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RESTRICTED

February 23th, 2009
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**SUPPORT TO FACILITATING INTERNATIONAL MARKET ACCESS FOR
MANUFACTURING SUPPLIERS IN THE AUTOMOTIVE COMPONENT
INDUSTRY IN SERBIA
UE/YUG/06/002-1151-2008
SERBIA**

Final Report on contract 16001665

Prepared for United Nations Industrial Development Organization
By the ACS – Automotive Cluster of Slovenia

Based on the work of Mr. Dušan Bušen
Chief Technical Adviser

ACS – Automotive Cluster of Slovenia
Ljubljana, Slovenia

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1. Project synopsis

Title: "Facilitating International Market Access for Manufacturing Suppliers in the Automotive Component Industry in Serbia"

Contract number: 16001665

The Report has been written by Dušan Bušen and Urška Gluhak as result of UNIDO Terms of Reference dated 25 June 2008 and Proposal dated 23 July 2008 and clarification submitted by fax 14 August 2008 and e-mail dated 18 August 2008 submitted in response to UNIDO Request to Proposal No. 16001665/NM of 10 July 2008.

Duration of the activity would be 76,5 days over a period from August 2008 till end of January 2009.

2. Executive summary

The overall objective of the UNIDO business partnership and cluster programme for the automotive component industry in Serbia aims strengthening its suppliers to meet requirements of vehicle and 1st tier automotive component manufacturers so as to be able to access and sustain in global supply chains and international markets, in the particular in European Union. Within the context, the programme envisages to support and strengthen the institutional framework providing practical services to suppliers in the industry sector concerned, achieving three inter-related objectives that are outlined below:

3. Implementation arrangements and settings

3.1. Implementation Framework

The proposed action strikes the balance between the creation of advantage for the involved organisations and region – in terms of exchange of experience and institutional development – and the maximization of the direct and tangible benefits for the involved enterprises on Region Level. The work plan will run over a period of 6 months. The project will be divided up into three main project phases:

Start up

The start up phase mainly involves the coordinator, lead enterprises, local experts and academic experts. The project is continuation of previous project. Some of main issues were already done. At the beginning will be the main meeting, where decision will be taken as to the time-schedule and the key issues addressed during the later implementation. The implementation will be made in line with the technology, scientific and industrial strengths of each side. The methodology applied regarding the analysis and evaluation of the business cores as well as market specificities. Decisions will be taken collectively.

Implementation

During this phase while the cooperation partner exchange is to help enterprises seeking new European Business opportunities, the workshops serve to analyse and discuss the different organization models of the participating enterprises. The preparation of policy recommendations will be supported by an evaluation of the strengths and weaknesses.

Final phase: Achieving and disseminating sustained results

Policy recommendations and policy lessons will be finally discuss and revised during the final meeting.

Other issues:

Communication

The use of electronic communications will be a key element to fast and effective dialogue and disseminations.

Decision-making

Day-to day decision making will be the task of leader of the project. An important element in the decision – making process will be the regular face-to- face meeting on the different location in Serbian organisations.

3.2. Background and context of the project

The present context

The automotive industry is undergoing a period of turbulent change market by increasing the global competition and worldwide overcapacities and also the supply chain is undergoing a far-reaching transformation. As car makers seek to cut costs and spread development risks, they outsourcing more and more to supply industry. This is reflected a declining vertical range of manufacture of the manufacturers and rapid growth un value of the supply industry. First and second tier suppliers have taken increasing responsibility in areas such as electronic, mechatronics, engineering and design. Whole modules or pre-assembled systems are delivered just in time to the car factories.

At the some time, European manufacturers are under a cost and innovation pressure which they pass on down the supply chain. This pressure to reduce costs is felt particularly severe at the level of the lower tier component and part suppliers. Lacking the proper resources to innovate, it has been especially difficult for the lower tier suppliers to innovate and add value to the product.

The Serbian automotive industry is also under pressure of the global market. The big problem is also the development process in the region which was in stagnated phases during the war.

Within the following, there are three main tendencies, which are the most significant for the future viability of the Serbian automotive component suppliers:

1. The continuously increasing demand for high quality,
2. The ability to integrate parts and components into comprehensive systems,
3. The growing strength of large 1st tier suppliers.

3.3.Objectives to be achieved

Objectives to be achieved and activities

Objective 1: Enterprise upgrading – implemented by individual companies coaching:

- ⇒ Memorandum of understanding clarifying relations in the group, responsibilities of the program management and the roles of participating stakeholders/parties
- ⇒ Collection, harmonization and translation of all training materials in Serbian language
- ⇒ Introductory seminar for selected companies (1 day for CEOs and 2 days for employees from each company (topics: automotive industry today and its most important requirements in the field of process management, continuous improvement, decision in management, working groups, visualization, standardization, 5S)
- ⇒ Counseling work in selected companies (upgrading) in 2 geographical groups. Independent work of Serbian counselors, ACS expert would assist counselors in 2 working days.
- ⇒ Organization of seminars for all participating companies on quality improvement, purchasing, cost reductions, innovations, 3M) - ACS expert would assist counselors in 3 working days (1 day for preparation and 2 days for seminar)
- ⇒ continuation of counselors work

Objective 2: Capacity building – upgraded capacity of support institutions

- a. strategic analyses of competitive position of Serbian automotive cluster in automotive components industry based on Slovenian cluster experience in the automotive component industry
- b. supporting RTD institutions in Serbia as providers of capacity building in specific areas with focused workshops (collaborative projects with companies, incorporating students in companies projects, offering education and training capabilities according to the identified needs, productivity enhancement)
- c. assist in development of technical assistance package for the Serbian automotive cluster to provide upgrading services to companies (building up the capacity to manage technology innovations in SMEs)
- d. assist in carrying out training of the staff of Serbian automotive cluster for the sustainable delivery of technical assistance on the developed material and potential cost recovery mechanisms, so as to enable them to independently undertake the training at the company level at the end of the project (facilitation of collaborative projects, development of business plans, project management, preparing proposals for national and EU calls, school of quality, new product development)
- e. Encourage environment friendly production to ensure sustainable development through cooperation with UNIDO NCC in Serbia
- f. support the project partners in the exploration of market opportunities and development of regional development strategies with regards to the interregional cluster initiative

