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FEATURE: Impact of the UNIDO/FIAT Partnership

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A year ago, FIAT S.p.A, through Magneti Marelli, one of its subsidiaries with auto component production plants in India, and UNIDO entered a Partnership



Programme aimed at raising the production capability of Indian auto parts suppliers in the western region of the country. The partnership also includes INSEAD, the French Business School, the Prince of Wales Business Leaders Forum, the Automotive Component Manufacturers Association (ACMA) of India, the Automotive Research Association of India (ARAI), and the Government of India. The goal of this particular

agreement is to improve the structure of the automotive component sector in India and to enhance the performance of domestic enterprises in this sector to transform them into globally competitive suppliers. *Photo: Metal working machine at Thara Engineering - one of 20 companies assisted under the Partnership Programme*

The unique private/public sector joint undertaking has, in just less than one year, produced significant results in increased productivity, cleaner production methods, better use of technology and an increase in awareness of the need for continuous improvement.

During the first demonstration phase, covering a period of just nine months, the average lead time required for completion of products was reduced by 52 per cent; the amount of shop floor training grew from near zero to 238 hours per month; absenteeism dropped by 39 per cent; the application of standard operating procedures rose by 54 per cent; and production space grew by 25 per cent as a result of the introduction of single-flow lines and better control of stocks, waste and scrap.

"I would like to congratulate UNIDO and its fellow partners on this programme," said the United Kingdom Delegation at the UNIDO General Conference last December. The statement was made after Mr. Ajit Kumar, Secretary of the Indian Ministry of Industry and Mr. Mauro Pasquero, Senior Vice-President for International Affairs of Fiat S.p.A. provided an insight into the approach taken by the programme. They were the keynote speakers at a panel on the *UNIDO Partnership Programme - A New Approach to Promoting SMEs*. Moderated by UNIDO Director of the Private Sector Development Branch Wilfried Luetkenhorst, the panel was one of the five panels held at a two-day Forum on Sustainable Industrial Development during the General Conference. Panelists - representing the partners of the Programme - spoke about their unique contribution to the initiative and reiterated the model as a successful and cost-effective vehicle for promoting

industrial development in the context of globalization.

In its initial phase, the auto sector Partnership Programme targeted 20 small- and medium-sized companies in non-capital induced changes through intensive shop-



floor interventions, seminars and workshops on manufacturing methods and marketing and study tours. Four international experts advised the companies in shop-floor interventions. Two experts in automobile manufacturing, one specialist in plastics and one consultant with extensive experience in rubber and rubber-extrusion products gave explicit instructions on non-capital changes that, in their opinion, would have

the greatest impact in improving enterprise competitiveness. The expert assistance was delivered in three rounds with a minimum three weeks in between to allow enterprises to assimilate lessons learned and adapt them. The shop-floor interventions were supported by a workshop on lean manufacturing methods and marketing and three study tours (two national and one international) designed to help augment the knowledge gained. *Photo: Production area of the Vir Rubber - one of 20 enterprises assisted under the Partnership Programme*

The impact achieved at the enterprise level, both in terms of productivity enhancement and awareness creation as well as towards stimulating joint learning, is visible in some individual firms, which beat the average by far. For example, the top management of the Kailash Auto Builders, Ltd. - a manufacturer of bodies for commercial vehicles - reported that the firm reduced its set-up time by 60 per cent, its machine down time by 50 per cent, while increasing its production space by 34 per cent. This resulted in a 69 per cent rise in the company's turnover, between May and October 1999, from \$1.6 million to \$2.7 million, without any capital investment.

The next yearlong phase will focus on strengthening local capacity to deliver technical support services to the automotive components sector. In fact, the programme has been so successful that it will be expended to the southern region of India.

Seven Indian enterprises had an opportunity to test their new marketing strategies at "EquipAuto '99" in Paris where they identified a number of foreign companies



interested in negotiating sourcing arrangements.

Thanks to product improvements resulting from this partnership a number of joint ventures and supplier opportunities have already arisen with European manufacturers. The Fiat/UNIDO Partnership Programme pioneers an ambitious multi-sector Partnership with clear benefits for all involved. Indian SME auto parts manufacturers not only expand their production capability to meet local demand, but also to be ready to meet the demands of a global market. For

Fiat, as well as other foreign automotive manufacturers present in India, the benefits will accrue in terms of gradually being able to better integrate their activities with domestic production capabilities, build up local supply chains and thus render their

investments more cost-effective. UNIDO brings its multi-dimensional expertise and existing networks. Thus the Programme takes advantage of the wealth of know-how, technology and experience of each partner. *Photo: Indian entrepreneurs with Mr. J.P. Brouquil from Magneti Marelli visit stand at "EquipAuto '99" in Paris*

The UNIDO Director-General Carlos Magariños underscored the need for a new generation of economic reforms that encourages "the development of new productivity-raising SMEs connected by domestic and foreign investment to national and international value chains." With the WTO provision deadline of 2002 bearing down, this is one important contribution towards making globalization more gain, less pain.

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