

AUTOMOTIVE SUPPLIER EXCELLENCE AUSTRALIA

Sustainability Through Excellence

Stage 3 Pilot:
Improvement Plan
Implementation





EVOLUTION OF A NATIONAL SUPPLIER EXCELLENCE PROGRAM

In order to develop a rigorous assessment methodology specifically targeted at assessing the competency of Australian suppliers, it was first necessary to ascertain what makes a supplier world-class.

Automotive Supplier Excellence Australia (ASEA) is a national program supported by all three Australian Motor Vehicle Producers (MVPs)—Ford, GM Holden and Toyota, both the Victorian and South Australian Governments, the Federation for Automotive Products Manufacturers (FAPM) and the Commonwealth Government through the Cooperative Research Centre for Advanced Automotive Technology (AutoCRC).

The program aims to assist the Australian automotive supply base to achieve international levels of competitiveness and sustainability through:

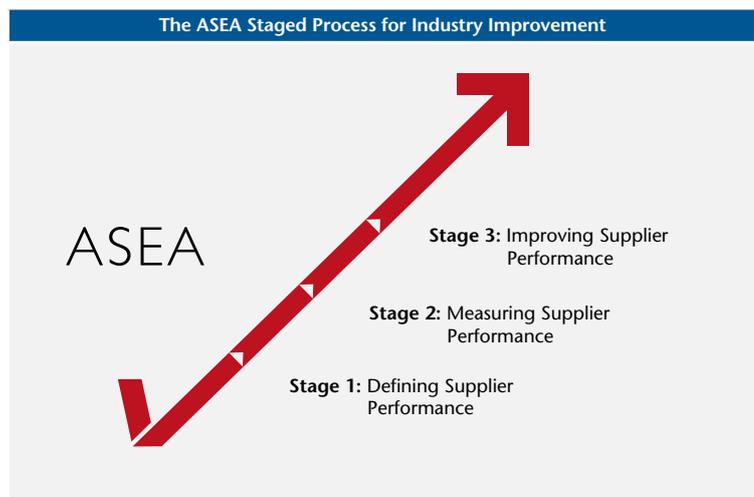
- The development of a sector-wide international competency assessment framework for Australian automotive suppliers, based on a range of metrics agreed by MVPs and suppliers; and
- The planning and implementation of a prioritised, sector-wide series of improvement projects to raise automotive supplier capability to a globally competitive standard.

These aims are being vigorously pursued through a three stage process to ensure targeted use of limited resources to achieve maximum benefit for the industry.

Stage 1 - Defining Supplier Performance

In order to develop a rigorous assessment methodology specifically targeted at assessing the competency of Australian suppliers, it was first necessary to ascertain what makes a supplier world-class. Stage 1 was approached through a combination of surveys and workshops, with more than 100 automotive companies participating, and was characterised by two questions:

1. What to benchmark?
2. Who to benchmark?



"The first two stages of the ASEA program were extremely useful for Autoliv. To have experienced and capable experts join the management team in a deep dive of the business to discover improvement opportunities has already delivered benefits. Stage 3 will allow us to realise identified improvement opportunities."

Seamus Power, Managing Director
Autoliv Australia Pty Ltd



What to benchmark?

Before attempting to assess the performance of Australian suppliers (in Stage 2), there was a need to identify core characteristics of a world-class supplier. This would provide the foundation for developing a comprehensive assessment scheme that could be used to evaluate a supplier's performance in a global context. Stage 1 identified ten core areas of world-class supplier competency.

Core Areas of Supplier Competency	
1	Management & Leadership
2	Manufacturing & Quality
3	Supply Chain Integration & Management
4	Global Sourcing & Marketing Strategies
5	Financial Systems & Practices
6	New Model Introduction Capability
7	Cost Structures & Analysis Tools
8	Technology Investment
9	Customer Focus
10	Safety

Who to benchmark?

