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**Siemens article below**

# IN CONTRA



German-based Siemens VDO Automotive hasn't always been a major player in the U.S. automotive electronics market.

"Siemens was basically a European company, with a fairly

strong market share in a lot of areas, but not in the U.S.," recalls Dr. Henning Heppner, the company's CFO and executive vice-president, powertrain, electronics and drivetrain.

Companies like Delphi and

Visteon corporations had wrapped up long-term deals with major U.S. manufacturers, like General Motors and Ford Motor Company. And, Chrysler Automotive Group was producing its own electronics in house,

# ROL

By FRANCES PACE PUTMAN

The Huntsville acquisition catapulted Siemens VDO to the top tier of the automotive electronics market and increased annual North American revenues from \$2 billion to \$3 billion. Today, the company is among the top three worldwide suppliers of products like audio systems, car-body electronics and instrument clusters. Below: an instrument panel produced at Siemens VDO in Huntsville.



primarily at its Huntsville Electronics operations in north Alabama.

In 2002, the Chrysler Group decided to sell the Huntsville Electronics location, since it no longer fit with the company's

primary focus of automobile assembly. This offered just the opportunity in the U.S. market that Siemens VDO needed.

In April 2004, the company took over Huntsville Electronics' \$1 billion a year operations, con-

tinuing to supply items like engine controllers, instrument clusters, radios and body controllers for Dodge, Chrysler and Jeep vehicles produced in the United States, Canada and Mexico.

While that still accounts for most of the production, the new operation also supplies 4 x 4 control units for some General Motors products and instrument clusters for other manufacturers.

“One of the strategies with Siemens VDO is to have a solid market share in the products that we design and manufacture. Being number one or number two in market share is important so you have the volume to drive your innovation,” says Joe Fadool, vice-president, powertrain electronics and drivetrain. “What this [Huntsville] location did is put us strongly on the map in North America.”

In fact, the acquisition catapulted Siemens VDO to the top tier of the automotive electronics market and increased annual North American revenues from \$2 billion to \$3 billion. Today, the company is among the top three worldwide suppliers of products like audio systems, car-body electronics and instrument clusters. In addition to supplying current clients, Siemens VDO also is courting other opportunities in the U.S., including the many new vehicle assembly plants dotting the southern landscape.

It’s an extremely competitive market, but Fadool believes the quality of the products will make a difference. Since Siemens VDO took over the location, he says, the number of product defects reported has dropped from about 200 per million to 80 per million, reflecting a 60 percent improvement in quality.

The work is paying off. Already, the company has secured a new deal to supply radio navigation systems for vehicles produced at a BMW plant in Spartanburg, S.C.

“It is quite an ugly box,” jokes Heppner, showing off the simple-



**CFO Henning Heppner (above) says Huntsville has been an extremely welcoming place for his company. “The visitors from Europe were really impressed with the time the chamber took to meet with them,” says Heppner, who himself came from the company’s corporate offices in Germany.**

looking shell of the navigation system. “But you can see the complexity inside. There are about 3,000 components, as well as hundreds of megabytes of software.” This particular system was developed in Europe but will be manufactured at the Huntsville facility

“There are a number of projects

that are designed here and built here,” Fadool says of the Huntsville location. “In the future, we may design and develop products here that are built somewhere else, like Mexico or Europe and vice versa. That’s the advantage of being part of the Siemens network.”

The Huntsville facility, one of 10



**About 1,000 new people have been hired at the Huntsville location in the past two years. Many of these hires were to replace Chrysler employees who retired or chose to remain with Chrysler and take jobs at other locations. Overall, the number of employees has increased from 1,864 when Siemens VDO took over to 2,035 today.**

Siemens VDO operations in the United States, is rather unique in that engineering, development and manufacturing all take place within the three-building facility. With the acquisition, Siemens added not only an additional manufacturing site, but it deepened its technical pool by adding about 400 engineers, scientists and technicians to its world-

wide team.

“Siemens VDO’s presence is a clear indicator that Huntsville is continuing to attract leading world companies that have an eye on innovation and, therefore, a need for a highly skilled and creative work force,” notes Ethan Hadley, vice-president, economic development with the Chamber of

Commerce of Huntsville/Madison County. “By growing our relationship with Siemens, we are simultaneously extending our community’s reach and increasing awareness of our unique assets through an expanded global network.”

