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Emergency Room

Upswing in prospects for GKN FAD Axles. Thanks to the effective recovery strategy adopted by its management team, GKN FAD is back on its feet and working at productivity levels higher than seen in previous years. The company has already positioned itself advantageously for the next step – to become, once more, the undisputed sector leader.

There's no denying that GKN FAD Axles has been through a long bad patch. "There were straightforward reasons for the crisis", says the newly appointed General Manager, Domenico Traverso. "During the summer of 2004, the 4-tonne steel forging press failed unexpectedly. This was a breakdown at the very heart of our production process. Replacement took many months, and the machinery was only back in service in January. Although alternative suppliers were immediately contacted, there were serious delivery delays". To make things worse, the breakdown occurred at a time when equipment was being transferred from old-fashioned workshops to a newly commissioned single location. "Unfortunately, while we were engaged in improving plant layout other unforeseen problems arose, leading to further delays at a truly critical time of the year". However, the current management team of GKN FAD Axles is a determined set of people and they set about reshaping the business. "The decisive moment was undoubtedly when the GKN group decided to invest seriously in agricultural axles; which meant investing in the Italian factory", Traverso explains. "Axle production has always been complementary to wheels production, in which field the GKN group has a consolidated position as global market leader. Thanks to the decision to start focusing on axles, 'GKN FAD Axles' is now an independent unit of the GKN Off-Highway System Division, with its own development strategy and investment plans". This new organization boasts a new production unit and an experienced team capable of responding to the challenges of future corporate growth. The first results of these efforts are already extremely encouraging. "All the production problems have been solved. To be more precise, production capacities are much greater now than in 2004 and delivery lead-times range from 2 to 4 weeks – most definitely



Domenico Traverso: Profile

Domenico is 32 years old. He has been the Managing Director of several GKN companies since he was 27 years old, and is the youngest executive in the group. His specialist areas of expertise are in New Business Start-up and Business Relaunch. Domenico spent a couple of years in the industrial components sales sector working for the German company, Blicke. He was the first to successfully launch Blicke's products on the Italian market and followed this up in 1999 by establishing the company's first Italian branch. After joining GKN in 2000, he was entrusted with the task of re-launching a company that had lost a number of strategically significant customers and was going through a period of difficulty. Following on from the successful turn-around of that firm, he was deployed to work the same magic with GKN FAD Axles in January 2005. His objectives are certainly no secret. Domenico says, "I want to amaze the parent company and produce results that go beyond their forecasts. After all, the group slogan declares one should 'expect more'. I admit I took the slogan literally!" Among his professional qualities, he is particularly good at motivating work groups and developing people into those he considers "exceptional, who have embraced the re-launch idea and who take on tasks autonomously with absolute dedication". He professes to a healthy taste for challenging situations, and those around him note his incredible ability to create enthusiasm for even the most difficult projects.

the shortest for this sector". What are GKN FAD Axles' prospects for the future? Domenico Traverso has a compelling vision: "Our aim is for a plant with extraordinary productivity, so we're not worried about the fact that we have no production facilities in Eastern Europe or Asia. We're creating a high-tech plant using 'lean manufacturing' techniques, which implement continual improvements according to the philosophies of major Japanese manufacturers such as Toyota and Nissan. "All the workers are involved in this process, and by the end of the year we aim to achieve excellence in terms of working environment, efficiency, order and cleanliness. We're only at the halfway stage, yet we've already received positive feedback from our major customers with regard to our improvements. All the major European agricultural machinery firms have displayed considerable interest in our programmes: we foresee important developments arising out of this before the end of the year".

In this issue:

- > **DELIVERY TIMES:** no problem, according to Marino Benazzoli, Production Manager.
- > **INDESTRUCTIBLE AND RELIABLE:** steel costs a bit more, but the improvement in quality is disproportionately higher.
- > **SIMONE BOSSINI AND CLAUDIO DONDI:** respectively, one of the great agricultural machinery manufacturers, and an engineer who dedicates his weekends to helping out on his father's flourishing farm, take time out to tell us what they're up to and to talk about axles and more.
- > **SIDRA.** Profile and advantages of our newest development - hydraulic suspension that's bound to get noticed.

>Commercial

Outlay-more...

