Collaboration: Potential and Pitfalls

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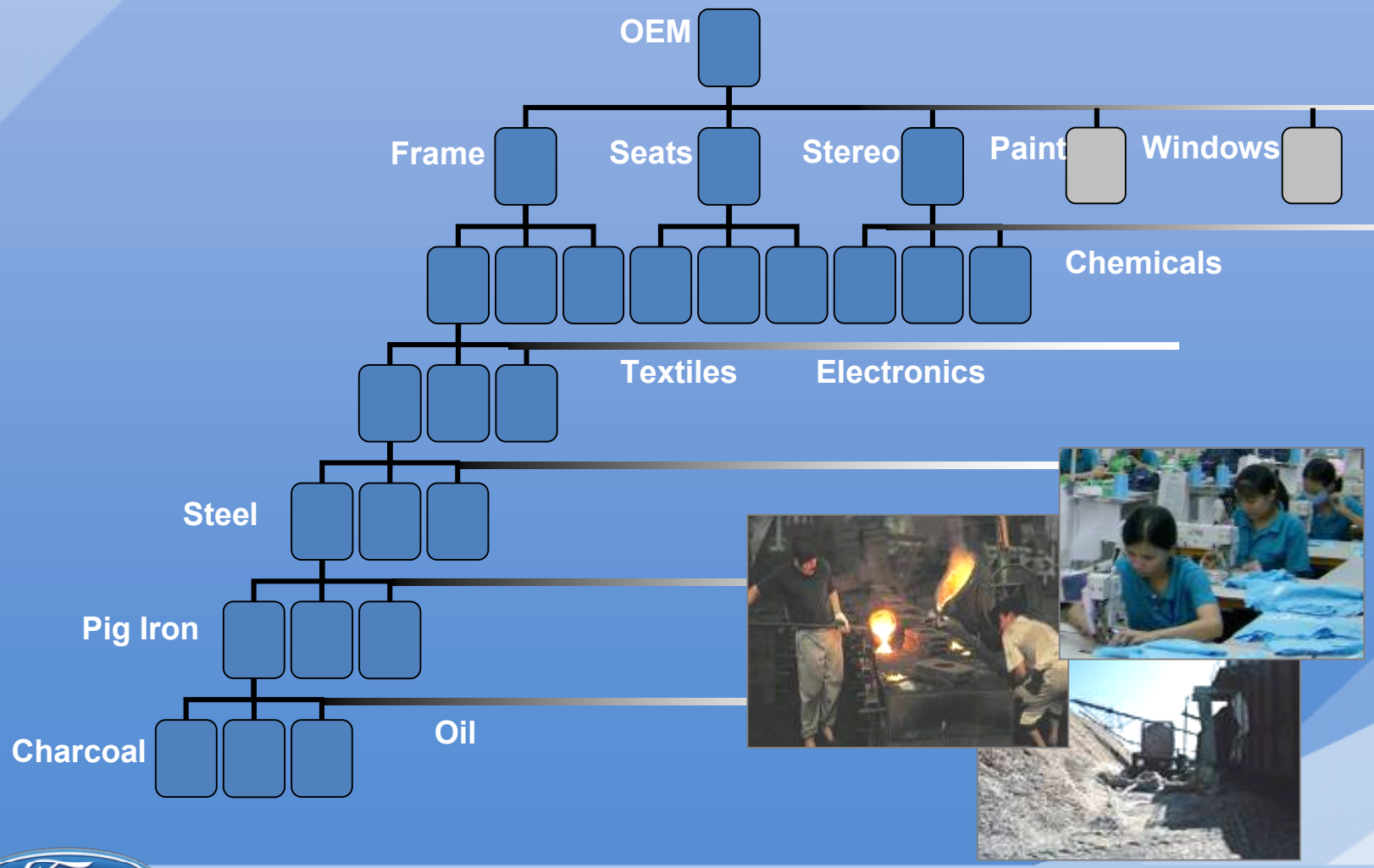
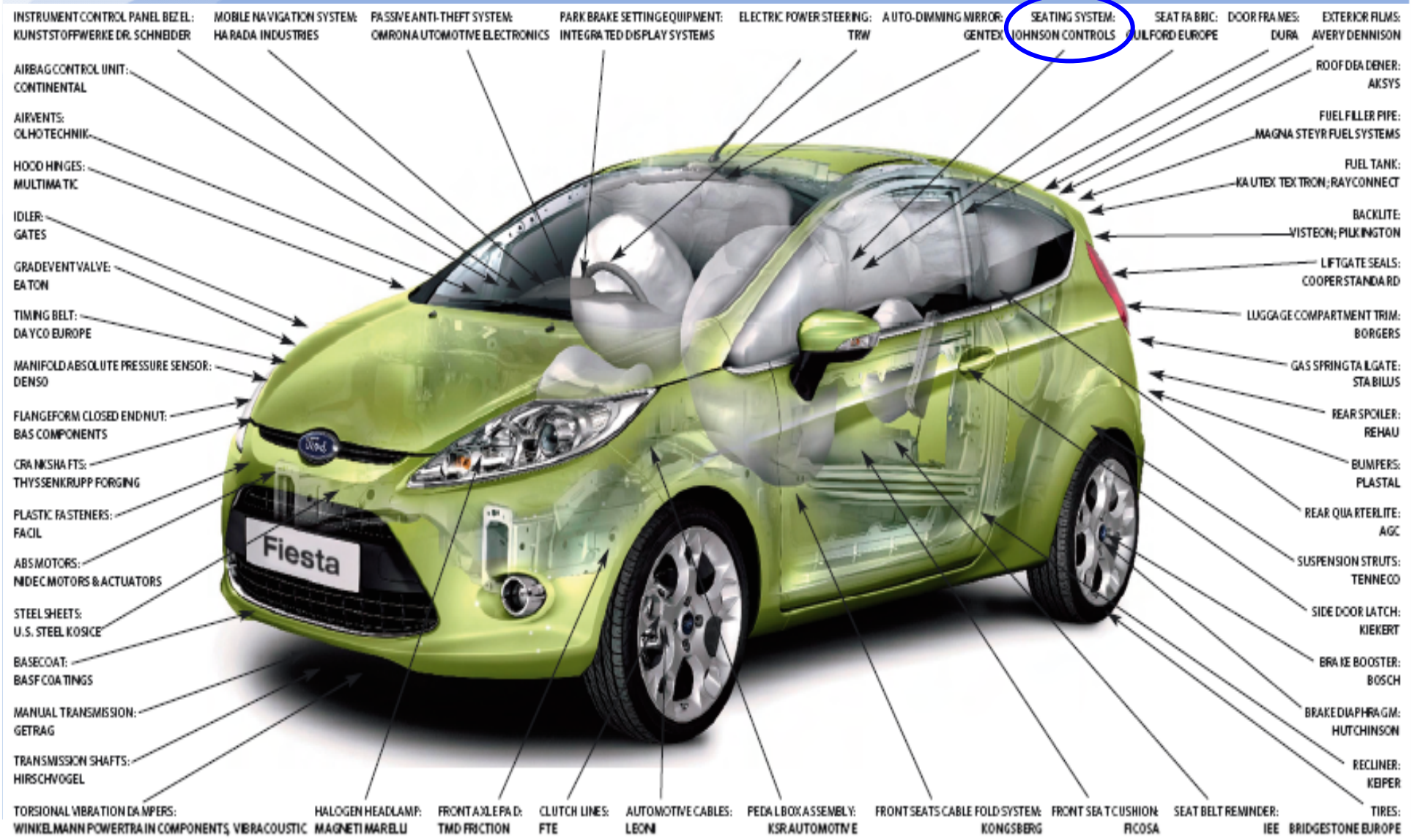
Complex Automotive Supply Chain

