

# CHAPTER I

## INTRODUCTION

### 1.1 General

The world economy today is connected by the word globalization. The whole world is increasingly behaving as though it was a part of a single market, with interdependent production, consuming similar goods, and responding to the same impulses. At the same time, the concept of globalization had stimulated the competitiveness in operation business. In order to successfully organization management in competitive market, organization must be able to evaluate themselves, their competitor and business environment.

Performance measurement is one of the essential factors for organization management. It is the process of organization determining how successful organizations or individuals have been in achieving their objectives. The importance of identifying an organization's performance is evident throughout the markets worldwide. Therefore, it is important to consider how an organization's performance is measured and how it can be communicated to the wider market

### 1.2 Background

As the economic situation in Thailand, up to 1995, the Thai economy has been rapidly growing with the growth rates about 8% to 12% per annum. Therefore, the value of auto industry investment, during the economic was booming, was increasing rapidly. Thailand was the largest motor vehicle market in the Association of Southeast Asian Nations (ASEAN), with sales of 572,000 units in 1995 and 589,000 units in 1996. With onset of the economic crisis in 1997, sales dropped dramatically. Total vehicle sales for 1997 were 363,000 vehicles and sales for 1998 were only 144,000 vehicles (putting Thailand vehicle sales below those of Malaysia, making Thailand the number two ASEAN countries in terms of vehicle sales).

Thailand's 1997 economic crisis has had a severe impact on the automotive industry. Vehicle sales contracted 38 percent from total sales of 589,126 units in 1996 to 363,153 units in 1997, and dropped an additional 60 percent further to 144,065 units in 1998.

As a consequence of the economic crisis, many problems occurred such as: Borrowing that greatly exceeded the firm's capital, Over-investment in some key sectors such as real estate, Lack of consideration for exchange rate risks, and too much short-term borrowings to finance long-term projects. However, the industry believes that the worst is over. This is because the economic is in the recovery period and the vehicle sales were increase dramatically

However, due to dynamic of auto industry business environment, there was a recommendation that for auto industry sector in Thailand, in order to survive at the current situation and be compatible in the future, each auto industry organization should reconsider themselves through reorganizing their organization. Moreover, an effective development and implementation of the performance management key indicator will help the auto business to its competitive advantages in such a competitiveness environment.

