

Safe and Successful Takeovers

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Given that there are elements of a dog-eat-dog dynamic in the automotive industry in the best of times, it is not surprising that the worst of times creates even more instances where one company can benefit at the expense of another. The shriveling of vehicle sales and corresponding cutbacks in production have many suppliers struggling to get by with lower revenues and stretch their dwindling supply of cash. The question on many people's minds as downsizing in the automotive industry continues is, "Will it be a competitor company or will it be me that goes down?"

For many companies, there is a heightened sense of urgency about bringing in more business in the near term to help cover overhead. Many are looking for takeover business as a quick-hit solution, particularly as new programs that are the source of new contracts are delayed or cancelled. Conversely, with the uncertainty about what will happen with the Detroit Three customers and the negative trickle-down effect on suppliers, there may be more takeover business available than usual as struggling companies end up needing to shut the doors.

Takeover business provides immediate revenue, but there can be risks associated with it. For example, you are taking over someone else's tools, so the quality of your product is limited by the tool that you are given. The production rates on the tool may not be what you are used to. You may have a very limited time to get it up and running in your shop. All of these issues surrounding takeover business can be addressed, but people are often so eager to get the work, they don't think about planning and being prepared for it.

Pursuing takeover business is an activity that benefits from the same deliberate, systematic approach that we see as the hallmark of companies that develop successful partnerships with New Domestic customers. By not just taking business to take business, but having the foresight to use plans and tools to ensure success, companies are able to incorporate someone else's problem jobs without it adversely affecting their existing operations.

We recently had the opportunity to work through this process with a client that was being considered by a Japanese automaker for a takeover job. Our discussions generated a number of elements to include in their presentation to the customer. These elements were evidence of how they were thinking through the process of bringing the work on board, in a way that gave confidence to the prospective customer. In addition to impressing the customer, the steps and measures that were articulated gave the client's workforce a better foundation once they did win the job. A few of the ingredients of takeover preparedness are outlined below. Even companies that have a track record of obtaining takeover jobs are likely to find that there are ways to improve their performance through measures such as these.

- Obtain as much information and material from the customer as possible: drawings; tools; gauges; set-up sheets; sample parts. These are not always all available, but the more you can learn about the previous experience, the greater your chances of building on that and shortening your own learning curve.
- Evaluate the proposed takeover job relative to your past experience and capabilities. With a well-documented understanding of your own company's strengths and processes, it is easy to see how well a job will fit in and what you can do differently to improve the part.
- Form a cross-functional project launch team and war room to plan and track status. Involving all departments is critical to proper planning. For example, our client found that the participation of Maintenance was of particular interest to the Japanese customer. Using visual management tools in a war room is an efficient communication method of the plan, performance to the plan, and the need for intervention if there are problems or potential delays.
- Determine what the available inventory bank (WIP, safety, buffer) is and develop a timeline to fulfill the customer's need for good parts.
- Collect asset lists for all parts of the process and bill of material for spare parts.
- Review staffing levels and make arrangements for additional staffing and training if necessary. Some companies overlook the human element in their haste to bring in new work, which can be detrimental to morale as well as part quality.
- Don't overlook the "supply chain", logistics and packaging.

Our advice is to treat "takeover" opportunities with the same enthusiasm and planning devoted to "new launch" preparations. As an example, consider employing Honda's 3P (Production Preparation Process) methodology. This involves: 1) setting clear objectives for parameters such as productivity, WIP, floor space, etc.); 2) assigning a cross-functional team (production, quality, information systems, maintenance, etc.); 3) adhering to basic principles of 'Creativity before Capital,' 'Quick and Crude vs. Slow and Elegant,' and 'Tight Focus On Time (<1 week).' The objectives of your activities should include: identifying and elimination of waste, meeting quoted process cost targets, increasing team's empowerment, ownership and self reliance, and developing associate capabilities. To measure and track progress, you must have developed maps of the current state. Sound like a lot of work? It isn't, if you have embraced the discipline of using processes and standards for continuous learning and improvement in your organization.