

I N S I D E T H E M I N D S

Aligning a Company's Strategy with Evolving Market Conditions

*Leading CEOs on Utilizing Technology,
Streamlining Business Processes, and
Driving Growth*



ASPATORE

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Communicating Effectively and Expecting Results

Rob DePierre

Chief Executive Officer

Henniges Automotive



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My Road to CEO

I have a bachelor's degree and a master's degree in mechanical engineering from Western Michigan University. I entered the workforce in 1984 and spent my entire career in the automotive industry, which is a particularly exciting industry for an engineer; it is packed with technology and manufacturing, and it is ever-changing because of government regulations and other factors.

The bulk of my career was spent with a global German automotive manufacturer, and then I joined a private equity company to help run its portfolio companies. In 2007, the private equity firm acquired Metzeler and I became the chief executive officer (CEO). We went on to acquire GDX, which was a similar company with the same product, and in December 2007, we put the two companies together to form Henniges Automotive, where I am still CEO.

Helping Customers

North America and Europe took quite a downturn in 2009, and we had two of our major US original equipment manufacturers (OEMs) go bankrupt: General Motors and Chrysler. That was a difficult period for the industry. As the two emerged from bankruptcy, they each came back with a much better balance sheet and are in the process of a cultural shift.

Through that downturn, Henniges worked closely with our clients to help them. We helped them focus on innovative ideas and new product introductions and held some workshops on innovation. When our customers are in trouble, we move in to become a partner and help them through. As a result, I think we are in an excellent position to move out of the recession and move forward with our customers.

Setting a Strategy

We've had the exact same vision, mission, culture, and strategy from the beginning of the current incarnation of Henniges at the end of 2007. Our strategy is based on operational excellence, through which we can achieve a

vision of global leadership. This is done through our five key pillars: innovation, globalization, manufacturing and supply chain excellence, customer diversity, and developing exceptional people. We've created a strategic principle of flawless execution. It is hard to achieve, but our goal is to get as close as possible. Our entire strategy is based on leadership, talent, and culture. The foundation of that strategy is our people.

Vision, Mission and Culture

Vision

To become the global leader of sealing and anti-vibration systems for automotive applications

Mission

To achieve our vision and increase enterprise value, our customer focused organization will

- Continuously strive for product and process innovation
- Develop a global presence for key business processes
- Achieve manufacturing and supply chain excellence
- Diversify and broaden our customer base
- Attract and develop exceptional people

Culture

To create a culture where every associate contributes to the success of the company and their personal development by

- Conducting business with impeccable ethics, honesty and integrity
- Establishing a sense of urgency in everything we do
- Managing by fact with strong associate involvement, commitment and accountability
- Creating a learning environment that drives continuous improvement and teamwork
- Maintaining an open and creative mind with a positive attitude
- Contributing to the safety and well being of one another, society and the environment



For each of our five pillars, we roll out specific targets that cover a three-year period and follow a policy deployment methodology. Each priority has specific metrics that are assigned to the appropriate members of the executive team, who then take those objectives through the organization. For example, an engineer in a plant will have three to five objectives put before him. Those objectives can be followed online, and if the engineer is ever unclear about how his personal objectives tie back into the company's objective, he can click on a link that will define how his personal goals support the five pillars and the long-term goals of the company.