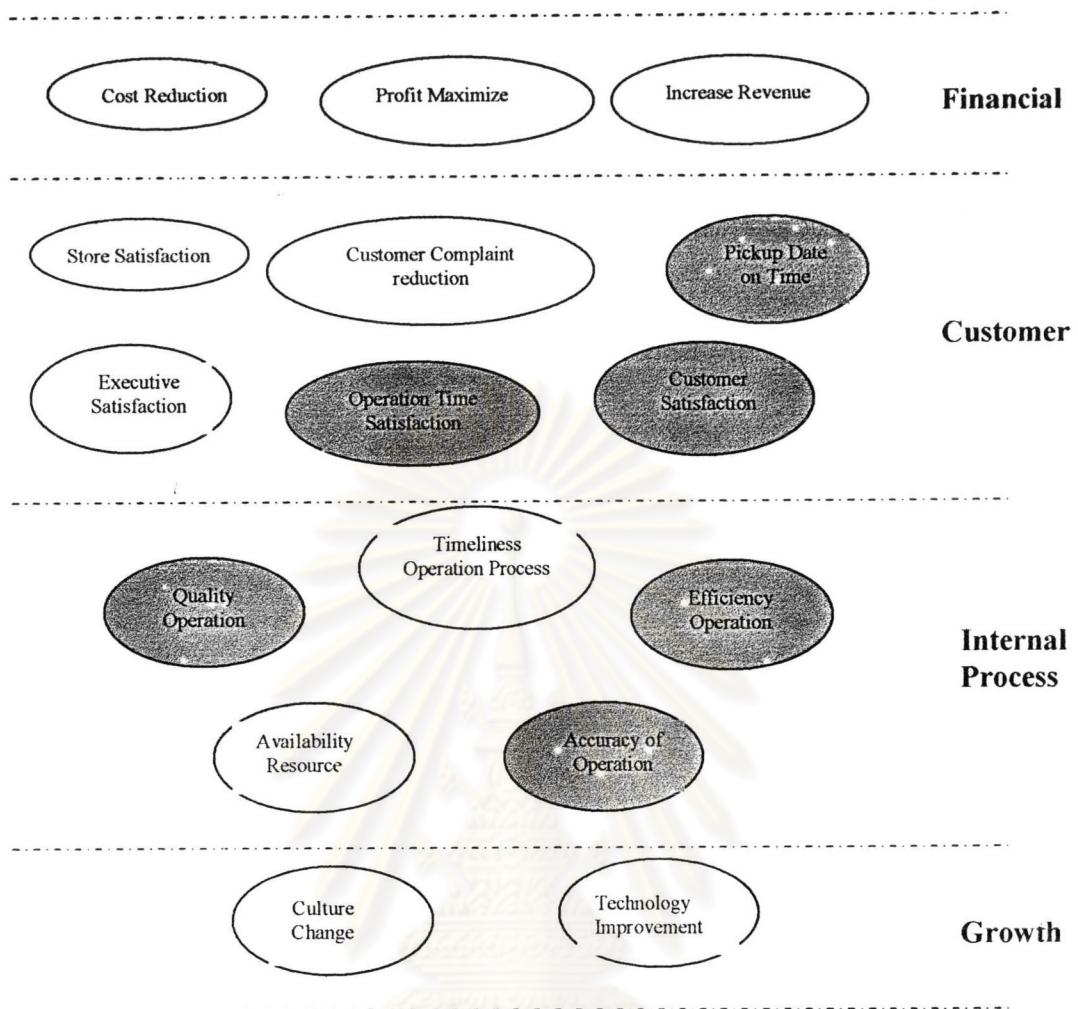
### **1.3 Problem Statement**

ABC was authorized by Daimler Chrysler Thailand as a dealer and service center. The company had a vision to become the best seller in car industry. It had a number of strength, which capitalizes on and leverage to aid its growth, including brand strength, product strength and vehicle quality, market strength, and trend-setting power. Company also gains a high trustworthy from both manufacturer and customer through providing quality and satisfaction. In order to ensure customer satisfaction, the company also concern on safety, reliability, efficiency, and etc. Its weakness are organization structure that based heavily on centralize and conservative. These often obstruct the growth of the company.

The construction of a Mercedes-Benz involves man and machine working as a team to ensure the highest quality in the vehicle. Customer will find that despite over 100 years of innovation, one thing has stayed the same. That is the dedication to giving customer one of the most exciting and exhilarating driving experiences there is.

Strategic map helps management to identify relationship in term of cause and effect between each business unit objective (Dacharin P., 2001). The business unit strategic map is arranging all of the business unit objectives in the area of each perspective. Each business unit objective is identified its relationship with other business unit objective. Shown in Figure 1-1 is a preliminary strategic map of ABC. depicted from an interview with the manager of the garage. ABC can be looked at in four main perspectives as Financial, Customer, Internal Process, and Growth. The formulation of ABC strategic map shows that the relationships between each business unit objective of certain perspective are still unclear. In order to achieve that business objective, it is absolutely vital that the company does satisfy objectives other perspectives since all of the four perspectives are strategically interlining one another. As all perspectives are equally important, this thesis shall focus at Customer perspective because it is, as claimed by the manager, where the problem lied and needed immediate attention. Company as present has no performance appraisal method and thus unable to self-realize when their performance is out of line but instead let customer to make a complaint. Company also does realize that an improvement in quality and efficiency is a key in solving this problem.

Problems such as the following: long lead time and yet problem persists; postpone the pick-up date without notice in advance; unable to fix problem and so customers repeatedly visit the garage, cause high customer discontentment and often lead to customer complaint (Appendix A). The voices of customers through complaint have been heard and indeed attract full attention of the top management. Therefore it is to researcher's and company's best interest to analyze internal processes in order to identify the causes and resolve problems by set-up performance measurement system to monitor and possibly improve time, quality, efficiency, and accuracy of the operation.



**Figure 1-1: Preliminary business Unit strategic Map**

#### 1.4 Objective

1. To develop and apply performance measurement system into maintenance operation unit upon the concept of the Balanced Scorecard (BSC).
2. To improve the quality and performance of the key area for the maintenance operation unit.
3. To increase the customer satisfaction by the reducing the number of customer complaint on lead time.

### **1.5 Scope of Research**

The study focuses on the development of KPI for maintenance operation unit of ABC based on the BSC and implementation of initiatives for the one selected key area with duration of six months period of study

### **1.6 Research Procedure**

1. Study theory and research involving thesis.
2. Review corporate policy and/or corporate strategic map with the management
3. Develop KPI for maintenance operation unit based on the balanced scorecard
4. Study and analyze maintenance operation unit working flow chart. Identify critical success factor and key process for quality & performance improvement
5. Analyze key process for quality and performance based on the selected initiative using tool such as:
  - Flow Chart
  - Process Activities Mapping
  - E-C-R-S(eliminate combine rearrange simplicity)
  - Cause and Effect diagram
  - Why-Why Analysis
6. Recommend the solution and implement.
7. Conclusion and Recommendation.
8. Thesis write up and submission.

**1.7 Expected Results:**

1. The number of customer complaint is expected to reduce
2. Appropriated Key Performance Indicators for the business are determined.
3. Establish a Performance Measurement procedure enabling the company to continuously measure, improve, and review their performance.
4. The performance measurement method established in this thesis serves as a framework for other departments within the company and other businesses of similar or dissimilar industry.

