

Report on benchmarking project at the Pappas Group

Customer service on trial

The car dealership group Pappas has just completed a benchmark project. This measured running costs and services, the complexity and the quality of the company's IT. In addition Maturity was asked to review the current situation in terms of future requirements, processes and technologies.

It is probably in our nature to measure what one can do against others. This is particularly the case with a car which is often described as the "favourite child" of many Central Europeans. It carries people and their luggage from A to B – and often involves a good deal of prestige into the bargain. As far as the latter is concerned, in addition to emotional factors, there are also concrete measurement values, primarily covering the performance of the car and its price. Over the last few years at least the rule of thumb has been the more the better. But this attitude has now changed as a result of the scarcity of resources. Customers today are looking for the perfect balance between investment and yield or, as the former German Chancellor Helmut Kohl put it "The important thing is what it does".

The parallels between this and IT are unmistakable, even though the high tech industry has not yet managed to establish its products and services as prestige items in the enterprise segment. This is where IT is ideally used as a strategic tool whilst critics simply regard it as an unavoidable expense. "Economical IT solutions mean generating added value for the company", is the view of Karl Hüttinger, who has headed up the IT department of the Pappas Group in Salzburg for the last ten years. This family company, which first opened for business over 50 years ago, is now one of the largest car dealership groups (or "mobility service providers" as the industry currently describes itself on its flags) in Central Europe with a workforce of around

2,600 people in Austria, Bavaria and Hungary. Pappas has an extended network of its own companies as well as holdings and is the sales and service partner for Mercedes Benz, Smart, Chrysler, Jeep, Dodge, Mitsubishi Fuso and KIA (in Hungary only). In 2007 it turned over more than one billion euros in around 40 branches by selling motor vehicles, financial services, maintenance services and consultancy work.

"Our IT is not an end in itself but as effective a value generator as possible for all the business units", is how IT Manager sums up the *raison d'être* of his organisation. The basis for this is provided by an appropriately powerful and highly available IT landscape with a high level of integration of the various systems. Siloed solutions, on the other hand, are shunned. Hüttinger maintains an "intensive dialogue with the various business units". The closeness to the various departments is intended to ensure that IT "is moving in the right direction". The aim is to create proximity by means of a high level of integration. The core IT of the Pappas Group comprises a workforce of 14 people whilst a further thirteen people in the extended department provide local support at all the sites. In addition, Pappas also provides support for IT-affiliated companies which are linked by means of service contracts and service level agreements. These include the sales department of the general Mercedes Benz agent in Austria as well as the general agent of the Swabian motor giant in Hungary.

Profile

Pappas Gruppe

Das Beste erfahren. www.pappas.at

Company

Pappas Group, car dealers and services with around 40 branches in Austria, Bavaria and Hungary

Website

www.pappas.at

Benchmark targets

- Analysis of the running costs, services, complexity and quality of IT
- Identification of facts to act as a basis for internal negotiations
- Identification of potential improvements by comparisons with competitors
- Online survey of users

"In negotiations with the management, your arguments are given real support if they are backed by a benchmark."

Karl Hüttinger, IT Manager at Pappas



The truck test bed - in IT this work is known as a "benchmark"

Business advantages

- Determine the position of IT by costs and performance.
- Use results to reinforce points of view.
- Analyse processes and technologies to find how future-safe they are.
- Improve deficiencies in various IT segments.

"I personally tend towards a rational point of view with a certain level of comfort and high functionality", says Hüttinger about his dream car and also about his view of IT. The benchmark provided him with proof in black-and-white that he was on the right track with this view. "Our consumption of resources in IT is at the lower limit and we have no waste." Hüttinger was actually convinced of this before the benchmark but in negotiations with the management "your arguments are given real support if they are backed by a benchmark."

The idea to determine the current position came from Commercial Director Alexander Pappas, the owner and Chief Executive of the Group. There was no direct reason behind it, recalls Hüttinger, who previously only had experience of benchmarks in individual segments. However, the IT manager realised that the project would quickly answer a whole series of questions. "Are we really as good as we think we are and where is there potential for improvements which can only be identified by comparison with other companies?" The aim was to support feelings with facts. Hüttinger admits that at the start of the process he was confronted with "conflicting feelings". "I was ready for anything."

Pappas IT primarily provides support to the core sections of IT and otherwise works with external partners. Partial outsourcing comprises the fields of network management, maintenance

of technical systems, training, support for technical functions and cooperation in development projects. The IT landscape has a cascade structure with strong central components which are available to all sites. In the ERP sector Pappas only uses its own developments. These are supplemented by licensed programs for business intelligence, for example, which are operated with external partners and some of which have been modified internally.

The focus of the benchmark comparison with reference data was on running costs and services, the complexity and the quality of the Pappas IT. In addition Maturity was asked to review the current situation in terms of future requirements, processes and the technologies used. The result was "very good". "We were between better and much better than the eight top companies from the database with comparable environments in ten of the twelve main segments analysed." The two points which were below par involve the networks section and action to improve this situation has already been implemented by the IT manager.

According to Hüttinger, the previously agreed target times were achieved during the course of the benchmark project. The cost of the benchmark itself (three to four man-weeks) was described by the IT manager as "not inconsiderable", however. The volume was rather larger than originally expected "but we adjusted the priorities accordingly". The background to this



The Pappas Group headquarters in Salzburg

was that "our IT was not as easy to fit into the pattern that applies to large IT organisations." The structured sub-division of the benchmark was eliminated together with maturity to make things clearer. For example the storage section was not managed as a separate segment prior to the benchmark but was run as an integrated system together with the databases.

Hüttinger added an online survey of users to the benchmark. The responses to this had "provided lots of ideas to make further improvements". The best marks were awarded to the helpfulness, competence and service readiness of IT. This once again closes the circle for the universal criteria of a good service provider – regardless of whether the work is focused on the IT or the mobility of the specific customer. ■

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