...is less: the steel used to manufacture our hubs is undoubtedly slightly more expensive, but it provides optimised performance for agricultural machinery

Sales manager Daniel Consolati tells us we shouldn't talk of absolute "material performance ratings" without considering the exact application of a particular material. For example, it is not very objective to state that steel is better than cast iron, or vice versa. Compared to cast iron the strength of steel can be compromised by high temperatures and it is generally more elastic. However, unlike cast iron, steel won't break when subjected to torsion and rough treatment in general. Which mean it is ideal for making agricultural hubs, a key part of an axle. "If we consider agricultural axles", Consolati explains, "the hubs have to stand up to constant movement over rough ground (to deal with stones, ditches, holes etc.) However, these axles don't travel great distances along roads, or at high speed – i.e. not over the standard limit of 105 km per h. So the main requisites for agricultural hubs are sturdiness and resistance. We're not worried about the hubs' poorer response to high temperature, as they don't travel fast enough to get really hot. For this

application the perfect material is steel". In comparison, truck axle hubs face very different conditions. Trucks travel fairly fast and over very long distances, on roads that are generally in pretty good condition. "Truck hubs can heat up a lot during use, but they are not subject to considerable stress, so cast iron is the material of choice for this application". Consolati's point is that we must look at the required performance specifications for the product if we are to decide which material is most suitable for its component parts. Consolati concludes, "GKN FAD has been making agricultural machinery axles for more than 50 years. It sees steel as vitally important, despite the fact that it costs a bit more. The fact is that the higher price pays for itself because steel is indestructible and, quality-wise, makes for greater reliability". Like diamonds, steel hubs are for ever!

(Stefania Vinciguerra)



>Production

A Question of Deadlines

The tough situation in 2004 is now a part of history, and delivery times are back to the standard corporate schedule - which means, very short.

Marino Benazzoli, the production manager at GKN FAD, is absolutely certain of one thing. He never wants to go through a period like the last six months of 2004 ever again. "Our company's strength has always been the capacity to produce our own hubs down to the smaller detail on our own premises. We can do so because we possess a huge 4-tonne press. For this reason our delivery times are shorter than that usually seen in the marketplace", said Benazzoli. "However, in July 2004 the press arbor broke unexpectedly. The arbor was an essential part, and it couldn't be repaired. The only option was to cast a new one. We took six months to recover from the blow of this single part failure". Add this to the stress of moving production equipment to new premises, and you can imagine how many sleepless nights the production team had during that six months. "After the breakdown of the press, we immediately contacted the two suppliers who provide the best quality guarantees for component manufacture, but they had longer production times: We received the first items on 24 October", Benazzoli explained. "We had stock materials we could fall back on for a short period but these soon ran out because GKN FAD's policy is to produce to order so all



customers get exactly what meets their needs. Adding on the lead-time to delivery of these third-party suppliers, we had a catastrophic situation on our hands – our deliveries were very, very late. "After a huge effort, we managed to get the press back on-line by mid-January 2005. Even in face of our huge backlog, I can proudly state that by April we had caught up with all our delayed orders and things started to return to normal". Currently, production orders are fully processed for standard axles in two weeks, and on more complex axles in four weeks. These are the deadlines, and you can take this manager's word that they'll be met.

Under the

Parent's Wing Being part of a multinational company means sharing its values

GKN FAD is part of a multi-national group. On a 1-100 scale, how important is this fact? Answer: 101. The aim of a successful multi-national is that the sum of the whole is greater than the sum of its parts. GKN FAD therefore benefits from the overall vision and values of the multinational GKN Plc. GKN plc activities provide its shareholders with interesting openings for investment based on solid business activities, with a long-termist policy that will not change overnight. Furthermore, GKN believes that its people are the real assets – and there are a lot of them! Although there are more than 35,000 in more than 30 countries around the world, it doesn't mean they are not recognised as individuals. It is the people of GKN that define the way the company operates and the way it is perceived in the marketplace. For this reason the company has a strong policy to invest in people. This policy requires selection and deployment of personnel who have vision and aptitude, rather than selecting people for a role based on their previous experience. GKN plc comes out firmly against all types of discrimination, and considers what each individual can offer the business units they work for. The basic idea is that it is people who really make an ordinary business into a winner.

Domenico Traverso

> Interview with

Simone Bossini

Since the early years of the last century, the Bossini family has supplied the agricultural transport sector. Their base is Carpenedolo, a small town in the eastern flatlands 26 km from Brescia (and just next door to GKN FAD as chance would have it!). They have pictures to prove their family history; old photographs on the office walls clearly illustrate the company's activities and portray the forebears of today's state-of-the-art tanker trucks. Simone Bossini, 26, belongs to the latest generation of constructors. He is evidently proud of his company's leading performance in Italy, and in the following interview answers a few questions about his corporate and personal life.

How did your company start up?

Probably the man responsible for it all was my great grandfather, who was a carpenter. It was he who handed a passion for building things down to my grandfather, Pietro. And it was grandpa Pietro who started building agricultural trailers. He built wooden horsedrawn carts. Steel and motors were practically science fiction at that time!

Your company has always been a family affair. Who runs it?

At the moment there are three of us, with the work divided up equally between us. My father, Quirino, looks after customer relations. My uncle, Rodolfo, looks after the accounts, and I'm in charge of production. Which means I lead a staff of 25 people. However, we can all step in and take over each other's jobs whenever necessary. I'm not the youngest



Bossini, there are two other boys. My brother Stefano is 16, as is my cousin Andrea. But they're still at school, so we'll have to wait.

