Facilitating the Integration of Automotive Component Manufacturers into Global Supply Chains

UNIDO’s Project Experience

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Table of Contents

- UNIDO overview
- Clusters & Business Linkages Unit
- Ongoing projects (automotive)
- Ongoing projects in SEE
- Future priorities and proposals
UNIDO

- Established in 1966 - specialized agency of the United Nations since 1985
- Only UN organization promoting the creation of wealth and tackling poverty alleviation through manufacturing activities
- The Organization focuses on three inter-related thematic priorities:
  1) Poverty Reduction through Productive Activities
  2) Trade Capacity Building
  3) Energy and Environment
Cluster & Business Linkages Unit

- Clusters
- Networks (incl. export consortia)
- Supplier development and upgrading
- Public Private Partnerships
- Corporate Social Responsibility
- Community Development
UNIDO CBL Services

- Technical assistance projects:
  - Technical guidance and advice on project design, implementation and M&E
  - Capacity building and training activities (training of trainers and training for final beneficiaries: entrepreneurs, BDS, policy makers, academia)
  - Operational tools (analysis, management, evaluation)

- Development of methodologies, manuals, training kits
- Expert Group Meetings and joint learning programs
- Global training courses (Turin) and regional ones
- Action-oriented research
- On-line Policy Tool Box
Supplier Development and Upgrading

Objectives:

- Enhance the performance of SMEs in supplier industries and improve their international competitiveness *(direct shop floor interventions targeting productivity, quality, and CSR issues)*

- Strengthen the institutional setup/support structure and establish a pool of well-trained national engineers and market experts *(stakeholder mapping, capacity building, cluster formation and formalization)*

- Facilitate SMEs' access to international markets by building up adequate support services as well as strategic partnerships *(linkages and compliance with buyer requirements)*
Supplier Development and Upgrading in the Automotive Industry

- Several projects supporting automotive component manufacturers and linkages with OEMs/Tier 1: India, South Africa, Russia, Serbia, Belarus
- Based on continuous improvement/lean manufacturing tools and methodologies as well as cluster development elements
- Focus on concrete productivity and quality-related results at the company level, the sustainability of support services provided, as well as benchmarking for policy guidance
- Case study development for training purposes and cluster-to-cluster assistance at the global level
Ongoing Automotive Projects

**India:** running since 1998; 123 SMEs upgraded; >50 national engineers trained in upgrading methodology

**South Africa:** Benchmarking scheme in place to evaluate effectiveness of support programme for automotive component manufacturers and to support relevant policy initiatives

**Russia (Samara):** company upgrading and network formation initiated; institutional mapping undertaken

**Serbia:** 20 companies upgraded as a pilot; cluster body strengthened; linkages created with educational institution and other regional ACs
Ongoing projects in SEE - Serbia

Activities (2008-2009):

- Company workshops and enterprise-level counselling
- Capacity building of the Serbian Automotive Cluster
- Strategic analysis of Serbian automotive cluster and development of cluster vision and strategy
- Enhanced collaboration with and upgrading of the capacity of research and educational institutions to better support S/M sized suppliers
- Increasing focus on regional cooperation and collaboration
Ongoing projects in SEE - Serbia

Outcomes:

- Firm establishment and increasing importance/outreach of Serbian Automotive Cluster
- Enhanced collaboration among AC Serbia members due to regular meetings
- Partnership between AC Serbia and NCPC initiated to enhance environmental management in Serbian automotive industry
- Qualified local counsellors for company upgrading, including study tours to Slovenia and India
- Company improvements noticeable (5S, KAIZEN, visualization, and strategic planning)
- Cluster strategy finalized
- AC Serbia integrated in regional automotive network of Southeast Europe (Bosnia-Herz., Serbia, Croatia, FYR Macedonia, Slovenia) and cooperation portal established
Future priorities and proposals

Serbia: Phase II – Upscaling and Sustainability

- Increase outreach of the project to include additional companies and institutions following pilot phase
- Broaden the scope of technical assistance to include training relating to environmental management, energy efficiency, and occupational health and safety
- Added focus on innovation and technology development through greater cooperation within the cluster and joint project submissions
- Sustainability of the Serbian Autocluster – governance and management
- Greater linkages with OEMs active in the region (Fiat, VW)
- Proposed budget (incl. support costs) ~ € 600,000 for a 3-year project
Future priorities and proposals

FYR Macedonia: Institutional Linkages and Skills Development

- Enhanced collaboration between the various actors in the automotive component industry (cluster body, academia, support institutions, enterprises)

- Development of a relevant skills base for company counseling and other skills of relevance to the industry (industry-academia collaboration to enhance curricula)

- Preparation of activities to promote regional integration and cluster to cluster linkages (especially with the Serbian AC)

- Proposed budget (incl. support costs) € 350,000 for a 2-year project
Different development stages of the automotive industry in SEE – towards a regional approach

Automotive market level of maturity

- **Spare parts**
  - BiH
  - Croatia
  - Macedonia

- **Beginning of serial parts production**
  - Serbia
  - Bulgaria

- **Subcontractor production with low value add**
  - Slovenia
  - Romania

- **Shift to value add functions (e.g. R&D)**

- **Developed Automotive industry**

- **Outsourcing to LCC**
  - EU-15

Development stage differs depending on OEM and supplier views

Source: A.T. Kearney
Different development stages of the automotive industry in SEE – towards a regional approach

Automotive market level of maturity

- **Material cluster**: Spare parts
  - Beginning of serial parts production

- **Component cluster**: Subcontractor production with low value add
  - Shift to value add functions (e.g. R&D)

- **System/OEM cluster**: Developed Automotive industry
  - Outsourcing to LCC

Illustrative

- EU-15
- Slovenia
- Romania

Development stage differs depending on OEM and supplier views

Source: A.T. Kearney
Future priorities and proposals

Regional - SEE:

- Integration of **additional services** into the upgrading programme: environmental management, energy efficiency, OHS, CSR

- Scaling up of implementation efforts through development of an **e-learning platform** (online courses, counseling, etc) - in cooperation with partners

- Coordination and alignment of **upgrading activities** across national borders
  
  - Regional matchmaking and benchmarking approach through **UNIDO’s SPX programme** - in coordination with partners
  
  - Creation of **regional forums** to enable formal linkages between industry relevant institutions (ACs, academic, BDS, Gov) - in cooperation with partners
  
  - Promotion of a **regional cluster** initiative - in coordination with partners
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