- The automotive supply chain is complex and includes global supply chains from many other industries.



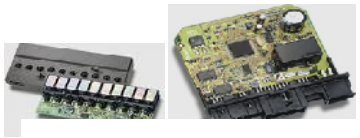
Ford Fiesta
A Small Sampling of Suppliers



Complexity in the Automotive Supply Chain: Breakdown for a Seating Assembly

Leather

Textile

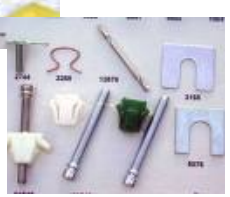


Electronic Controls

Wiring

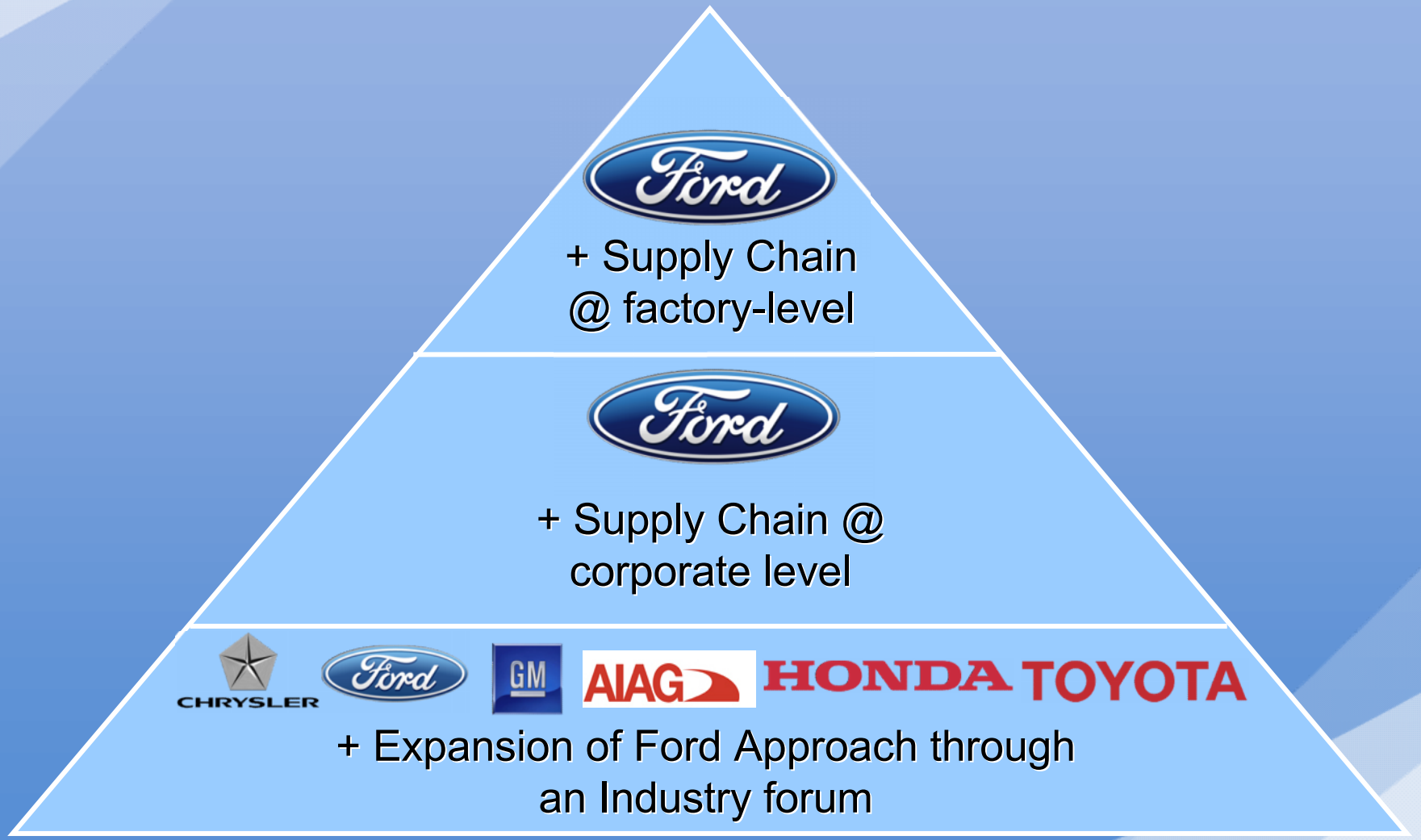
Seat Foam

Steel Frames & Tracks



Fasteners (Plastic & Steel)

