

Driving CHANGE

Following a well-established career with General Motors, Michael Bly has taken up the role of President of AAM Europe. He has brought AAM Europe's focus on to diversification and innovation to ensure the organisation's future.

Images courtesy of AAM Europe

Michael (Micky) Bly has been in the automotive industry for almost 30 years and has worked in the US, England, and Germany. He spent most of his career with major American manufacturer General Motors (GM) across a variety of roles in powertrain, electrical and electrification engineering, and has led numerous powertrain and vehicle programs for GM. He joined AAM as President of its European operations in January this year and assumed responsibility for AAM's production, engineering, sales, and marketing throughout the region.

The CEO Magazine caught up with Micky to discuss his goals and ambitions for the company, and look at the future trends for AAM and the automotive industry.

The CEO Magazine: How would you assess AAM's position in the European market?

Micky: For the first 10 years after AAM's founding in 1994, our focus

"We are aggressively pursuing new sales with the existing customers that we have, and also focusing in on gaining traction with new customers from across Europe."

- Micky Bly

rested solely on the North American market. Then, with the acquisition of facilities in Scotland, Sweden, and Poland, and setting up headquarters here in Germany, from which we now run European operations, our manufacturing capacity and customer base has diversified and expanded globally at a very rapid rate. AAM co-founder Richard E. Dauch was a particular driver for international expansion that led us to become the global entity we are today.

We have a very rich and experienced history of engineering, forging, and manufacturing of axles. We entered the European market at a time when there was growth in our areas of expertise and since then we have been able to acquire customers that have performed well despite the recent financial troubles plaguing Europe. So we are positioned in a very good way. We are seeing great customer acceptance of our technologies and our products and only see the upside from here. This acceptance equates to greater brand awareness and that is where we have been increasingly more

active in the last couple years as well. We have been present in various events—anything from local recruiting events to exhibiting in major expos and trade shows such as this year's 65th IAA Commercial Vehicles in Hannover, Germany, which is most likely the world's largest commercial vehicle show.

What is your strategy for AAM's continued growth and prosperity in Europe?

AAM Europe is in a transitional period. We have been fortunate enough to win some new business and most of those products are launching within the next two years. Our focus in the short-term would be to successfully and anonymously launch these products for our new customers, which are primarily focused on the crossover and larger passenger car market here in Europe.

At the same time, we are aggressively pursuing new sales with the existing customers that we have, and also focusing in on gaining traction with new customers from across Europe. >



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Firth Rixson Hungaria

Firth Rixson Hungary Ltd., a fully owned subsidiary of the British Firth Rixson Limited, was established in Eger in May 2000 as a manufacturer of steel components for the industrial vehicle market. Production started with 40 employees and a single production line. Over the past 14 years further production lines were installed, an adjacent parts service building was added, and the number of employees dynamically increased from the initial 40 to the current 130 employees, 12 of which were part of the original 'founding' group.

Like many other industrial companies in Hungary, Firth Rixson was badly hit by the economic downturn in 2008–2009. After few years of stagnating business, the division has been revitalised by a new dynamic management team and its General Manager, Melinda Topolcsik, who joined the company in October 2012. Thanks to this new all-Hungarian management team, considerable investment in facility and equipment, a passionate dedication to lean manufacturing, and a focused market strategy, the company has achieved a sales growth of 13 per cent in 2013 and is projecting a 20 per cent growth this year to reach the company's highest sales ever.

Firth Rixson Hungary Ltd. is fully committed to cost-efficient production processes. While the primary market is industrial vehicles and automotive, the company is now bringing its value proposition to other customers by diversifying into adjacent markets such as agricultural machinery, oil and gas, and soon into aerospace.

The company's current success is based on marrying the convenient cost structure of Eastern Europe with the technology of a western company by leveraging the worldwide capabilities of Firth Rixson, therefore providing exceptional value to its clients.

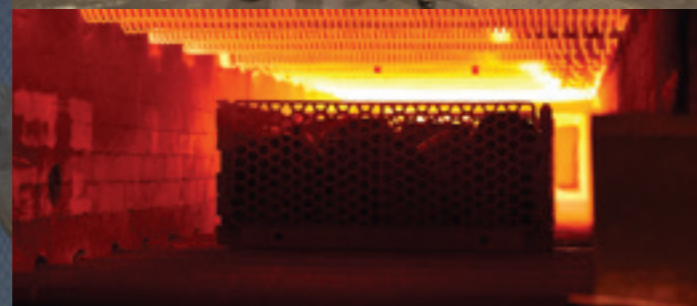
The company is certified to the ISO/TS 16949 quality system and ISO14001 environmental standard, and this year is pursuing AS9100 aerospace and aviation quality certification, which will allow the company to enter the aerospace industry sector.

