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## Desperate Times Create Innovation

Four-dollar-a-gallon gas has hit the Big Three auto manufacturers, their suppliers and customers like the rogue wave that capsized the Poseidon ocean liner in the 1972 action thriller movie.

What happens next as auto industry leaders, government officials, and vehicle owners scramble to find enough air to survive is not known. But any rescue attempt in a race against time to save the passengers first requires a paradigm shift in the Big Three's archaic management processes used to design, build, and sell vehicles.

Otherwise the domestic auto industry as we know it might sink to the bottom of the sea. So says, Mike Juras, CEO of Vertare LLC, an automotive management process innovation company. Juras, who spent a 30-year career at General Motors, pioneered the implementation of lean engineering and played a key role in facilitating knowledge transfers and establishing learning partnerships between GM and several Japanese manufacturers. He has an intimate knowledge and understanding of The Toyota Production System and the Japanese Keiretsu business model.

"Business success in the auto industry today must be driven by adaptability and creativity," says Juras. "The key to creating a domestic auto industry that is self-sustaining and profitable long-term is the product development area where 80% of product cost and 100% of product value is determined upfront," adds Juras. "From concept to launch, you must get it right the first time, especially if you're developing global platforms for different markets and engaging in mergers and partnerships to collaborate and develop the critical mass needed to support a large global footprint."

His company has developed a business framework for competing globally based on a highly adaptive, lean (agile) system that can be used to optimize the key areas for bringing new vehicles to market quickly:

1. product development
2. program management
3. cost estimating/quoting
4. change management
5. innovation management

Vertare's management processes create vertical and horizontal linkages within companies and their supply chains. They combine standardized procedures needed to instill process discipline with software technologies and the Internet to instantly communicate information throughout the enterprise anywhere in the world –the key

requisites needed for the free expression of ideas and creative innovations to flourish.

The system adapts to continuously varying market conditions, allows easy adjustment to progressive business goals and minimizes software expenses by working seamlessly with the current legacy IT system. It acts as a virtual Keiretsu by providing the benefits of the Toyota product development system, while accommodating the economic and cultural realities of other countries. This results in self-sustaining design of manufacturing systems that are superior to those of the Toyota Production System.

“At \$4 a gallon gas, the Asian manufacturers have a distinct advantage over domestic manufacturers because of their focus on small cars some with hybrid technology,” explains Juras. “The Big Three’s business model has relied on a mix of large pickup trucks, SUVs, and cars. No more. The announcement of permanent plant closings by GM portends the end of this domestic business model, until alternate, low-price energy sources are introduced along with lower fuel prices.”

“The structural problem facing the domestic OEMs is the need to shift immediately and rapidly from large high profit/long lead time vehicles like trucks and SUVs to small lower profit/shorter lead time vehicles,” notes Juras.

“And while \$4 a gallon gas presently is causing pain for everyone, it’s probably a good thing right now,” adds Juras. “Desperate times demand innovation and Americans are the best in the world at it.

“We can solve this problem, but we have to begin by getting the right products to market quickly and that starts with product development,” says Juras. “Most people don’t fully understand the totality of product development but this is where the battle will be won or lost.

“It’ll be won at the gas pump and not at the negotiating table.”