Innovation and Balance



AIAG Global Working Conditions Milestones

AIAG: *at-a-glance*

AIAG: *at-a-glance*

- Globally recognized trade association founded in 1982
- 800 member companies
  - $850 Billion in annual turnover
  - "Touch" 1 out of every 5 Americans
- 30 full-time staff
- Senior Purchasing Executives 'on loan' from Chrysler LLC, Ford and GM
- Over 650 Industry 'volunteers' providing subject matter expertise
- Headquartered in Southfield, Michigan
- 5 Primary Revenue Streams = Training, Publications, Events, Grants & Membership

Board of Directors

AIAG Responsibilities

- AIAG provides industry stakeholders a legal and professional infrastructure that allows them to work collaboratively
  - Offices / Conference rooms
  - Meeting Facilitation
  - Project Management
  - Virtual communication tools
  - Legal oversight
- AIAG publishes, prints and distributes; whitepapers, guidelines, best practice summaries and standards, developed by the industry volunteers, to automotive and other industry verticals
- AIAG provides education, training & events in support of the guidelines, best practices and standards developed by the industry volunteers

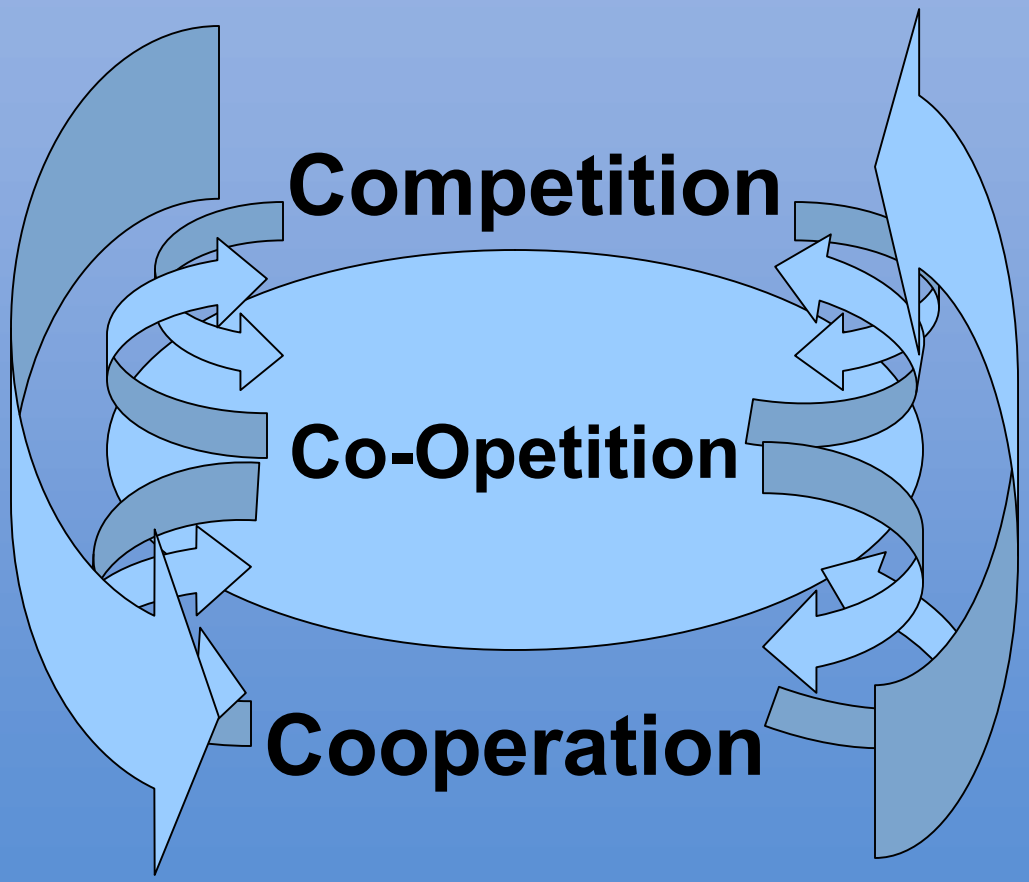
AIAG Responsibilities

- AIAG provides 7/24 public information & access to industry guidelines, best practices and standards via it's website (www.aiag.org)

