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Park Place Lexus Plano

PRESIDENT
Jordan Case

GENERAL MANAGER
Gary Venner

ACCOUNTING
Steve James

ORGANIZATIONAL EXCELLENCE
Kandi Gongora

PRE-OWNED SALES
Rob Schweizer

SERVICE
Roger Lackey

PARTS
Greg Duerr

CALL CENTER
Becky McDonald

INFORMATION TECHNOLOGY
Chris McCurdy

HUMAN RESOURCES
Wendy Simmons

NEW CAR SALES
Troy Tucker

BUSINESS EXCELLENCE
Brandi Miles

Organizational Development
Kari Plunkett

PROJECT MANAGER
Ryan Counts

CONTENT/DATA COORDINATOR
Liz Foster

FINANCE & INSURANCE
Scott Axelrod

= These positions are shared among Park Place Dealerships

Senior Leadership Positions listed in Blue

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Park Place Lexus Grapevine

PRESIDENT
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GENERAL MANAGER
Chris Brunner

ACCOUNTING
Steve James

ORGANIZATIONAL EXCELLENCE
Kandi Gongora

PRE-OWNED SALES
Bob Mellencamp

SERVICE
Cam Mayfield

PARTS
Luke Jones

CALL CENTER
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INFORMATION TECHNOLOGY
Chris McCurdy

HUMAN RESOURCES
Elisa Johnson

NEW CAR SALES
Tripp Steele

BUSINESS EXCELLENCE
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Organizational Development
Kari Plunkett

PROJECT MANAGER
Ryan Counts

CONTENT/DATA COORDINATOR
Liz Foster

FINANCE & INSURANCE
Chip Cottingame

☐ **= These positions are shared among Park Place Dealerships**

Senior Leadership Positions listed in Blue

Item	Explanation
20 Group	Comparison group of 20 Lexus dealers who share best practices and compare trend data
50/50 Committee	Committee of GM, HR, and Members
A	
ADP	Automated Data Processing: dealership business management computer system
After market	Sales of services and accessories after the purchase of a new or pre-owned car
ASE	National Institute for Automotive Service Excellence
ASM	Assistant Service Managers, advisors who assist the client in determining performance concerns and repair needs
B	
Bell and Howell	Parts Inventory Software, also known as ProQuest
Benchmarks	Industry standard or desired result for annual targets
BDC	Business Development Center, including Call Center
BPP	Business Planning Process
Business Units	The four revenue generating departments at PPL: New Car Sales, Pre-Owned Car Sales, Service, and Parts
C	
CBT	Computer Based Training
CCR	Client Concern Resolution
CFO	Chief Financial Officer
CIO	Chief Information Officer
Client	Customers
CoE	Circle of Excellence Committee - The CoE is our Member-driven community relations committee formed in 2001 to create opportunities for us to give back to the community.
Corporate Support	Includes Marketing, IT and Organizational Excellence
CPO	Certified Pre-Owned
CRC	Communication and Recognition Committee
CRM	Customer Relationship Management software used to track client information
CSI	Customer Satisfaction Index
CSI	Client Satisfaction Index

Item	Explanation
D	
Dealer Daily	Manufacturer website that provides trend and inventory data
Dealership	A franchise granted by an automobile manufacturer
Department managers	The managers of each PPL department: the four business units plus the support functions
Detail Stalls	Service stalls for completing finishing details on new or repaired cars
District Market	Local Market Research
DRIVE	PPL's problem solving process (see *Figure 6.1C*)
DX	Driving Excellence Quarterly Meeting
E	
EAP	Employee Assistance Program
ECS	Environmental Compliant Services
EOP	Employee Opinion Profile - Team member satisfaction survey used until 2002.
EPA	Environmental Protection Agency - Federal agency with jurisdiction over environmental issues
ESL	English as a Second Language
F	
F&I	Finance and Insurance
Floor Plan Audit	Audit conducted by financing service that matches our inventory to their data records
Focus Groups	Groups of members or clients surveyed to find trend data
Form 8300	An IRS form submitted when we collect more than $10,000 in cash or cash equivalents from a customer. This is IRS regulation is for all businesses collecting payments from customers, not just the car industry.
Foundation Series	Series of classes new members take their first 3 days on the job – Foundations, Client Delight and Effective Communication
G	
Gen Y	Age group of young buyers
GM	General Manager
H	
HR	Human Resources

Item	Explanation
I, J	
IT	Information Technology
K	
KBI or KI	Key Business Indicator
L	
LAN	Local Area Network
Lexus	Automobile manufacturer
Lexus Certification Program	Program provided by Lexus to certify members in their respective job areas
LSS	Lexus Satisfaction Survey
LT	Leadership Team
LTP	Lexus Total Profit – nationally compares us to other dealerships our size
M	
MAC	Member Action Committee
MAP	Member Achievement Plan
Members	PPL employees
Member Development Process	Process used to ensure members are given the opportunity to develop their knowledge and skills from day one starting with the Foundation Series, OJT and Essential classes
MNI	Mike Nichols, Inc.: a national auto parts benchmarking service
MRC	Member Recognition Committee
MT	Management Team
N	
NADA	National Automobile Dealer Association
NCM	Company that facilitates our internal 20 Group
NVSDS	New Vehicle Sales and Delivery Survey
O	
OE	Organizational Excellence Department, formally Business Excellence
OJT	On the Job Training
OSHA	Occupational Health and Safety Administration
OSI	Overall Satisfaction Index

Item	Explanation
	P, Q
Pace Reports	Daily tracking completed by the MT
PDI	Pre-delivery Inspection
PMP	Process Management Process
Policy	Expenses required to correct problems that occur after the sale
PPD	Park Place Dealerships: a group of dealerships owned by Kenneth Schnitzer
PPL	Park Place Lexus Dealerships
PPU	Park Place University; on-line database used for member development
ProQuest	Parts Inventory Software, also known as Bell and Howell
Q12	Member engagement survey administered by The Gallup Organization
	R
ROI	Return on Investment
	S
SPCS	Service Parts Customer Service
SPP	Strategic Planning Process
SPT	Strategic Planning Team
SSL	Spanish as a Second Language
Store	Synonymous with Dealership
Strategic Map	Strategic plan created by the PPD LT
Sublet contractor	Any contractor that performs work related to vehicle accessories, service or repairs; for example, adding pin stripes or chrome plating wheel hubs
SWOT	Strengths, Weaknesses, Opportunities, Threats
	T
TAPE	Texas Award for Performance Excellence
Targets	Annual performance objectives for department operational measures
TAS	Technical Assistance Support; a toll free number for technical assistance
TIS	Technician Information System –technician's link into Dealer Daily
TNRCC	Texas Natural Resource Conservation Commission. This agency has state jurisdiction over the same environmental issues as the EPA, and

