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Director's Message



This latest edition of the "ASEA Newsletter" is a little late off the presses, but contains some outstanding information about the automotive supply chain, and is particularly good news for the Australian owned supplier companies.

In the time since the last Newsletter, the ASEA team has completed a Victorian Government and a Federal Government program, being MPN and BCSP respectively. (More news about these two programs is contained in the articles below.)

In preparing the BCSP Report for the Commonwealth Government that was due in mid-August, we were extremely fortunate to have a broad range of key data in front of us that was supplied by more than 35 of the companies participating in the program. The data was specifically focused around diversification activities, and included the types, size, location and sectors for the various diversification activities.

Initially at least, the outputs from this large amount of consolidated data appeared to be inconclusive, but when the data was separated into 2 groups representing Foreign Owned Multi National "FOMN" Companies and Australian Owned "AO" Companies, the picture became considerably clearer. This was important due to a fact that a number of the FOMN Companies have already making their intentions clear in announcing they will be ceasing their manufacturing in Australia coincidental with the end of vehicle manufacturing, and their sales were automatically shrinking in line with reductions in vehicle production.

Australian Automotive Vehicle Production				
Year	2012-2013	2013-2014	2014-2015	2015-2016
Total	208,934	196,775	167,524	166,139
Change		-6%	-15%	-1%

Ref: www.fc.ai.com.au/sales/monthly-production-volumes

According to the figures on the FCAI website (all except for June 2016, which is assumed to be 14,000) there has been a 16% reduction in vehicle production since 2013-2014, and when all of the Company data was consolidated, the revenue

reductions at the FOMN Companies were overshadowing the excellent results being achieved by the AO Companies.

When separated out, it was found that revenue at the FOMN Companies had reduced in line with vehicle production, but **revenue at the AO Companies had actually increased by 16%**. This meant the AO Companies had actually achieved new sales revenues of 32%, as while the volumes at their key customers had shrunk by 16%, they had also grown by 16%. This was an outstanding result, particularly coupled with the fact that the number of employees at the AO Companies had increased by 6% over the same period.

This was not easy work as clearly demonstrated by the significant increase in the number of Requests For Quotation "RFQ" that were issued to customers and potential customers. In 2015-2016, RFQs were issued to potential customers located in 55 different countries and in 34 different sectors, including:

Automotive OE	Automotive Aftermarket	Aerospace
Agricultural	Appliances	Aquaculture
Beer, Wine & Spirit	Buses	Caravan & RV
Communications	Composites	Construction
Cosmetics	Defense	Electrical
Food	Gaming	Hardware
Health	Industrial	Marine
Medical	Mining	Off-road (4X4)
Packaging	Rail	Renewables
Retail	Rubber Compounding	Solar
Telecom	Transport	Truck
Utilities		



HOLDEN



Federation of Automotive Products Manufacturers

Since the commencement of the BCSP Program, we have also seen a broadening of diversification activities undertaken by the companies participating with ASEA, particularly regarding the types of offerings being made to their customers. While there is an increase in activity level across all areas of diversification, there has been a significantly increased emphasis in the areas of processes, services and exports. i.e. In 2015-2016, 65% of Companies were quoting new business for Processes and 42% for Services, while products were still strong at 79%. This demonstrates that Companies in the Program are not just looking at the traditional area of providing different “products”, but are now branching out and looking at opportunities in many of the non-traditional areas.

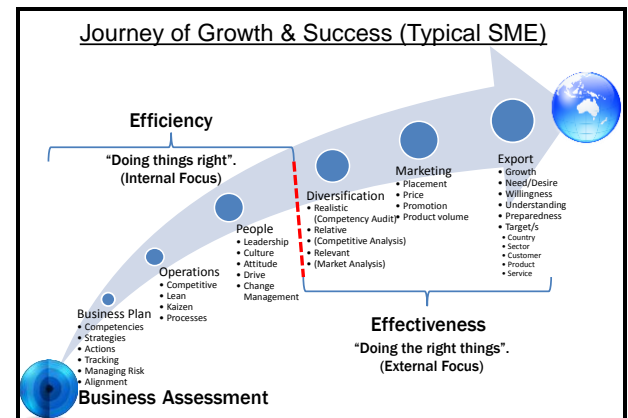
Areas of Diversification that Companies are Quoting				
Period	Products	Processes	Services	Export
2013-2014	91%	48%	39%	56%
2014-2015	78%	66%	38%	57%
2015-2016	79%	65%	42%	64%