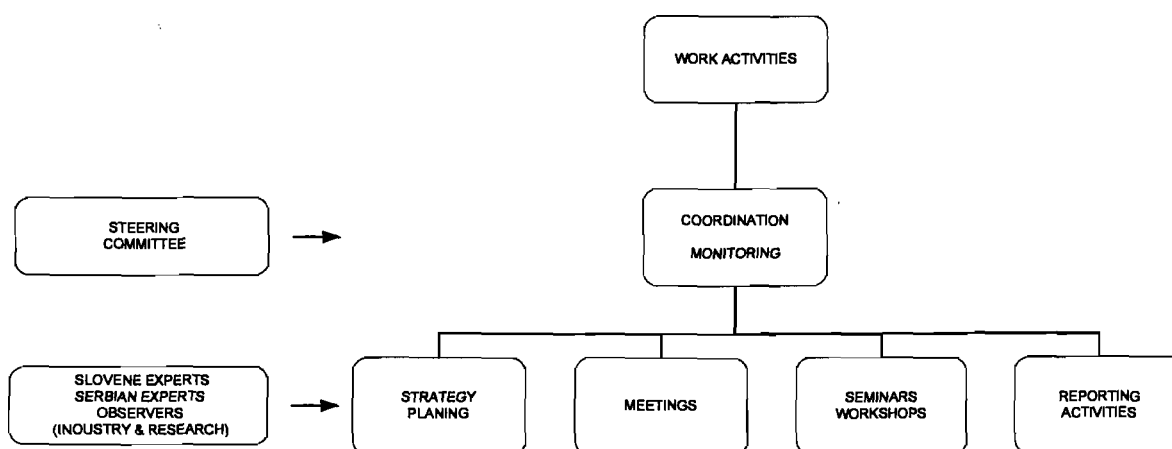
Objective 3: Cluster development – development and linkage with interregional cluster initiative

- a. Elaboration of vision and action plan of the Serbian automotive cluster
- b. Establishment of the Automotive Cluster South Eastern Europe together with partnering organizations from Slovenia, Croatia, Bosnia and Macedonia. Cluster would perform incorporation of Serbian companies into global supply chain.

- c. Establishment of cooperation portal www.automotive-see.eu as collaborative means of communication and information exchange to promote south Eastern Europe as global and development intensive supply base with company database.
- d. Delegation of AC Serbia member companies visit to Slovenia
- e. Organization of seminars for AC members (Project Management, School of Quality, New product development process management)
- f. Sharing networking channels with AC Serbia for establishment of international cooperation and partnerships

3.4. Institutional set-up and overall project organisation

Main work will be done by Slovene experts. Experts will be stimulated and directed by Steering Committee. Steering Committee is composed from members Ministry of Economic Slovenia, Ministry of Economic Serbia and UNIDO. Also experts will submit their findings to the Steering Committee for discussion and approval. In specific key areas it also appears useful and appropriate to integrate additional internal Serbian experts (mostly from companies) and/or observers from research and industrial background into the work.



3.5. Staff

Name	Function	Description of the work
Dušan Bušen	Team Leader	Team Leading
Urška Gluhak	Team Member Cluster Development	Cluster building
Milan Bavec	Team Member Cluster Development	Enterprise upgrading
Jerko Bartolič	Team Member Continuous improvements	HR capacity building
Elvis Ipša	Team Member Continuous improvements	HR capacity building

4. REPORT

Based on experience reached by cluster formation process in Slovenia and supporting cluster building process in other countries ACS was prepare contents for Strategy of AC Serbia in which we all together defined all necessary areas for cluster development and development of automotive supplier industry in Serbia. The main activities were divided into 3 pillars:

- ⇒ Enterprise upgrading
- ⇒ Capacity building
- ⇒ Cluster development

Draft Strategy was prepared from Slovenia Expert, in the name of Serbian companies work was done from Serbian colleagues Igor Vijatov and Dejan Vratonjić.

HOW WE PREPARED THE FINAL REPORT?

For all 3 pillars we defined main activities. All activities are represented with:

1. Objectives;
2. Outcomes;
3. Target Group and
4. Work done.

We give recommendations at the end of the report.

The AC Serbia's Strategy is only in Serbian Language. We translated some particular items from the contents, where it was necessary.

Objective 1: Enterprise upgrading – implemented by individual companies coaching:

⇒ **Memorandum of understanding clarifying relations in the group, responsibilities of the program management and the roles of participating stakeholders/parties**

Objectives

- ✓ **To understand the roles of participating parties and responsibilities**
- ✓ **To sign Memorandum of understanding clarifying relations in the group**

Outcomes

After understanding the roles of participating parties and responsibilities all bodies will sign the Memorandum.

Target Group:

CEOs of participating companies

WORK DONE:

All bodies signed the Memorandum.

Memorandum of Understanding was signed by the following companies:

No.	Company
1.	21. OKTOBAR
2.	BIN METAL ČAČAK
3.	CIMOS – LIVNICA KIKINDA
4.	FAD
5.	FADIP
6.	FKL
7.	FRITECH
8.	KNOTT AUTOFLEX YUG
9.	RS PARTNERS PES A.D.
10.	SINTER
11.	TPV SUMADIJA
12.	TURBOSERVIS
13.	TRAYAL

⇒ Collection, harmonization and translation of all training materials in Serbian language

All final materials were prepared in Serbian language and used for workshop participations.

Objectives:

✓ *To understand methodology and requirements*

Outcomes

All participants would be able to understand methodology and requirements.

Target Group:

CEOs, UNIDO counselors, internal counselors

WORK DONE

All participants are understanding the methodology and requirements.

⇒ Introductory seminar for selected companies (1 day for CEOs and 2 days for employees from each company (topics: automotive industry today and its most important requirements in the field of process management, continuous improvement, decision in management, working groups, visualization, standardization, 5S)

Seminar has been successfully organized and performed in Kragujevac from 1 October till 3 October 2008 based on training materials prepared on preparation seminars. CEOs have been informed about the program and deliver full commitment to the presented program. Internal counselors within companies went through intensive 2 days training and received instructions to first steps.

Objectives:

- ✓ *To ensure CEO commitment for the project*
- ✓ *To provide and understanding of the importance and the approach of continuous improvement processes*
- ✓ *To introduce concepts, systems and tools of continuous improvement methodologies to be applied*
- ✓ *To strengthen the ties amongst the participants with a view to strengthen the cluster network Serbia*

Outcomes:

All participants will understand the importance of approach of continuous improvement processes, also understand and able to use concepts, systems and tools of continuous improvement methodologies.

Target Group:

CEOs, UNIDO counselors, internal counselors

WORK DONE:

All participants are understanding the importance of approach of continuous improvement processes, also are understanding usage of concepts, systems and tools of continuous improvement methodologies.