Item	Explanation
	works closely with the federal agency to verify compliance to all regulations
TPP	Team Park Place

U, V		

Item	Explanation
UNT	University of North Texas

W, X, Y, Z		

Item	Explanation
WAN	Wide Area Network
WIP	Work in progress

P.1 Organizational Description
P.1a Organizational Environment
Park Place LX of Texas, Ltd. (Park Place Lexus, PPL) is a luxury car dealership consisting of two geographically separate locations: Plano, Texas (PPL Plano) and Grapevine, Texas (PPL Grapevine), approximately 23 miles apart. In 1991, Lexus, the luxury division of Toyota Motor Company, selected PPL from a total of 170 applicants to receive the Lexus franchise located in Plano, Texas. In 1999, we were awarded a unique companion franchise, creating PPL Grapevine. To become a franchise, a dealership must meet very stringent requirements, including proven client satisfaction, sound business practices, and overall operational achievements.

Ken Schnitzer founded the Park Place family of dealerships (PPD, seven dealerships with twelve franchises) when he purchased a Mercedes-Benz dealership in Dallas in 1987. Since that time, our business has continued to grow. Although each dealership operates as a separate business unit, we receive corporate support for:

- *Human Resources* - benefits and Member satisfaction;
- *Information Technology* - technology planning, selection, and implementation and Intranet/Internet development;
- *Marketing, advertising, and community relations*;
- *Leadership direction via strategic planning*; and
- *Organizational Excellence* - process development, process improvements, training, and internal criteria assessments.

P.1a(1) Products and services
Our main products and services are outlined in *Figure P.1A* with their methods of delivery to our clients. Most of our products and services are delivered in person, but not always

at our dealerships. For example, our Mobile Service van may visit a client at their work location, or a professional driver may pick up and deliver a client's vehicle at their home. Our virtual showroom at *www.parkplacetexas.com* offers the ability to view all Lexus models, obtain new car quotes, search our inventory of pre-owned cars, obtain pre-qualification for financing, schedule service appointments or test drives, and buy parts.

P.1a(2) Organization context/culture
Our quality journey began in 1994, when we began to benchmark business practices outside our industry. We wanted to change the perception of the 'Car Dealership' by emulating these business practices and bringing innovation to our industry. We made the pledge to pursue quality by using the Baldrige Criteria and having a strong focus on process improvement. We built our "House of Quality" (*Figure P.1B*) based on the culture we wanted to represent, balancing the needs of our various stakeholder groups. As the foundation of the house, the Mission provides stability to our system. The four Core Convictions are the pillars that provide the structure and boundaries of the House. The overarching direction, the roof, is the vision of the organization; the Big Hairy Audacious Goal (BHAG). This House of Quality provides the direction for PPD and is cascaded throughout the dealerships to provide guidance and culture to all Members as described in 2.1a(1).

In 1998, we conducted an internal assessment using the Baldrige Criteria to identify areas for improvement and to help us learn to use the criteria to run the business. In 1999, we applied for the Texas Award for Performance Excellence (TAPE) to obtain external feedback. In 2000, we created the Organizational Excellence department to lead process improvement and ensure the feedback from the TAPE application was addressed in improvement efforts. In 2002,

Products/Services	Description	Method of Delivery to Clients
Automotive Sales	New Lexus Sales Pre-owned Certified and Non-Certified Lexus Sales Pre-owned Non-Lexus Sales	Call Center Sales Assistance Showroom sales and On-line sales On- and off-site deliveries
Automotive Service	Automotive Repair and maintenance Complimentary Loan Car availability Mobile Service and 24-Hour Road Side Assistance Vehicle Detail and Complimentary Car Wash Aftermarket Product Installation and Maintenance	Pick up and delivery from home/work Mobile Service home/work On-site repair shops Internet and Call Center Service assistance Loan car process
Parts Sales	Wholesale and Retail Lexus Parts sales Special order Parts sales Boutique sales	On-site pick-up, boutique Off-site delivery On-line order and boutique
Financing	Financing for new and pre-owned vehicles Leasing for new and pre-owned vehicles Extended Service Contracts / Aftermarket Products	In house processing Processing using external vendors On-site and Off-site leasing and delivery

Figure P.1A – Products and Services and Methods of Delivery

BHAG

Be the unparalleled retail automotive group in the United States

Core Convictions

Integrity

Outstanding Client Experience

Commitment

Winning

Mission
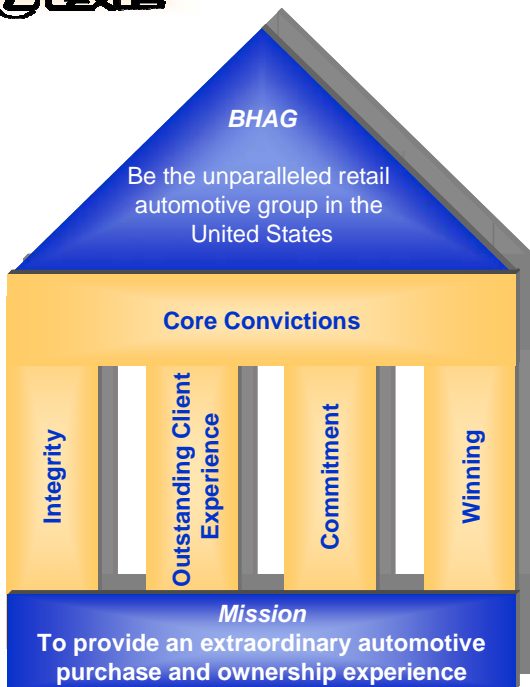To provide an extraordinary automotive purchase and ownership experience

Figure P.1B – House of Quality

we submitted our TAPE application, resulting in our being selected as the sole recipient in 2003 and the only car dealership to ever win the award. This Baldrige application represents the continuation of our journey and our commitment to the quest for quality.

