

CORPORATE BUSINESS GROUP CHARTER

February 28, 1985

INDEX

	<u>Page</u>
History	1
Business Group Objectives	3
Business Group Functions	4
Areas of Responsibility	5
Quality	6
Cost	9
Technology	15
Other Issues	16
Organization	17
Membership Roles	21
Relationship to DQR	22
Relationship to CPAUS	23
Confidential Information	24
Relationship to Program Management	25
Relationship to Procurement and Supply	26
Relationship to Controller's Office	27
Relationship to Component Business Operations Group	28
Study Balance	29
Resources	30
Approvals	31

BUSINESS GROUP HISTORY

- . Organization announced in July, 1984.
- . New concept in industry.
- . Charter not sufficiently defined.
- . Membership commitment lacking.
- . Expectations not consistent
 - between functions.
 - over time.

BUSINESS GROUP HISTORY

- . The Corporate Business Group organization was first announced in July, 1984.
- . It was a revolutionary concept in the automotive industry, combining representatives from various functional areas into a single group with total responsibility for quality, cost, and technology. The idea was to have the same team working on all aspects of a component.
- . Being a new concept, the Charter for the Business Groups was not totally defined. Subsequently, there have been many questions regarding the scope of the groups' responsibilities.
- . Because of the uncertainties relating to their Charter, the commitment of some group members has been slow in coming.
- . As in every new concept, there have been "labor" pains. This was expected, just as there are launch problems with a new car.
- . Adding to the uncertainty about the groups' Charter has been a lack of consistency about what is expected from the groups. Different executives have had differing expectations, and these expectations have changed thru time.

MEETING PURPOSE

- . Clarify responsibilities.
- . Identify specific objectives.
- . Realign to organization.
- . Clarify roles and relationships.
- . Address required resources.

MEETING PURPOSE

- . With six month's experience under our belt, we are now better able to define the Corporate Business Group Charter.
- . The main items to be covered today are:
 - A clarification of the Business Groups' responsibilities.
 - The identification of specific objectives for each group.
 - A realignment of the group organization.
 - A clarification of roles and relationships, both of members to the groups and also of the groups to other corporate functions.
 - The resources that will be put in place to accomplish the objectives.

BUSINESS GROUP OBJECTIVES

- . World class in:
 - Quality
 - Cost
 - Technology
- . Strengthen interfaces between functions.
- . Short and long term.

BUSINESS GROUP OBJECTIVES

- . The Corporate Business Groups' basic mission remains unchanged from July. Their objective is to achieve and maintain a world class level in quality, cost, and technology by 1990 for every part of every Chrysler manufactured vehicle for sale in the United States and Canada.
- . In order to achieve this goal, it will be necessary for all corporate functions to act in concert. The Corporate Business Groups are intended to strengthen the interfaces between the various organizational functions to insure that this is achieved.
- . The Corporate Business Groups' responsibilities apply to both short term and long term issues, i.e., 1985 to 199X.

BUSINESS GROUP FUNCTIONS

- . Consolidation of activities.
- . Line activity responsibilities not diminished.
- . Involved in all activities which impact targets.
- . Functional activities have day-to-day responsibilities.
- . No sharp line between Group and day-to-day activities.

BUSINESS GROUP FUNCTIONS

- . The primary purpose of the Corporate Business Groups is to consolidate all activity relating to a given component or system into one functioning group to insure that there is coordinated effort among the various line organizations. The Business Groups are not intended to eliminate or diminish the basic responsibility of any line organization.
- . The existence of the Business Groups does not excuse any line activity from its assigned responsibilities.
- . If a Business Group is involved in a strategic issue, as part of meeting its assigned tasks, then the line activities will provide input into the Business Group decision making process. If the Business Group does not become involved, then the line activities will proceed as before.
- . Functional organizations will remain responsible for normal day-to-day activities such as:
 - designing
 - releasing
 - scheduling
 - routine vendor selection
 - contract negotiations
 - manufacturing processing
- . There is no sharp dividing line between Group and day-to-day activities.
- . The Guiding Principle will be that "The Group will be involved in all activities to the extent necessary to achieve the established targets".