Detailed program of the seminar:



SEMINAR

**Implementation of the Process of Continuous Improvements (PCI) in the companies in Serbia
Kragujevac, from 1st until 3rd October 2008**

PROGRAMME

Wednesday, 1st October, 2008

09:30 – 10:00	Arrival and Registration	
10:00 – 10:15	Introductory address and Welcome to participants	Mr. Igor Viatov

INTRODUCTIONARY SEMINAR FOR MANAGERS AND EXPERTS FROM THE COMPANY

11:15 – 11:45	Concepts, Systems, Tools	Mr. Milan Bavec
11:45 – 12:00	Coffee Break	
12:00 – 13:30	Implementation of the PCI in the companies	Mr. Milan Bavec
	<ul style="list-style-type: none"> ✓ Decision for exchange, objectives ✓ Workshop, Evaluation Request 	

	✓ Base preparation	
	✓ Pilot Introduction	
13:30 – 14:00	Lunch	
14:00 – 15:30	Implementation of the PCI in the companies	Mr. Milan Bavec
	✓ Systems of Improvements (5S, Visualization, Standardization, Goals Forming, Improvements)	
	✓ Expansion Learned Items	
15:30 – 14:45	Coffee Break	
15:45 – 16:30	Working Plan in the Companies	
	Discussion	
	Conclusion	

SEMINAR FOR THE COMPANIES

Thursday, 2nd October, 2008

09:30 – 11:00	Advanced discussion about contents of the 1st day	Mr. Milan Bavec
11:00 – 11:15	Coffee Break	
11:15 – 12:45	Workshop – Work Groups – Mini Companies (MC)	Mr. Milan Bavec
12:45 – 13:30	Lunch	
14:00 – 15:30	Workshop – Work Groups – Mini Companies	Mr. Milan Bavec
	Questionnaire about possibilities of Implementation MC in the companies	
15:00 – 15:15	Coffee Break	
15:15 – 16:30	Workshop – Process Improvements CAPD	Mr. Milan Bavec

SEMINAR FOR THE COMPANIES

Friday, 3rd October, 2008

09:30 – 10:30	Workshop 5S	Mr. Milan Bavec
10:30 – 10:45	Coffee Break	
10:45 – 12:15	Plan and method for working in the companies	Mr. Milan Bavec
	Discussion	
	Conclusion	

UNIDO Technical Experts:

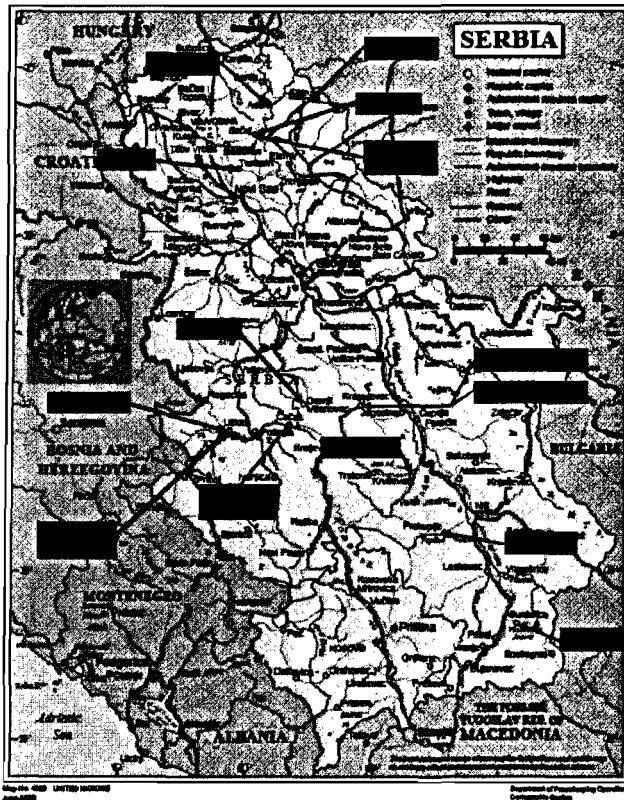
Ms. Maja Pešić Rakanović
 Mr. Milan Bavec – ACS Slovenia
 Mr. Igor Vijatov – AC Serbia
 Mr. Dejan Vratonjić – AC Serbia

List of participants:

No.	Name	Company	No.	Name	Company
1.	Dragan Antonić	21. Oktobar	15.	Jovanka Milovanov	FADIP
2.	Ivan Dondur	21. Oktobar	16.	Jovan Boberić	FADIP CEO
3.	Zoran Pavlović	21. Oktobar	17.	Vladislav Radosavljević	Fritech
4.	Igor Vijatov	AC Serbia	18.	Borivoje Paunović	Fritech CEO
5.	Marsel Simonović	AC Srbia	19.	Maja Pešić Rakanović	Inter Consulting
6.	Dejan Vratonjić	ACS Serbia	20.	Petar Koruga	Knott Autoflex
7.	Milan Bavec	ACS Slovenia	21.	Dragan Knežev	Knott Autoflex CEO
8.	Ivan Čvrkić	BIN Metal	22.	Mija Milutinović	RS PES
9.	Vladan Čvrkić	Bin Metal CEO	23.	Miloš Gordić	Sinter
10.	Miomir Stojkov	CIMOS	24.	Slobodan Jevtić	Sinter CEO

11.	Tatjana Ješić	CIMOS	25.	Goran Vasiljević	TPV Šumadija
12.	Mileta Bogradonović	FAD	26.	Zoran Novaković	TPV Šumadija
13.	Zoran Vuksanović	FAD	27.	Andrej Kolarić	TPV Šumadija CEO
14.	Dragiša Ristić	FAD CEO	28.	Marija Čitić	Turbo Servis

List of Participating Companies:



⇒ Counseling work in selected companies (upgrading) in 2 geographical groups. Independent work of Serbian counselors, ACS expert would assist counselors in 2 working days.

Objectives:

✓ *Explanation of the method to internal counselors in the company*

Outcomes:

After short audit of production processes homework would be delivered and ACS expert would assist Serbian counselor on the base best practice cases achieved in ACS

Target Group:

UNIDO Counselors, internal counselors

WORK DONE:

During the work plan and visit, some companies have seen the progress and gave suggestions.

Was worked due to the following plan within the companies:

Work Plan

- | | |
|--|---|
| <ul style="list-style-type: none"> 1 ✓ Short Audit of production processes (business processes ✓ Presentations of key performance indicators (selection of adequate) ✓ Selection of adequate methodology (tool) for Process of Continuous Improvement PCI ✓ Definition of zones (group – Mini Company MC) 2 ✓ Presentation 5S ✓ Detailed explanation of step 1 (+ visualization) and definition of work plan for 5S implementation 3 ✓ Analysis of done homework after prior visits ✓ Detailed explanation of step 2 and definition of activities for its realization ✓ Appointment of joint meeting with other project participants 4 ✓ Analysis of done homework after prior visits ✓ Visitation of zones dedicated for 5S implementation ✓ Evaluation of effectivity of carried out activities and analysis of achieved results for the defined key indicators (5S audit) | <p>October 2008</p>
<p>November 2008</p>
<p>November/December 2008</p>
<p>January 2009</p> |
|--|---|

12 participating companies were divided into 2 geographical groups. Northern group was mentored by Igor Vijatov, Southern by Maja Rakanovic.