Our organizational culture is most easily communicated through our brand, "Experts in Excellence." Current and potential clients alike recognize us as having the most knowledgeable Members who provide the highest levels of excellence. To support our culture, we offer extensive training and have 100% participation in the Lexus Certification program (*Figure 7.4F*). (We have more Master and Senior Certified Members than any other Lexus Dealership.)

P.1a(3) Employee profile
Our employees are known as *Members* to acknowledge that they are part of our team. Because of our unique dealership culture, we are able to attract highly qualified and motivated Members from inside and outside of the automotive industry. *Figure P.1C* shows Member demographics by department. We have 365 Members (228 in Plano and 137 in Grapevine). Our Members do not participate in any bargaining units, and we do not use subcontractors or contract employees. Special types of health and safety

requirements that exist for our Members are shown in Category 5 in *Figure 5.3A*.

P.1a(4) Major technologies, equipment, facilities
The primary technologies used in our business are computer/information related technology, such as CRM software, ADP, LAN/WAN, and Internet. Wireless hubs in the dealership allow our laptop users secure, remote access to the network while remaining mobile. Many computer-based technologies are also used in the automobiles we sell and maintain.

The major equipment utilized in our business includes computer, telecommunication, and automotive service equipment. The latter includes Smart Lift, Key Track System, on & off brake lathes, hand held scan tools, wheel balancers, infrared front-end alignment machines, and air conditioning recovery equipment. Specialized equipment also exists for our Detail Departments, such as drive-through car washes, non-abrasive chamois, air blowers, and carpet steam cleaners.

Specialized facilities include our climate-controlled shops, luxurious showrooms, integrated Sales Consultant and ASM offices, Parts areas with multi-story warehouses and boutiques, and separate Detail buildings. Our comfortable client lounges offer café-style beverage areas, portable DVD players, computers with internet access, and business centers for clients use.

P.1a(5) Legal/regulatory environment
Automotive dealerships operate within a unique legal and regulatory environment. *Figure 1.2A* outlines the regulatory

Dept	Total	% Female	% Minority	Avg Tenure	% Coll Degree
New Car Sales	62	16%	25%	3.7	50%
Pre-owned Sales	30	15%	5%	4.8	30%
Service	201	11%	47%	2.9	26%
Parts	20	5%	25%	4.8	20%
HR	3	100%	0%	2.9	33%
Accounting	19	90%	15%	4.3	15%
Facilities	8	0%	100%	4.3	8%
IT/Administrative	12	75%	16%	5.4	30%
Call Center	10	80%	40%	1.9	10%
Total	**365**				

Figure P.1C – Member Demographics

agencies with which we work, processes to address the issues, and our methods of measurement. We have a formal program of training and compliance to ensure all requirements are understood and met.

In addition to these regulatory requirements, our parent company is responsible to address many other regulatory issues, such as Texas Franchise Laws, Federal and State

Transportation Laws, and industry issues such as recalls. At the dealership level, we also address OSHA (*Figure 5.3A*), EPA, and other Federal and State regulations and guidelines.

P.1b Organizational Relationships
P.1b(1) Organizational structure and governance
Our company structure is shown in the attached Organizational Chart in this document. The organization is hierarchical from PPD CEO to PPL President for management of the Lexus system, through two GMs for dealership direction setting, and with leadership teams present at each dealership for day-to-day decision making. This hierarchical structure provides strong governance and visibility into operations through a system of controls at each level. Our Parent Organization has a partnership governing body that meets annually (more often if needed) to review financial statements, long-term plans, and directions for monitoring accountability of the CEO of PPD. The President of PPL reports to the CEO of PPD, who reviews the performance of PPL on a monthly basis for performance and financial measures, and on a quarterly basis for budget and progress toward strategic plan.

Various reporting relationships throughout the organization provide independence of procedures for key functions. The PPL Controller has a direct reporting relationship to the PPD CFO; the PPL HR Managers have a direct reporting relationship to the PPD HR Vice-President; and the PPD CIO reports directly to the PPD CFO. At each level of the organization, accountability is addressed through regular review of performance and measures for each position. Our procedure for regular audits and reviews for governance and accountability are described in 1.1b.

In addition to these reporting relationships, our President is held accountable by Lexus to manage and monitor key business functions. Additional audits and reporting are conducted by this key stakeholder group which, along with the personal financial reports from the CEO, provide the input to create our "Dealership Package," which is reviewed by Lexus for renewal of our franchise.

P.1b(2) Key customer groups
Our clients' needs vary depending on the products and services they purchase. Client segments and requirements are well defined for each product type (New Car Sales, Pre-owned Car Sales, Service, and Parts). Lexus invests considerable time and money into research and analysis of the various client segments that purchase each model of Lexus, as well as baseline key requirements for sales and service. Lexus uses sophisticated regression analysis by the Gallup Organization's Client Engagement CE11 survey to determine the specific requirements that clients have of us and at what level each of the requirements impact their decision to purchase. *Figure P.1D* shows these requirements along with their percentage impact on purchasing decisions.

For marketing, sales, relationship development, and process design purposes, we go beyond these baseline requirements by conducting focus groups and surveys. Our clients want

Service	Client Profile Summary	Key Client Requirements
New Car Sales	Median Age: 46 - 52 Income: $111,300 to $273,900 Gender: 61% to 78% male Marital Status: 78% to 88% married Education: 67% - 78% college graduates Occupation: Prof./tech., sr. mgr, retiree, self-employed, pres./CEO, Dr., homemaker	- Sales Consultant (courteous, knowledgeable, respected time, honored commitments) – 32% impact - Finance Manager (discreet and efficient, recognized needs) – 21% impact - Vehicle Delivery (personalized to individual) – 20% impact - Impression at Arrival (range of vehicles, salespeople available, greeted promptly, comfortable) – 11% impact
Pre-Owned Sales	Median Age: 45 Income: $100,000 Gender: 57% male Marital Status: 75% married Education: 69% college educated	- Sales Consultant (courteous, knowledgeable, respected time, honored commitments) – 32% impact - Finance Manager (discreet and efficient, recognized needs) – 21% impact - Vehicle Delivery (personalized to individual) – 20% impact - Impression at Arrival (range of vehicles, salespeople available, greeted promptly, comfortable) – 11% impact
Service & Parts	Clients who purchase a Lexus from PPL, or Clients who purchase a Lexus from another dealership, a broker, or an individual (and thus their profile is the same as above)	- Quality of Service (courtesy, appropriate explanation, informed of additional work, review of service) – 36% impact - Ease of Doing Business With (provided time estimate, greeted promptly) – 20% impact - Service Communications (kept informed, documented service needs) – 18% impact

Figure P.1D – Client Segments and Key Client Requirements

long-term, personal relationships with knowledgeable, competent professionals.

