

## Success Stories: Ideas for Potential Players

**MF** Manufacturing



Regional Headquarters

### COOPER-STANDARD AUTOMOTIVE INC

#### A Work in Progress



Little known outside the global automotive industry, Cooper-Standard Automotive Inc. (CSA) is a nearly \$3 billion-a-year powerhouse in the prosaic fields of body, chassis, and fluid systems that bring steady improvement to the driving experience. Tracing its history to the early 1900s in Findlay, Ohio, CSA now is in the early days of establishing an on-the-ground presence in Japan, home to the strongest auto industry in the world.

The company has been a true work in progress since 1960, when it took early form as Cooper Industrial Rubber Products, the automotive parts division of tire maker Cooper Tire & Rubber Co. For the next 39 years it built a reputation for its automotive mounts,

bushings, body seals, and hoses. Then, in 1999, it was renamed Cooper-Standard and expanded into metal-supported and plastic extrusions, moldings, and encapsulated glass. The following year, through acquisition, it moved into metal and plastic tubing, emissions controls, fuel and brake products, and powersteering products. By 2005 CSA had grown so large and independent that Cooper Tire sold it off to a group of private investors led by Goldman Sachs and the Cypress Group.

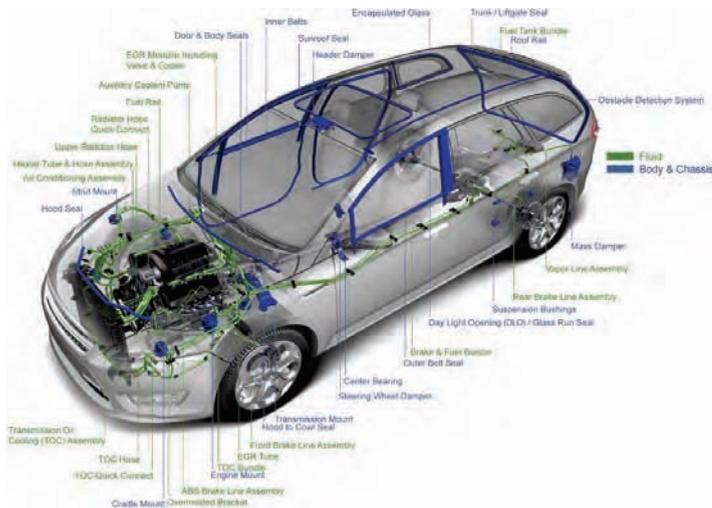
During its evolution, and since its independence, Cooper-Standard has developed a reputation for superior innovation. It currently holds 652 patents globally in fluid systems and body and chassis products and has another 128 patents pending. These range from so-called “smart seals” that prevent automatic car windows from closing on a passenger’s fingers or arm to electronically controlled hydromounts that dampen car vibration in real time. “We’re always trying to learn what customers need,” says Masayoshi Maegawa, Representative Director of Cooper-Standard Automotive Japan Inc. in Nagoya. “That’s the only way to survive.” Since 2006 the company has won four product innovation awards from Automotive News, Global Six Sigma, and the Society of Plastics Engineers.

It has also won customer awards and recognitions from Toyota, Nissan, Daimler Chrysler, General Motors, and Techpoint. “Most companies in our industry focus on making products,” says President and CEO Ed Hasler. “At Cooper- Standard Automotive, we focus on driving innovation on behalf of our customers.”

- 1960 Company established
- 1999 Acquired Standard Products
- 2000 Acquired Siebe Automotive
- 2004 Cooper-Standard purchased by Cypress Group and Goldman Sachs
- 2005 Acquired the automotive hose portion of the Gates Corporation
- 2006 Acquired ITT’s Fluid Handling Systems  
Established JV with Hubei Jingda  
Acquired a 20% stake in Guyoung Tech
- 2007 Acquired ACH’s fuel rail operations in El Jarudo, MX  
Acquired Metzeler’s Automotive Profile Systems (MAPS) European sealing operations
- 2008 Acquired Majority Interest in Metzeler India Joint Venture



Masayoshi Maegawa, Representative Director of Cooper-Standard Automotive Japan Inc



\$1.75 billion of CSA's sales came from its body and chassis systems, which include sealing products such as window seals, and noise, vibration and harshness preventives such as engine mounts and bushings. The remaining \$1 billion of its sales came from fluid systems, including automotive heating and cooling, fuel and brake systems, emissions control and power management. Today it has 19,000 employees at 80 facilities in 17 countries. These include joint ventures and investments in China, India, Japan, and South Korea. Its biggest customer is Ford Motor Co. followed by General Motors, Daimler-Chrysler, European OEMs such as Volkswagen, Renault, Peugeot, Porsche, BMW, Asian OEMs such as Nissan, Toyota, Honda, Suzuki, Hyundai and Ssangyong.

### FINALLY TO NAGOYA

For years, Cooper Tire and what became Cooper-Standard thought they had the Japan angle covered. They had established a U.S.-based 50/50 joint venture with Hiroshima's Nishikawa Rubber Co. in the late 1980s to make and sell sealing products and counted Honda as one of their biggest U.S. customers. But it wasn't until 2003 that CSA hired Maegawa away from a Big Three U.S. car maker to start taking steps toward a full-fledged Japan presence.