From 23rd – 25th November Mr. Bavec visited some companies in order to view the progress and to give additional suggestions.

The 1st round visit was organized in the following companies:

Ad	Company
1.	21. OKTOBAR
2.	BIN METAL ČAČAK
3.	CIMOS – LIVNICA KIKINDA
4.	FAD
5.	FRITECH
6.	KNOTT AUTOFLEX YUG
7.	RS PARTNERS PES A.D.
8.	SINTER
9.	TPV ŠUMADIJA
10.	TRAYAL
11.	TURBOSERVIS

The 2nd round visit was organized in the following companies:

Ad	Company
1.	BIN METAL ČAČAK
2.	FAD
3.	FRITECH

4.	RS PARTNERS PES A.D.
5.	SINTER
6.	TURBOSERVIS

Remark: Company FADIP – The management asked us to postpone visits because they have some financial in organizational problems. Since the situation have not improved and due to the program progress the above company would be included in later stage, if program would continue as expected with 2nd batch of companies.

⇒ **Organization of seminars for all participating companies on quality improvement, purchasing, cost reductions, innovations, 3M) - ACS expert would assist counselors in 3 working days (1 day for preparation and 2 days for seminar)**

From 19th to 20th January 2009 was conducted the Cluster Review meeting together with the 2nd Process of Continuous Improvement seminar.

Organizational team:

- Igor Vijatov, director of ACSerbia, counsellor for PSP
- Dejan Vratonjić – ACSerbia
- Maja Rakanović, counsellor PSP
- Milan Bavec, counsellor of ACS
- Enterprise 21.OKTOBAR, place and equipment for the seminar

The seminar was attended by 8 companies. Three companies were absent (Cimos, Fadip and Fritech).

The work was conducted in accordance with the schedule specified in the attached agenda.

The first topic was the actual work of the enterprises after the introductory seminar. The situation summed Mr. Vijatov. Mr. Vijatov and his colleague Maja Rakanović are in periods from 3rd October 2008 to 16th January 2009 executed 2 to 4 visits at the companies, which is slightly less than the planning.

The reason was in business and other difficulties at the enterprises (Sinter, Bin Metal, Fadip) and also in a large number of public holidays.

This was followed by a report of 8 present Companies (21.oktober, FAD, Trayal, RS PES, Sinter, Turbo Servis, Bin Metal, Knott, TPV Šumadija), that have reported on their activities on the establishment of working groups - MD and activities the order and cleanliness of 5S. Their work was presented by power point presentations. Very surprising was a significant activity in all companies, although some are currently working in very difficult circumstances.

Some have tackled a situation a bit by their own, because the activities are taking place through other levers (TPV - audits and measures by the parent companies) or for specific situations need to find an appropriate approach (Trayal rubber).

Some companies included in their presentations a comprehensive "assessment of conditions in the company" by a questionnaire from the introductory seminar (Knott, FAD, 21 oktobar). Most companies have shown a selection of key indicators - data that are important to their businesses and their improvement, they have gathered at the initiative of both instructors and under the influence of items benchmarking ACS, which was shown at the 1st Seminar.

I frankly commended on their diligence and openness in the presentations, and pointed to some failures and deviations. Above all, they have not yet started to improve things with the help of tools PNI, or CAPD, which is also the theme of 1st part. It is anticipated some problems because of the highly developed information and lack of computers. It is necessary to build the database and define the key indicators for the level of mini-companies they need this to improve their quality, lowering costs, etc.

In the second part, we carried out 3 workshops to improve the quality and reliability of supply and reducing costs through expert groups at the level of mini companies, or management of sectors and companies. In the end, I show them a model of organizing and management system improvements for all employees.

With Mr. Vijatov we agreed to make 3rd seminar likely in March or April.

The seminar Process of Continuous Improvement Part 2 included the following topics:

- **Improvement of factors of competitiveness (Quality, costs, SDCA Deliveries – PDCA and team work in working groups)**
 - With use of these factors, managers should make necessary information system for the data about quality, costs and reliability of deliveries for particular MC, which are basic for standardization of these concepts – SDCA.
 - In base of SDCA MC and expert groups in shape road maps, managers should set objectives for improvement in 1st year or in some other selected period.
 - With tools of PDCA and existent knowledge managers should systematically improve all three factors of competitiveness.

This workshop deals with options for data collecting – mostly about the quality and deliveries (“hand” or computer based support) and reviews way to improvement with use of PSP tools and possibilities for general and specific know-how of different groups.

- **Innovativeness of all employees** - Suitable accession for stimulation, motivation and rewarding of all employees).

System stimulates innovativeness of all employees, to search for specific improvement in their working place. The purpose is to attain more proposals from each particular worker per year and includes also workers help with the implementation.

On this workshop we showed suitable rulebook for generating new proposals, proceedings for suitability and proposes rewarding. System is suitable also for motivating and rewarding groups. Rulebook is also appropriate base for making rulebooks of the company in concordance of managers, syndicates and other worker representatives.

Objectives:

- ✓ *Review of the performed work for Serbian counselors and instruction for continuation of the work*
- ✓ *Training for CEOs and company internal counselors for 2nd part of the process*

Outcomes:

At Cluster Review meeting companies would be able to learn from each other and to identify best practice in each area and each indicator

Target Group:

Serbian Counselors and CEOs

WORK DONE:

With the support of instructors, companies can continue activities from 1st part. This is working groups building – MD, 5S and CAPD and adding new topics from 2nd part. With this knowledge companies can fortify cognition about the purpose of working groups in all fields, with contemporary improvement. Main stress is on developing team work, with cooperation of performers in process and partners (suppliers and buyers) and also in recognition mutual workshop dependence.