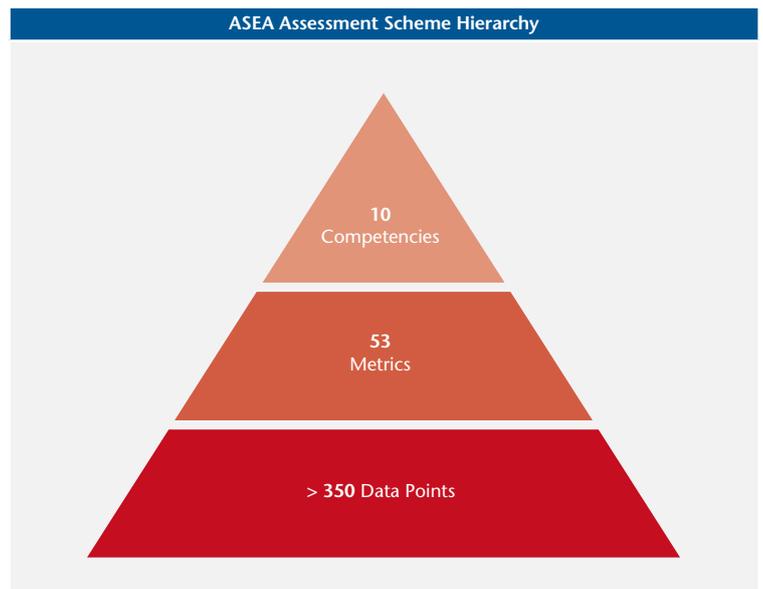
Given limited resources, it was necessary to identify critical automotive suppliers who would become the focus of later ASEA stages. A set of criteria for prioritising companies was developed based on a number of critical factors including the importance of the company to maintaining an automotive industry in Australia and the potential for the company to be globally competitive.

Stage 2 - Measuring Supplier Performance

Before attempting to improve supplier performance (Stage 3), it was necessary to determine the current performance levels and particularly where the gaps were in relation to global best practice. Based on the outcomes from Stage 1, ASEA sought to take the ten core areas of competency and develop an assessment scheme and methodology. This was then applied to automotive suppliers identified as being of highest priority.

The assessment scheme

Expert working groups were formed around each of the competency areas, which identified and refined measures and international benchmarks to develop a final assessment scheme. The scheme incorporates 53 metrics, underpinned by over 350 specific data points which are collected for each company. The metrics then aggregate to provide an overall assessment of performance in each of the ten competency areas.



The assessment methodology

The assessment scheme was incorporated into a methodology encompassing eight clearly defined steps designed to produce a Benchmark Report and a set of Improvement Plans for each participating supplier. The assessment was conducted by a trained team of industry specialists (all ex-industry senior alumni) who were able to capture and incorporate anecdotal evidence and observations to provide a richer assessment than the metrics alone.

The assessment results

A total of 62 companies participated in the ASEA assessment process. Each participating company received:

- A comprehensive Benchmark Report detailing their performance in each of the 53 metrics and their overall score for each competency.
- A set of Improvement Plans identifying specific, prioritised opportunities for maximum improvement.