When we examine the data from a revenue perspective rather than the areas of diversification where the companies were quoting, the traditional area of Products was still by far the most successful with 79% of new business won (by dollar amount) coming from product diversification in 2015-2016. This is most likely due to the revenue amounts on orders for products being greater than that for services or processes simply by virtue of the volumes of products, however business won from both Process and Service diversification were increasing.

It is also interesting to note that new business won in overseas markets was relatively stable between 2013 and 2016, so there is definitely an opportunity there to increase revenues.

Period	Areas where the New Business was Won			Location of New Business	
	Products	Processes	Services	Domestic	Overseas
2013-2014	82%	11%	7%	85%	15%
2014-2015	90%	5%	5%	89%	11%
2015-2016	79%	11%	10%	85%	15%

However it's not all good news, as typically the FOMN Companies are significantly larger than the AO Companies in both Sales and Employee numbers, and therefore the same percentage increases at the AO Companies unfortunately cannot offset the same percentage reductions at the FOMN Companies.



There is no doubt that in particular, the Australian Owned Companies in the program have made great gains in the past few years in their journey to move from “efficiency” to “effectiveness”, but the journey must continue, and the pace must increase. Working with organisations like ASEA can help these Companies build upon their current levels, by continuing to implement projects and expanding their activities.

We have more than 50 certified coaches/trainers that are experts in helping companies successfully implement projects to address key areas within their business, and many programs such as Strategic Business Planning, Global Sourcing, Evolving Innovation and Lean Enterprise that support these activities. The entire team at ASEA are keen to assist, and are available to help.



If you would like more information about the successes of the ASEA Program please contact us directly, or go to our website located at www.asea.net.au.

Business Capability Support Program (BCSP)

The Business Capability Support Program (BCSP), funded by the Commonwealth Government, was successfully concluded on the 30th June 2016. This program, which commenced in December 2012, has assisted the participating companies to transition their businesses beyond the cessation of the vehicle manufacturing in Australia in Q4 2017.

Over the past 12 months 23 companies (7 South Australian, 1 NSW and 15 Victorian) have completed 60 projects which have included business diversification, new product development, new market studies, export strategies, strategic business plan refresh, management fundamentals development, lean enterprise and business systems improvements.

Since the program commenced, 40 companies have participated (16 South Australian, 1 NSW and 23 Victorian) and completed 122 projects. Over this time there has been progressive participant

transformation and business expansion into a variety of manufacturing sectors including Agriculture, Bus & Truck, Building Construction, Energy, Electronics, Food, Defence, Health & Medical, Mining Equipment, Water Storage, Solar Energy and the Automotive Aftermarket.

The feedback we have received from the BCSP participants has been excellent with many wanting to continue implementing business improvements and diversification projects. These companies are making steady progress as they transition their businesses from the auto sector into business opportunities in other sectors.

Manufacturing Productivity Network (MPN)

The Manufacturing Productivity Network (MPN) program, funded by Victorian Government, was successfully concluded on the 31st May 2016. Since beginning in September 2013 the program has assisted 31 Victorian based companies (17 auto component and 14 non-auto manufacturers) with projects that have helped improve both their business efficiency and effectiveness.

Originally the program only had an automotive focus, however since gaining Ministerial Government approval in June 2015, the program expanded into the non-auto manufacturing sectors with a particular focus on Food, Construction & Transport. Significant progress was made with the expansion into these three sectors with visits to over 30 companies. This resulted in 25 projects with 14 companies (4 Food, 4 Construction & 8 Transport). Over the life of the program the 31 participating companies successfully completed a total of 74 projects.