What took so long? "I asked the same question," Maegawa smiles. It turns out, he says, that CSA had been satisfied selling to Japanese car companies in the United States and providing rubber hose system for cooling and heating for Nissan, Toyota, and Mazda. But as it gradually moved into more complex, value-added products, it began to see the need to work with engineers at Japanese companies in Japan. "We had to start talking to headquarters engineers" from the design stage on up, Maegawa explains. "At the same time, JETRO visited us in

the States several times and I was their host. They convinced our management to invest in Japan."

Maegawa, who holds a mechanical engineering degree from Doshisha University in Kyoto, was a great fit for CSA's aims. Soon after graduating he moved to the United States and joined a U.S. machine-tool company for several years, where he helped establish joint ventures with Japanese companies. Then he went to work for General Motors and then Chrysler in the U.S. "Cooper hired me because I knew the process and how to operate in Japan," he says. And Maegawa's special skill set—biculturalism, bilingualism, engineering background and winning personality contributed significantly to CSA's success in Japan market.

Once top management decided to invest in Japan, CSA spent three years implementing their game plan. First, they opened an office at Nishikawa Rubber's Hiroshima headquarters because nearby Mazda Motor Corp. was an increasingly important customer. Then, because CSA's biggest Japanese account Nissan is strong in Kanagawa prefecture and prospects with Aichi prefecture-based Toyota were improving, he decided to establish Cooper-Standard Automotive Japan Inc. in Nagoya, which is roughly halfway between Hiroshima and Kanagawa and very near Toyota. And CSA is thinking about opening a Tokyo office before long.

Taking advantage of JETRO's services, CSA moved into its Nagoya offices for a few weeks before incorporating in November 2006. When CSA decided to set up here they needed a budget. But JETRO already had a model for their management to use. That was a great help. And they also had lots of data, introduced Maegawa to employment recruiters and arranged incentives in the way of three months' free rent from Nagoya city for CSA's new office and free legal help covered by JETRO.

By far his biggest challenge in getting established has been recruiting engineers, Maegawa says. "It is very, very difficult to get engineers, especially in Nagoya," where demand is intense, especially for English speakers. "In a sense there's some resistance because we're a foreign company and not well known in Japan," he continues. "Nagoya is more conservative than Tokyo or Osaka but the same problem exists everywhere. Because

every companies, not only foreign company but also Japanese companies search for people with that skill.” So far, he has managed to hire a sales engineer, and two applications engineers and a secretary. He’s hoping to lure two more engineers in the very near future.

Today, his engineers meet regularly with Japanese automakers to offer design proposals. But as Maegawa instructs them, the typical sales pitch isn’t good enough when trying to crack Japanese companies. “You have to know their products, benchmark them, and show how yours is better. Japanese customers are looking for advanced products, not ‘me too.”

**PROFITS ALREADY IN SIGHT**

CSA knows better than to expect an immediate payoff from its commitment to Japan. For one thing, the investment so far has been modest—fees, rent, salaries—and developing relationships takes time.

CSA Japan’s sales-forecast chart shows only tiny blips for 2008 and 2009. But they will have a noticeable jump from 2010 in both potential business and awarded business. And the forecast is to increase the current Asian business by 30-40% with brand new business by 2012. .

But sales and profits collected by CSA Japan aren’t necessarily the only measure of its success. Talking to engineers at Japanese auto makers’ headquarters could lead to sales in the United States, Europe, and Asia. And building trust takes time. He’s had a hard time breaking in to Honda for the fluid business, but CSA recently won new business from Honda in Mexico. “That’s a start,” Maegawa says. “If we gain their trust there, they’ll tell their colleagues here. You have to start out small—taking small jobs first to gain trust.”

One highly promising area for CSA is Japanese auto makers’ increasing development of “eco” cars. Everybody is going back to the drawing boards for how to manage heat and cooling without thermostats or mechanical work. Already, CSA’s landing orders for direct-current, brushless motors that can do this.

As the market shifts from big vehicles to smaller ones, CSA must grow its business in Asia and Europe while holding on to the Big Three. And as car production sites shift to Leading Competitive Countries, CSA must establish a global footprint. At the same time, the company is focusing on total vehicle vibration analysis and reduction technologies, which will grow more important as cars downsize.

Why will CSA succeed in Japan? One key reason, Maegawa believes is that it boasts a Japanese-style corporate culture. “For the past seven years we’ve been making a deliberate effort on ‘kaizen” (continuous improvement),” he says. The company calls these “lean initiatives.” One of its biggest challenges will be to establish a footprint in Japan with a lean organization.

It hasn’t been long since CSA advanced into a Japan market. But they have established their Japanese headquarters at Nagoya, where is one of the biggest center of Japanese automobile industry and is close area to their customers to do attentive care. And, above all, CSA could hire Japanese manager who has both international mind and Japanese business practices. These will contribute to develop the growth of CSA’s business in Japan market and growing CSA’s business, Japanese automotive industry will still be a booming market for the future.

Japanese Operation

Established : 2006  
 Capital : ¥3.87 million  
 Employees : 5  
 Business : Automotive supplier specializing in the manufacture and marketing of systems and components for the automotive industry.  
 Location : 2-17-28 Nish ki, Naka-ku, Nagoya  
 URL : <http://www.cooperstandard.com/>  
 Parent company : Cooper-Standard Automotive Inc. (USA)