AREAS OF RESPONSIBILITY

- . Quality
 - Durability
 - Reliability
 - Customer Satisfaction

- . Cost
 - Fixed
 - Variable
 - Design
 - Sourcing

- . Technology/Innovation

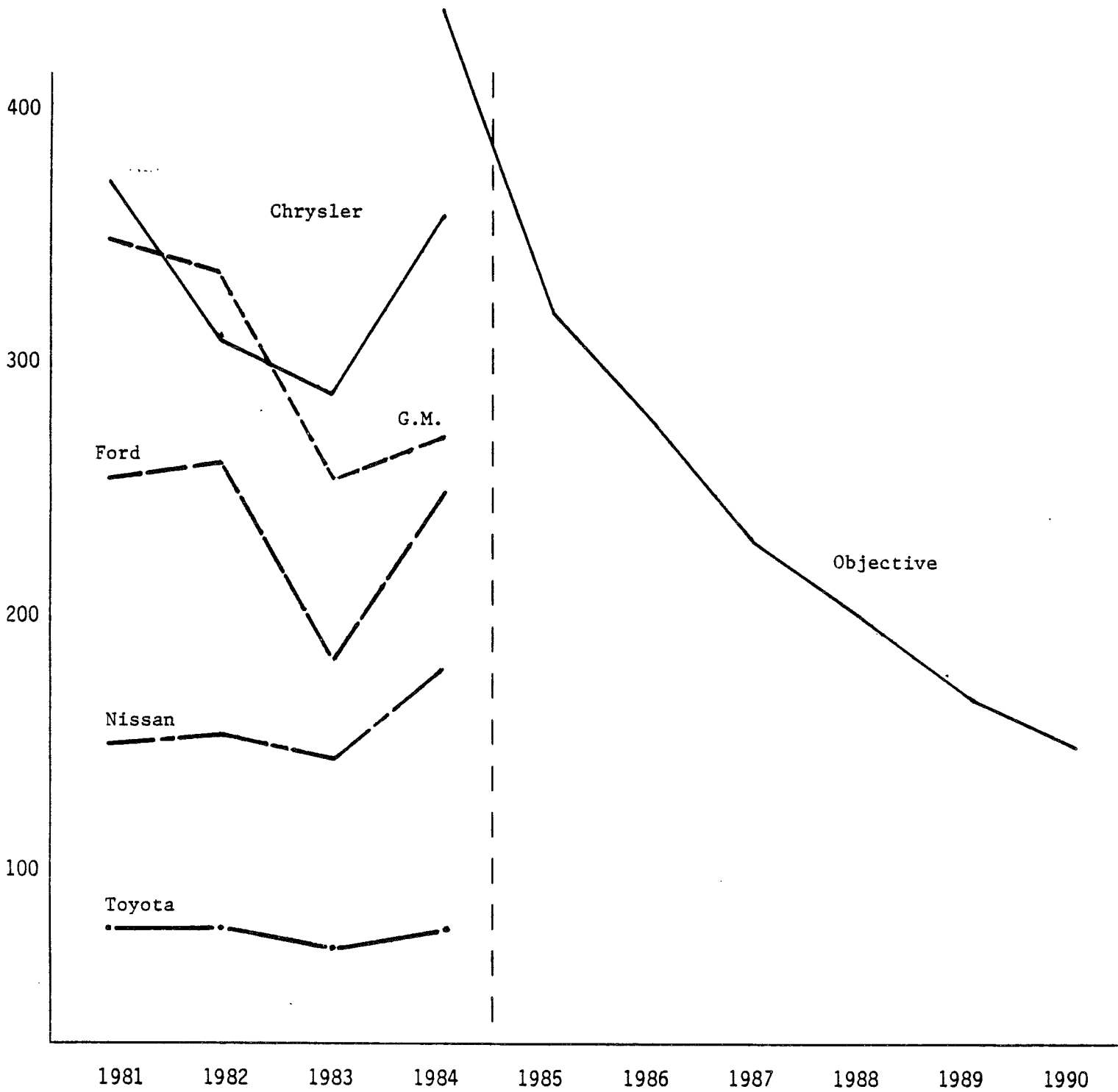
AREAS OF RESPONSIBILITY

- . Quality - While specific targets have been established for the Corporate Business Groups on C's/100, it should be recognized that the Groups are also responsible for all aspects of durability, quality, and reliability including customer satisfaction.
- . Cost - All elements of fixed and variable cost, including labor and material, design, and sourcing will be valid opportunities for the Business Groups to address to meet their cost targets.
- . The technology and product innovation responsibility encompasses the impact of all areas including design, application, manufacturing, and styling.
- . We will describe in more detail later the specific objectives and responsibilities pertaining to each of the three basic areas as well as how the Groups relate to line activities.

QUALITY
PASSENGER CARS

Things Gone Wrong Per 100 Owners*

Corporate C/100**



* Roger's Study Data, Six Months in Service
** Chrysler's Data/Targets

QUALITY

- . To be world class in quality we must make major strides. Although our quality has improved substantially in recent years, we still trail the Japanese by a wide margin, as well as G.M. and Ford by a narrower margin as shown.
- . C/100 targets have been set to narrow this gap. From 1984 to 1990 these represent a reduction of 67% for car; and 50% for truck.

QUALITY

C/100 TARGETS - CAR

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
Body Structures	66.0	57.7	48.5	42.8
Paint & Anti-Corrosion	7.7	6.9	5.9	4.9
Body Electrical	72.7	63.7	55.1	46.0
Powertrain Components	30.7	27.1	23.2	19.8
Carburetion & Driveability	31.3	26.1	21.3	17.0
Engines	12.1	10.4	8.8	7.8
Chassis	27.2	25.2	21.8	17.4
Transmissions & Final Drive	17.2	14.9	13.0	11.0
Exterior Trim	14.9	13.3	10.9	9.2
Climate Control	15.9	13.6	11.9	10.1
Interior Trim	19.2	16.0	14.0	12.0
Total	<u>315.0</u>	<u>275.0</u>	<u>235.0</u>	<u>200.0</u>

QUALITY

- . The overall C/100 targets for total cars and trucks have been broken down into individual targets for each Corporate Business Group. The car targets are shown.
- . The Corporate Business Groups should also consider customer satisfaction - both short and long term.
- . In order to achieve the quality objectives, the Business Group must be involved in the day-to-day quality improvement process.
- . The Chief Engineer will be directly responsible for achievement of the quality targets. He will, thru the business organization assigned to each Group, oversee the day-to-day activities relating to quality within the Engineering Office.
- . Other Business Group members will coordinate the day-to-day quality activities of their functions with the Business Group.
- . This policy is essentially the same as existed with the CWRP committees.

