an entire supply chain with no local OEM customers. We have heard and seen much in the media about the effects on the 7,000 plus workers at Ford, Holden and Toyota but what about the 30,000 plus workers in the supply chain?

Unfortunately since the Ford Australia announcement that they would cease local vehicle manufacturing in October 2016, we have seen a reduction in the demand for the locally built Ford vehicles. The reduced build volumes have resulted in a further press release from Ford Australia on February 6<sup>th</sup> 2014 announcing the loss of 300 manufacturing jobs in June 2014.

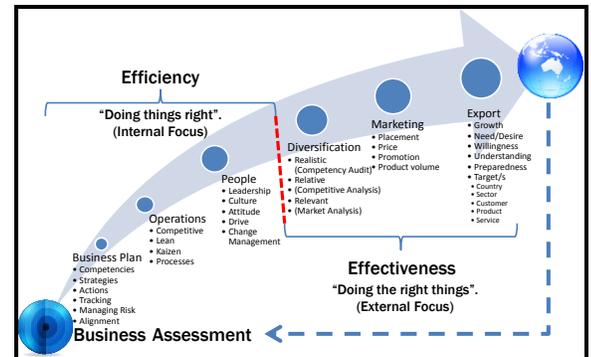
These losses are well ahead of the previously announced planned shutdown of vehicle manufacturing in October 2016, and the reduction in vehicle build will have an obvious and immediate flow-on effect to the volume requirements from the supply chain.

The main effects on automotive suppliers from the recent announcements by Holden and Toyota have been on timing. The urgency of replacing lost OEM business with "other" business has been significantly increased, and the reduction in timing from a "manageable 8 to 10 years" down to a "potential 2 to 3 years" has meant a number of options that could have been available are now not possible.

For companies that have been committed to, and focused on supplying quality, cost effective products to the local OEMs and have either not yet begun, or

have only just commenced the implementation of a diversification strategy, the options are now limited. With an 8 to 10 year timeframe diversification into other sectors such as rail, defence, construction, mining or medical, were clearly options. However, unless these processes are already well underway, or the suppliers have products which these sectors need and want, the potential of success in a 2 to 3 year timeframe is limited.

Apart from the challenge of a reduced timeframe, there is also the challenge of implementing the mindset change needed to successfully enter new markets and sectors. As discussed in the previous Newsletter, SMEs who have only supplied into the automotive sector and have had captive markets for many years, generally find it very difficult to make the shift from "efficiency" to "effectiveness".



Encouraged by their customers, they have continually focused their attention to improving internal efficiency by reducing costs, improving competitiveness and "doing things right", in order to win the next contract. They have rarely if ever spent time focused on improving their external activities such as diversification to enhance their effectiveness by "doing the right things".

Suppliers that have almost solely focused on their local OEM customers and have highly efficient operations and are incredibly good at what they do, need to focus on a narrower range of diversification options than those that are already well down the diversification path.

So what are the diversification options? ASEA has been working in this space for many years already and commenced running Forums focused on "diversification" more than four years ago. In that time it has become the key focus for the entire

industry, and some suppliers are getting tired of hearing about it.

However there are many forms of diversification, and infinite combinations. Companies can diversify using different products, processes or services: they can diversify from OEM into the Aftermarket or into automotive export markets; they can diversify into different business sectors such as aerospace, marine or appliances; they can diversify into new overseas markets or set-up operations overseas to complement their own Australian capabilities; or they can diversify into any combination of the above. Diversification isn't just getting into a different sector!

As time is now of the essence, the quickest way for a Company to find new opportunities, is to understand what they do best and utilize these existing competencies, rather than try to develop a complete new set of skills/products; which is fine if you have the time. Over the past 2 years, ASEA has already successfully worked with more than twenty Companies using our "Evolving Innovation" program to help them through this process, and to conduct a competency audit to identify their key competencies as well as their generic capabilities.

It is obvious that the supply chain needs immediate help and support as it comes to terms with how it can quickly replace lost sales, and as we are all only too well aware there are unfortunately no silver bullets or easy answers. In fact the answer for each supplier may be completely different, and needs to be individually tailored to suit their own unique competencies, skills, products and asset base. This means that wherever a Company is on their transition journey, different opportunities will be more or less suitable.

Support from programs such as the Automotive New Markets Program (ANMP) and Business Capability Support Program (BCSP) can be a great help to suppliers in navigating through this process.

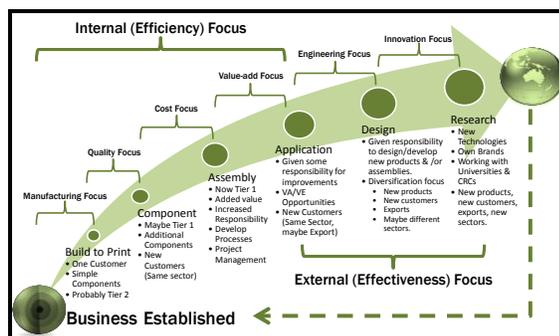
Using funding from the BCSP program, the team at ASEA can offer tailored programs to help suppliers identify potential new opportunities, and we have Client Managers who are available and ready to do this. What we seem to lack are more clients! And for those of you who are old enough to remember the catch-cry of Professor Julius Sumner Miller, we are asking ourselves the exact same question "Why is it so"?