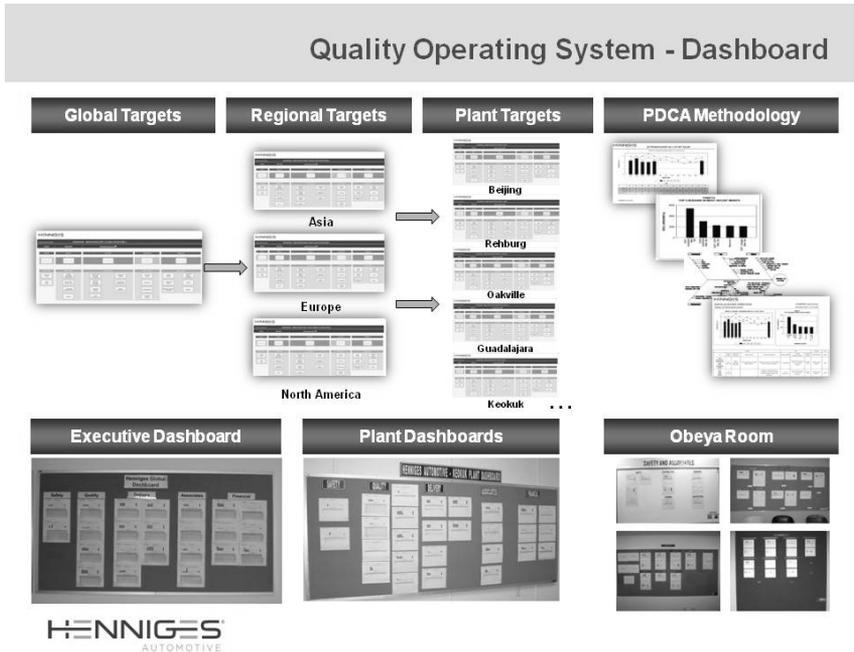
Streamlining the Strategy



Our strategy has not changed in response to the recent market conditions. We have maintained the same approach, but within the pillars, there have been minor shifts. For example, when we came out of the gate, we focused heavily on our manufacturing and supply chain excellence. We put processes in place, such as a dashboard system that identified five key areas from a manufacturing point of view—safety, quality, delivery, financials, and associates—along with key metrics we wanted measured (for example, energy costs, preventive maintenance, training hours, productivity, quality rejects, safety incident rate, overtime).

What we learned is that the ability to problem-solve was lacking, so we created problem-solving methodologies and trained 3,500 associates. We implemented Dr. Deming’s Plan Do Check Act (PDCA) methodology that not only showed targets, but also gave reasons and root causes for failure, as well as counter measures and specific responsibilities that would lead to results. There was also a timeframe built into the system.

We launched a companywide education effort around lean manufacturing using the Toyota Production Systems as our guide and have since converted more than 40 percent of our shop floor to lean manufacturing processes (we view lean as an ongoing methodology for waste elimination and continuous improvement). We also learned that we needed to collaborate closely with our manufacturing suppliers. We review our results quarterly with them. Generally, suppliers get limited exposure to tier I customers in the automotive industry, but we prefer to work directly with ours, which we believe directly helped us through last year's market.



We spent a great deal of time at first on the manufacturing side of our strategy. We focused on supply chain and people development, but not as much on innovation and globalization. As we continue to grow, we are spending much more time on innovation and developing our globalization effort to meet the demands of the customer. Our overall strategy has not changed, per se, but the focus has shifted slightly to take in more variables.

Implementation Challenges

One of the problems with implementing our strategy is that both companies had recently gone through management change. There was a certain predilection for ignoring any new initiatives in favor of just waiting until the next management team moved into position. We had to be diligent about communication. We explained what we were trying to do, why it was necessary, and how we were going to implement it. In addition, we thought it was important to explain the need for the type of culture we were trying to build and then backed up our explanation with examples. Training was set up throughout the organization.

I communicate monthly with either the full salary team or the leadership team. The discussion is always focused on the same topics so that we remain consistent with our message. The early challenge was getting people to believe this was the definite new direction and we weren't going to pull the football away at the last minute and leave them, much like Charlie Brown, flailing for purchase. Now they see a consistent approach to executing the vision, mission, and culture going forward.

Developing Talent and Building Culture

Human Resource Development Systems

HR systems focused on Henniges strategy of attracting and developing exceptional people

ACTIVITY	Annual Performance Appraisal Process	Organizational Talent Review Process	Succession Planning	Emerging Talent Program	Management Resource Review
FOCUS	The Individual	The Department	Leadership	Henniges Automotive's Future	

- **Assessment** tools to identify talent – annual performance appraisal system and the organizational talent review
- **Development** of leaders through succession planning and emerging talent programs
- **Stewardship** by senior leadership through the bi-annual management talent review process

As mentioned previously, developing exceptional people is an important component of our strategy. We put a methodology in place that allows folks to follow their personal progress. They know their expectations and are measured on achieving them. At the end of the year, we identify the employees with the highest potential. The executive team sifts through all of the data to find fifteen of our top people, who are then sent to an emerging talent program. They are broken into three groups of five, and they work on a project that's important to the company over the course of a year. This allows us to keep an eye on their continuous improvement: Are they being challenged? Are they being promoted?

As part of the performance appraisal, all of our people are actually rated on how they are embracing our culture. They are rated on ethics and integrity, sense of urgency, management by fact, continuous learning and continuous improvement, and having an open mind. This shows them that our written culture is not just a strategy on a sheet of paper, but is a guideline for how we live our corporate life. To learn how our employees view our culture, we conduct annual surveys. The information is then fed back to the management team during the monthly reviews. This allows them to put plans in place to improve any areas that are lacking.