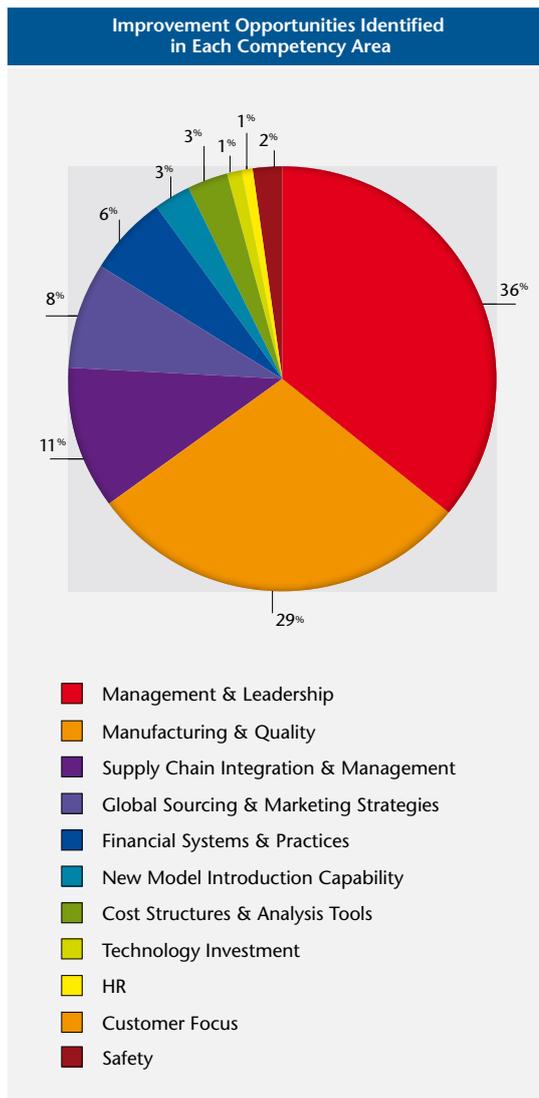
The benchmark data highlighted key Australian automotive industry strengths which centred around metrics with a heavy customer-focus (particularly in relation to model launches). Significant areas for improvement were also identified, primarily around metrics with a focus on internal processes (particularly in relation to reducing waste).

“The information we received in the Stage 2 Report has helped focus our organisation on a number of key areas of improvement.”

Jim Griffin, Managing Director
Diver Consolidated Industries

Industry Strengths	Industry Weaknesses
1. Pre-production Validation Processes	1. Facility Utilisation
2. Delivery to Customer	2. Labour Productivity
3. Resources for Model Launches	3. Innovation – Exporting Design

An analysis of the specific improvement opportunities identified for each company showed the greatest common need in the competency areas of: Management & Leadership, Manufacturing & Quality, Supply Chain Integration & Management, Global Sourcing & Marketing Strategies and Financial Systems & Practices.



STAGE 3 PILOT

Improving Supplier Performance

Having identified the improvement needs of Australian suppliers, Stage 3 of ASEA is aimed at increasing the capability and competency of the Australian automotive components industry. ASEA will assist suppliers in implementing improvements identified through the Stage 2 process by providing high-quality training, coaching and intervention delivery. A standard methodology for the implementation of supplier improvement projects will maximise impact, learning and sustainability and continued improvement. ASEA will also aim to foster increased communication and shared learning amongst local industry by focussing on improvements in areas of common need.

A pilot phase of Stage 3 is scheduled to commence in June 2008 and run for up to nine months. The pilot phase is only open to consider those automotive component suppliers that have undertaken an ASEA Stage 2 assessment. Importantly, supplier participation during the pilot phase is limited. Assuming successful completion of the pilot phase, the aim is to continue to refine, improve and expand ASEA through future phases to provide broad industry support.

Features of ASEA Stage 3 Pilot Phase
Limited number of places
Duration of nine months
ASEA – accredited coaches & trainers
Substantial mentoring & support
Partially subsidised

“The ASEA review process has been very constructive and has identified some real improvement opportunities for our business - we are keen to implement these improvement programs at the earliest opportunity through Stage 3 of ASEA”

David Chuter, Chief Marketing Officer
Futuris Automotive Group Ltd

“ASEA Stage 2 provided a great opportunity for suppliers to benchmark their company against both Global and Australian best-practices. It also provided an opportunity to utilise experienced industry leaders to review each company and identify areas of improvement which can now be implemented through the assistance of Stage 3 of the ASEA project.”