The company culture is defined by the team spirit and dynamism. A high standard of customer service serves as a common goal for all employees.

The company follows the principles of honesty, compliance with company rules, strong team spirit, and, most importantly, love for what we do.

The local management is fully committed to improving the Eger community through supporting local technical schools' training and vocational education as well as children's sport activities.

www.firthrixson.com



We have Italian customers that we are looking at, we have some potentials in Russia, potentials in the UK, and further growth here in Germany, so our goals are really to launch our products successfully and grow the business very rapidly over the next few years.

You've mentioned previously that diversification is a major focus for your company. Why is this important to AAM and how is it being implemented?

AAM's leadership, as well as myself, clearly feels that diversification in a number of ways is critical for the profitable growth of the company going forward, and there are a couple of ways we are doing that. We started as a very North America-centric company focused mainly on General Motors. Diversification from that point on was manifested in three particular ways, the first being we wanted to diversify globally with our customers and we are now established well in Europe, Asia, India, Brazil, and of course the North American market.

The second is that we wanted to expand our manufacturing footprint to be closer to our customer base in order to better support and supply them, wherever they may be located in the world. And this has been achieved, I might add, sparing no expense or effort on AAM's part as we have world-class facilities in 13 countries from Guanajuato, Mexico, to Rayong, Thailand. And we continue to invest in our manufacturing complexes as well to remain competitive, as can be seen with our Three Rivers Manufacturing Facility in Three Rivers, Michigan, where \$100 million was invested in installing new production lines, assembly stations, and receiving capacity in 2013.

Lastly, we wanted to diversify our product line from a rear-wheel-drive axle business to one that encompasses leading technologies in the front-wheel drive, all-wheel drive, electric axle, and electrification sectors.



As you can see, these three aspects are very important to us as they allow us to successfully navigate through the cyclical financial crises as they arise while also allowing us to quickly adapt our product range to market demands. Finally, it allows us to keep a leading edge product-wise—offering innovative solutions to our automotive and commercial vehicle customers.

How does AAM collaborate with internal and external partners to drive innovation and ongoing product development?

We see our relationships with both our internal and external customers as a partnership, and we really are driving as a company to

establish partnerships of trust, investment, and technology leadership. What I mean by that is we are connecting with universities at the R&D level here in Germany and Sweden; we have relationships in China and of course in the US, mainly around the Michigan area, which is where our corporate headquarters is located.

We work with some great suppliers globally but we also strive to strengthen and expand our relationships with our tier-one and tier-two supply base to work on weight-reduction solutions and friction reduction, for example, which is important for the efficiency of our axles. Electrification is another field in



which we work collaboratively, as it is such a new and competitive territory, to make sure we retain our leading edge. As I mentioned earlier, our drive for diversification in terms of our product portfolio has allowed us to develop industry-first technologies in the field of hybridisation and electrification. Most of the engineering work for this is being done out of our Trollhättan Technical Center in Trollhättan, Sweden, where our colleagues work on advancing these driveline systems that bring real advantages to the table in terms of fuel economy and driver safety. Not only that, but we have a fantastic winter test centre in Arjeplog, Sweden, where a tremendous amount of testing is conducted under very icy conditions.

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- Micky Bly

How do you see your supplier relationships developing in the coming years?

Our supply base has grown significantly in the past two decades where suppliers were mostly relegated to North America, Canada, and Mexico, to the global network we have now. AAM Europe has developed advantageous relationships, mostly in the die casting and forging areas for which we do not have the internal capacity, giving us the opportunity to commit to partnerships and utilise fantastic resources within the European realm.

So we are growing our supply base and we have some great relationships here; we have about 24 different suppliers that we are currently using out of both Western and Eastern/Central Europe. Most of these European-based partners were present during our first AAM Europe Supplier Day held last year in our manufacturing

facility in widnica, Poland, which is a perfect opportunity to exchange information, update everyone on our progress, network, and see our great facilities first hand.

What are the most important factors you look at when assessing your supplier relationships?

Relationships are key for us and it really starts with leadership—us reaching out, having discussions and committing. This commitment to cooperation and respect is a long-term gain and we take it quite seriously.

By positively engaging with our suppliers and partners and committing resources and collaborating on projects, everyone gains. It's a win-win situation for both us and our supply base because the innovative ideas and cost-saving opportunities are in turn filtered down to our customers, allowing

us to be competitive and driving more business.

What do you believe will be the major changes for the industry in the coming years?

Moving forward, I believe the industry will grow and become even more competitive than it is today. Current trends also indicate more automotive corporations are moving towards decentralisation; more OEMs are looking to improve cost structure and are taking former in-house production processes such as forging, machining and assembly capacities to external suppliers such as ourselves.