Detailed program of the seminar:



SECOND SEMINAR ON INITIATING SAP's in SERBIAN ENTERPRISES

Kragujevac 19th – 20th January 2009

Monday, 19th January 2009

09.30 – 10.00 **Arrival of participants**

WORK OVERVIEW IN THE FIRST PART OF INITIATING PSP IN SERBIA

10.00 – 10.30 **Report on the project performance in the first part (Igor Vijatov)**

10.30 – 12.30 **Enterprises reports - the results, good examples, problems**

12.30 – 12.45 **Coffee break**

12.45 – 13.30 **Enterprises reports - continue discussion**

13.30 – 14.00 **Break**

WORKSHOPS OF THE SECOND SEMINAR

(Milan Bavec)

14.00 – 15.30 **Workshop – QUALITY IMPROVEMENT**

Display of dealing with more complex problems of quality with assistance of KMD and expert teams

15.30 – 15.45 **Break**

15.45 – 17.00 **Workshop – QUALITY IMPROVEMENT – continued**



SECOND SEMINAR ON INITIATING SAP's in SERBIAN ENTERPRISES

Kragujevac 19th – 20th January 2009

Tuesday, 20th January 2009

WORKSHOPS OF THE SECOND SEMINAR

(Milan Bavec)

09.30 – 11.00	Workshop – costs rationalization View of costs rationalization for products, organizational units and enterprises as a whole, with assistance of KMD and expert teams.
11.00 – 11.15	Coffee break
11.15 – 12.45	Workshop – costs rationalization, continued
12.45 – 13.30	Break
13.30 – 15.00	Workshop – Accuracy and delivery flexibility Display of customer requirements in the area of delivery, organization, tracking accuracy in the delivery of the company
15.00 – 15.15	Coffee break
15.15 – 16.45	Workshop – proposed improvements system I&I. Display of model and rules for the stimulation of ideas and innovations, with foreign associates.
16.45 – 17.00	Conclusion

⇒ Continuation of counselors work

Work should continue after ending of above contract by UNIDO national experts, anyhow this activity would not be included in this contract in large extent. First visit after training should be performed in February and than follow according to the work plan each 3 weeks.

Objectives:

- ✓ Follow up related to execution of delivered home work
- ✓ Further identification of potential improvements
- ✓ Delivering of new homework to participating companies

Outcomes:

To use comprehensions of delivered work which help all participants to further identification of potential improvements.

Target Group:

All participants

WORK DONE:

First visit after training should be performed in February and than follow according to the work plan each 3 weeks.

Objective 2: Capacity building – upgraded capacity of support institutions

- g. Strategic analyses of competitive position of Serbian automotive cluster in automotive components industry based on Slovenian cluster experience in the automotive component industry

Objectives:

- ✓ Positioning of Serbian automotive cluster in reference with its competitive position in global automotive industry.
- ✓ To upgrade Strategy

Outcomes:

Upgrading Strategy with position of Serbian automotive industry

Target Group:

Key stakeholders from Serbian automotive industry from public sector, private sector and government

WORK DONE:

We upgraded AC Strategy and proposed some new contents.

A strategic workshop had been organized within the scope of AC Serbia Regional Cluster Meeting (16th and 17th December 2008) with key stakeholders from Serbian automotive industry representing, public sector, private sector and government.

Representatives from following institutions participated in the workshop **Competitive position of Serbian automotive components industry** that was moderated by Mr. Dusan Busen and partly by Jerko Bartolić from ACS : UNIDO, Ministry of Economy and Regional Development, Serbian Chamber of Commerce, SIEPA-Serbian Investment & Export Promotion Agency, VIP-Vojvodina Investment Promotion, Serbian Agency for the Development of Small and Medium-sized Enterprises and Entrepreneurship, GTZ, USAID, AC Serbia Member Companies.

	<p style="text-align: center;">Competitive position of Serbian automotive components industry</p> <p>Moderation Dušan BUŠEN, Director of Automotive Cluster Slovenia (ACS), Ljubljana</p> <p>Designated Participants:</p> <ol style="list-style-type: none">1. Dejan JOVANOVIĆ, State Secretary, Ministry of Economy and Regional Development2. Mihajlo VESOVIĆ, Vice-President of the Serbian Chamber of Commerce3. Zorica MARIĆ, Head of Department, Ministry of Economy and Regional Development4. Manuela BOESENHOFER, UNIDO, Cluster and Business Linkages Unit5. Vladimir TOMIĆ, Advisor, Serbian Investment & Export Promotion Agency6. Biljana SLAVKOVIĆ, Advisor, Vojvodina Investment Promotion7. Goran DŽAFIĆ, Director, Serbian Agency for the Development of Small and Medium-sized Enterprises and Entrepreneurship8. Representative of Regional Economic Development Agency for Šumadija and Pomoravlje, Kragujevac9. Tomislav KNEŽEVIĆ, Project Manager, GTZ/WBF Serbia, Belgrade10. Aleksandar STOJKOV, USAID Serbia, Belgrade11. Representatives from Serbian R&D Institutions and Universities12. AC Serbia Member Companies CEOs
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At first we prepared strategic analyses based on 5 pages document (available only in Serbian language) "Identification of problems and proposed measures for development of automotive suppliers industry in Serbia". Together with Serbian experts we decided to include all analyses in AC Strategy which now includes:

Summary

1 Mission and activities of AC Serbia

- 1.1 Mission AC
- 1.2 Activities of AC Serbia

2 Vision and strategic goals

- 2.1 Vision
- 2.2. Strategic goals
- 2.3. Rules

3 Members of AC Serbia

4 Current Situation in AC Serbia

- 4.1 Number of members
- 4.2 Share of SMS
- 4.3 Financing
- 4.4 Organization of AC
 - 4.4.1 Organizational Model, Growth and Internal structure of AC
 - 4.4.2 Principles and Conclusions for operative organization
 - 4.4.3 Infrastructure
- 4.5 Expected and actual benefits for the members
- 5 Evaluation of development and Competitive position of automotive supplier industry**
 - 5.1 Comparison of competitiveness in Automotive Supplier Industry activities of AC Serbia and EU
 - 5.2 Evaluation of the Technology Pretentiousness of the members of AC Serbia
 - 5.3 New Products Development
- 6 External Environment – Opportunities and terms for development of Serbian automotive supplier Industry in EU market and other international markets**
 - 6.1 Integration Process in Automotive Supplier Industry
 - 6.2 Additional marketing opportunities for AC Serbia
- 7 Internal Environment – review of customers, passenger and commercial vehicles supply situation and expected growth**
 - 7.1 Facts about automotive Industry in Serbia
 - 7.2 Main customers of the AC Serbia members
 - 7.3 Supply situation in AC Serbia
 - 7.4 Catalogue of Suppliers
- 8 Innovational potentials thought internal and external connection of AC Serbia and Review of actual projects for products and technology development**
 - 8.1 Member connecting of AC with Institution and/or technological Centers inside and outside of AC Serbia
 - 8.1.1 Connections situation in Serbia
 - 8.1.2 Challenges
 - 8.2 Review of actual proposals R&D projects for product and technology development
- 9 Main elements of Business Policy**
- 10 Work Plan for period 2009 – 2010**
- 11 Promotion**
- Sources**

Strategy will be finished in February 2009.

