

The Concept Car: a national collaboration to compete globally

Highlights

- An alliance of Australian automotive suppliers succeeded in branding Australian automotive suppliers as sources of quality, competitively priced products in the global automotive industry.
- The alliance enabled the companies to gain the attention of key industry decision-makers, which they could not have done individually.
- Creating the alliance involved a project team with the right blend of skills – entrepreneurship, project management, marketing, product management and stakeholder management.
- The key to the success of the project was forging working relationships between people whose natural instinct was to compete against one another.

Gathering 130 companies in a highly competitive industry to work together on one project seems to fly in the face of business common sense. But the Australian Concept Car Project not only did so but also achieved global recognition for Australian automotive engineering quality and capability. In the process it opened new international markets for Australian suppliers and delivered nearly \$1 billion of new exports.

The business imperative for the project was the growing international trend among car major manufacturers to reduce the number of suppliers with whom they deal, by encouraging consortia to supply entire systems – electronics or braking or climate control, for example. The Australian market was not well placed to meet this trend as it did not have enough companies large enough to be competitive at the volumes required.

David Fewchuk, Automotive Director for the Strategic Industry Research Foundation (SIRF), explains the problem: “The automotive world is international, but is nationally driven. It is a big industry and there is a glut of everything. The competition is phenomenal.”

“The Australian automotive industry also faced an identity problem as most Australian companies lacked a global brand recognised by international buyers. Further, the industry was fragmented, with little of the collaborative culture and skills required to move from component suppliers to system suppliers.”

When David was introduced to the idea of building a car to showcase the technical and innovative capability of local car component suppliers, he saw a chance to address both issues and forge a local alliance that would give local suppliers the opportunity to capture international attention. He threw his experience and knowledge of the automotive industry behind the idea to help make it work.

In particular, he saw the Concept Car project as a means to create relationships and open doors. “The industry is still about people – who you know and how you get on with them,” he said.

A changing industry

The automotive sector is a mature industry, facing stagnant demand. A major rationalisation is underway, with new global supply chains emerging.

World production of 65million vehicles is now dominated by six producer groups. Mergers during the 1990s were driven by technological imperatives, pressures to reduce prices and product development costs, risks and times and lower than expected demand, particularly in Asian markets.

The industry was one of the first to embrace mass production at the beginning of this century and is set to take this to new lengths. Current large plants of 250,000 cars per annum are set to give way to mega-plants producing over a million cars per annum. The car has become a commodity with branding, minor styling and packaging details providing the elements of product variety. Pressure towards global design means that several brands typically share some 60% to 70% of their components.

This trend is convenient for their purchasing managers but makes life increasingly difficult for small-scale component manufacturers. An increasing number of components such as seats, painted bumper bars and complete front ends are assembled separately in locations close to the main vehicle assembly line. Large global suppliers take responsibility for the development of these major, technologically advanced sub-assemblies. They tend to do their R & D centrally, working synergistically with the design centres of their customers, while maintaining engineering and assembly operations close to their customers’ assembly plants.

These first tier suppliers source their own requirements from smaller, usually local suppliers – the second tier – who in turn have their own suppliers of materials and less elaborately transformed inputs. The number of first tier of suppliers is reducing to less than 100 large component manufacturers worldwide, fed by a far greater number of smaller second and third tier suppliers.

While scale is vital, particularly to the global suppliers, it is not the only critical factor in ensuring survival. Regardless of their position in the component hierarchy, firms must

- control a distinctive technology,
- apply the technology effectively and proactively to their customers’ problems,
- meet customer delivery requirements with regard to time, quality and cost, and
- organise their own suppliers in similar fashion

Concentration of the industry makes for bigger players with bigger markets to protect, and requiring large levels of capital investment.

Laying the framework for new relationships

It was this bleak market outlook for the small Australian automotive suppliers that David Fewchuk confronted. “Australia has 0.3% of the world’s output in automotive and we don’t own any car companies. We had a few tier one suppliers, but none had an international profile and brand name,” he observed.

Right from the beginning of the project, David established a structure which would allow growth and flexibility for collaboration. The project structure was initially developed to accommodate 35 companies, but success feeds on itself and eventually 130 companies signed up.