- AIAG provides professional certifications (company/individual) to many of the standards it publishes

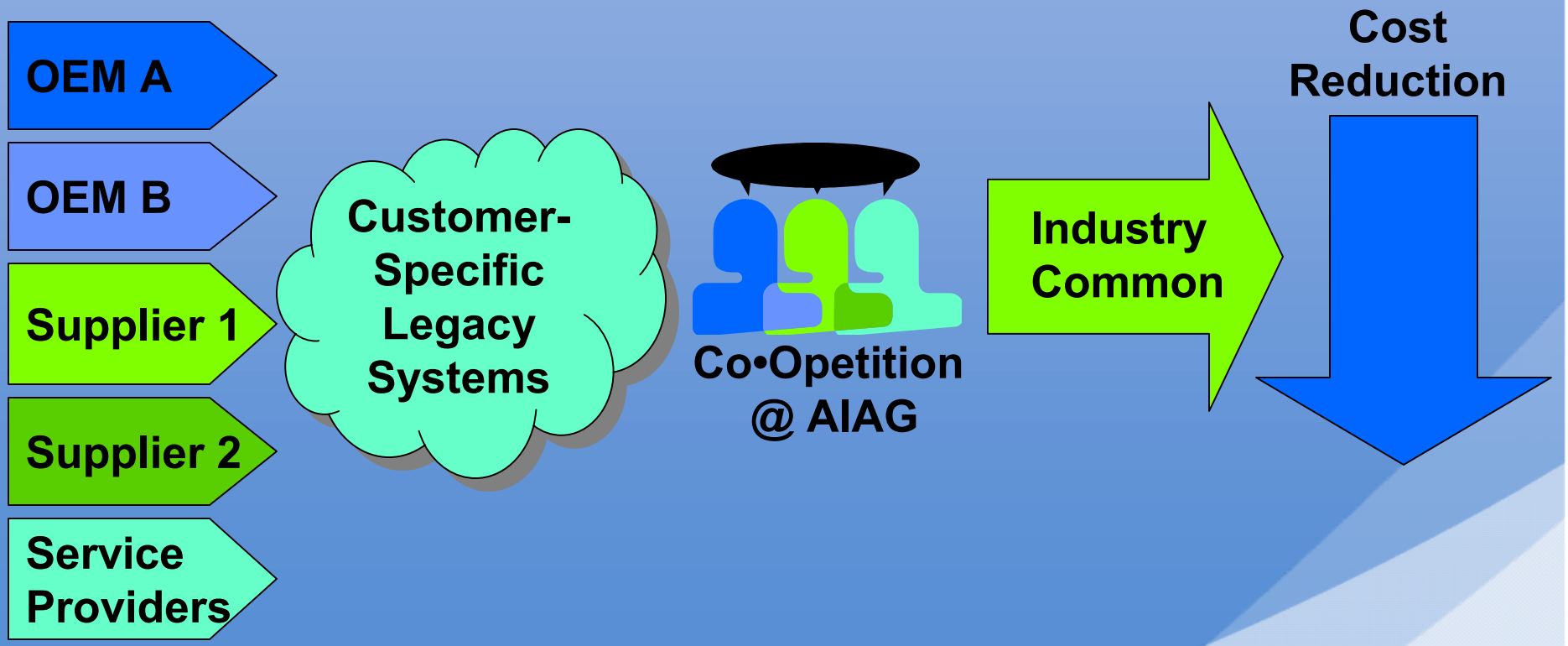
- AIAG maintains an ongoing relationship/engagement with other national industry & technical associations and works to harmonize business practices & standards to effect a seamless delivery of products and data throughout the global supply chain