Our style is direct and honest. There is no dancing around a difficult subject. In the old iteration of the company, no one brought any problems to the table. Those who did were punished for it. We had to change the mentality entirely and teach people that we wanted them to raise problems and issues to upper management's attention. We wanted to uncover little problems and solve them before they became big problems that were impossible to fix. Our goal was to communicate that hiding problems was now considered troublesome. We want everyone to be direct and honest.

Moving toward Agility

Flexibility and agility are extremely important to our strategy. The automotive industry is changing. As little as three years ago, no one would have predicted that General Motors could go bankrupt. The ability to think on your feet, then react, and respond to the changing environment is critical. We used to ignore any program that produced fewer than 200,000

vehicles, claiming it was too small for our attention. However, with the recent recession, the addition of new competitors in the marketplace, the variety of customer needs, and the speed at which those needs change, we realized that it was essential to adapt our manufacturing strategy and make it much more flexible. Rather than buying big pieces of equipment that run high volume, we are now developing and installing smaller equipment that has flexibility to change with the changing market. We have to be aware of what is changing in the market and then adapt accordingly without changing our main goals or strategies.

Globalization Strategies

Globalization will play a greater role in this year's strategic initiatives. The automotive industry is extremely global and constantly shifting. Five years ago, the Chinese produced only a few million vehicles, but last year, they produced more vehicles than North America did. We needed to adapt our manufacturing and development capability in China while taking advantage of its growth. We started by simply getting our core goals and strategies, people, and manufacturing in place. Now we are pushing to expand through acquisition and cooperative agreements in all corners of the world. China, India, and Brazil are where we are seeing the highest growth in the automotive market, so that is where we focus our energy.

We have also seen a shift in where we outsource. Two years ago, we had a small percentage of our tooling done outside of the United States. This year almost 100 percent of our tooling was done outside the country. We've changed where we purchase materials and equipment, but as we are vertically integrated, I don't see us doing any more or less in the near future.

The Role of CEO

A good CEO must think creatively. The vision has to come from my chair. I do receive a great deal of input from customers, from employees, and from the board of directors. I set the path and the speed at which we will walk it. However, if no one wants to walk the path, then building it is not terribly helpful.

The other side of my job is to generate excitement and enthusiasm around the strategy. The right people must be in the right spots. As we grow and expand, I need to put the talent in place to move the company to the next level. On top of all of that, I must maintain the execution of the strategy.

Therefore, we have a formal policy in place that measures our success in following through on our companywide strategy. For example, if we decide we need five new innovative products developed and market ready and ten products in the development process, then we put quantifiable goals and targets opposite each of those key pillars of the strategy and measure ourselves against results. We then offer incentives to people based on how well they are achieving their objectives that are aligned with our overall targets. In other words, a certain part of the variable compensation for individuals is based on how well people meet not only their own objectives, but also company objectives, financial objectives, and strategic objectives.

Key Takeaways

- Create a culture based on flawless execution. It may be hard to achieve, but it is worth striving for.
- Set individual employee targets that tie directly into the overall company goals and objectives, and show each employee exactly how what they do directly affects the company's performance.
- Build a long-term strategy and stick to it, but make minor course corrections as needed.
- Stay consistent with your message and communicate it as often as possible to the rest of the company until it becomes fact, not fiction.

Rob DePierre is the chief executive officer (CEO) of Henniges Automotive. His career in the industry has included positions as executive vice president, Global Exhaust Systems, and president, North American Operations, for Benteler Automotive; CEO, Android Industries; and his current position.

Mr. DePierre holds both a bachelor of science degree and a master of science degree in mechanical engineering from Western Michigan University, whose Mechanical Engineering Department named him Alumni of the Year for 2010.

Married for eighteen years, Mr. DePierre and his wife Sharon have a sixteen-year-old son. The family lives in Clarkston, Michigan, where he enjoys his hobbies of fly-fishing and reading.

Dedication: *To Sharon and Jake.*



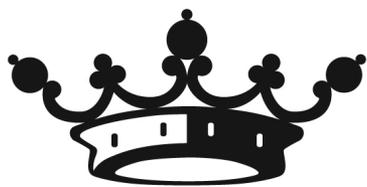
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