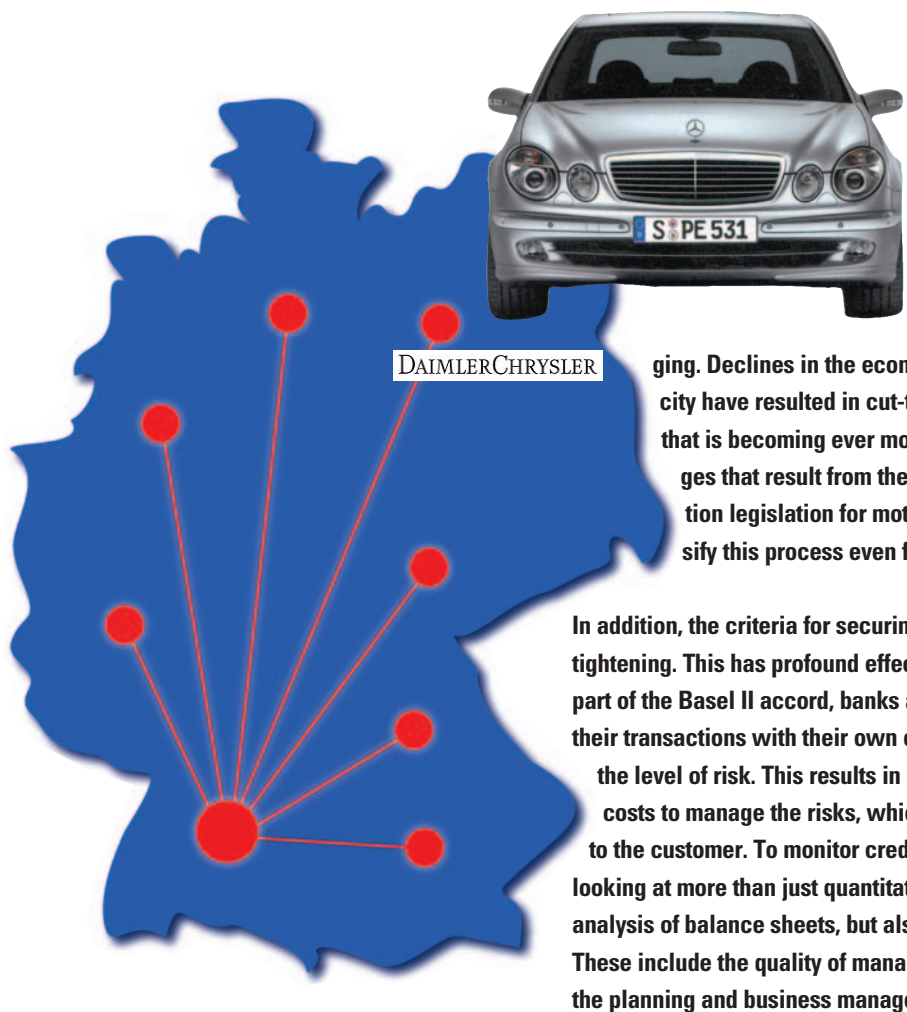


# „Driving Operational Excellence through internal and external benchmarking“



The current economic conditions in the automotive industry are anything but encouraging. Declines in the economy and over-capacity have resulted in cut-throat competition that is becoming ever more fierce. The changes that result from the European deregulation legislation for motor dealers will intensify this process even further.

In addition, the criteria for securing debt capital are tightening. This has profound effect on companies, as part of the Basel II accord, banks are forced to back up their transactions with their own capital, depending on the level of risk. This results in higher transactions costs to manage the risks, which are then passed on to the customer. To monitor credit ratings, banks are looking at more than just quantitative data, such as analysis of balance sheets, but also qualitative factors. These include the quality of management, as well as the planning and business management systems used.

Given these economic conditions, a car dealership can only be successful if it is able to manage its costs and services effectively and has an excellent strategic direction that allows it to continue to develop. Against this background, the network area of the DaimlerChrysler Sales Organisation in Germany (DCVD) has developed three performance management systems that are designed to support the organisation's management with continuous improvement within the company. As graphic 1 illustrates, the company's approach is to link the planning and manage-

ment process

**DaimlerChrysler Sales Organisation in Germany**  
The sales headquarters based at Potsdamer Platz, Berlin employs approximately 1,100 staff and provides sales and service support across Germany. The network includes 35 dealerships for the Mercedes-Benz brand, approx. 100 representatives and some 480 authorised repair shops at a over 1,100 locations, the sales network for the brands Chrysler, Jeep and Smart adds an additional 350 support points.