CO•OPETITION : Creating Supply Chain Value



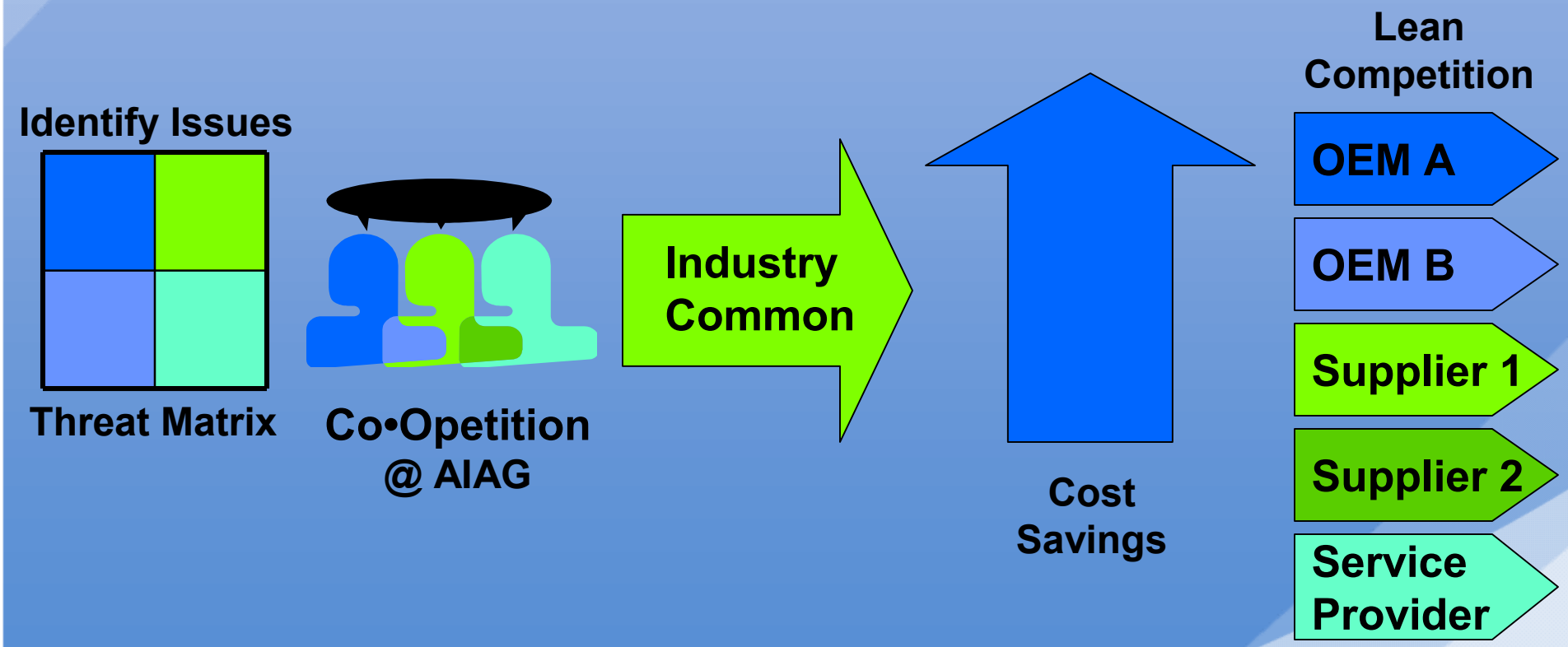
Value Stream Mapping for the Automotive Supply Chain

- **<u>Traditional View</u>: Competing technologies and systems create redundancy and waste in the supply chain, forcing reaction of OEMs and supply chain companies to strive for industry commonization via Co•Opetition @ AIAG.**



Value Stream Mapping for the Automotive Supply Chain

- **<u>Advanced State</u>: Early identification of emerging issues with leadership-sanctioned Co•Opetition at AIAG drives industry commonization. Resulting cost savings allow supply chain companies to compete on a level playing field without non-value company specific legacy investments.**