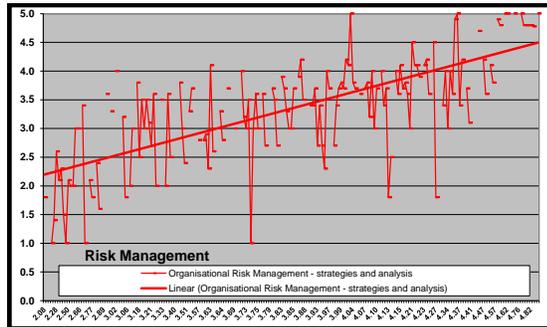
In looking at the tier 1 level of the supply chain, it would appear that there are two distinct groups of suppliers - those that are primarily focused on automotive (>85% of revenues from local OEMs) and those that supply products/services into multiple sectors, and are already quite diversified (>50% of revenues from non-automotive sales). There are a few companies in between, and these are already well entrenched into the implementation of their diversification plans. As such they already supply their products and services into a combination of different sectors and overseas markets.

In the previous Newsletter, I discussed the effects of Leadership and Management (LAM) on 10 key competency areas of an organization, and how the competency of the LAM can affect those other areas of the business. I also showed how the level of LAM in a Company can impact on the certain metrics such as the values of "Annual Turnover" and the "Value Added" delivered to the Company by each employee.

Interestingly, one of the metrics which experiences the largest impact of LAM is the level of "Risk Management" within the Company.

There is a very good correlation between the effect of LAM on the Competency of "Global Sourcing and Marketing Strategies" (GSAMS) which influences the level of diversification activity within the Company, and "Risk Management". Both of these are heavily influenced by the Executive group within the organisation, but none has a larger influence than the CEO/MD.





As part of good management principles, Companies need to both consider and manage risk, and attempt to minimize it for the organization - and not just financial risk. One way to manage risk is to make sure sales are spread across a diversified customer base, and are not “all in the one basket”.

If your organization would like to better understand and lower risk through diversification or other activities, please contact ASEA.

### Business Capability Support Program (BCSP)

Following the announcements regarding the cessation of vehicle manufacturing in Australia, there is now an even greater imperative for all automotive component suppliers to accelerate their diversification activities to replace lost business and increase longevity beyond 2017 when Ford, GM Holden & Toyota exit manufacturing in Australia.

There are still opportunities for more eligible companies to engage and benefit from the ASEA diversification program “Evolving Innovation”.

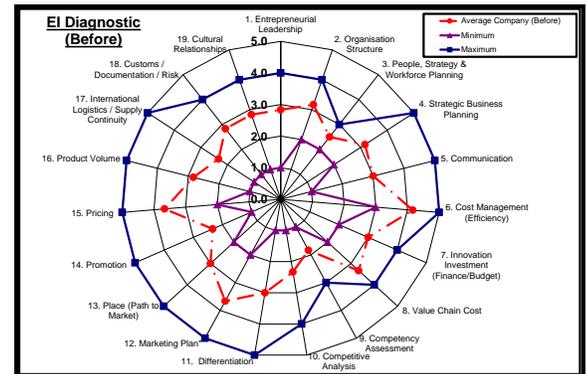
At the moment we have 24 company/sites actively participating, and discussions are currently underway with an additional four companies who will potentially join the program by the middle of the year.

Currently there are 36 projects with signed scoping documents. Of these 21 have already been completed and the remaining 15 projects are in various stages of completion. There are also another 5 projects that are in the preliminary project scoping phase.

The Evolving Innovation Program utilizes an integrated approach with the first step for all

participating companies being the completion of a Business Diversification Diagnostic. The results of the diagnostic leads into the following four separate but related Diversification modules: Competency Audit, Competitive Analysis, Market Analysis & Export Fundamentals.

The majority of the projects completed so far have been focused on the Diagnostic, Competency Audit, Competitive Analysis & Market Analysis. Other post diagnostic projects to underpin the Company’s diversification activities are already underway, and include Strategic & Business Planning, Business Systems reviews, Lean Enterprise, Organisational and Cultural Changes.



A common theme heard from many participants in the Evolving Innovation program is the crucial nature of understanding the organisation’s competencies. This in turn enables a targeted approach to be used to identify potential new business opportunities. Diversification activities are hard work and require a dedicated focus on pursuing selected diversification opportunities. This is particularly challenging for smaller companies where resources need to simultaneously manage the demands of their current automotive business.