P.1b(3) Important types of suppliers and partners
Certain key supplier partners play a significant role in the delivery of our products and services, such as our primary strategic partner - Lexus, a division of Toyota. Lexus not only provides vehicles and parts, they work to create a partnership with their dealers with respect to client needs and innovative new product and service approaches. This attention to the client supports our efforts to deliver consistent, excellent service. Many other suppliers play a significant role in the value chain to the client, including tire and other parts suppliers.

Figure P.1E shows our key supplier types, the key requirements we have of them, and the methods we use to communicate with them. Requirements of suppliers reflect our clients' requirements; therefore, quality is the most important requirement we have of them, followed closely by timeliness and availability.

To supply PPL with products or services, a vendor must meet our quality and cycle time requirements. Once these requirements are met, the vendor becomes an authorized PPL vendor. We divide these authorized vendors into two categories: primary and secondary. We always try to use the primary authorized vendor first, but can rely on our secondary vendors should the need arise. As described in 6.2a, our Vendor Management Coordinator maintains performance data on all vendors doing business with PPL.

P.1b(4) Key suppliers and partners
Our key supplier relationship is with the Lexus Corporation as previously described. We partner with this supplier in order to meet and exceed the requirements of our client base. Key requirements and communication approaches for this vendor partner are shown in *Figure P.1E*. The methods of communication used with all key vendors are also identified in this figure. No specific client partnerships exist beyond our general clientele described in P.1b(2).

P.2 Organizational Challenges
P.2a Competitive Environment
P.2a(1) Competitive Position
PPL is in the personal, high-line luxury transportation business. Out of 213 Lexus dealerships nationwide, Plano and Grapevine are ranked seventh and 26th respectively, based on New Car Sales volume. With regard to Fixed Operations, Plano and Grapevine are ranked second and 13th nationally, based on Service Sales gross profit.

Our primary Sales competitors are two area Lexus dealerships and other high-line luxury vehicle dealerships, such as BMW, Jaguar, Infiniti, Porsche, Mercedes, Cadillac, and Acura. We currently have 50% of the local-area Lexus

Type of Supplier	Requirements	Communication Methods
Automobiles and Parts/Tires	Quality product Timeliness of delivery Rapid response to needs Availability of product Fair price Reward and recognition	Dealer Council Dealer Daily ADP Fireside Chats Dealer meetings Conference calls
Boutique Stock	Quality product Timeliness of delivery Rapid response to needs Availability of product Fair price	Email Conference calls SPCS meetings Monthly on-site rep meeting Order forms/online orders
Body Shops	Quality work Timeliness of repair Rapid response to needs Fair price	Email Conference calls SPCS meetings, Monthly on-site rep meeting Order forms/online orders
Insurance	Quality of service Timeliness of response Flexibility to meet needs Fair price paid	Email Conference calls Face-to-face meetings Agent visits to review work
Computer and Telecommunication Equipment	Quality product Availability of equipment Rapid response to needs Creative solutions Ongoing support, Fair price	Email Conference calls SPCS meetings Monthly on-site rep meeting Order forms/online orders
IT Services	Quality outputs Availability of service Rapid response to needs Creative solutions Ongoing support Fair price	Email Conference calls SPCS meetings Monthly on-site rep meeting Order forms/online orders

P.1E – Supplier Types, Requirements, and Communication Approaches

market and 16.4% of the local-area high-line luxury vehicle market. Our primary Fixed Operations (Service and Parts) competitors include two area Lexus dealerships, as well as independent automotive repair facilities.

P.2a(2) Competitive success factors
As evidenced by our alignment of strategic planning Thrusts for success, we have identified four Critical Success Factors for this year's Strategic Plan which will differentiate us from our competitors (*Figure 2.2A*):

- Client Driven Excellence
- Valuing our Members and Partners
- Managing for Innovation
- Agility

One major key change that will enhance our competitive situation is the expansion of both facilities to better serve our growing client base.

P.2a(3) Comparative data
Our operations are extensively data driven, and we have significant comparative data to evaluate our performance. While most of our competitors are privately held companies, much of the comparative data about them is provided through open sources, such as 20 Groups, industry associations, and Lexus. We also receive information from NADA, NCM, Dealer Daily, and JD Powers on the luxury automotive market. Outside of our industry, we obtain comparative data from previous TAPE and Baldrige recipients, local quality consortium members, Gallup, and various organizations we benchmark.

P.2b Strategic Challenges
Our most significant strategic challenges are identified during the Strategic Planning Process (SPP) described in 2.1 and show alignment to Critical Success Factors and to the Key Thrusts that address them. *Figure P.2A* shows these challenges and our Thrusts that address them (See also *Figure 2.2A*).

P.2c Performance Improvement System
Our strong focus on ongoing performance improvement is evident at each level of the organization. At the dealership level, we conduct annual self-assessments to the Baldrige criteria to provide input to annual improvement activities. Opportunities for improvement are also identified through strategic planning analysis of processes, quarterly leadership reviews (DX reviews described in 1.1b), and Member initiated improvement opportunities. These activities are planned, executed, tracked, and standardized through either Action Plans resulting from strategic planning or through DRIVE actions using our improvement methodology (*Figure 6.1D*).

