

metaldyne

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“Is Your DNA Global?”

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Thank you. It's a pleasure to be here.

As I prepared for this speech I thought about an old parable I want to share with you.

One day six blind men were out walking. After a short time they came upon an obstacle blocking their path.

The first blind man reached out. “It's a wall,” he said.

The second blind man walked up and touched something sharp. Jumping back he shouted, “It's a spear.”

The third blind man reached out. “It's a snake,” he screamed.

The fourth was certain he had found a tree.

The fifth man thought it was a fan.

Finally, the sixth man was sure he'd touched a rope.

If the men would have approached the obstacle together they would know it was an elephant. Instead, they each tried to figure it out alone using their perceived realities based on their individual experiences.

To succeed in today's global marketplace we cannot act or think like the six blind men ... only understanding our own region and how we do business there. We must look at the world as a whole.

Collective knowledge helps us understand how to best do business in ... Russia, India and China ... as well as other markets.

That's one reason I am so pleased to be here today.

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While I will share some of the things Metaldyne has done to choose the right partners and gain business I am also learning things from my fellow panelists.

The market is shifting with an expected 49 percent production in Asia in 2013.

Over the next 20 years manufacturers will produce more vehicles than the 1.8 billion they built in the last century. That's an average of 90 million a year, compared with about 65 million this year.

That's a lot of vehicles, with a lot of supplier content and a lot of opportunity.

The question now is, where will they be built and who will build them?

According to CSM Worldwide, vehicle production in China, Russia and India totaled almost 10 million in 2007 and will reach almost 20 million by 2013.

Of those ... almost 7 million were built in China last year and that will grow to nearly 12 million by 2013.

India produced close to 2 million vehicles in 2007 ... and will build almost 5 million in 2013. Russia built close to one and half million vehicles last year and will produce nearly 3 million by 2013.

As you can see the outlook is pretty robust in these countries.

Metaldyne's major growth so far has been in China. We opened a plant in Suzhou last June, and like other suppliers, see great growth opportunity there.

We also have a majority-owned joint venture facility in Jameshedpur, India, that is beginning to grow rapidly as the Indian automotive market heats up.

We are launching additional new business with a major OEM to supply its needs there and are discussing several new programs with other customers.

We have discovered, however, that while there are many opportunities there are only so many resources we can apply. With that in mind we are being selective about which customers, products and programs we chase so we can focus our resources on successfully executing our growth strategy.

For example, when General Motors and PSA decided to build engines in China Metaldyne established a local supply option for crankshaft dampers.

When Shanghai General Motors needed to diversify its local valve body supply base Metaldyne quickly sent world-class manufacturing and tooling design to the region.

And when Chery required an experienced supply partner to aid in powertrain and chassis solutions Metaldyne was there to fulfill its design, validation and rapid prototype needs.

In all these examples we made a conscious effort to pursue the business because we had a competitive advantage.

Those examples are just a small sample of what will be expected of suppliers as more vehicle development moves to Asia. According to CSM more than 50 percent of all vehicle development will be done in the Asia-Pacific by 2013.

This shift is not just the result of actions taken by the Asian automakers. The U.S. and European makers are also developing global platforms at engineering centers in Asia.

Locally companies like Chery, Geely, SAIC, First Auto Works and Dongfeng in China and others such as Tata, Mahindra & Mahindra and AvtoVaz are expanding globally.

They will become a significant part of the global marketplace faster than we have seen before ... and they will need globally capable suppliers.

While Japan took years to develop and nurture its keiretsu suppliers into a global supply base, these OEMs want to go global much more quickly and will not wait for their local supply base to grow with them.

They want suppliers that can adapt to a new way of doing business and have the drive and capability to provide product technologies to the local markets quickly ... and in concert with the OEMs.

The stage was set in the late 1980s and early 1990s when the North American OEMs outsourced design and modularity to their suppliers. As a result suppliers developed the ability to effectively compete on a global basis. They now have great assets at their disposal ... experienced and talented people with product innovation capabilities and expertise.

That offers great opportunity for suppliers, such as Metaldyne, to develop partnerships with these OEMs and become an integral part of their global strategy.

To do this you must have an appreciation and true understanding of their cultures, corporate strategies and how they differ from what we are accustomed to in the United States.

Generalizations have no place in today's global marketplace.

There is no single reality ... no silver bullet for winning business in these markets.

There is no Asia Inc. Business is done differently in each country and with each customer.

Our challenge is to quickly establish trusting and collaborative relationships with OEM partners we hadn't even met two or three years ago. Developing those relationships in Asia is very different than it is here.

In the U.S. there is a clear separation between business and personal relationships. In Asia, business generally develops from the relationship. So strong, established relationships ... built over time are essential.

Consequently, having highly qualified local talent that understands the customer and the market is critical.

On the sales and engineering side we've built a team of local people in China, Korea, Japan and India. These people support local production, local business development and, at the same time, support the Asian OEMs globally.

Our cross-functional Global Customer Teams position Metaldyne around the world with our customers and make sure information is shared across the company.

That is essential to our growth and to creating common disciplines and strategies that will best serve our customers.

We patterned our strategy after Japanese automotive companies that have grown throughout the world. They typically don't enter a foreign market, hire local people and say "go." They transplant their culture, their ideals and their individual corporate DNA.

I am always amazed when people ask me "what's your strategy for the Asian OEMs?" We don't have one ... and we shouldn't have one.

There is no Asian way. There is a Toyota way ... a Nissan way ... a Chery way and so on. While these companies adapt their practices and beliefs for regional markets, be assured their DNA is global.

While it's very easy to deal with customers only on a regional basis, that's very dangerous.

Our customers think globally. They have global purchasing organizations, global engineering and global manufacturing strategies. They expect us as suppliers to do the same ... and adapt locally.

For many of us here today this also means adapting our products to fit the OEM and the marketplace. For example, we are quickly engineering our products for I-4 engines.

Our balance shaft modules have seen tremendous growth in Asia for those engines ... and we are working on adapting several other Metaldyne products for smaller engine applications in these countries.

The bottom line is ... a nimble, product-focused infrastructure must be in place to build the customers' confidence.

There is plenty of business to be had in these countries ... how to get it and keep it is all a matter of how you perceive those markets.

Let me close with a quick sales story.

A few years ago two shoe salesmen visited a remote island. After a few days one salesman e-mailed his boss saying: "No opportunities here ... the islanders don't wear shoes."

The second salesman sent a very different note: "Great opportunities here ... the islanders don't wear shoes."

In the end it's all about perception.

Thank you.