- h. **Supporting RTD institutions, chamber and development agencies in Serbia as providers of capacity building in specific areas (collaborative projects with companies, incorporating students in companies projects, offering education and training capabilities according to the identified needs, productivity enhancement)**

Objectives:

- ✓ *To develop capacities to Serbian support institutions*
- ✓ *Trough collaborative projects improve competitiveness Serbian automotive industry*
- ✓ *To incorporating students into AC Serbia member's project*
- ✓ *To offer training and education*

Outcomes:

Develop capacities to Serbian support institutions to assist Serbian automotive industry to improve competitiveness trough collaborative projects, incorporating students into AC Serbia member's project, offering training and education according to identified needs and productivity enhancement

Target Group:

Key stakeholders from Serbian automotive industry from public sector, private sector and government

WORK DONE:

Trough ACS experience was prepared excellent base for development capacities to Serbian support institutions.

Strategic workshop had been organized in Serbia within the scope of AC Serbia Regional Cluster Meeting (16th and 17th December 2008) with key stakeholders from Serbian automotive industry representing, academia, independent RTD institutions, RTD departments in automotive suppliers, chamber of industry and regional development agencies with the strategic goal to develop capacities to Serbian support institutions to assist Serbian automotive industry to improve competitiveness through collaborative projects, incorporating students into AC Serbia member's project, offering training and education according to identified needs and productivity enhancement.

Representatives from following institutions participated in the workshop **Upgrading capacity of supporting R&D institutions** that was also moderated by Mr. Dusan Busen from ACS : UNIDO, Ministry of Economy and Regional Development, Serbian Chamber of Commerce, SIEPA-Serbian Investment & Export Promotion Agency, VIP-Vojvodina Investment Promotion, Serbian Agency for the Development of Small and Medium-sized Enterprises and Entrepreneurship, GTZ, USAID, AC Serbia Member Companies.

Capacity of Serbian support institutions to assist Serbian automotive industry to improve competitiveness was strengthened in the second half of 2008 through new membership of Faculty of Electronical Engineering of the city of Nis, the centre of electronic industry in underdeveloped South Serbia. At the end of 2008 following R&D institutions where members of AC Serbia:

- Faculty of Electronical Engineering, Nis
- Faculty of Mechanical Engineering, Belgrade
- Faculty of Technical Sciences, Novi Sad
- Zastava Institute, Kragujevac



Upgrading capacity of supporting R&D institutions

Moderation

Dušan BUŠEN, Director of Automotive Cluster Slovenia (ACS), Ljubljana

Designated Participants:

1. Dejan JOVANOVIĆ, State Secretary, Ministry of Economy and Regional Development
2. Mihajlo VESOVIĆ, Vice-President of the Serbian Chamber of Commerce
3. Zorica MARIĆ, Head of Department, Ministry of Economy and Regional Development
4. Vladimir TOMIĆ, Advisor, Serbian Investment & Export Promotion Agency
5. Biljana Slavković, Advisor, Vojvodina Investment Promotion
6. Goran DŽAFIĆ, Director, Serbian Agency for the Development of Small and Medium-sized Enterprises and Entrepreneurship
7. Nenad POPOVIĆ, Head SME Development Department, Regional Economic Development Agency for Šumadija and Pomoravlje, Kragujevac
8. Tomislav KNEŽEVIĆ, Project Manager, GTZ/WBF Serbia, Belgrade
9. Aleksandar STOJKOV, USAID Serbia, Belgrade
10. Representatives from Serbian R&D Institutions and Universities
11. CEO's of AC Serbia members

- i. Assist in development of technical assistance package for the Serbian automotive cluster to provide upgrading services to companies (building up the capacity to manage technology innovations in SMEs)

Objectives:

✓ *To prepare the Guidelines*

Outcomes:

Guidelines would systematically support members of Serbian cluster capacity to manage technology innovation in SMEs with supportive methodology

Target Group:

SMEs

WORK DONE:

ACS assisted team of AC Serbia to prepare guidelines for building capacity to manage technology innovations in SME. Rules are included in upgraded AC Serbia Strategy.

- j. Assist in carrying out training of the staff of Serbian automotive cluster for the sustainable delivery of technical assistance on the developed material and potential cost recovery mechanisms, so as to enable them to independently undertake the training at the company level at the end of the project (facilitation of collaborative projects, development of business plans, project management, preparing proposals for national and EU calls, school of quality, new product development)

Objectives:

- ✓ *To collaborate as partner on national and EU Calls*
- ✓ *To facilitate development of business plans, project management*
- ✓ *To support quality management and new product development.*

Outcomes:

AC Serbia staff would be able to assist their members in facilitation of collaborative projects, development of business plans, project management, preparing proposals on national and EU calls and offering support relate to quality and new product development.

Target Group:

AC Serbia staff

WORK DONE:

They have got information about how to prepare the documentations (business plan, project management quality management and new product development) for national and EU Calls.

2 day training had been organized in Belgrade from 18th December till 19th December for AC Serbia team. Mr. Bartolic and Mr. Busen provided information and transferred their experiences to Mr. Vijatov and me in order to prepare us be able to assist our members in facilitation of collaborative projects, development of business plans, project management, preparing proposals on national and EU calls.

The main result of these activities is collaboration on EU Calls, named:

CIP-EIP - EuropeINNOVA-ENT-CIP-09-C-N01S00

Europe INNOVA European Innovation Platforms for Trans-national cluster cooperation, knowledge-intensive services, eco-innovation and the promotion of novel tools and service concepts for innovation support innovation

- k. Encourage environment friendly production to ensure sustainable development through cooperation with UNIDO NCC in Serbia

We could not imagine sustainable development without environment friendly production, where CO2 emissions became one of the most important drivers of development in automotive industry and

technology applied in. Based on cooperation with AC Serbia and UNIDO NCC in Serbia, ACS assisted preparation of automotive sector related materials and focused workshop would be organized on March 5th with keynote presentation of UNIDO NCC in Serbia.

Objectives:

✓ *Raising awareness for clean production in Serbian automotive industry*

Outcomes:

Assist AC Serbia staff to support eco-innovation and environment friendly projects

Target Group:

All participants

WORK DONE:

Based on cooperation with AC Serbia and UNIDO NCC in Serbia, ACS assisted preparation of automotive sector related materials and focused workshop would be organized on March 5th with keynote presentation of UNIDO NCC in Serbia.

1. Support the project partners in the exploration of market opportunities and development of regional development strategies with regards to the interregional cluster initiative

Objectives:

✓ *to identify market opportunities and support development of regional development strategies*

Outcomes:

Prepare AC Serbia staff to be able to identify market opportunities and support development of regional development strategies

Target Group:

AC Serbia Staff

WAS DONE:

Within the strategy we identified market opportunities and support development of regional development strategies.

Within the Strategy we identified market opportunities:

1. Car producers:
 - ⇒ China, India
 - ⇒ EU
 - ⇒ Middle and East Europe
 - ⇒ Russian Federation
 - ⇒ North Africa and Near East
2. Suppliers TIER 1 and TIER 2:

- ⇒ FIATs suppliers
- ⇒ TIER 1 and TIER 2 suppliers in region

3. Networks and Clusters:

- ⇒ Clusters and Networks in region: Macedonia, Bosnia and Herzegovina, Croatia, Slovenia, Rumania, Region Trnava in Slovakia, AC Styria-Austria, BAIKA-Germany and ACMA-India.