Strategic Challenge	Thrust Addressing Challenge
1. *Growing demand in the area*	**Thrust:** Redefining the Client Experience
2. *Competition for talent*	**Thrust:** Right People in the Right Jobs with the Right Training
3. *Keeping up with the changes taking place in the products we sell and technology in the Lexus vehicle*	**Thrust:** Right People in the Right Jobs with the Right Training
4. *Strong Competition in the area*	**Thrust:** BDC/Client Touch Points
5. *Changing demographics of the client*	**Thrust:** Marketing and Advertising

Figure P.2A – Strategic Challenges

We provide skills training to all managers and key Members through the Process Management training series, which covers process mapping and documentation, measurement, problem solving, continuous improvement, Baldrige criteria, and benchmarking. These classes guide Members to use the PMP (*Figure 6.1C*) or the DRIVE process (*Figure 6.1D*) consistently throughout PPL. This approach creates an environment governed by process focus, yet invigorated by innovative change.

We have multiple approaches to ensure that our organization participates in ongoing learning and sharing of information, best practices, and changes to the system. These include meetings, technology, the Organizational Excellence (OE) Department, training, and benchmarking. The annual cross-dealership meeting is used to share best practices by department; Team Park Place is a regularly scheduled all-Member meeting to share information about the dealership; quarterly DX meetings are used to assess progress to goals and performance levels by the dealership leaders; and weekly department and manager meetings are used to transfer information and best practices.

Our IT infrastructure is designed to facilitate the transfer of knowledge from one team to another, from one activity to another, and from one location to another through our Document Library, Network Folders, and various databases. The Director of Organizational Excellence provides significant opportunities to communicate best practices and maintains the best practices database. Cross training provides a significant opportunity to communicate best practices and knowledge. Our benchmarking activities help us move our organizational learning forward by learning from others who have had success in the areas we are attempting to improve.
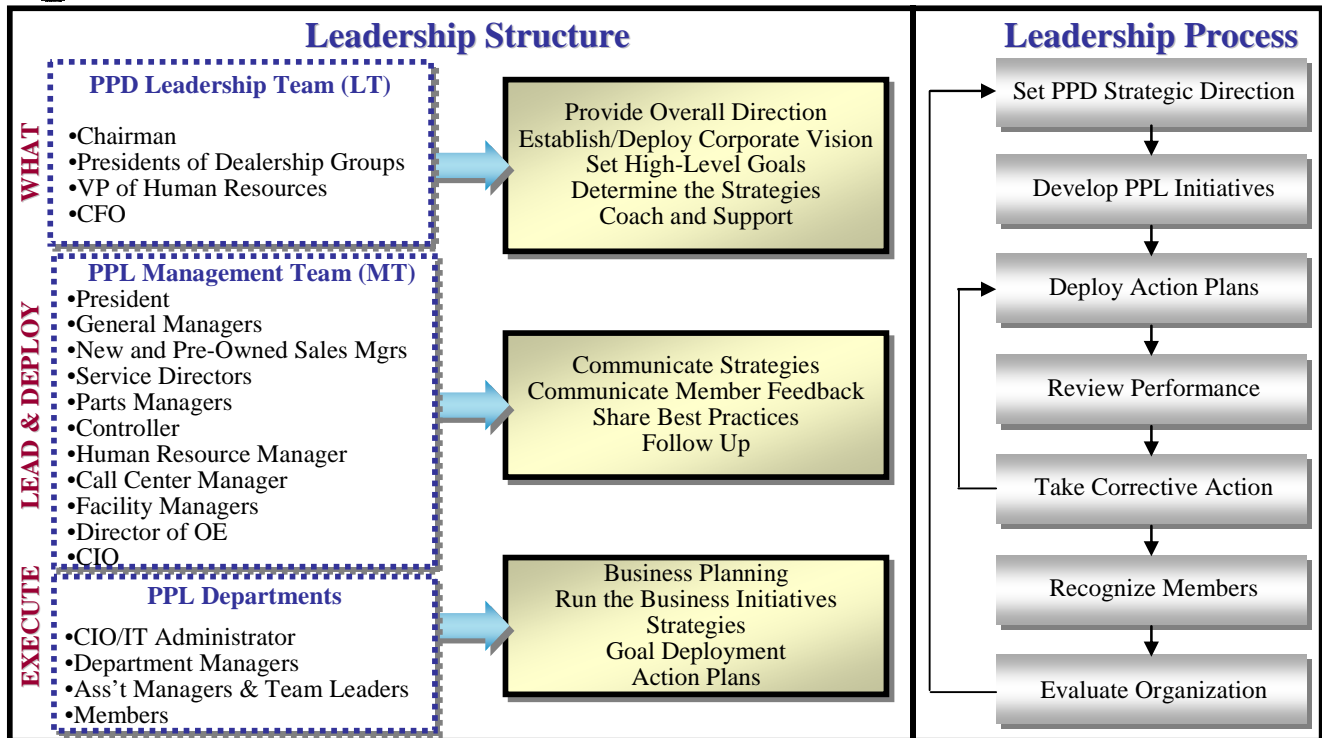
Leadership Structure

PPD Leadership Team (LT)

WHAT

- Chairman
- Presidents of Dealership Groups
- VP of Human Resources
- CFO

Provide Overall Direction
Establish/Deploy Corporate Vision
Set High-Level Goals
Determine the Strategies
Coach and Support

PPL Management Team (MT)

LEAD & DEPLOY

- President
- General Managers
- New and Pre-Owned Sales Mgrs
- Service Directors
- Parts Managers
- Controller
- Human Resource Manager
- Call Center Manager
- Facility Managers
- Director of OE
- CIO

Communicate Strategies
Communicate Member Feedback
Share Best Practices
Follow Up

PPL Departments

EXECUTE

- CIO/IT Administrator
- Department Managers
- Ass't Managers & Team Leaders
- Members

Business Planning
Run the Business Initiatives
Strategies
Goal Deployment
Action Plans

Leadership Process

- Set PPD Strategic Direction
- Develop PPL Initiatives
- Deploy Action Plans
- Review Performance
- Take Corrective Action
- Recognize Members
- Evaluate Organization

Figure 1.1A – PPL Leadership System

1.1 Organizational Leadership

1.1a Senior Leadership Direction

The senior leadership of PPL consists of our President, the GMs, and the leaders of each department. This team is the PPL Management Team (MT) and is responsible for providing strong, day-to-day leadership and longer-term strategic direction aligned to the directions of PPD. At the highest level, the PPD Leadership Team (LT) champions our leadership system and is the driving force behind our commitment to business excellence. The roles of leadership and the leadership process are shown in *Figure 1.1A*.