Examples:

- The Group will be involved with design changes, source changes, and major process changes that effect quality.
 - The Group will insure that statistical quality control is in place.
 - The Group will not be involved in detail processing.
 - The Group will not become mired in minutiae.
- . The Corporate Business Groups will identify with Manufacturing those items necessary to achieve the C/100 targets (i.e., high technology inspection systems; state-of-the-art manufacturing systems/processes; machine capability upgrading; packaging, etc.).

QUALITY

<u>Corporate Business Group</u>	<u>Responsible Vice-President</u>
Body Structure	R. L. Stewart
Paint & Anti-Corrosion	R. E. Dauch
Body Electrical	R. L. Stewart
Carburetion & Driveability	R. E. Dauch
Powertrain Components	R. E. Dauch
Engine	R. E. Dauch*
Chassis	R. L. Stewart
Transmissions	R. E. Dauch*
Exterior Trim	R. L. Stewart
Climate Control	L. H. Runk
Body Trim	L. H. Runk

*F. M. Clark, Jr. will oversee day-to-day operations.

QUALITY

- . Manufacturing is first among equals with respect to quality. They must be involved not only in day-to-day issues but also in upstream activities including engineering, feasibility, and sourcing.
- . Accordingly, on matters relating to Quality, the Corporate Business Groups will continue to report to the Durability, Quality, and Reliability Subcommittee. A Manufacturing Vice President will continue to oversee the Corporate Business Groups on quality/reliability issues.

COST

<u>1984 Conditions</u>	<u>Lower Estimate</u>	<u>Higher Estimate</u>
Estimated Japanese advantage	\$ 1800	\$ 2200
U.S. sourcing penalty for Japanese vehicles	<u>500</u>	<u>500</u>
Proposed Cost Reduction Target	<u>\$ 1300</u>	<u>\$ 1700</u>

<u>1990 Conditions</u>	<u>Lower Estimate</u>	<u>Higher Estimate</u>
Projected 1990 Japanese advantage	\$ 3200	\$ 4000
U.S. sourcing penalty for Japanese vehicles	500	500
Potential shortfall to parity in 1990	<u>200</u>	<u>1000</u>
Proposed Cost Reduction Target	<u>\$ 2500</u>	<u>\$ 2500</u>

COST

- . World Class in cost requires us to be competitive with the Japanese.
- . As Chris Steffen just showed, there are numerous studies from a variety of sources that indicate that the Japanese have a \$1800-\$2200 cost advantage over us on comparable vehicles at 1984 conditions.
- . It is estimated to cost the Japanese \$500 per vehicle more to build in the U.S. than in Japan. We believe that U.S. built Japanese vehicles should be selected as our cost target.
- . Accordingly, a cost reduction of \$1300-\$1700 is required for parity at 1984 conditions. This represents an overall reduction of 16 to 22%.
- . If nothing is done the Japanese cost advantage is estimated to grow to \$3200-\$4000 by 1990.
- . We cannot rely on the government to help us thru a revised tax structure or continued import restrictions, and we cannot count on a stronger yen to lessen the disadvantage. We must protect our own future.
- . A \$2500 average vehicle cost reduction is the proposed target for 1990. \$2500 may still leave us \$200 to \$1000 short of parity depending upon what really happens between now and 1990. Any shortfall would have to be subsequently eliminated if it actually occurred.

CORPORATE BUSINESS PLAN OBJECTIVES

(1984 ECONOMICS - AVERAGE VEHICLE)

<u>Variable Costs</u>	<u>1988 vs. 1984 Cost Reductions</u>
Direct Material	\$ 454
Inbound Transportation	85
Labor Plus Fringes	337
Warranty	78
Other Manufacturing Expense	55
	<u>\$1009</u>
<u>Fixed Costs</u>	
Manufacturing Burden	\$ 108
Vehicle Program Costs	63
G & A and Selling Expense	81
	<u>\$ 252</u>
Total Cost Reduction	<u>\$1261</u>

1984-1988 CORPORATE BUSINESS PLAN OBJECTIVES

- . The 1984-1988 Corporate Business Plan includes objectives for both variable cost improvements and fixed cost reductions for the average Chrysler vehicle.
- . The variable cost portion of the Business Plan calls for a \$1009 per vehicle improvement from the 1984 level. A specific action plan for reaching this objective was not developed, although year-by-year targets enable progress to be tracked.
- . The fixed cost reduction objective included in the Business Plan is \$252 per vehicle.
- . When considered together, the variable and fixed cost reduction objectives total \$1261 per unit thru the 1988 calendar year.

ADDITIONAL REDUCTION REQUIRED
(1984 ECONOMICS - AVERAGE VEHICLE)

<u>Variable Costs</u>	<u>1984-1988 Business Plan</u>	<u>1984-1990 Extrapolated</u>	<u>Additional Task</u>	<u>Total</u>
Direct Material	\$ 454	\$ 630	\$ 270	\$ 900
Inbound Transportation	85	118	51	169
Labor Plus Fringes	337	468	200	668
Warranty	78	108	46	154
Other Manufacturing Expense	55	76	33	109
	<u>\$1009</u>	<u>\$1400</u>	<u>\$600</u>	<u>\$2000</u>
<u>Fixed Costs</u>				
Manufacturing Burden	\$ 108	\$ 149	\$ 64	\$ 213
Vehicle Program Costs	63	88	38	126
G & A and Selling Expense	81	113	48	161
	<u>\$ 252</u>	<u>\$ 350</u>	<u>\$150</u>	<u>\$ 500</u>
Business Plan Reduction	<u>\$1261</u>			
Extrapolated 1990		<u>\$1750</u>		
Task			<u>\$750</u>	
Reduction Required by 1990				<u>\$2500</u>

ADDITIONAL REDUCTION REQUIRED

- . If the 1984-1988 Business Plan objectives are extrapolated thru 1990, the \$1261 becomes \$1750. (This represents an average reduction of \$250 per year.)
- . Comparing the \$1,750 extrapolation to our target, we see that an additional reduction of \$750 per unit is required to reach the \$2,500 objective by 1990.
- . The amounts in the individual categories are extrapolated from the Business Plan. They do not necessarily represent the proposed targets.