Objective 3: Cluster development – development and linkage with interregional cluster initiative

g. Elaboration of vision and action plan of the Serbian automotive cluster

Objectives:

- ✓ *Evaluate vision and action plan of AC Serbia*
- ✓ *Prepare the new vision and Action plan*
- ✓ *Vision confirmation from the members*

Outcomes:
Elaboration of vision and action plan of AC Serbia and confirmation from the members.

Target Group:
AC Serbia Staff and its members

WAS DONE:
We elaborated new vision and mission of AC Serbia which was confirmed from the members. Action Plan for period 2009 – 2010 was prepared. Also main strategic goals were prepared.¹

VISION AND MISION AND STRATEGIC GOALS

Vision of AC Serbia was synchronized with vision of Sector.

Old Vision: Serbian automotive suppliers and equipment provider would be suppliers to global automotive industry.

New Vision: AC Serbia sees itself as a central networked automobile manufacturers and component parts in Serbia, who have become part of international supplier chains.

Old Mission: AC Serbia offers support to its members at accelerating its competitiveness, at reaching theirs profitable positioning in the global vehicle manufacturers supply chains and to indirectly increase improvement of economic situation of whole sector.

¹ All contents are part of AC Serbia Strategy. .

New Mission: Business Connecting and networking of scientific, development and public institutions will help to create synergies, launching joint development projects, reach the level of quality and create a recognizable brand. This will also contribute to strengthening the competitiveness of our members internationally.

In this section we defined Key factors of Success:

1. International Identification
2. International Connection
3. The Quality of Mutual Processes of the Internal Organization – Regional Integration
4. The Approach to the External Regional Environment

Also we defined main strategic goals:

Goal	Year 2008	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013
Growth of export ratio		50%	100%			
Growth of Cluster members	15	25	40	50	60	70
Number of Common Joint Performance	1	2	5	10	15	20
Common sub-projects (internal and external)	0	1	2	3	4	5
Forming Contact with potential Customers						

In this situation the goal Growth of export ratio and the goal Forming Contact with potential Customers are very hard to plane. The planed results we will upgrade at the end of year 2009.

ACTION PLAN 2009 – 2010²

No.	Main activities	Goals and expected results	Indicators of Success	
			Contents	Status
1.	Communication and network development			
2.	Human Resources and Training			
3.	Research and Development			
4.	Marketing and Internationalization			

- h. Establishment of the Automotive Cluster South Eastern Europe together with partnering organizations from Slovenia, Croatia, Bosnia and Macedonia. Cluster would perform incorporation of Serbian companies into global supply chain.**

² All contents are in Serbian language in AC Serbia Strategy.

Objectives:

- ✓ **Integration of Serbian automotive cluster in regional automotive network**
- ✓ **Enlarge regional integration and collaborative projects of Serbian companies and support institutions**

Outcomes:

Serbian automotive cluster as a part of regional automotive network.

Target Group:

Serbian automotive Suppliers

WORK DONE:

AC Serbia has fully support from ACS to entry into global supply chain.

ACS vision is to develop regional network of automotive clusters where regions would share risks and opportunities. The main goal is offering new business perspectives to the companies joined into clusters and support their entry into global supply chain. AC Serbia would be involved coordinate activities in Serbia and to learn how to successfully managing EU project as well as dissemination and analyses activities. First time common stand of South Eastern automotive clusters have been designed and presented during ZEPS Intermetal in Zenica in May 2008 and active participation for presentation of Slovenian and Serbia for GTZ conference during Automechanika exhibition on September 17th 2008 has been performed. The last, but not the least the proposal for Netherlands government has been prepared to organize business mission of Dutch companies to Slovenian and Serbian suppliers. New business contact established Croatia joined initiative first time; this was also showcase of common promotion and business perspective of the SEE region, potential new business for suppliers and new FDIs. Further business opportunities would bring conference JAMA-CLEPA (www.jama-clepa.com), purchasing conference for Japanese vehicle manufacturers for their European operations. This conference would take place in Ljubljana in 2010, where idea of SEE Cluster would be presented to Japanese OEMs and European suppliers. Important role should have also Serbian suppliers.

During 2008 AC Serbia also signed a letter of intent concerning the establishment of a common SEE Automotive Cluster including clusters and initiatives from Bosnia Herzegovina, Slovenia, Croatia, Macedonia and Serbia with the aim to link and integrate automotive component suppliers into a regional Southeast European network of automotive component manufacturers.

- i. **Establishment of cooperation portal www.automotive-see.eu as collaborative means of communication and information exchange to promote south Eastern Europe as global and development intensive supply base with company database.**

Objectives:

- ✓ **Integration of Serbian automotive suppliers and support institution in global automotive supply chain**
- ✓ **Positioning Serbian automotive industry to global automotive map**

Outcomes:

Serbian automotive industry would be positioned into global automotive map, integration of Serbian automotive suppliers and support institution in global automotive supply chain.

Target Group:

Serbian automotive Suppliers and Support Institutions.

WORK DONE:

Test version of website already operating, database is already filled with companies data and helps to position Serbian automotive industry into the global automotive map.

Further activities have been performed on communication platform Automotive Network South Eastern Europe www.automotive-see.org; Test version of website already operating, database is already filled with companies data. Our project would have important place and it will be described in content agreed by UNIDO project steering committee.

j. Delegation of AC Serbia member companies visit to Slovenia

Objectives:

- ✓ *To support business links between Slovenian and Serbian automotive suppliers*
- ✓ *To see practical results of work in the successful cluster*
- ✓ *To learn from best practices in Tier 1 & 2 supplier*

Outcomes:

Upgrading the cooperation between Slovenian and Serbian automotive suppliers, learn on best practices Tier 1 & 2 supplier, see practical results of cooperation within cluster.

Target Group:

ACS Serbia members

WORK DONE:

We prepared the draft programme and defined main goal of the delegation.

The draft program for a 2 and half day visit to ACS and its member companies has been defined together with Mr. Vratonjić and Mr. Vijatov. Main goal of the delegation trip is to strengthen cooperation between Serbian and Slovenian companies and to learn from Slovenian best practices. The visit will take place in first quarter of 2009, depending on the possibilities of the AC Serbia companies to travel to Slovenia.