AIAG Corporate Responsibility Initiative: The Challenge of CO•OPETITION

- **CR Enterprise DNA…. unique to each company and deeply personal**
  - CR programs & supplier lists viewed as IP / competitive advantage
  - Industry initiatives supplement individual company programs
  - Run Silent, Run Deep: The Gary Hart Lesson
  - Was Franklin right…Is it really better to hang together vs. hang separately ??
  - Competition for discretionary spending funding …if any?
- **'Herding the Cats' to harmonize an industry voice / vocabulary for the extended global supply chain**
  - Leadership vs. Management : Which OEM provides the spark?
  - Regional political 'priorities du jour' & legal compliance
  - '*green-washing*' & scope creep
    - Inventory current Industry efforts
    - Benchmark other verticals – Adapt/adopt best practices
    - Leverage Government engagement, resources & investment
    - Sanity –Check with key 3rd Party stakeholders

AIAG Corporate Responsibility Initiative: The Challenge of CO•OPETITION

- **Global Sourcing : 'walking the talk'…**
  - OEM internal alignment: regional autonomy
    - Corporate singularity of purpose & message
  - Tier-1 suppliers Corporate 'buy-in'
    - Provide access & information to lower tier suppliers…consistent with OEM messaging
  - Lower tier supplier business acumen/knowledge
  - Local Industry Association engagement
  - Perverse government 'commercial development' incentives in emerging countries
  - "Bottom Line" pressure / performance
    - 'Channeling' the late great Johnnie Cochran :'We can't enforce, We can De-Source'…but will we?

Corporate Responsibility Advisory Committee

- Primary Objective: Provide education and information regarding the basic tenants of Corporate Responsibility (CR) to the extended North American supply chain.
- Secondary Objective: Reduce member effort & investment and/or redundancies across industry associations working on CR initiatives.
- 2010 Activity
  - MOU with Electronics and Telecommunications Industry Groups: Executed 11/2009
  - EU OEM CSR Outreach and Collaboration
  - Activity and Engagement Survey
  - Gap Analysis and Needs Assessment
  - Corporate Responsibility Symposium: November 2010

Global Working Conditions Program

Co-Sponsored Factory Training

- Mexico and China Training launched
- Turkey: Training launch May 2010
  - Expanded content to include environmental responsibility
- Brazil: Training launch September 2010
  - Potential partnerships and grant funding to expand and enhance impact
- India: Management Event July 2010, Training launch November 2010
  - Tiered approach to gain buy-in, support, success

Corporate Engagement: Classroom and e-Learning

- Training resource for supply chain professionals
  - Internal to OEMs
  - Tier 1+ suppliers
- Roll-out to Tier 1 suppliers by OEMs March 2010