TARGET COST POSITION

(1984 Dollars)

<u>Variable Costs</u>	1984 Average Vehicle	Projected 1990 Average Vehicle	Target Reduction	Target Reduction as Percentage of Projected 1990
Direct Material,	\$3970	\$4400	\$1185	27%
Inbound Transportation	193	200	60	30
Labor Plus Fringes	1226	1400	545	39
Warranty	285	300	125	42
Other Manufacturing Expense	176	200	85	42
	<u>\$5850</u>	<u>\$6500</u>	<u>\$2000</u>	<u>31%</u>
 <u>Fixed Costs</u>				
Manufacturing Burden	\$ 600	\$650	\$ 150	23%
Vehicle Program Costs	730	800	150	19
G & A and Selling Expense	700	750	200	27
	<u>\$2030</u>	<u>\$2200</u>	<u>\$ 500</u>	<u>23%</u>
 Total	 <u>\$7880</u>	 <u>\$8700</u>	 <u>\$2500</u>	 <u>29%</u>

TARGET COST POSITION

- . The proposed targets are as shown. The variable cost targets are based on the Business Plan thru 1988, with the incremental beyond the Business Plan split evenly based on the share of total cost. The individual targets are still subject to negotiation, but we must strive to achieve the \$2500 total to remain a viable company.
- . The increased cost levels shown for the projected 1990 average vehicle over the 1984 average vehicle are the result of corporate costs increasing faster than the inflation rate. If we can hold our labor and material cost to the inflation rate, then our cost will stay at the 1984 level, and we will have accomplished over \$800 of the task.
- . An average car cost reduction of 29% is necessary vs. the projected 1990 position.
- . While the \$2500 task may still sound impossible, look at some of the individual pieces.
- . To achieve a reduction in direct material, there is the opportunity for world wide sourcing, long term contracts, value managed relationships, and of course new designs and new materials. Also note that if a 19% reduction in direct material is achieved at current conditions and the cost increase between 1984 to 1990 is kept to the inflation rate, a cost level equivalent to a 27% reduction in 1990 will be achieved.
- . \$545 of labor plus fringes is only 20 hours at the 1990 labor cost of \$28 per hour (that's in 1984 dollars). The current Business Plan calls for a reduction of 16 hours thru 1988; so all we are calling for is achieving that objective plus a further reduction of 4 hours in the following 2 years.
- . A 44% reduction in warranty expense by 1990 does not seem unreasonable when we have already committed to reduce C/100 by over 50% by 1988.

VARIABLE AND FIXED COST TASK ASSIGNMENT

(1984 ECONOMICS - AVERAGE VEHICLE)

<u>Variable Cost</u>	<u>1984 Cost Level</u>	<u>Projected 1990 Cost Level</u>	<u>Projected Task</u>
<u>Corporate Business Groups</u>			
Body Structures	\$1110	1230	\$ 380
Paint & Anti-Corrosion	110	120	40
Body Electrical	790	880	270
Powertrain Components	340	380	120
Carburetion & Drievability	110	120	40
Engines	400	440	130
Chassis	1350	1500	470
Transmissions	450	500	150
Exterior Trim	340	380	120
Climate Control	170	190	60
Interior Trim	680	760	220
	<u>\$5850</u>	<u>\$6500</u>	<u>\$2000</u>
 <u>Fixed Cost</u>			
Manufacturing Burden	\$ 600	\$ 650	\$ 150
Program Cost	730	800	150
G & A and Selling Expense	700	750	200
	<u>\$2030</u>	<u>\$2200</u>	<u>\$ 500</u>
 Total Cost	<u>\$7880</u>	<u>\$8700</u>	<u>\$2500</u>

- | |
|---|
| <ul style="list-style-type: none"> . Preliminary breakdown of variable cost by Corporate Business Groups. . Tasks are prorated based on current cost level. |
|---|

TASK ASSIGNMENT

- . The total \$2500 task has been broken into a Variable Cost Objective of \$2000 and a Fixed Cost Objective of \$500.
- . As part of the Corporate Business Group approach, this \$2000 has been allocated to the 11 Business Groups. The allocations shown are based on the approximate share of the total vehicle cost for which each group is responsible. These individual group targets are not final. They are subject to negotiation, but the total must reach \$2000.
- . Note that a large fixed cost reduction is also required at the same time. The magnitude of this task precludes achieving the variable task by converting variable cost to fixed - i.e., by unlimited spending on tools and facilities. This means automation will have to more than pay for itself. Total cost reductions must be achieved - not cost transfers.
- . The fixed cost reduction tasks will be the responsibility of the respective Executive Vice Presidents in the traditional manner.
- . Although the total cost level is shown being reduced by \$2500, it is recognized that there will be some cost increases because of added content. These will be tracked on a Modified Net basis. If a feature is added to stay competitive with what competition has already done, or a new regulation must be complied with, the cost of these actions will be treated separately. The cost would then not need to be offset by more cost reductions. However, this is true only to the extent that the lowest cost producer increased his cost for the same feature or regulation. The cost of adding center high mounted stop lamps, for example, may be added to the average vehicle cost without necessarily increasing the size of the cost reduction objective. However, if it costs us \$25 to add the CHMSL's, and our competition does it for \$10; then \$10 will be added to the vehicle cost objective, and the other \$15 will be added to the cost reduction objective. The Finance Office will determine when such an adjustment is appropriate and the amount of the adjustment.