1.1a(1) Leaders set and deploy values

The LT develops organization-wide (PPD) strategic plans and goals to support our short- and long-term direction during the strategic planning process described in 2.1a. Our President participates on the LT to provide input about directions of our market, Members, regulatory agencies, and other stakeholders. The MT sets directions and actions for the dealership to align with the PPD directions through the early steps of the Strategy Deployment process (*described in 2.2a*). The needs of Members, clients, vendors, and other stakeholders are brought forward during strategic planning as part of the environmental scan and balanced through discussion, review, and measurement alignment.

Once set, the MT communicates and deploys these values, direction, and performance expectations through the Strategy Deployment approach described in 2.2a and through the various methods shown in *Figure 1.1B*. Many of these approaches are designed to provide two-way communication opportunities to allow Members to ask questions and understand their role in company operations. The Listening and Learning process shown in *Figure 3.1A*, the Member Q12 Survey, and the *Experts in Excellence* workshop provide important methods to determine how well direction has been deployed. Committees and vendor and client focus groups are also used to communicate and deploy direction.

We ensure two-way communication through the variety of methods shown in *Figure 1.1B* and through the structure of the deployment process (described in 2.2a). Cascading meetings for all Members are held to provide information and receive feedback about the directions. Refinement of the strategic plan occurs at each level of deployment as Members develop actions and measures to enable the strategic plan. In ongoing meetings, the Meeting Agenda Process shown in *Figure 4.1D* provides assurance that two-way communication continues from each Member all the way up to the LT concerning directions and measures of performance. Figure *P.1E* demonstrates how we ensure communication with our vendors and suppliers.

Senior leaders' personal actions reflect a commitment to organizational values through the communication, reinforcement, and role modeling of values and expectations. When a new Member is hired they attend *Foundations* and receive communications from the president and senior leaders about our core convictions, expectations, and their role in the organization. The mission and convictions are posted in work and break locations. Decisions that are made by senior leaders and Members on a day-to-day basis are guided by the organization's vision and

Method	Frequency	2-way	Target Members	What is Communicated
Strategy Deployment Meeting	Annual	Yes	All Members	Directions, Changes, Values, Expectations
Review Meetings (*Figure 4.1C*)	As shown	Yes	All Members – Various Meetings	Directions, Performance, Issues & Concerns, Recognition
Bulletin Boards	Ongoing	No	All Members	Job information, Performance, Values
Process Documents	Ongoing	No	All Members	Expectations, Changes to Process, Procedures
Team Park Place	Monthly	Yes	All Members	Performance, Recognition, Directions
Q12 survey	Annual	No	All Members	Upward Communication of Satisfaction
Experts in Excellence Workshop	On Going	Yes	All Members	Directions, Expectations
Foundations (New Hire Orientation)	On Hire	Yes	All New Hires	Directions, Values, Expectations
PPU - Online	Ongoing	No	All Members	Training Opportunities
Open Door Policy	Ongoing	Yes	All Members	Any Area of Concern
Exit Interviews	As Needed	Yes	All Terminated	Concerns, Reasons for Leaving
Member Performance Reviews	Annual	Yes	All Members	Directions, Values, Expectations, Performance, Development Opportunities
Committee Participation (MAC, 50/50, etc)	Varies	Yes	Committee Members	Satisfaction, Directions, Client Focus, Performance, Opportunities
Suggestion Boxes		No	All Members	Ideas and Suggestions

Figure 1.1B – Employee Communication and Deployment Methods

convictions. To further reinforce our convictions and expectations and to promote communication, senior leaders each spend a significant portion of their day in the stores with the Members, accessible for discussion and suggestions, to act as role models and learn from the Members' viewpoint.

1.1a(2) Leaders promote ethics
Leaders create an ethical and legal environment through leading by example and following a no-tolerance policy. Managers ensure continued compliance by attending business law, legal issues, and other mandatory training on an annual basis. Members also attend a variety of ethics training to support leaders' approaches. When issues arise, we refer to our Code of Ethics, using our Progressive Discipline Process, which may include discipline or termination, to handle unethical behavior (*Figure 7.6A*).

1.1a(3) Leaders create environment
Senior leaders have created a strong, sustainable organization through the development of a Member-driven environment that fosters collaboration, creativity, and ownership. This environment arose by creating a shared vision from within the Member-driven structure of the MT. Leaders who lead by example, establish appropriate procedures and controls, and focus on informal and formal processes ensure the culture is maintained and sustained.

Leaders create an environment that fosters ongoing organizational performance improvement through a focus on our problem solving process (DRIVE) described in 6.1a(6) and through the strong focus on attaining action plan outcomes as described in 2.2a. Each department maintains a set of action plans and key performance measures that drive performance and ongoing improvement. These action plans also ensure an environment is created and supported to attain the organization's strategic objectives.

The leaders encourage Members to try new approaches and ideas through processes such as suggestion boxes, Member Action Committees, and the 50/50 Committee described in 5.1a. Innovation is rewarded with personalized recognition through our Recognition Programs (*see Figure 5.1C*).

Senior leaders gather and use data about the industry within their departments and for planning purposes. This information allows us to proactively prepare for changes and align to new directions rapidly, contributing to our agile environment. Leaders ensure organizational capability to capitalize on opportunities through a focus on systematic processes and approaches to cross-training and rapid realignment of work processes, as described in 5.1a.

Leaders create an environment to support organizational learning through our commitment to benchmarking and self-assessment feedback. These opportunities are addressed through our problem solving process (DRIVE) described in 6.1a(6). Our commitment to ongoing Member learning and growth is demonstrated through our extensive training opportunities and requirements, described in 5.2. Members at all levels contribute and learn through *Park Place University-Online*, which specifies required training curriculum for each position.

Leaders participate actively in succession planning and the development of future leaders through the Succession Planning approach described in *5.1c(3)*. Member career

development is conducted through the performance review and development process described in 5.1b. Internal promotion of Members is, and always has been a top priority of PPL (*Figure 7.4D*).