What does the company do that you are most proud of?

We specialise in large farm trailer equipment, and in particular, tanker trucks for sewage sludge. All our many products include patented technology, such as the hydraulic suspension systems to prevent problems such as rolling and sliding, the rotary dung spreader, and sewage sludge land-filling equipment.

As a manufacturer, what do you look for in an axle?

That's easy. First a good price to quality ratio. But we also ask the axle manufacturer to provide us with assistance and we look for their ability to match their production according

to our needs. Our requirements for axles develop according to the evolution of the machinery market.

Am I right in thinking that Bossini and GKN FAD work in very close collaboration?

Oh, yes! And it's not a recent development. In the past we've had visions for new products that were not to be found anywhere in the market, and GKN FAD made them for us. One example is the axle with a ribbed steel hub. It was generally assumed that although ribs were absolutely necessary for cast iron hubs, there was no benefit for them on steel hubs. We thought, why not improve the design of steel hubs by adding ribs? This was our line of thinking – and it wasn't just a pipe dream. GKN FAD now produces axles with ribbed steel hubs.

> Interview with

Claudio Dondi

Lomellina is an area occupied by small and medium size farmsteads, run by families with a great love of the traditional methods that even the arrival of the most advanced technologies has done little to dispel. This is certainly the impression you get listening to 29-year-old engineer Claudio Dondi. Claudio generally doesn't wear a shirt and tie unless he can possibly help it, but definitely not at the weekends where he can be spotted riding a tractor at his father Antonio's farm 'Cascina Uccellina di Tromello' (near Vigevano).

Mr Dondi, how long has your family owned Cascina Uccellina? What does the farm produce?

Uccellina has been in my family's ownership since the beginning of the 20th century. My great grandfather grew hay and raised cattle. Today, the livestock part has gone and the fields are given over to rotation crops: rice, maize, wheat, sunflowers and peas. We use traditional methods and our produce is certified as being organic.

Can you tell us about recent developments within the agricultural produce market? Can the focus on quality keep domestic products ahead of oriental competitors?

Farming methods have changed dramatically over the last few years. Toward the end of the 1970's people did everything they could to maximize yields using chemical fertilizers, hybrid seeds and weed killers. Now the focus is on healthy, organic farming. The produce sector is currently severely threatened by the influx of Asian produce, at costs that are very much lower than ours. The only thing we can do is invest

in quality and hope institutional measures will soon be taken.

Up to a few years ago, pig farming accounted for a great deal of your turnover. Now the pigsties are empty. What happened?

The livestock market is not so very different from the cereals market. The livestock market had a saturated supply and the price cuts induced by competition meant that those who couldn't cut their costs would gradually leave the marketplace.

What are the selection criteria a farm such as yours adopts when considering tractors and other agricultural machinery? Is axle quality a significant variable?

The cost of a tractor is depreciated over two or more seasons. A vehicle breakdown can lead to harvesting delays and hence considerable economic losses so key considerations when purchasing are reliability, availability of spare parts, and the average time to repair – which must be as short as possible. There are few brands that are strong on all three criteria. Axle quality and sturdiness are the key consideration for

most applications: tractors and other equipment are often subjected to tough environmental conditions –e.g. the water of rice-fields or corrosion caused by chemical agents in fertilizers.

How do you handle your double role as engineer and farmer? If in 20 years' time your children say they want to follow in the footsteps of the various generations of your family, what will you advise?

Working in the office and working on the farm are so different, but I'd say they are complementary. In an office it's hard to get that immediate satisfaction you get with farm work. On the other hand, considerations of economic remuneration tend to lead youngsters into professional jobs. It's not easy to see where the job market will be in twenty years' time, but if my children were to say they wanted to follow in the farming footsteps of my family I would be pleased to help them, if for no other reason than that the countryside guarantees a high quality of life.



A few dates

- > **1950s:** FAD (Fabbrica Assali e Dischi) is founded
- > **1986:** Geplasmatal (founded in the 1950s) is purchased, for distribution of FAD products; an assembly department is set up within it for agricultural and industrial axles.
- > **1988:** FAD (which in the meantime, has become a market leader) purchases GSM (founded in the 1950s and specialised in the production of elastic axles, trailer drawbars and industrial brake systems)
- > **End of 1980s:** FAD UK is founded, for distribution in the British and Irish market.
- > **1990:** Salati is purchased.
- > **1997:** 37% GKN partnership.
- > **2000:** GKN Plc buys out FAD.