COST REDUCTION RESPONSIBILITY

<u>Business Groups</u>	<u>Functional Grouping</u>					<u>Total*</u>
	<u>Direct Material</u>	<u>Inbound Transportation</u>	<u>Labor plus Fringes</u>	<u>Other Mfg. Expense</u>	<u>Warranty</u>	
Body Structures						\$ 380
Paint & Anti-Corrosion						40
Body Electrical						270
Powertrain Components						120
Carburetion & Driveability						120
Engines			Details to be Developed			40
Chassis						130
Transmissions						470
Exterior Trim						150
Climate Control						120
Interior Trim						60
Total	<u>\$1185</u>	<u>\$ 60</u>	<u>\$545</u>	<u>\$125</u>	<u>\$ 85</u>	<u>\$2000</u>
Functional Responsibility:	D. R. Platt R. M. Sinclair	D. R. Platt	S. Sharf	S. Sharf	R. M. Sinclair S. Sharf	

*Allocation by Business Group is preliminary.

COMPONENT BUSINESS GROUPS COST REDUCTION RESPONSIBILITY

- . The \$2000 Business Group objective has been assigned to both the Business Groups and functional activities in a matrix arrangement.
- . Within each Business Group objective are sub-objectives for material, labor, etc.
- . All appropriate elements of cost are fair game for the Business Groups including:
 - Direct and indirect labor
 - Material cost
 - Total transportation cost
 - Royalties/licenses
 - Warranty
 - Assembly to vehicle
 - Engineering
 - Fixed costs including depreciation and amortization
- . The Business Groups will have the authority to allocate between the five elements as appropriate. Finance will have data available within 30 days on which to base this allocation. By July, 1985, the Business Groups should have established their best estimate of the allocation among elements; an assessment by model year of how this will be accomplished; and a basic workplan leading to achievement of the total task.
- . If a Group feels that the assigned task cannot be achieved, the Group may discuss its target with the Executive Vice President, Product Development. Some shifting of task between Groups is possible, but the total must remain at \$2000.
- . The total for each functional category (direct material, transportation, warranty, etc.) is assigned to the executives as indicated.
- . The traditional VMI program and the \$500 Club will remain in place until the new system is up and running. During this period the traditional methods and the Business Groups will supplement each other. Eventually it is intended to phase out the traditional reports, but all activities will still be expected to contribute to the objective.
- . The Business Group will be involved in all strategic decisions involving cost. Short term decisions with strategic implications are included.
- . Sourcing decisions, both make/buy and vendor selection fall within the Business Groups sphere of influence if they have strategic implications.
- . In that the Group has specific short term cost targets, it also has the authority to be involved in all short term decisions which affect cost. These decisions include but are not limited to:
 - source selection, manufacturing process, material substitution, quality deviations, and specification changes.
- . It will be the responsibility of the functional representative to advise the Group on pending decisions affecting cost.
- . The Group will initially focus on decisions where the cost differential is over \$1 per average vehicle.
- . The Group will be involved in short term supplier selection where there are quality differences, long term technical capability differences, and significant cost differentials.
- . The Group will not be involved in short term supplier selections where minor cost differences are the only issues.

TECHNOLOGY/PRODUCT INNOVATION

- World Class Requires:
 - State-of-the-Art Products
 - Leading Edge Technology

TECHNOLOGY/PRODUCT INNOVATION

- World Class technology requires that we have state-of-the-art products. We do not necessarily have to be the leading edge in every area, but neither can we afford to be trailing in areas of major customer interest. The Corporate Business Groups are responsible for putting in place and implementing plans to ensure that Chrysler has World Class products.
- In addition to basic components, the Corporate Business Groups are responsible for planning and incorporating advanced features which will enhance our vehicles' reputation as being World Class.
- The application of advanced features and product innovations will be planned as a cooperative effort between the Corporate Business Groups and Program Management to insure consistency with other vehicle objectives.
- The Chief Planner will initiate such plans; the financial representative will provide the necessary financial analysis; and other members will contribute as appropriate.
- In the technology area, all activity is regarded as within the Business Groups' sphere of influence.

OTHER ISSUES

- . Timing
- . PCN control
- . Complexity

OTHER ISSUES

- . We were considering also assigning responsibility for timing, PCN control, and complexity to the Corporate Business Groups. However, we now believe it is more appropriate to control these issues thru the appropriate line organizations at this time so that the Business Groups' efforts on the three main areas of quality, cost, and technology will not be diluted.

ORGANIZATION

Corporate Business Groups

- . Body Structures
- . Paint & Anti-Corrosion
- . Body Electrical
- . Powertrain Components
- . Carburetion & Driveability
- . Engines
- . Chassis
- . Transmissions
- . Exterior Trim
- . Climate Control
- . Interior Trim

ORGANIZATION

- . There are currently 11 Business Groups dealing with the components and systems within a vehicle. This remains unchanged.

