



Implementation of Logistics Performance Measurement System at BMW Group

Customer Orientation in Sales and Production Processes

About BMW Group

The BMW Group is the only manufacturer of automobiles and motorcycles worldwide that concentrates entirely on premium standards and outstanding quality for all its brands across all relevant segments. Along side its operations in the automotive industry itself, the BMW Group's activities comprise the development, production and marketing of motorcycles, as well as comprehensive financial services for private and business customers. In 2006, the number of employees at BMW Group was more than 106,000. The company achieved a sales revenue of 48,9 Mrd. EUR.

- ▶ www.bmwgroup.com

Adherence to delivery dates and short delivery times are just two of the BMW Groups major success factors. From a marketing angle, it is also necessary to be able to modify the configuration of a vehicle as near as possible to the date of delivery which increases the demands on production flexibility dramatically. For this reason, the business processes were to be revised in a project across all departments. In a sub-project the existing logistics key indicators were adjusted, supplemented and harmonized across all locations to support the overall project and to measure target achievements.

Goals of the Project

A modification of all processes to shorten processing time should guarantee the constantly demanded increase in production flexibility. In order to support this extensive modification process and to measure target achievements, BMW Group decided to adjust, supplement and harmonize the existing logistics key figures across all sites.

Solution

- ▶ Use of ARIS Value Engineering (AVE) – methodology
- ▶ Efficient project organization
- ▶ Utilization of teams of experts
- ▶ Identification and implementation of key figures

Customer Benefits

- ▶ Standardized key figures across all sites
- ▶ Increased process transparency
- ▶ Early-warning system

„The project was very complex due to the necessary standardization of key figures at four sites with heterogeneous system landscapes. Furthermore it was one of the first standardization projects in this environment. The project was realized successfully due to the distinctive management performance of the department BMW Traction and Chassis systems (TA), the IDS Scheer project team and the logistic managers at the locations. The project is now a best practice example for further strategy realization projects.“

Dr. Volker Looks, BMW Group, TA-11

Goals of the Project

Enhanced customer demands for individuality and service, an extended range of products, increasingly short model cycles and the advancing international competition require new, innovative production concepts within BMW. The company counteracted this required production flexibility with the department-wide project KOVP (customer oriented sales and production process) to revise all processes starting with the customer order, order planning and production and ending with suppliers and distribution of vehicles.

Part of the KOVP strategy is the “logistics strategy 2010” with its core element of reducing processing time to ten working days. This logistics strategy was designed by the department BMW Traction and Chassis Systems (TA). Lean and perfect processes along with flexibility and speed should guarantee that the increasing demands of automotive companies can be satisfied and the cost structures remain competitive with lasting effect. Some of the key aspects of the program are the strengthening of the production and delivery processes, global network planning and the implementation of logistical influence on product development. In a sub-project, the logistic key figures were reviewed, adjusted and harmonized across all sites in order to support and monitor the reorganization project.

Solution

Intention of BMW Group

Strategic logistic key figures are used for measurement, management and improvement of process performance. The selection and definition of the relevant key figures for measurement of business critical processes are decisive in the process. The BMW Group wanted to define new key performance indicators (KPI) in logistics and to standardize the existing KPI definitions and methodologies across all sites.

Design of Performance Management Systems

IDS Scheer projects that include performance management systems are based on ARIS Value Engineering (AVE), the integrated consulting approach for process optimization, design, implementation and controlling. First of all, the process landscape is determined to identify the key success factors of the main processes and to choose the business critical processes. Having agreed on the process objectives the essential key figures are identified to subsequently define a performance measurement tree.

Approach at BMW

In a kick-off event at the BMW Group, the approach for the key figure definition was presented accurately with the assistance of a detailed project planning.

The project organization was important for the success: the BMW Group provided the project manager and the project implementation was the responsibility of IDS Scheer. A team of experts with a defined decision maker was created for each key figure. These teams prepared and implemented the particular specialist workshop. Together with the process owners they also attended the meetings for new KPIs and existing key figures in order to guarantee standardization. A decisive element during the project was the coordination with the key figure definitions from various plants and locations. The cross-location harmonization could only be guaranteed with this coordination. After the key figures were determined, aligned and documented the realization began with an implementation plan for each key figure and site. When realizing the implementation plan, IDS Scheer gave supervision and professional implementation support. The regular KPI measurement and the corresponding reporting established themselves with the integration of the key performance system. IDS Scheer provided a manual with all definitions and measurement methods as a guideline for the department BMW Traction and Chassis systems (TA).

Customer Benefits

With this project, the BMW Group has succeeded in taking a big step towards their strategic objective: the production of a vehicle within ten working days. BMW has achieved a significantly higher transparency in their processes by verifying and harmonizing the logistic key figures across all four locations. In this way, the department BMW Traction and Chassis Systems (TA) has been able to achieve more clarity about the achievement of the objectives to implement logistic strategy and has gained a deeper insight into current process performance. The comprehensive harmonization of the key figures has also permitted comparisons across all locations, an important aspect for the production on schedule. Fast identification and removal of occurring manufacturing problems is also possible by using the key figures as an early-warning system. This makes time delays caused by production difficulties avoidable. The new measurement instruments cover all critical business processes on all production levels in all sites. Only the implementation, harmonization and optimization of the logistic key figures made the essential strategic change in the context of the KOVP strategy possible. An increased recognition of process objective deviations has already appeared within the first period of use with the result that process performance has improved.