

# How to Compete, Win & Make Money (Or Not)

## *Some uncomfortable observations from Sandy Munro*

To say that being a supplier in the auto industry right now is hard is a bit like saying that Angelina Jolie and Brad Pitt make an attractive couple. Trying to run in a profitable manner without learning Mandarin isn't easy—in fact, language lessons are probably less taxing. According to Sandy Munro, founder of Munro & Associates, an international consultancy dedicated to help companies improve the profitability and quality of their processes and products (they've worked on vehicles ranging from the Mini to the 787), so far as some automotive suppliers are concerned, he thinks they "ought to do something else." Try supplying to a different industry, perhaps. (His firm has gone from being auto-centric to one that does 30% of its business with automotive.) "People talk about their company's 'core competency.' What their core competency ought to be is making money for their shareholders," he insists. Consequently, some companies might want to heed his advice.

Prone to a bit of overstatement, Munro provides an analogy between actors and the suppliers. He points out that while someone wants to become an Academy Award-winning actor, it is necessary to work in a restaurant to make money. After a period of time, that person probably gets pretty good at working in a restaurant. Probably makes some good money. The acting, consequently, becomes a hobby, a place where little—if any—money is made. "Maybe some of these suppliers ought to treat automotive as a hobby," he remarks.

He suggests, for example, that an automotive seat supplier might be well positioned to provide seats for the aircraft industry. The volumes certainly aren't those of automotive. But the margins aren't as wafer-thin, either.

But say you want to stay in automotive. What then?

**Beyond Beyond Petroleum.** Well, doing and thinking differently are essential. For example, consider plastics. No, not in *The Graduate* sense of things. Rather, as Munro points out, plastics are based on petroleum. As oil prices go up, then everyone who uses oil-based products are going to find that they're paying more. And it may be difficult to pass along those costs to the customer(s). So Munro says that companies ought to start thinking about truly alternative materials. These materials may be used in another industry, but not automotive. But this doesn't make them any less viable or useful. It is mainly a matter of identifying, certifying and applying them.

"No one"—OK, this may be another one of those exaggerations, again—"is putting money into R&D. Do they expect a miracle will happen?" he rhetorically asks, underlining the fact that with changes in the competitive environment companies are going to have to find alternatives. Without R&D, how is this going to happen? Where will the search for new materials come from?

He emphasizes the importance of technical competence. He suggests that this competence needs to stretch beyond the bounds of "automotive" to other industries.

**Gray Is Good.** Another issue is that of experience. As companies are downsizing, they're often eliminating the people with the greatest amount of experience and replacing them with young people who earn a whole lot less. "The question," Munro says, "is whether companies are getting rid of costs—or brains." He suggests that what they're doing is losing a whole lot of profound knowledge. This can lead to all manner of problems—problems that can be ill afforded in a tight market.

"It is a good idea to have the old guys"—or make that "the experienced people"—"to hang around and transfer the knowledge to the younger ones. This used to be known as an 'apprenticeship program.'" Now, it seems, the only one who has anything to do with apprentices is Donald Trump.

**Method Thinking.** Another part of the "thinking differently" is to think methodically. Munro recommends that processes be put in place for all manner of activities, including managerial decision-making. He notes that while people tend to spend a lot of time attributing the success of Toyota to its production system, that company also has a decision-making methodology that is clear and data-driven.

And speaking of Toyota, he points out that while many companies seem to be hell-bent (hell-bound?) on outsourcing, Toyota has a comparatively high degree of vertical integration. Clearly, there could be a competitive edge there.

**Success Cycle.** Is there a method he recommends? Yes. While he thinks that it is better performed by an outsider—after all, there is probably going to be more objectivity involved, and there is also the issue that management might be more inclined to believe the outsider given that they're paying something extra for the advice—he does acknowledge that it can be performed internally.

- Benchmark internally. Know where you are. Know where there is waste in product and process. Know what your organization knows ("tribal knowledge").
- Benchmark externally. Figure out what your competitors are doing. Figure out who is doing the best and how they are doing it.
- Check the fringes. Look at what others are doing in other industries—from medical devices to aircraft, from toys to recreational equipment. "Get expansive. Auto guys know most about... auto."
- Determine what you can use. Find the new material, the new process, the new method. Transfer it to your operation. Test.
- Start over.

According to Munro, the companies that will be successful are the ones that are committed to going in and dominating. It isn't a matter of "being competitive." It is a matter of winning.

As he puts it: "Passionate people make money. Others don't."

You decide which side of that equation you'll be on.



# How to Compete, Win & Make Money (Or Not)

Perhaps the subtitle ought to be "And How to Survive" as a supplier. (In some regards, this could be extended to OEMs, as well.) When you consider what's going on in the automotive market space—from downsizings to bankruptcies; from price equity firms buying in to experienced personnel going out—it is clear that the status quo is about as stable as a Tilt-A-Whirl. So we at *Automotive Design & Production* decided to talk with one of the people who has spent a considerable amount of his career helping companies achieve a competitive advantage in their markets. The firms—and individuals—that will be successful are those who look for the ways and means to find and to sustain an edge. This means gaining as much information and knowledge as possible. So spend a few minutes with this. And if you don't get *Automotive Design & Production* on a monthly basis, go here and sign up for a free subscription: <http://www.autofieldguide.com/subscribe/index.html>

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# How to Compete:

## Recommendations for the Era of Discontinuous Change