ORGANIZATION

- Single Chairman.
- Representatives from
 - Engineering
 - Manufacturing
 - Procurement & Supply
 - Finance
 - Components Planning
 - Component Business Operations Group
 - Design Office
- Representatives as required from
 - Program Management
 - Other
- Specialists assigned from Quality and Productivity.
- Small business organization to support each CBG Chairman.

ORGANIZATION

- A Chief Engineer or equivalent will be Chairman of each Corporate Business Group and will be responsible for the overall functioning of the Group. This is a change from the previous organization in which a different "first among equals" was responsible for quality, cost, and technology. The Chairman now has overall responsibility for these three functions. The Group representatives from the various areas will assist him in these responsibilities.
- Each Group will consist of representatives from Manufacturing, Procurement & Supply, Finance, and Components Planning. Some groups will also have representatives from the Component Business Operations Group or the Design Office as appropriate.
- Representatives from Program Management and other Corporate functions will participate as required.
- Specialists from the Quality and Productivity Office will be assigned to support each Group.
- Within each Group, the Component Planning Chief will support the Chairman in the development of plans for future components and systems.
- A small business organization will be appointed to assist the Chairman of each Business Group.
- It will be the Chairman's responsibility to seek a consensus among the members on issues for which the Group has responsibility. If a consensus cannot be reached; and a position cannot be developed to accommodate the various viewpoints, then the Chairman has the authority to make the decision for the Group. If the decision is challenged by a Group member, it is the Group's responsibility to bring the issue to line management's attention. Management will seek resolution at the lowest appropriate level. If necessary the Chairman and Vice Chairman of CPAUS will be involved. As a final resort the CPAUS will resolve major issues. With this authority, the Chairman must not run roughshod over the views of the other Group members.
- The authority of the Corporate Business Group will not exceed the authority of the individuals within the Group. Thus, if a complete consensus is reached within the Group, the recommended decision will be presented to the appropriate line activities for approval and implementation.

ORGANIZATION

<u>Corporate Business Group</u>	<u>Engineering</u>	<u>Components Planning</u>	<u>Manufacturing</u>	<u>Procurement & Supply</u>	<u>Finance</u>	<u>Component Business Operations Group</u>	<u>Design Office</u>
Body Structures	R. P. Marcell*	R. A. Horvath	J. A. McCaslin	L. E. Rybacki	M. A. Wauldron	-	J. G. Ebeje K. N. Walli D. M. Wright
Paint & Anti-Corrosion	M. Lis	R. A. Horvath	R. T. Smith*	T. H. Norman	F. L. Hubacker	-	G. R. Thorle
Body Electrical	R. D. Rossio*	J. E. Holtslag	G. M. Gillett	M. W. Kerby	J. H. Cypher	G. J. Dellas	-
Powertrain Components	C. J. Davis*	F. B. Whelan	G. R. Nyberg	T. A. Boltik	D. A. Hansz	J. L. Webster W. F. Nunnold	-
Carburetion & Driveability	F. E. Allen*	F. B. Whelan	F. J. Bartz	T. A. Boltik	A. E. VonSteege	-	-
Engines	W. L. Weertman*	G. L. Rinschler	W. L. Heathcote	L. E. Rybacki	W. C. Steele	-	-
Chassis	H. R. Pickford*	J. C. Kerby	J. E. Thompson	T. A. Boltik	L. C. Rose	J. W. Murphy	-
Transmissions	B. W. Cartwright*	G. L. Rinschler	D. M. Slauchbaugh	T. A. Boltik	A. A. Eusebio	J. W. Murphy	-
Exterior Trim	F. R. Winders*	J. C. Kerby	W. D. McAuley	R. G. Tennant	T. L. Nally	-	K. H. Walli D. M. Wright
Climate Control	F. R. Winders*	J. E. Holtslag	J. S. Felice	M. W. Kerby	R. J. Koss	J. W. Murphy	-
Interior Trim	H. B. DeCaluwe*	J. E. Holtslag	G. W. Smith	T. H. Norman	S. H. Sangvi	M. Teodosic	J. G. Ebeje G. R. Thorle

*Chairman

ORGANIZATION

- . The current membership of the Corporate Business Groups is as shown.

ORGANIZATION

- Business Groups are organizational entities.
 - Component/System Responsibility.
 - Authority to make/implement decisions.
 - Establish objectives.
- Objectives/performance reviewed with CPAUS.
- Distinct and separate from Component Business Operations.
- Sense of urgency must exist.

ORGANIZATION

- The Corporate Business Groups will be treated as Organizational Entities with:
 - Responsibility for assigned components and/or systems.
 - Authority to make and implement decisions (within the authority levels of the Group members).
 - Authority to establish their own objectives which are consistent with established corporate cost and quality targets.
 - Responsibility to review their objectives and performance with the Component Planning and Asset Utilization Subcommittee as appropriate.
- The Corporate Business Groups are separate and distinct from Lee Runk's Component Business Operations Group. This will be explained in more detail later.
- The Corporate Business Groups, including the individual members, will be held responsible for the timely development and implementation of component plans and recommendations.
- A sense of urgency must exist if the Groups are to be successful.
- It is not certain that this is exactly the right organization, but it is time to move forward. A lot of hard work has been done in the last few months to accommodate all the concerns expressed by various organizations. There are still some problems to be worked out; but the VRA's are coming off, and it is time to move.