David’s role in the innovation project was as the person who translates the idea into reality, and the entrepreneur who develops the product to a successful outcome. He was conscious of the different roles required in a successful innovation process and worked to get people with the right skills into strategic board and project team positions. Having these people in key positions prevented the project from spiraling out of control as the number of participants grew and the project momentum picked up.

David’s own strengths lay in his knowledge of the industry, the market place and the way decisions are made. He considers himself a creative and strategic thinker, able to focus on the long term. He is also a good synthesiser – good at connecting people and ideas and making it work. “I didn’t have the original idea for this project, but the value I brought was to draw ideas and threads from many different and incongruous places and to bring them together in a novel way,” he said.

Championing the project

The Concept Car project was floated two years before it attracted funding. During this time, support for the idea ebbed and flowed and on occasions, it seemed unlikely to get off the ground. But the needs of Australian automotive suppliers for some means of competing with much larger suppliers had its own dynamic. This created the right climate for a marketing innovation. The products were high quality and price competitive, but the international market simply didn’t know that Australia was a brand to take seriously.

By the time the project received financial support from the Federal Government, both industry and government champions were needed to establish the project’s credibility. “The funding to build the car was only part of the equation. We needed both industry and government to get behind the project and make it a centrepiece of their promotions. In this way, we would also leverage off the marketing and promotions budgets of the companies and Government agencies such as Austrade. We had to make it more than just a curiosity or a feel-good exercise,” said David.

David's appointment as project manager was an essential step in the process. His links in the industry and understanding of the way the market operated enabled him to help participants see the commercial opportunities.

"A number of things came together to make it work – a new team was appointed at the Department of Industry Science and Resources who came fresh to the industry and its issues. They were sympathetic to the proposition and worked in a commercial way with the project team. The appointment of a Prime Minister's Special Envoy on Automotive Trade was also critical and the appointee, Ian Grigg, became a key project champion. "Ian also understood the industry and could see the benefits of a collaborative showcase. His support and links into the highest echelons of Government added enormous value to the project" said David.

Making it happen

The key challenge of the project was persuading members of the highly competitive automotive industry to pool their talents in the interests of international competitiveness. The project team had to understand the businesses of participants if they were to make the potential gains outweigh the natural reluctance of companies to reveal details of their business and capabilities to others.

The major car companies based in Australia were also needed as supporters. They could not become active participants, though some were keen to do so. As key customers, their presence could have closed off some potential market opportunities. But their support in gaining access to key decision makers in parent bodies overseas was crucial

When David took on the project, a strategy was already in place. However, no formal market research had been done so David's strategic and structural knowledge of the industry worldwide was crucial. Drawing on his experience of the industry, he identified two major customers: those who attended trade fairs and those who made the decisions for car manufacturers. He then tailored marketing strategies specifically for these groups.

It was also important to make sure that the product was right. A detailed feasibility study made sure that the Car demonstrated unique Australian competence and was representative of the Australian industry. Fewchuk believes that one of the ingredients of success was ensuring that this benchmark moved throughout the project so that it became more than just a showcase of leading edge technologies that whetted the appetite of buyers. All the technologies used had to be fully developed and proven, and suppliers also had to be able to deliver these technologies.

The successes

Attracting the cooperative and coordinated efforts of 130 component suppliers was a great achievement for the Concept Car project. But this was only a means to an end. The real measure of success is in the commercial benefits. Over a period of four years, the Concept Car has visited 17 major car companies and been featured in all of the major car industry magazines around the world. It has succeeded in branding Australian automotive component suppliers as sources of quality, competitively priced products, and has earned \$500 million in directly attributable sales. These benefits will compound in future years through sales that come out of the relationships formed during the project.

The strategic value and success of the Concept Car is that, it provided an international brand for the participating companies – the ‘sizzle’ of interest, behind which stood substantial technology, manufacturing and design competence.

“The Concept Car was a door opener – its spectacular success was in attracting the attention of the people who matter in buying decisions in the industry. Small companies acting in isolation could never have achieved such impact,” said Fewchuk.