A number of participants are well along the diversification journey, and their engagement with ASEA, via the Evolving Innovation program, complements and builds on their current diversification activities. We have found that if a Company is to maximize their success, many other aspects of the company’s business need to be streamlined to underpin their diversification activities.

Some of these include organisational re-design, fostering entrepreneurial leadership and culture, process engineering, a nimble and flexible

procurement process, cost management and product development.

Since Ford, GM Holden and Toyota have all announced the cessation of production in 2016/2017, it is now a survival imperative for component companies to diversify into non-automotive market sectors and/or establish a overseas market opportunities.

There are still opportunities for more companies to participate in the Evolving Innovation program so please contact your friendly Client Managers Tom Chappell, Peter Cesco & Peter Taylor.



### Manufacturing Productivity Networks (MPN)

The Victorian Government sponsored MPN program which is delivered by ASEA and runs to September 2015 has been progressing well. The program promotes networking and collaboration among companies in the critical commodity supply chains of Metal Stamping and Assembly, and Plastic Injection Moulding.

The first two workshops were conducted in late 2013 utilising a variety of pre-planned group activities. The participating companies generated a number of initiatives using facilitated multi-level networking for CEOs and functional leaders within the participating companies.

The third workshop was held on February 6th, 2014 with the theme of "Waste Management and Reduction". The main presentation was delivered by Anthony Peyton, Director of GreenChip Pty Ltd.

GreenChip has delivered a number of successful projects for ASEA clients since 2010.



- During the session, five of the companies attending agreed to work together on an "Industrial Symbiosis" initiative to reduce waste materials and costs.
- Two companies have since done individual diagnostic projects with Anthony to help identify areas of improvement relative to waste.

At March 30<sup>th</sup> which is the half-way point of the first year of the program, we already have 12 projects completed or in progress Vs the milestone target of 15 for the first full year.

The next workshop is in the planning stages and details will be communicated shortly. Please contact Peter Taylor or Tom Chappell if you have any questions related to the MPN.

GreenChip's website is [www.greenchip.com.au](http://www.greenchip.com.au)

### FAPM Trade Mission

As advised in the last Newsletter, ASEA participated in the recent FAPM Trade Mission to Malaysia and Indonesia, which was held between February 24<sup>th</sup> and 28<sup>th</sup>, 2014. The mission was very successful and also witnessed the signing of a Venture Industries JV in Malaysia.

In Malaysia meetings were held with a variety of OEMs, suppliers and associations. These included Proton, Perodua, VW, Hicom, Sapura, Autoliv Hirota, Miyazu, Ingress, Recomtec, Proreka APM and United Vehicle Industries.



# Automotive Supplier Excellence Australia Newsletter - March 2014



The meeting schedule in Indonesia was no less hectic with meetings being held with GM Indonesia, DWAGAIKINDO, GIAMM, BKPM, Astra Otoparts, Indoparts and the Indoensia Australia Business Council (IABC).



As if this wasn't enough, the delegates were treated to a dinner reception at Hawke's Auto Gallery owned by the President of DWA Mr. Hartawan Setjodiningrat.



This mission representing 11 different organisations was accompanied by the Australian Automotive Envoy Mr John Conomos AO, and also met with Senior Trade Commissioners in both countries.



Many opportunities were identified in both Malaysia and Indonesia, so please come along to the Forum on April 9<sup>th</sup> to hear about some of these from FAPM's CEO Mr Richard Reilly.

## Upcoming Events

ASEA are holding their next Forum focused on "New Business Opportunities" on April 9<sup>th</sup> 2014 at the Melbourne Conference and Entertainment Centre (MCEC).

We have arranged a number of very interesting speakers including David La Ferla and Dale Thompson from Resource Connect. They will outline the comprehensive program for companies considering business opportunities in the resources and energy sectors.

Also speaking will be Richard Reilly, FAPM CEO, who will give a summary of the business opportunities arising from the recent FAPM Trade Mission to Malaysia and Indonesia.

Mr Russell Pettis will talk about the ANMP program, and we are honoured to be able to announce presentations from Mr Louw van Tonder from Venture and Mr Mark Albert from MtM who will discuss some of the lessons they have learned from their long history of very successful diversification activities.

If you are interested in attending, please contact any of the ASEA Client Managers below:

Peter Cesco, Client Manager - SA:  
Mobile: 0422 006 111  
Email: [cescop@optusnet.com.au](mailto:cescop@optusnet.com.au)

Mr. Tom Chappell, Client Manager - Vic, NSW.  
Mobile: 0408 332 997  
Email: [peter.taylor@asea.net.au](mailto:peter.taylor@asea.net.au)

Mr. Peter Taylor, Client Manager - Vic, Qld, Tas.  
Mobile: 0433 706 212  
Email: [tom.chappell@asea.net.au](mailto:tom.chappell@asea.net.au)