The market will see increased production volumes, even in regions that have not been traditional key growth areas. So that is a lot of opportunity for our industry collectively. CO2 reduction or fuel-economy improvement is yet another continuing trend, which is really

driving the industry to focus on more efficient, lightweight solutions that are not as cost intensive, as it has been proven time and time again that the consumer is not necessarily willing to pay for fuel economy, but they definitely want it.

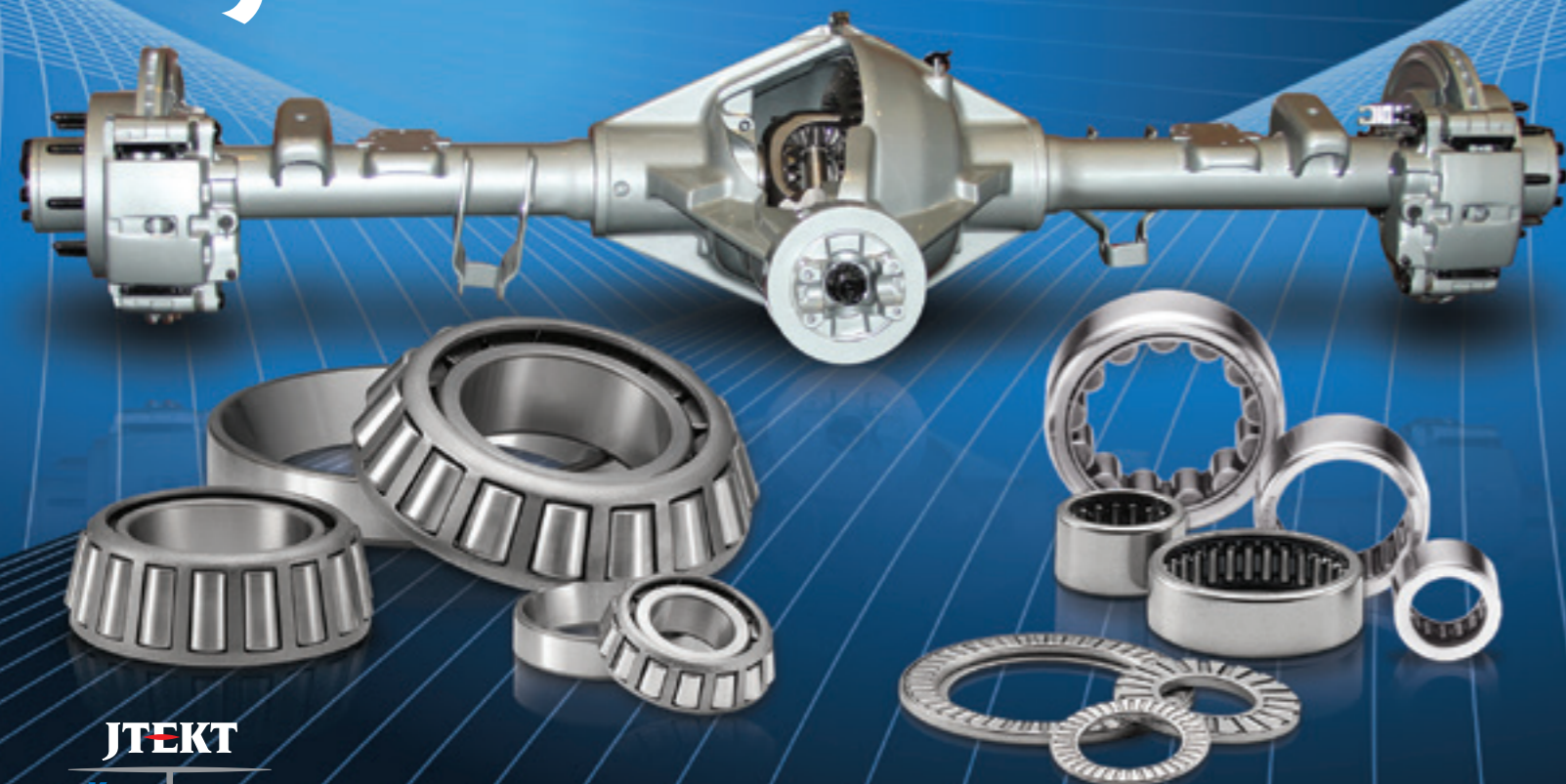
What does the future hold for AAM?

AAM is growing, simple as that. We see a lot of potential for the company in the next couple of years. Our diversification strategy will continue to help drive growth as we have seen in our Asian operations, which have been profitable. In Europe, growth is more organic, but nevertheless we strive to push the envelope and seize strategic opportunities. Ultimately, AAM is in a great position and we feel very positive about the company's future and our capacity to not only deliver value to our stockholders but to deliver power through our commitment to innovation, quality, and innovative products. ◦



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