While the project work has been critical to each of the company participants, a 'key activity' of the MPN program has been the ASEA networking workshops. At these workshops the participants share their respective experiences from projects they have completed, new business opportunities they have identified, and the issues involved in navigating through the transformation of their businesses.

During the program 12 networking workshops were conducted. The final workshop was held on April 27th 2016, with the theme of "Diversification & Collaborating Critical Success Factors".



At this MPN workshop each of the participating companies gave a presentation that included:

- Types of ASEA projects undertaken
- Examples of Diversification & Collaboration
- Critical Success Factors
- Lessons Learnt

The session generated some very positive discussions and highlighted many key issues. Some of the comments shared included:

- The right people & resources need to be allocated & dedicated to new business opportunities.
- There needs to be a robust business plan that is fluid & flexible to respond to changing circumstances.
- We need to have a 'crash through' mindset and be 'not afraid to fail' so that we can learn quickly and move forward.
- Have a positive work culture that fosters teams to work, having fun & learning together.
- It is important to have tenacity to keep moving forward and at the same to reflect & learn from the past for future actions.
- Ongoing assistance from ASEA would be great to enable us to continue to be more efficient & effective.
- Ensure that the company has the right competencies to support future business opportunities.
- It is important to use the services of ASEA's very experienced Business Coaches to enhance the company's competencies.
- Understanding the 'target market' is very important to ensure the right allocation of resources.
- The team needs to have people who are willing to change and be re-educated to meet the needs of the transforming company.
- Utilise the advance competencies from the auto industry to strengthen the company future business opportunities.
- There needs to be total alignment of everyone in the business to actively support the key objectives.
- Family owned businesses need to learn to be less 'risk adverse' and understand where they need external assistance.

- Collaborating is very important as we can do more together and so we could potentially work with a competitor to service overseas business opportunities.
- These workshops are very beneficial as they facilitate networking and we can all learn from the experiences from the other participants.
- It is great to hear what other companies are doing as this can help us with how we approach our business.
- Sometimes the whole business needs to be re-engineered to meet the needs of the future.
- It is important to network, move out of our comfort zones and have an energised focus to achieve future growth.
- We need to shift our view of our competitors to 'partners for collaboration'.
- A factor critical for success is for the senior management to have a passion & desire to do more than they are doing today.
- Develop clarity of goals & strategies that are flexible to respond to the changing business environment.
- Once you know the future direction of the business then have a laser light focus ahead.
- A key lesson is to let good business prevail over emotions.
- Understand the difference between real versus perceived competitors.
- Understand and surround yourself with people with the right mindset who can go to the 'promised land'.
- It is important to understand which 'horses you can ride' and when to 'shoot the horse'.

The feedback from the networking workshops has continued to be excellent, and over time a number of the participants began collaborating with each other on new business ventures. These networking workshops and the business improvement projects undertaken by the respective participants have enabled the MPN Program to be successfully concluded.

ASEA Forum

The most recent ASEA forum was held on the 23rd June 2016 and was titled "Diversification, Collaboration & Preparation for Transition Beyond Automotive". The Forum was held at the Melbourne Convention & Exhibition Centre and was very well attended, with more than 60 people coming to hear the following speakers:



- Mr Linsey Siede, ASEA Director -
"The ASEA Program"
- Mr Bernard Brussow, CEO Backwell IXL -
"Our Diversification Journey"
- Mr Greg Lindsay, Manufacturing Director,
Carbon Revolution -
"Carbon Revolution & ASEA"
- Mr James Borman, Program Manager
DEDJTR Victorian Government -
"Automotive Supply Chain Transition
Program (ASCTP)"
- Mr David Chuter, CEO IMRCR -
"Preparation for Transition beyond
Automotive"

At the conclusion of the forum there were refreshments and a lively networking session, with most of the attendees taking the opportunity to meet with the speakers and further their discussions. Over the life of the BCSP there have been 7 ASEA Industry forums which have been an excellent source for networking among the participants and speakers

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