Impact to Date: Site-level Training

Mexico

494 Tier 1 Suppliers Trained

Training Cascaded to

44,833 People

at **Tier 1** Level

Expectations Cascaded to

5,628 Tier 2 Suppliers

China

461 Tier 1 Suppliers Trained

Training Cascaded to

21,799 People

at **Tier 1** Level

Expectations Cascaded to

2,182 Tier 2 Suppliers

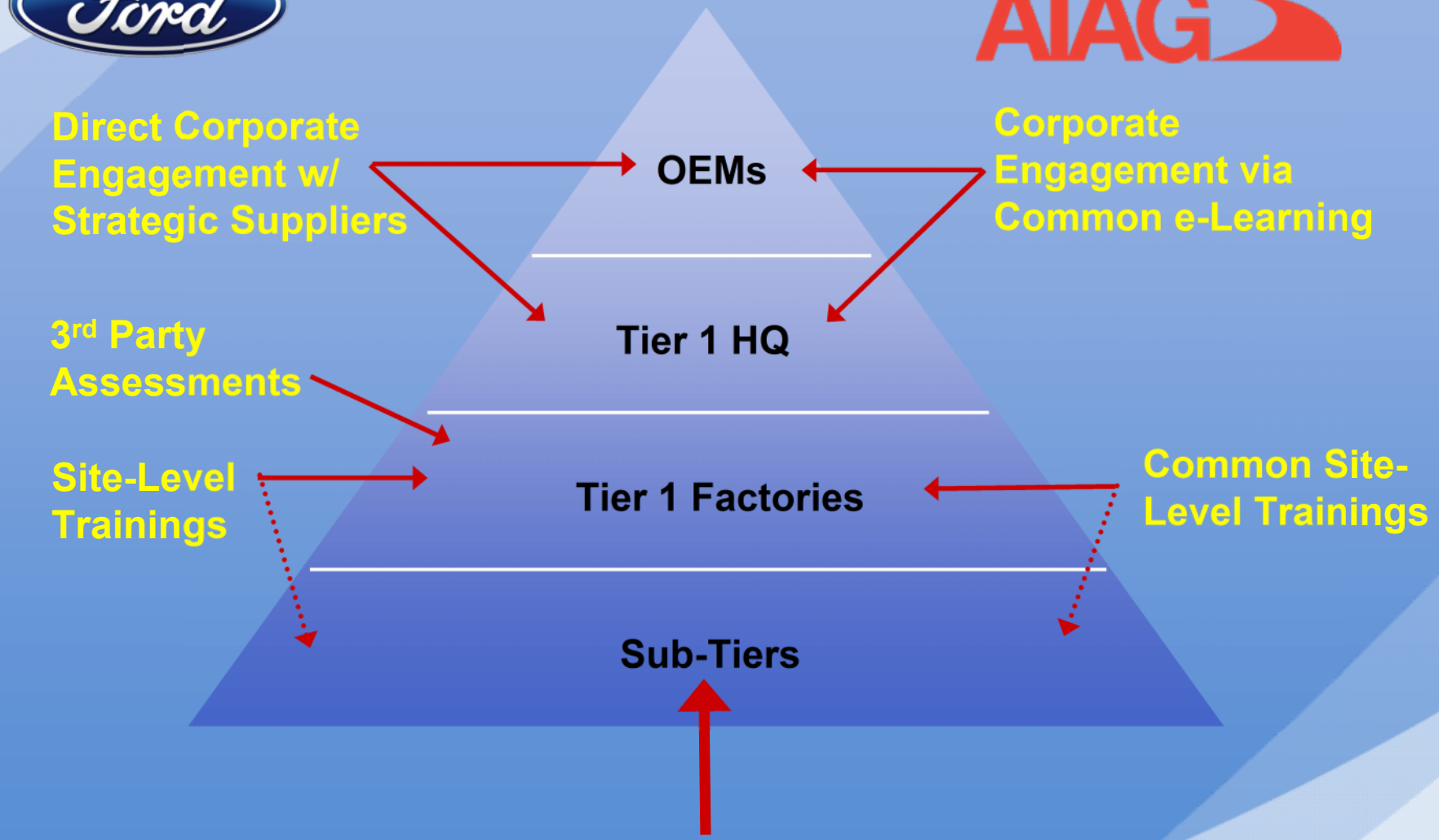
GHG Emissions Workgroup

- Purpose
  - Determine unified OEM expectations for estimating, collecting, and reporting manufacturing facility-based GHG data
  - Define common process, methodology, tools, and formats for estimating GHGs from OEM and manufacturing supply base operations and roll-up data via an industry-wide process.
- Opportunities/Deliverables
  - Where this is not an established process at any one OEM, there is a tremendous opportunity and benefit to a common process that is efficient for the entire industry and has appropriate data QA
  - Harmonized Data
  - Training that assists suppliers as to what data will be needed for automotive industry rollup hands-on, walk through the tools and protocols

GHG Emissions Workgroup

- 2010 Actions
  - Unify OEM expectations for collecting GHG data
  - Build common processes, methodologies, tools, and formats
  - Engage other Association (i.e., VDA, JAMA) to create more global expectations for estimating, collecting, and reporting facility-based GHG data
  - Develop training on GHG that covers:
    - Regulatory and customer requirements
    - Emission estimation data needs and process and the agreed upon methodology and protocol

Impact Across the Supply Chain



Cross-Industry and Public Sector Collaboration