The project allowed much innovative technology to be incorporated into the car: a revolutionary new lightweight carbon fibre body frame, lights and wipers which turn on automatically when required, voice activation of 40 interior functions, a supercharged six-cylinder orbital engine. Indeed, Australia is now recognised as a world leader in voice recognition technology because its incorporation in the car provided a memorable demonstration of the technology at work.

The advantages of the project also went far beyond the immediate and practical. It strengthened the respect and cooperation between Australian car companies and their local suppliers, demonstrated how successful a combined approach could be in winning export business, and provided the domestic automotive industry with a much-needed boost in confidence.

These results are very much in line with David’s original objectives for the project. He took on the challenge of the Concept Car because he wanted to make a contribution to the survival of the automotive industry in Australia. He would like to see Australian companies being successful and meeting their full potential.

The making of the innovator: where the experience came from

The Concept Car project involved many commercial undertakings and relationships, the success of which depended upon David’s understanding of the innovation and commercialisation processes. His work at Ford provided a solid base for this, having developed new model programs which involved pulling together resources, marketing, and customer input, while retaining a focus on output and the end product.

In particular, David’s experiences in product development at Ford was invaluable, which required him to be an ‘intrapreneur’.

“Knowledge of who to speak to and how it all works, was the key to the success of the project: how to get key decisions made in car companies at the necessary level and to be able to see the proposition from the perspective of the CEO of Ford who has to convince his Board and Chair that it is a good idea.”

David’s tertiary background in mechanical engineering also equipped him with good skills relevant to innovation, although he believes his strengths now lie in management and marketing – “handling large complexity, keeping the threads together and maintaining the momentum.”

David is strong academically and describes himself as a risk taker, totally focused on outcomes, with no patience with processes. “I am confident and believe I have the right manner to engage people to bring them on-side. I also have a spread of knowledge about a lot of things,” he said. He does not believe that he is dogged in pursuing his objectives, but very hard-working and single-minded. He is able to maintain focus and sees this as an important attribute in the innovation process.

While David’s key strengths in the project were his links with, and understanding of, the industry, the project has in turn extended him. He says that this project has enabled him to become wired into the world community, positioning him to be even more effective in future.

Sources of innovation

As well as the obvious innovation in the technologies incorporated into the Concept Car, the process and framework applied for the project were highly successful and innovative. David believes that this stems from both his experiences at Ford, which encouraged innovation, and also the innovative culture within the SIRF.

At SIRF, our whole role is about encouraging innovation, so we are constantly trying to find new and better ways of doing things. “If you’re looking for possible innovations, you’re more likely to find them,” he said.

He believes, however, that globalisation can be anti-innovative. “Innovation in the global system is orientated to marketing rather than to the substance of production. Big players have the ability to buy the space in the horizon of the global market mind, but this is beyond the reach - in terms of costs and resources - for most companies.”

David sees this as a challenge for Australian companies who are restricted by capital. He stresses that this requires Australia to be innovative in developing models to bring its product to market. The Concept Car was one approach and may hold lessons for other Australian manufacturing sectors, although each sector has its unique market conditions.

The future

The Concept Car has provided a good basis for international recognition of the Australian automotive industry. David, however, says that we need to go a lot further. “The Concept Car has become a brand in the international marketplace. By repeating the name, through the media attention, recognition was created in the brand. But there is not enough understanding from industry to see the value in the brand and that is where the focus should be.”

To proceed further will require more cooperation from participating companies to put their efforts behind the brand and to meet international demands for sub-system suppliers rather than component suppliers. David believes this is still a stumbling block for Australia as many automotive companies are overseas owned, making mergers, acquisitions and joint ventures difficult. The project has not yet provided a solution or changed the culture in this respect.

David sees this as the most crucial area to progress. While the Concept Car Mark II will further promulgate Australian innovation and technological capability, the industry needs to be able to meet international market demands for the method of production and supply of components and systems.

“The real issue is that the industry needs to address international marketing abilities and is not prepared to do so. We don’t have a way of creating a business structure to bring all of our bits of supply together to present a single face to the car maker. The companies participating in the Concept Car have worked well together, but we can’t turn it into a business entity because ownership structures are international. The ideal outcome would be if we could create a corporate structure for the life of a supply contract. Of course in this, there are issues of risk and control, but other companies in other industries have done this –it can happen and succeed.”