ROLES

. Members Roles:

- Chairman is Chief Engineer or equivalent.
- Finance responsible for total cost data.
- Procurement & Supply responsible for purchased component information.
- Manufacturing responsible for manufacturing and assembly information.
- Components Planning responsible for plan development.

. Member Commitment:

- Group participation is a primary responsibility.
- Performance rated on Group participation.

. Management Commitment Mandatory.

ROLES

- . The basic roles of the various members will include the following responsibilities:
 - The Chief Engineer, or the appointed equivalent, will be Chairman of the Group and will have overall responsibility for the Group's operation. He must insure that the Group aggressively pursues its objectives.
 - The Finance representative will be responsible for all financial analysis and for supplying information on total cost to the Group. He will obtain concurrences as appropriate.
 - The Procurement and Supply representative will function as liaison between the Corporate Business Group and the Procurement & Supply Office and will supply current purchased cost, contract terms, future quotes, SQA efforts, and such other information that may be required for development of a business plan. Confidentiality of such information will be maintained.
 - The Manufacturing representative will function as liaison between the Group and Manufacturing on all areas of concern including quality and cost. He will supply manufacturing and assembly cost data as required.
 - The Component Business Operations Group representative will function as liaison between the Corporate Business Group and the Component Business Operations Group. He will supply quality and cost data as required but will not have access to other suppliers' costs. On sourcing issues he will be treated as a supplier.
 - The Components Planning representative will coordinate all planning activities and propose Component Business Plans.
- . For this organization to succeed, the members of the groups must be totally committed to making it work. The members must believe that they own the Group - that it's their business and not just another addition to an already crowded work load.
 - Group participation must be considered a primary job responsibility of each member and must be treated with at least as much priority as any other responsibility he may have. It is the responsibility of his functional organization and his direct supervisor to ensure that adequate time is made available for Corporate Business Group matters. Functional activities must not pre-empt Business Group activities, either in total or on a priority basis.
 - Group members' performance evaluations will include a rating of their contribution to the Group's activity. These ratings will be provided to their direct supervisor by the Chairman of the Group for inclusion in their overall evaluation.
- . In order for the Group members to be committed, their management must also be committed.
 - Group members must be given the freedom by their management to participate fully in the Business Groups.
 - The parent organizations will be rated on the results obtained by the Corporate Business Groups.

RELATIONSHIP TO DQR

- . Authority on quality issues derived from Durability, Quality, and Reliability Subcommittee.

RELATIONSHIP TO DQR

- . The Corporate Business Groups derive their authority on quality issues from the Durability, Quality and Reliability Subcommittee.
- . The Business Groups will report to the DQR Subcommittee on quality/reliability issues. This relationship is basically the same as that which operated under the CWRP organization.

RELATIONSHIP TO CPAUS

- . Authority derived from Components Planning and Asset Utilization Subcommittee
 - Product/Technology
 - Total Cost
 - Sourcing

- . Material Cost Subcommittee Dissolved

- . Report to CPAUS
 - Progress Towards Objectives
 - Business Plans as Appropriate

- . Reviews with Executive Vice President, Product Development on:
 - Cost
 - Technology

RELATIONSHIP TO CPAUS

- . The Corporate Business Groups derive their authority from the Components Planning and Asset Utilization Subcommittee. This authority includes not only technology and product issues but total cost and sourcing issues as well.
- . With total cost reported to the CPAUS, the need for the Material Cost Subcommittee has been eliminated. This Committee will therefore be dissolved. The \$500 Club will also be disbanded as soon as the necessary financial systems can be put in place.
- . The Business Groups will report to the CPAUS on progress toward objectives and will review specific Business Plans as required. Business plans will normally be reviewed on an exception basis or when the Group has been unable to agree on a course of action.
- . Presentations to the CPAUS will have Corporate Business Group members in attendance.
- . The Business Groups will review cost and technology issues with the Executive Vice President, Product Development, as appropriate. The Executive Vice President will function on these issues much as the responsible Manufacturing Vice-President functions on quality issues.

CONFIDENTIAL INFORMATION

. Finance responsible to:

- gather.
- analyze.
- process.

. Member access as required.

CONFIDENTIAL INFORMATION

- . The Finance representative is responsible for gathering, analyzing, and processing all confidential data, whether from Procurement and Supply, Manufacturing, or any other source.
- . Finance will provide access to confidential data to group members as required for decision making purposes; taking care to protect the confidentiality of such data.
- . It is the responsibility of all Corporate Business Group members to maintain the confidentiality of any information they may acquire. Specifically, no supplier quotations or prices should ever be given, or implied, to another supplier. In this context the Component Business Operations Group is considered a supplier. It will be up to each Group to establish and maintain security procedures for confidential information.

RELATIONSHIP TO PROGRAM MANAGEMENT

- . Business Groups sign off Product Plans.
- . Program Management signs off Component Plans.

RELATIONSHIP TO PROGRAM MANAGEMENT

- . The Corporate Business Groups will sign off on all Product Plans indicating concurrence with the plans or identifying open issues. Open issues will be resolved in the current manner.
- . Program Management will sign off on all Component Plans indicating their agreement with the plans and their intention to incorporate such plans into the Vehicle Product Plans.
- . The Components Planning representative will function as liason between the Corporate Business Groups and Program Management. Where appropriate to a specific subject, Program Management may be asked to appoint a representative to a Business Group.
- . Program Management will continue to establish and be responsible for total vehicle objectives.
- . The Corporate Business Groups will commit to component cost objectives, consistent with the Business Plans, for inclusion in vehicle cost objectives.