1.1b Communication and Organizational Performance
1.1b(1) Communication with employees
Through each leader's acceptance of new ideas, expectation of accountability, and "no blame" approach to leadership, empowerment and innovation are ingrained in the culture. Specific processes and activities support this culture (5.1a), such as the Listening and Learning Process (*Figure 3.1A*), CCR, Park Place University-Online, suggestion boxes, Member Action Committee, the Recognition process, and the 50/50 Committee.

Frank, two-way communications are promoted within the organization through the methods shown in *Figure 1.1B*. The MT uses a variety of approaches described in F*igure 5.1C* to reward, recognize, and motivate Members who exhibit empowerment and innovative behaviors. These approaches are used to promote high-performance and a focus on the business and clients.

1.1b(2) Leaders create focus on action
The action planning and deployment processes are used by Senior Leaders to create a focus on action to accomplish our objectives, improve performance, and attain our vision. This approach ensures that each department has goals and actions aligned to the overall organizational plan. The strategic planning process is also used by senior leaders to balance the needs of all stakeholders.

1.2 Governance and Social Responsibilities
1.2a Organizational Governance
1.2a(1) Organizational Governance
Organizational governance is described in P.1b(1). This system ensures all stakeholder interests are addressed, including owners, Members, clients, suppliers and partners, regulatory agencies, and communities. The system provides governance and transparency through controls at each level. Ownership reviews performance of the CEO, who in turn monitors performance of the President through regular measures and reports. The President monitors performance of the dealerships through similar measures and reports on a weekly, monthly, and quarterly basis. Performance evaluations are cascaded down through the organization, taking into consideration job responsibility and alignment to the organization's directions. As described in the Organizational Profile, various dotted line reporting relationships provide for independence of procedures.

Each quarter, the Accounting department performs at least nine independent internal audits to ensure management accountability, fiscal accountability, and process accuracy (*Figure 7.6D*). These audits include physical car inventory, floor plan (car inventory according to Lexus records), sublet reconciliation, parts inventory, and financial examinations. An independent, external financial audit is performed each year by a national CPA firm as verification of fiscal accountability (7.6a(3)). Additional external agencies, including banks, lending sources, and OSHA, provide periodic audits and reviews of various aspects of our business (*Figure 7.6E*). We hold quarterly insurance and workers' compensation meetings with our insurance agent to help spot trends and to address claims.

In addition to these reporting relationships, our President is held accountable by Lexus for business operations, including protecting and tracking the investment of vehicle inventory by Lexus in our business. We receive regular floor plan audits by Lexus to assure we can account for each vehicle. Lexus also receives our monthly financial statements and annual financial audit, providing assurance of working capital. These reports and audits, with personal financial reports of the CEO, provide the input to our "Dealership Package," reviewed annually by Lexus.

1.2a(2) Evaluate Leaders Performance
Senior leader performance is evaluated formally through the annual performance review process described in 5.1b. LT performance, including the CEO, is examined quarterly through a collaborative effort of self-assessments coupled with executive coach facilitations. Senior leader evaluation includes performance to goals and action plans. Senior leaders receive feedback about their performance as a team and individually through:
- Member annual surveys, suggestion box suggestions,
- Committee findings, open door policy,
- LT self-assessments,
- External consultant input, and
- Organizational Excellence department input.

Apart from our dealership organization structure, performance of the CEO and PPL is reviewed annually during the partnership meeting, as described in P.1b(1).

Senior leaders use the results of their individual evaluations (including feedback from stakeholders) to improve their performance by creating a training and development plan, which is used to address improvement opportunities. This may include training, new duties, or modified goals. The overall leadership system is improved through the strategic planning process, based on the feedback described above, which identifies action plans for improvement. This year, action plans exist to focus management training on business skills and to formalize our succession planning approach. Previously, we implemented a leadership initiative to aid leadership development. It included:
- Team Building Experiences,
- Tom Peters Leadership series,
- John Maxwell Leadership series, and
- Various book studies and articles

1.2b Legal and ethical behavior
1.2b(1) Impacts on society
Figure 1.2A describes regulatory requirements and societal impacts of our products, services, and operations. It also

lists key regulatory processes, targets, and measures (results are shown in *Figure 7.6E*). These measures are tracked within the processes themselves and performance is reviewed during the quarterly DX meetings, if issues arise. We address long-term issues during strategic planning. Managers review safety concerns at weekly manager meetings and develop and deploy corrective actions. In 2002, we refined the process to include Members in an environmental focus group and Safety Committee.

Risk Area	Regulator	Process to address	Key Measure	Goal
TTL (Title, tax and registration on vehicles)	County Tax Assessor	Accounting Title process	Late Fees Compliance	$0 100%
Cash purchase reporting	IRS	Acctg Proced	Sanctions	0
Emissions	State DOT	Equip inspection	Mach fails	0
Client vehicle emissions, disposal of used motor oil, recycling of coolant	TNRCC EPA	Disposal by vendor	Compliance	100%
Privacy Act – Do not call list	US DOJ & FCC	Privacy Comm. Process	Compliance	100%
Various federal regulations including FMLA, Patriot Act, ADA, etc.	Various Federal Agencies	Hiring and HR practices	Compliance Lawsuits	100% 0

Figure 1.2A – Regulatory Risks, Processes, Measures, and Goals

In order to proactively identify and address public concerns, our dealerships actively participate in industry and regulatory associations to identify emerging issues and have a voice in changing regulatory issues. Our leaders gather and use input from all stakeholders to anticipate and address public concerns. Input is gathered from committees, audits, and vendor/partner relationships and we benchmark best-in-class organizations. We also anticipate and proactively address environmental issues with the assistance of a third-party environmental compliance firm that helps us manage long-term environmental issues.

Any issues are reviewed weekly at manager meetings, monthly at the Safety Committee, quarterly DX meetings, and annually during strategic planning. Actionable items are addressed through action plans, and any immediate concerns are handled directly by the LT, MT, and Safety Committee.

1.2b(2) Ethical practices
The foundation for accomplishing ethical business practices is our culture of ethics, described in 1.1a(2), visibly supported by our senior leaders. This is further supported by organizational values identified in our core convictions (*Figure P.1B*). These convictions are characteristics we look for in recruiting in order to maintain a strong culture and a focus on ethical business behavior. Our convictions are instilled in all Members at orientation (Foundations).