Draft program**1st DAY**

14:00 – 15:00	Arrival to Koper
15:00 – 15:30	Introduction – Quality and Project Management in Automotive Industry
15:30 – 17:30	Project Management for Experts from Automotive Industry

19:30 -	Dinner
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2nd DAY

09:00 – 11:00	Quality Development in the companies from Automotive Industry
11:00 – 12:00	Visit the production of company CIMOS – Tier 1 supplier (Quality Tools Implementation)
12:00 – 14:00	Lunch
15:00 – 16:00	Visit the production of company CIMOS – Tier 1 supplier (Quality Tools Implementation)
19:00 -	Dinner

3rd DAY

08:00 – 10:00	Transfer to Mirna
10:00 – 12:00	Visit the production of company PREVENT – Tier 2 supplier (Quality Tools Implementation)
12:00 – 14:00	Lunch
14:00 -	Return to Serbia

k. Organization of seminars for AC members - New product development

Objectives:

- ✓ *To introduce concepts, systems and tools of the Product Development Process*
- ✓ *To introduce the Optimization Methods in Product Development*
- ✓ *To provide an understanding of basic principles of R&D Cooperation*
- ✓ *To introduce the Advanced Product Quality Planning*

Outcomes:

Understand concepts, systems and tools of the Product Development Process, Optimization Methods in Product Development, basic principles of R&D Cooperation and Advanced Product Quality Planning.

Target Group:

ACS Serbia members

WORK DONE:

To member companies of AC were presented main processes, content, rules and methods of product development process in automotive industry.

2 day training had been organized in Belgrade from February 5th and 6th for AC Serbia members.

The aim of workshop was to present to member companies of AC Serbia main processes, content, rules and methods of product development process in automotive industry. Workshop focused on specific knowledge needed by those Tier1 and Tier2 suppliers that are aiming to succeed in automotive industry not only as a »built-to-print« producers but also as a development suppliers to the best OEMs in industry.

Since Serbian companies have clear strategies of becoming Tier 1/2 suppliers in European automotive supply chains it was important to present current trends in automotive industry in general. Special attention was paid to R&D outsourcing activities of OEMs.

R&D process was presented in details starting from concept development activities till PPAP approval process.

Important part of workshop content was detailed presentation of basic conditions that every Tier 1/2 supplier must fulfill in the fields of equipment (CAD, CAE, CAx), knowledge and R&D technologies.

Workshop was based on real examples of the best practice of leading european OEMs and Tier1 suppliers (PSA, BMW, ...).

Active participation of all participants has proved a great interest of serbian automotive industry in presented subjects and its readiness to learn and to be informed about latest developments in automotive industry.

PROGRAM

1st DAY

15:00 – 15.15	Introduction Workshop objectives
15:15 – 16:15	<ul style="list-style-type: none"> - General about today's Automotive Industry and its R&D <ul style="list-style-type: none"> o Automotive industry today o R&D in automotive industry o Challenges / strategies of OEMs and suppliers o The future of Tier1/Tier2 suppliers in automotive R&D o Platforms, moduls o Tier1/Tier2 suppliers – R&D roadmap
16:15 – 16:30	Coffee break
16:30 – 17:30	<ul style="list-style-type: none"> - Product Development Process <ul style="list-style-type: none"> o How to enter the club? o Entrance conditions
17:30– 17:45	- 1st Day Summary

2nd DAY

09:00 – 09:30	Introduction 1st Day Summary
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09:30 – 10:15	<ul style="list-style-type: none"> - Product Development Process <ul style="list-style-type: none"> o R&D process o ISO TS 16949 requirements for R&D process o APQP - Advanced Product Quality Planing
10:15 – 10:30	Coffee break
10:30 – 12:00	<ul style="list-style-type: none"> o Specific »APQP« requirements - diferent OEMs o Basic R&D circle o RFQ → Offer → Order
12:00 – 13:30	Lunch
13:30 – 14:45	<ul style="list-style-type: none"> o Optimization Methods in Product Development o QFD, DFMEA, DFSS, ... o Other Aspects of Product Development Process
14:45 – 15:00	Coffee break
15.00 – 16:00	<ul style="list-style-type: none"> - R&D b2b examples
16:00 – 16:30	<ul style="list-style-type: none"> - Workshop Summary

I. Sharing networking channels with AC Serbia for establishment of international cooperation and partnerships

Objectives:

✓ ***To become successful international partner***

Outcomes:

Based on the prepared guidelines AC Serbia staff would be able to establish international cooperation and partnership based on ACS experience how to deal with international network to achieve benefits for cluster and its members

Target Group:

AC Serbia staff and members

WORK DONE:

Within the Strategy is defined an area "To become successful international partner".

At first we planed Guidelines on the base of institutional and personal experience from ACS Expert. Together with Serbian Experts we decided that guidelines are not necessary because they got enough experience thought Strategy development, where this topic is well incorporated.

5. Conclusions and recommendations

Serbia's future prosperity will depend on the creation of new jobs in a modern and competitive private sector with strong an export orientation towards European markets. Serbian products and services, if they are to be successful in domestic and export markets, should respond to customer needs, meet internationally accepted quality standards, should be competitively priced and marketed effectively. Yet, preparing SMEs in transition economies in general to be able to enter into effective partnerships with foreign investors constitutes a formidable challenge for transition economies.

It could be seen observed that now we have quite good team in Serbia regarding enterprise upgrading and we could be satisfied with results achieved. On the other side development on the side of capacity building and developing cross-border cluster is not achieving expectations. This is not related just by staff in the AC Serbia but also level of the companies and their motivation. I strongly believe that further privatization process and FIAT investment into car assembly in Kragujevac as well as tailored workshops till September 2009 would significantly improved situation. Nevertheless our main efforts would be connected to improve this situation significantly.

How we see further development:

- ⇒ Due to crises in automotive industry, FIAT not involved in activities as planned due to the crisis
- ⇒ Number of automotive initiatives has been launch in Serbia automotive industry, but only UNIDO (Slovenia) is concrete with realistic objectives
- ⇒ Experts from FIAT should develop the supply base – necessary to incorporate them

Activities we foreseen in the future:

- ⇒ Workshop for identification of common projects within Serbia and with South-eastern Europe automotive network
- ⇒ Workshop for applications on national and EU calls
- ⇒ School of quality for AC Serbia members consists of 5 modules with final exam (including seminar about ISO TS 16949)
- ⇒ School of CAD/CAM advanced methods in designing new products with final exam
- ⇒ Workshop of price calculation in automotive industry
- ⇒ Workshop for strategic planning in automotive industry for AC Serbia members
- ⇒ Workshop on preparation of annual business plan for AC Serbia members
- ⇒ School of project management in automotive sector
- ⇒ 3rd workshop for process of continuous improvements joined with cluster review meeting
- ⇒ 2 times visit of international experts to follow-up work performed by UNIDO national experts
- ⇒ Upgrading draft AC Serbia Strategy with missing parts (e.g. mapping of suppliers,..)
- ⇒ Final conference in June 2009