RELATIONSHIP TO PROCUREMENT & SUPPLY

- . Corporate Business Groups recommend sources relating to strategic objectives.
- . Corporate Business Groups responsible for ISS and VMR.
- . Procurement & Supply responsible for implementation.

RELATIONSHIP TO PROCUREMENT & SUPPLY

- . The Corporate Business Groups will be responsible for sourcing recommendations as they relate to the strategic objectives of quality, cost, and technology. Procurement & Supply will provide guidance to the Groups to enable them to make recommendations based on all of the facts.
- . The Corporate Business Groups will be responsible for recommending Integrated System Suppliers (ISS) and Value Managed Relationships (VMR).
- . In case of a disagreement between the Corporate Business Group and Procurement & Supply, the issue will be taken to the CPAUS for resolution if it cannot be resolved by Procurement and Supply meetings with the Chairman and Vice Chairman of the CPAUS.
- . Procurement & Supply will be responsible for implementing all sourcing decisions in their area of functional responsibility.
- . Procurement & Supply is still responsible for their day-to-day operation including such activities as:
 - vendor selection as part of normal day-to-day business
 - negotiation of contract terms
 - tooling maintenance and replacement
 - supplier quality assurance

The existence of the Corporate Business Groups should not be allowed to adversely effect the prompt decision making required for efficient and effective operation.

- . Negotiating strategy with suppliers remains the responsibility of Procurement & Supply.
- . All supplier contact will be coordinated thru Procurement and Supply or they will be kept informed.
- . To meet the specific short term cost targets, the group has the authority to be involved in short term decisions which affect cost. These decisions include source selection. The Procurement and Supply representative will coordinate the Groups' activities in this area.

RELATIONSHIP TO CONTROLLER'S OFFICE

- . Develop and implement cost tracking system.
- . Source Planning to issue Source Planning Letters.
- . Finance representative is responsible for make/buy analysis.

RELATIONSHIP TO CONTROLLER'S OFFICE

- . In addition to providing Finance representatives dedicated full time to the Corporate Business Groups, the Controller's Office will also develop and implement cost tracking systems as soon as possible.
- . This system will help track the Business Group's progress being made against their targets as part of the \$2500 cost reduction program.
- . Source Planning will continue to issue Source Planning Letters consistent with the recommendations of the Corporate Business Groups. Direction will be reviewed with the Groups before the letters are issued.
- . The responsibility for financial make/buy analysis will reside with the Finance representative to the Corporate Business Group.

RELATIONSHIP TO THE COMPONENT BUSINESS OPERATIONS GROUP

- . Component Business Operations Group is:
 - a profit center.
 - a sourcing alternative.

RELATIONSHIP TO THE COMPONENT BUSINESS OPERATIONS GROUP

- . The newly established Component Business Operations Group, headed by Mr. Runk, is intended to act as a self-sufficient business. They are profit centers, with a mission to manufacture world class components. They will determine their own destiny. They must compete for the Chrysler business along with other possible sources.
- . The Corporate Business Groups have the authority to specify the components, including the source, that go into Chrysler cars and trucks. One source alternative is the Component Business Operations Group.
- . Each activity has its own role to play. But in summary, the Corporate Business Group decides on the source for components, and the Component Business Operations Group vies for that business based on their own capabilities along with other potential suppliers.
- . Because of this relationship, the representative from the Component Business Operations Group will not have access to the cost data of other suppliers.

STUDY BALANCE

Intensive Study

vs.

Premature Recommendation

STUDY BALANCE

- . The balance between time consuming intensive study of a problem and premature recommendations must be established for each situation.
- . It is the responsibility of the Corporate Business Group Chairman, as well as the Group itself, to avoid analysis paralysis. It is not the intention of this organization to add studies; it is the intention to develop well thought-out plans and take action on them.

RESOURCES

- . Functional activities responsible for:
 - adequate resources.
 - support of group effort.

RESOURCES

- . Small business organizations will be put in place to assist the Corporate Business Group Chairman on all Business Group matters.
- . Finance will designate dedicated people to the Corporate Business Group organization to provide direct support. In addition they will provide support for analysis and operating the tracking system.
- . Procurement & Supply will establish members who will have the time to adequately support the Groups and who will provide all of the necessary information relating to outside suppliers.
- . Manufacturing will also establish members who will have the time to adequately support the Groups and who will provide all of the necessary information on corporate manufactured components.
- . The Quality and Productivity Office has assigned a specialist to each Group to support the Group and provide all the necessary quality information.

It is the responsibility of the functional Vice President to insure that his activity has the resources to adequately support the Corporate Business Group effort.

APPROVALS

The following Executives have endorsed the Corporate Business Group Charter.

- H. K. Sperlich, President
- R. E. Dauch, Executive Vice President, Manufacturing
- S. Sharf, Executive Vice President, Manufacturing and Component Business Operations Group
- J. D. Withrow, Executive Vice President, Product Development
- G. F. Butts, Vice President, Quality and Productivity
- D. R. DeLaRossa, Vice President, Product Design
- L. D. Gschwind, Vice President, Program Management
- D. R. Platt, Vice President, Procurement and Supply
- E. A. Reickert, Vice President, Advance Product Planning
- L. H. Runk, Vice President, Component Business Operations Group
- R. M. Sinclair, Vice President, Engineering
- C. J. Steffen, Vice President and Controller