A little story

With the advent of industrialization after World War II, the once abundant supply of manpower in the provinces began to decline. New factories were opening up around the cities, and there was a move away from rural areas. FAD (Fabbrica Assali e Dischi) was founded in the mid-1950s during a period of reconstruction and the start of mechanization. FAD concentrated on a mainly local and regional market, and was family owned. In the following years, operating in a free market and supported by government incentives, the company soon broadened in scope and looked toward foreign markets. This was a shrewd decision and it brought excellent results. The product exceeded customer expectations, and the FAD brand grew to be synonymous with quality enabling rapidly growing distribution of the product internationally. The next few years had their ups and downs, due to the general economic situation and the instability brought about by the oil crisis in the 1970s which led to recession. FAD survived those tough times to continue to operate successfully today, its secret lying in a rigorous production programme based on product control and rationalization of manufacturing processes. The competitiveness of the company has been a constant throughout its history. This is the result of a strong policy to sustain product quality, prices and delivery deadlines, paving the way for new exporting opportunities and ongoing corporate expansion.

Cinzia Furiani

> Focus

Let's celebrate: a Sidra is Born!

The latest addition to GKN FAD Axles' range of products, produced in collaboration with DBD, is Sidra. Sidra will be officially unveiled in June, during the international EIMA farm machinery show (17, 18, 19 June). The ceremony is to be held at "Azienda agricola Palazzi Diamantina" in Vigarano Mainarda, in the province of Ferrara. Sidra is designed to handle loads ranging from 9,000 to 12,000 kg. It features an independent hydraulic suspension system including steering and fixed axle shafts, all with EEC standard certified brakes. Its Unique Selling Point? Sliding and pitching cannot occur. Sliding is avoided thanks to the independent wheels and hydraulic systems, and pitching is avoided because the hydraulic oil cannot be compressed due to the use of nitrogen accumulators. The self-bearing module making up Sidra is equipped with nitrogen accumulators, making for maximum comfort both at low speeds (for excellent shock absorption when travelling over large obstacles) and at high speeds (oscillation buffered and absorbed). We should note that the nitrogen accumulators, pre-set for differentiated action, are equally effective when fully loaded and unloaded. For dumpers positioned to the rear, the module may include cutoff valves, for stopping and for rigidity. Each module can be equipped with hydraulic cylinders for power steering.



FFFFFLASH

The International Leadership Development Programme was developed by GKN plc to provide comprehensive career training for young graduates, with the view to developing the next generation of leaders and managers of the group. GKN supports trainees as they embark on their careers and provides opportunities and guidance until they reach positions of responsibility. The programme generally lasts for two years. It is open to all appropriate degree-holders and graduates who submit an application. Before a trainee joins one of the group companies, he or she has to pass a number of tests and is approved only after preliminary interviews. The twenty trainees selected each year have a chance to work on various projects in GKN offices around the world. This is a highly significant opportunity since it means experiencing a range of projects, roles, and cultures. Trainees travel widely, but they are constantly supported up by a mentor and a development manager. The programme brought Caroline Westall to GKN FAD Axles in May. For six months, Caroline will work in conjunction with the Purchasing Department and focus on material cost reductions, with the view to rationalizing the supply chain.

E for Environment

In 2004, GKN FAD received ISO 14001 certification, demonstrating its commitment to protecting the environment. Among the measures it has taken to reduce its environmental impact are the strict control of gas emissions and other pollutants, as well as the improvement of waste recycling. This is a goal GKN FAD was particularly keen on, and our efforts received official recognition from the Minister of Environment and Territorial Protection, Altero Matteoli, last October. FAD will continue to make improvements during 2005, to obtain OHSAS 18001 certification for occupational safety guarantees.

> Let's talk number...

GKN Fad

21 = million euros turnover in 2004

100 = employees

50 = countries covered by distribution

1994 = year in which ISO 9001 certification was obtained

647 = customers

8,600 = sq. m. area occupied by the production department

70,000 = axles sold in 2004

160,000 = axle shafts sold in 2004

> Bits'n'Pieces

Ethics and Corporate Communication Closing the Gap.

With dynamic free competition such as that experienced in the European marketplace, managers and marketing representatives always felt constrained by the stringent policies against comparative advertising. If a manufacturer's products can be shown to provide objective and measurable advantages in quality, price or performance compared to the competition, why shouldn't manufacturers be able to say so on TV or in the press? After a fifteen-year struggle in Italy, Legislative Decree 67/2000 at last recognised that this kind of advertising is legitimate, and indeed that it is a vital instrument to improve the dissemination of information to customers and to promote competition between companies.

Italian and European legislation – and, above all, managerial ethics – place strict limits on the use of such methods of communication. This kind of advertising must be fair and neither be deceitful nor disparaging to others competitors. Corporate executives or entrepreneurs who authorise unfair competition using negative advertising lose their commercial campaign from the very outset: only those who have little to say in favour of their own products can content themselves with disparaging the products of others.

*Alessandro Bolla
content and communication manager, partner Soluzioni s.r.l.*