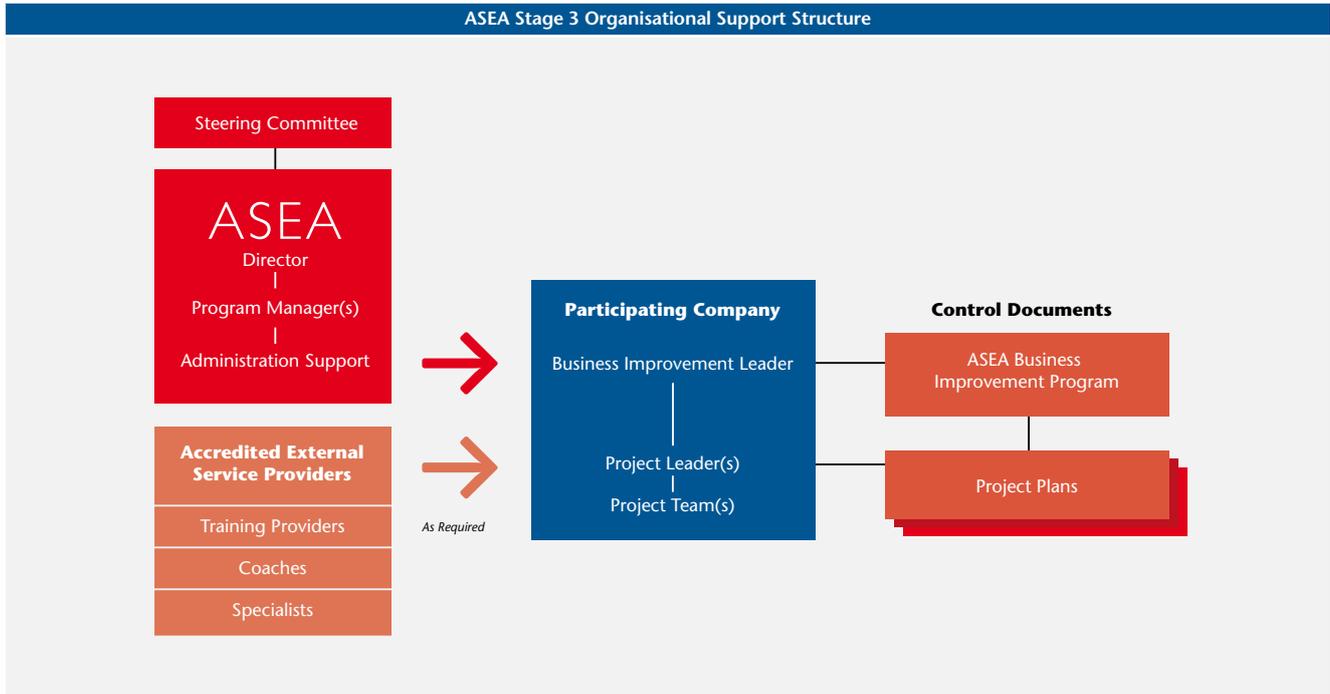
Grant Anderson, ASEA Stage 2 Assessor & Immediate Past President FAPM

Financially subsidised

Improvement projects undertaken through ASEA will generally be partially subsidised, according to the percentages indicated in the table below. ASEA staff will also assist in identifying and accessing alternate sources of funding support to minimise the financial cost to a company.

Company Turnover	ASEA Subsidy	Company Contribution
< \$50 million	75%	25%
\$50 – \$100 million	50%	50%
> \$100 million	25%	75%





Broad industry endorsement

The ASEA Stage 3 pilot is supported by the Australian MVPs – Ford, GM Holden and Toyota - FAPM, the Victorian and South Australian Governments and the AutoCRC.

Centralised support

ASEA will provide a dedicated resource for automotive component industry support. The ASEA Director will provide direction and undertake development of ASEA to ensure that it continues to meet the needs of the industry throughout its lifespan. ASEA Program Managers will work directly with participating companies to co-ordinate and manage the implementation of their improvement opportunities to derive maximum benefits.

