An introduction to Plan B and the Indian Opportunity

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Plan B capabilities range from the shop floor best practices, supply chain management, manufacturing outsourcing, project management to corporate turnaround.

Corporate Turnaround

- Crisis stabilization
- Management team changes
- Strategic refocus
- Organizational change
- Critical process Improvements
- Financial restructuring

Consulting offerings revolve around two powerful cost saving options: Outsourcing to India and Shop Floor performance improvements. In both cases we provide highly credible experience and end-to-end one stop capabilities.

Best Practices Implementation
- Manufacturing Strategy
- Change Management program
- Lean Six Sigma program

Engineering Services
- Product Design
- Product Testing
- Tooling design and fabrication

Manufacturing outsourcing
- Technology licensing
- JV establishment
- Contract manufacturing
- Greenfield site establishment

Supply Chain Management
- Supplier selection
- Quality assurance
- Logistics

Our team capabilities in outsourcing manufacturing to India and in Best practice implementation provide a powerful toolkit that can be applied in turnaround situations by our Corporate Turnaround team members.
Long lasting performance improvements require a ‘holistic’ view of the business and the experience to plan and execute change programs

Plan B Manufacturing Team Composition & Background

**Business View**
- Offshoring deal structuring skills
  - McKinsey & Company
  - KPMG

**Shop floor View**
- Board level executives with hands-on manufacturing management and corporate turnaround experience
  - Federal Mogul
  - Johnston Sweepers
  - BUNZL

- Best Practice implementation specialists with expertise in Lean and Six Sigma
  - Toyota
  - Rover
  - TVS
  - Viastream
The manufacturing world has become smaller but more complex. This environment requires more management skills and organizational capabilities than ever before, regardless of size of the business.

Global competition
- Shrinking transport and communication costs
- Increasingly capable competitors from low cost regions
- Skilled labour available at low rates

Pricing pressures
- Open book pricing
- Scale pricing for sub-scale orders
- Fixed prices for extended periods

Organizational issues
- Skills shortage
- Change fatigue
- No cash for training

Customers
- Traditional customer industries under attack and/or shrinking
- Reducing customer loyalty
- Increased flexibility requirements

Technological change
- E-business investments are becoming mandatory

Customer Industries are beginning to source from all over the world bringing global competition to your doorstep.

Can you beat foreign competitors at their own game? Can you learn to manage global sourcing & manufacturing?

Increasing awareness that streamlined material flow through the entire supply chain is key to reducing costs and better competitiveness.

Can you make the necessary investments to become an effective member of high performing supply chains?

Customers are continuing to reduce the number of suppliers.

Will your current performance get you in the final shortlist?
In our view, a thoughtful review of the Make-Buy decision is central to overcoming the difficulties

<table>
<thead>
<tr>
<th>Desired Results</th>
<th>Management Focus areas</th>
<th>Required actions</th>
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<tbody>
<tr>
<td>Better cash flow for reinvestment</td>
<td>Business / Operations turnaround</td>
<td>Look at options for</td>
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<tr>
<td></td>
<td></td>
<td>• Increasing revenues</td>
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<td></td>
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<td>• Product / market refocus</td>
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<td></td>
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<td>• Asset reduction</td>
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<td></td>
<td></td>
<td>• Cost cutting</td>
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<tr>
<td>Increased growth rates</td>
<td>Make – Buy decisions revisited</td>
<td>Operations strategy review</td>
</tr>
<tr>
<td>Better ROIC</td>
<td>- what, when, where, how and why make or buy?</td>
<td>• Core competencies needed to compete</td>
</tr>
<tr>
<td>Better margins</td>
<td></td>
<td>• Outsourcing / Global sourcing possibilities</td>
</tr>
<tr>
<td>Matching market needs in</td>
<td>Assessment of gap between market needs and</td>
<td>Best practice adoption</td>
</tr>
<tr>
<td>• Cost</td>
<td>current capabilities</td>
<td>• Lean</td>
</tr>
<tr>
<td>• Quality</td>
<td></td>
<td>• Six Sigma</td>
</tr>
<tr>
<td>• Delivery</td>
<td></td>
<td>• TPM etc</td>
</tr>
<tr>
<td>• Flexibility</td>
<td></td>
<td>Planning and managing sourcing from low cost locations</td>
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<tr>
<td>• Innovation</td>
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In this context, simple Make-Buy decisions made in the past have important impact on current performance and should be revisited and justified.

**MAKE**

- Why should you manufacture? Does the customer value your capabilities?
- What are the core technologies and proprietary knowledge that need protection?
- How to ensure that your manufacturing processes are best in class?
- What kind of new manufacturing skills are needed?

**BUY**

- Why should you buy? Will the benefits of outsourcing outweigh the risks?
- What are the products/parts that don’t add to your competitiveness?
- How to ensure that outsourced parts generate the anticipated savings?
- What kind of new sourcing / global manufacturing skills are needed?
Example from our customer base: A typical OEM business has a hierarchy of capabilities of increasing value and uniqueness; starting with commodity type of processes such as Forging all the way up to assembly of Original Equipment.