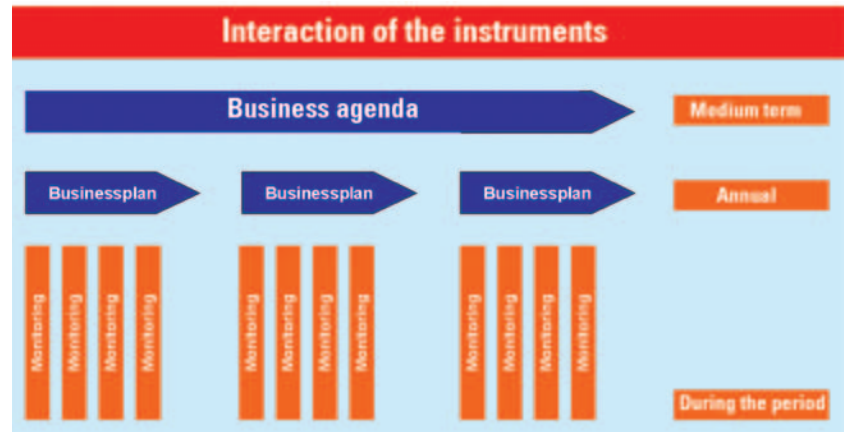
over a 3 year timeframe. The plan stored here is used as part of the annual business plan (the second performance system) and operational details are then added. During the year, management receives feedback on how their company is developing in comparison with others who market Mercedes-Benz vehicles on a quarterly basis from a monitoring tool (the third performance system). All of these processes together form a unified software environment that acts as one strategic system (VACIR =

Contractual Partner Application for Controlling and Individualised Reporting) based on MIK products.

## Corporate concept Agents

### External benchmarking and internal Performance Management

In-depth competitive analysis forms the basis for the corporate concept Agents. Here, competitors are analysed in terms of their strengths and weaknesses and compared with the company's own ability to perform. Based on this,



**Graphic 1. The perfect interplay between the planning and management processes »business concept« ensures sustainable business results for the Dealers.**

strategic goals are developed for which specific measures are inserted into an action plan. This action plan contains responsibilities, execution time frames and the resources that have been earmarked so that this can also provide the basis for monitoring success. The business management related effects are displayed inside a planned return calculation that covers everything from cash flow to changes in the company's capital structure. Here, the planning interval of the planned return calculation and the execution of measures are both limited to three years, whereas the effects of these measures are of a much more lasting nature. The authorised repair shops have access to nearly identical measures that are standardised, to reflect the relatively low complexity of these operations and this area of the business.

## Business plan Agents

The drivers and measures stored within the corporate concept are then used within the business plan for Agents. The business plan is an annual planning measure whose primary elements form the basis for simulations (see illustration 2). Here, the planning results from the business approach are compared in terms of their correlation with the sales volumes which were agreed with the DCVD. This simulation offers an initial projection on the basis of the company's forecasts. During the next step, the company adjusts its qualitative measures to meet the current projec-



on market shares and customer satisfaction. VACIR offers all users a broad spectrum of options to cover their individual requirements with respect to reporting or performing their own individual analysis.

## Financial Control

The Dealers can also rely on a portfolio of ready-made standard reports. In addition, the contact people who work for the car company can adapt and modify Excel-based reports individually. The Dealers also have the ability to develop their own new reports and turn everything into their own comprehensive controlling instrument. The monitoring feature discussed earlier also offers a unique type of reporting for upper management. Thanks to its flexibility, VACIR is suited to meet the needs of both small and large organisations. Due to its broad bandwidth of functionalities, it offers the ability to continue to develop on pace with the system and the instruments. As a result of the way in which these instruments interact on the basis of the shared platform VACIR, Dealers of the DCVD have access to a technically mature system that supports everything from strategic direction to planning of operational details, in other words all of the important elements of planning and controlling, and completely satisfies the demands of the banks with regard to planning and monitoring processes. This means the Dealers are well prepared to do business in difficult times.

(Source: AUTOHAUSFORUM, 1-2/2003) Information

### VACIR at a glance

- Standard process/system for illustrating business management-related profitability statements, balance sheets and the profit and loss performance of the Dealers
- Availability of operational and best practice comparisons as important performance management processes
- Availability of quarterly reporting (monitoring) for the Dealer Management
- Integration of planning and execution processes, the business approach, the business plan and reporting on the progress being made
- Improvement of the communication with Dealers through one unified system environment, a consistent database and a common content-related system design