“The automotive industry is no longer a national industry, and geographic borders no longer provide protection. Any automotive supplier in Australia that wants to compete in the industry must meet international benchmarks. Stage 1 of ASEA identified those benchmarks and Stage 2 plotted performance against them. However, the real value of ASEA will be seen in Stage 3. Companies now have the opportunity to implement changes and make improvements that can have a dramatic impact on their business. It is an opportunity that no supplier should miss.”

**Anna Greco, CEO
Federation of Automotive Products Manufacturers (FAPM)**

“My team and I recently participated in Stage 2 of the ASEA Program. We have already started using the information provided in both the Benchmark Report & the Improvement Plan to assist us with our drive for improvement in our business. It was refreshing to receive an independent assessment and opinion on the strengths and weaknesses of our business.”

**John Thomas, General Manager
Cooper Standard Automotive Pty Ltd**



Targeted improvement projects

Each improvement project will be based on one of the Improvement Plans generated for the participating company through the ASEA Stage 2 assessment process. Improvement projects are expected to fall into one of three categories:

- Category A: Specific improvements undertaken with the assistance of an external coach to provide direction and facilitation to ensure that the improvement is implemented efficiently and effectively.
- Category B: Common improvement products targeting high-volume areas of industry need; combining training (to increase participant knowledge) with individual coaching (to increase practical application skills and sustainability) followed by mentoring.
- Category C: Expert assistance in specialist (or niche) areas of improvement, where it is impractical for the participating company to develop the necessary knowledge/skills internally.

Expert coaches and trainers

All coaches and training providers will be accredited by ASEA to ensure that participants receive consistent, high-standard delivery, drawing on world's best practice. Participants will receive regular coaching and project support from specialist coaches trained and accredited by ASEA.

Quality project management

Delivery of improvements will use a standardised, project-based methodology to ensure consistent, quality implementation and measurable outcomes. The ASEA project management framework is based on recognised best-practice; however, the emphasis will be on appropriate application of the methodology, recognizing that the level of detail required will vary according to the size of the organisation and the complexity of the improvement project being undertaken. In this way, participating companies will gain valuable tools and skills for managing successful projects, which can also be used for future projects.

Complete business coverage

ASEA is not targeted solely at manufacturing improvements, but rather whole-of-business improvement. Through the use of accredited, highly-skilled training providers, coaches and specialists, ASEA

will eventually have the capability to provide assistance in all of the key areas of automotive component producer competency identified through Stage 1 of ASEA. During the Stage 3 pilot phase assistance will be targeted towards the key areas of greatest need and benefit, as identified in Stage 2.

ASEA will also assist companies to develop a progress map to integrate improvement activities across the life of their improvement programs. This will allow companies to understand the overall impact on their businesses. This will allow companies to envisage how they can progress over a period of time, and the resultant effects in terms of an improved balance sheet and profit statement.

Measured improvement

ASEA will assist companies in identifying appropriate improvement goals and tracking progress to ensure benefits are achieved. The ASEA assessment process will also be used to evaluate the impact of all improvement activities undertaken.

Supplier commitment

While ASEA projects will generally be partially funded, participating companies will also be required to contribute financially. In addition, participants will need to make a high-level commitment to the undertaking of their improvement projects. Companies will be required to nominate an executive-level Business Improvement Leader, who is responsible for ensuring improvement projects are sufficiently supported within the organisation. Each project will also require the allocation of company resources – a project leader and associated team, to ensure their completion.

Further information

For more information on the Automotive Supplier Excellence Australia program, please visit the website at www.asea.net.au or contact the ASEA office.

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Registering for Stage 3

Registration for consideration for the pilot phase of Stage 3 is open to all companies that participated in Stage 2 of ASEA. Companies are encouraged to register as soon as possible, as places for participation are limited. Further details on registration, including opening and closing dates, are available on the ASEA website at www.asea.net.au

Alternatively, please contact Linsey Siede or Peter Taylor for further details.



www.asea.net.au