And, the deal brought more good jobs to the area. About 1,000 new people have been hired at the location in the past two years. Many of these hires were to replace Chrysler employees who retired or chose to remain with Chrysler and take jobs at other locations. Overall, the number of employees has increased from 1,864 when Siemens VDO took over to 2,035 today.

While the number of manufacturing positions has decreased slightly, the number of higher-paying professional engineering and administrative positions has increased by nearly 250. The integration phase, Heppner says, has gone quite smoothly.

**T**he company recruits internationally, but about 60 percent of new employees have been local hires. Siemens VDO is now the seventh leading industrial employer in Huntsville, and the 12th leading employer overall.

Finding the right people for the jobs has not been a problem in Huntsville, with its strong technical pool.

“The heritage of Huntsville is in the space program, so it always has, at least for the last 50 years, had a very strong technical base,” notes Fadool, adding that local colleges and universities have stepped up to prepare students for the challenging technical positions available. “The pool of applicants is very qualified, if you compare them to other locations.”

Hadley notes that Huntsville, over the years, has evolved from an agricultural center to one of the strongest and most diverse high-tech economies in the nation, with aerospace, defense, information technologies, electronics and other diversified manufacturing, as well as an emerging biotech sector.

Siemens VDO is currently involved in a co-op arrangement with the University of Alabama at Huntsville, and this year Siemens VDO provided the most co-op opportunities — involving about 40 students — of any company in the area. Other co-op participants come from other schools, including Auburn University, which has a strong automotive program. One current Auburn co-op participant is a Ph.D. candidate, working on a thesis on lean supply. Students work in engineering and development, as well as accounting and even marketing.

“We find it is important to reach out to the universities and establish a relationship with them,” Fadool says. “They have a path for their graduates, and it benefits us and them.”

It’s not only the local colleges that have been receptive to Siemens. Heppner adds that Huntsville has been an extremely welcoming place for his company.

“The visitors from Europe were really impressed with the time the chamber took to meet with them,” says Heppner, who himself came from the company’s corporate offices in Germany. “From day one, they made it clear that they were open to all sorts of requests. The

Huntsville community really works extremely well together.”

While that’s important in any city, it takes more than a friendly atmosphere to attract new businesses. For Siemens VDO, one of the strong selling points for Huntsville was its Southeast locale.

“We found Huntsville to be a strategic location, because of its proximity to the new domestic manufacturing plants,” Fadool says. “There are about 10 different domestic manufacturing locations in the Southeast area.”

That includes the BMW plant in Spartanburg, as well as several man-



ufacturers in Alabama, including a DaimlerChrysler-Mercedes plant in Vance, a Hyundai plant in Montgomery and a Honda plant in Lincoln. Others in nearby states include Nissan plants in Canton, Miss., and Smyrna, Tenn. Ford Motor Company and General Motors also operate plants in Georgia, Louisiana and Tennessee.

Fadool believes that his company’s physical presence in the South will pay off in an increasingly competitive market. Southeastern automobile manufacturers will be able to save in logistics costs and have access to local technical support by choosing Siemens products. This, he believes, will give his company a real advantage.

It was this type of planning and consideration that originally made Huntsville look good on a map. As

it turned out, it looked even better in person. Heppner says Huntsville, with its mild year-round climate and close proximity to mountains and the Tennessee River, sold itself to top company officials.

When Siemens VDO first took over the location, it offered many employees from Europe and top U.S. operations in Auburn Hills, Mich., the opportunity to come to Huntsville. Many were reluctant to make the trip, Heppner says, noting that the area is not usually on the must-see destination list of those traveling in the U.S. But those who did make the trip immediately fell in love with north Alabama.

“The key is just to get them here,” says Fadool, who previously worked in the company’s Auburn Hills facility, just outside of Detroit. “One thing Huntsville offers is

an extremely attractive place to live. If you get someone here, just to spend a few days, they are quick to fall in love with the area. You’ve got the great weather, the water, the golf courses, outdoor sports for kids. It’s really a terrific family place.”

He notes also that the strong school system in Huntsville has been especially attractive to those coming into the area.

Recruiting employees to Detroit could be difficult, he notes, especially with the sometimes grueling winters. And, he says, that’s always an important consideration. Large technical corporations like Siemens can’t find all the employees they need locally, and it’s nice to have a location that is attractive to prospective employees.

“It definitely makes a difference,” he says with a smile. ■