Which of these are important to achieving competitive advantage?
A wide variety of engineered parts sourced from India are shipped to all major manufacturing geographies.

We have helped these companies source from India.
Industry Case Study: The Indian Auto industry has matured to such an extent that an Indian designed and manufactured car – the Tata Indica – is now imported, rebadged and sold in UK as the City Rover by MG Rover; this is underpinned by a quality conscious domestic autocomponent industry.

6 out of the 11 Deming prize winners for quality outside of Japan are Indian component manufacturers.

An Indian company won GM’s ‘Supplier of the Year’ award 5 consecutive times.

Number of companies (out of 416 key players in India) who have International Quality Standards certifications:

- ISO 9002: 337
- ISO 14000: 41
- QS-9000: 193
- ISO/TS 16949: 25
Employment costs in the manufacturing industry
UK£ '000s

Source: Large UK global manufacturer of OEM equipment - Internal data for company operated plants across the globe, presented by the company CEO at a manufacturing lecture
Control Issues and specific working arrangements can be constructed in various deal structures.

Outsourced Manufacturing Deal Structure options

- Greenfield Operation
- Joint Venture
- Contract Mfg
- Partnership Sourcing
- Spot Procurement
- Licensing
Our experience in structured deals to supply parts from India

**Global Sourcing**

Detailed knowledge of supplier selection/development techniques based on experiences from both sides of the table as a Vendor of critical precision engineered parts to Global OEMs from Indian Plants and as a purchaser of inputs from Suppliers across the globe.

Additionally have credible supply management experience having supplied engineered parts to GM in the US, and serving other Export customers in US & Europe under multi-year contracts such as Nissan/Dana, Cummins, ZF, MTU (Daimler Chrysler)

**Technology Licensing deals**

Negotiated and/or managed technical collaborations with Dana for Piston Rings, Federal Mogul for Engine Bearings and Sintering technologies etc. Also have experience of transferring process technology from UK/US/France to India and China

**Joint Ventures**

Negotiated and/or managed Joint Ventures involving Dana and Federal Mogul with Indian Groups such as Anand and Escorts

**Greenfield site**

Experience of building and/or operating Greenfield plants for Engine Bearings, Sintered parts, and Spark plugs and Wipers
From the case studies of companies we have helped source from India it can be seen that savings can be captured in as little as 10 weeks after a decision is taken for simple parts sourcing.

<table>
<thead>
<tr>
<th>Customer</th>
<th>One of the world’s largest Engine manufacturers</th>
<th>Germany based Fuel pump manufacturer</th>
<th>One of the world’s largest Auto components company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part</td>
<td>Fuel pump high precision gear</td>
<td>Fuel pump gears</td>
<td>Forging used in Front Wheel drive</td>
</tr>
<tr>
<td>Reason for transfer</td>
<td>Mid-size supplier in US could not maintain Quality</td>
<td>Unable to source in Germany at prices offered in India</td>
<td>Korean supplier was charging $5 for forging alone</td>
</tr>
<tr>
<td>Savings delivered</td>
<td>25% with all finish parameters met</td>
<td>Savings ranged from 12% upwards for five different parts</td>
<td>Part was delivered at $3 AFTER complete machining</td>
</tr>
<tr>
<td>Time Frames Decision to Source</td>
<td>18 months to decide on transfer to India</td>
<td>4 years before agreeing to try India</td>
<td>N/a</td>
</tr>
<tr>
<td>Time Frame Delivery of first part</td>
<td>4 months to design and make tooling and produce part</td>
<td><strong>10 Weeks</strong></td>
<td>N/a</td>
</tr>
</tbody>
</table>
However, typically, savings are captured in 4 – 6 months as these additional case studies show

<table>
<thead>
<tr>
<th>Customer</th>
<th>Large Japanese Auto OEM in UK</th>
<th>Germany based Auto sub-systems supplier</th>
<th>One of the world’s largest Auto components company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part</td>
<td>Oil Pump gear sets for best-selling car models</td>
<td>Cold Forged propeller shaft</td>
<td>Machined forging used in Steering assembly</td>
</tr>
<tr>
<td>Reason for transfer</td>
<td>Unable to source in Europe at prices offered in India</td>
<td>Unable to source in Germany at prices offered in India</td>
<td>Costs of internal manufacture higher than those offered</td>
</tr>
<tr>
<td>Savings delivered</td>
<td>16% to 23% for three different sets</td>
<td>15%</td>
<td>15% savings after open book negotiations</td>
</tr>
<tr>
<td>Time Frames Decision to Source</td>
<td>3 years to decide on transfer to India</td>
<td>N/a</td>
<td>1 year</td>
</tr>
<tr>
<td>Time Frame Delivery of first part</td>
<td>4 months to design and make production tooling and produce first part</td>
<td>N/a</td>
<td>6 months to set up dedicated custom built production facility</td>
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