Ethical practices are reinforced by discussions in team meetings, department meetings, and training classes. Leaders are required to take legal and ethical training. We provide training to leaders and Members alike in key ethical issues of diversity, sexual harassment, vendor audits, cash reporting, and OSHA. To support the ethical culture of our environment, we discuss convictions and how they relate to Member success during Member's performance review. As more direct measures, we track involuntary turnover due to unethical behavior (*Figure 7.6A*) and litigation dollars spent (*Figure 7.6B*). To monitor ethical behavior by our partners, specifically Lexus, we rely on external agencies such as audit firms and the SEC to evaluate their business practices.

1.2c Support of Key Communities
Key communities are those in which we have operations and in which Members and clients live and work. We also consider business and education groups as key communities. Some organizations have impact on the communities in which our clients and Members live and work (*Figure 7.6F and 7.6G*), such as: the suburban DFW Chambers of Commerce, DCCCD school board, Lions Club, Susan G. Koman Foundation, Meals on Wheels, The Salvation Army, Children's Medical Center, Adopt a Highway, SPCA, The Big Brothers/Big Sisters of Texas program, and Genesis Women's Shelter. PPL encourages local sports through sponsorships such as the Texas Tornado Minor League hockey team and the Frisco Rough Riders Minor League baseball team. Through these sponsorships and donations, the management and Members are invited and encouraged to represent PPL at banquets, fundraisers, balls, and sporting events in support of the community.

With the addition of a Marketing Director in 2004, we are collecting statistics on the impact of our support within the communities we serve. With this, we will have the ability to monitor, record, and measure the success of these relations on the community, as well as the benefits for our organization, in the effort to refine the selection process in the future. During annual strategic planning, the LT develops the Community Relations Plan for the coming year. The LT and MT work hand in hand throughout the year to foster community relations for PPL, as well as overall relations for PPD. We use established criteria to determine our support and involvement in these communities, which include geographic, status, and mission requirements. Input for selection comes from demographic and market surveys, manufacturer co-op planning events, and the Circle of Excellence Committee (CoE). The CoE is our Member-driven community relations committee formed in 2001 to create opportunities for us to give back to the community. Our Members volunteer personal time and organize donations within the dealerships to provide for such community functions as Meals on Wheels, Adopt a Soldier, Adopt a Highway.

Figure 2.1A – Strategic Planning Process

2.1 Strategy Development
We use the strategic planning process (SPP) and rollout approach to create a vision of our future and to develop strategies and plans. Through this activity, we incorporate improvement opportunities into prioritized action plans (AP) to be completed and managed through our review systems. Strategic planning occurs formally for the overall PPD company each fall with deployment taking place during the winter. Tracking meetings are conducted monthly during our review process and with the CEO, as described in 1.1b. Ongoing updates during these reviews allow us to adjust direction and proactively respond to risks and opportunities. *Figure 2.1A* represents the full strategic planning, deployment, and review process.

2.1a Strategy Development Process
2.1a(1) Strategic planning process
While the SPP is conducted formally once each year, information gathering and SWOT analysis occur throughout the year. The President prepares for the PPD SPP with this information about the market, partner (Lexus) requirements and directions, client inputs, Member inputs, competitor position and directions, and community needs. He uses this information as input into the planning process, ensuring that corporate directions provide for the needs of PPL.

The PPD Senior Leadership Team (SLT) is responsible for SPP. The team is composed of the CEO, the two Presidents within PPD, the HR Vice President, and the CFO. Through a facilitated, two-day session this team conducts a SWOT analysis, evaluates opportunities, and sets overall directions for all dealerships including our Convictions, Mission, BHAG (3-5 year goal), Targets (3-year performance goals), Thrusts and Capabilities (3 year directions), and 1 year goals and Initiatives (*Figure P.1B*). The process is designed to provide longer-term direction for the dealerships. Additionally, strategies, action plans, and goals are designed for PPD for the next five-years to provide continuity,

consistency, and stability for all dealerships. Following this session, a structured roll-out is conducted to provide cascaded deployment to each dealership, department, and team as shown in *Figure 2.1A*.

The PPD rollout begins with a communication meeting with all lead managers from all dealerships to outline what will be communicated to all Members and to set out the timeline for deployment. Following this review, an all-Member deployment meeting is held to "tell the story" of how directions are set and to communicate the future of Park Place Dealerships. This meeting is used to communicate not only the PPD direction, but each Member's role and responsibilities in attaining our goals. As a cycle of improvement this year, the meeting was held at an off-site facility with a theme to provide a fun and engaging event.

Following this meeting, deployment sessions are conducted by the President with the MT of both stores to align corporate direction with the directions given by Lexus, our key strategic partner. This alignment considers our understanding of the environment based on the ongoing environmental scanning we conduct [see 2.1a(2)], which also includes feedback from our Baldrige application for the prior year. This team analyzes new car allocations to be provided by Lexus, growth potential for service and parts, contingency planning, and operational opportunities for meeting client and Member needs. These sessions are designed to seek and address potential blind spots by widening visibility through the use of environmental scanning for a variety of issues, which identify potential opportunities and threats and through a review of operational performance for the prior year, which identifies strengths and weaknesses. This analysis provides knowledge for the store level SWOT analysis. The outcomes of these meetings are positions and directions for both stores and associated action plans and goals (*Figure 2.2A*).

GMs of each store meet with their lead managers to translate PPL plans into store-level action plans and goals, considering specific client needs and environmental issues. The SLT meets separately to ensure that collective plans will contribute to the accomplishment of PPD goals. Following store planning sessions, lead managers meet with their members to establish expectations and create department action plans to meet the planned performance of the store. After plans are completed, an alignment meeting is held with the GMs and the Senior Leadership Team to ensure that the action plans created will accomplish PPL and PPD's goals. Once approved, the APs are executed and monitored in monthly review meetings. The CEO and President hold quarterly DX meetings to get a status update on all APs. Public literature and marketing materials provide information to community and clients about directions and focus areas.

The time horizons for planning are both shorter-term (1-3 years) through Goals and Key Initiatives, and longer-term (3-5 years) through Targets and Thrusts/Capabilities. These time horizons are established to coincide with the lifecycle of the business and planned accomplishment of major expansion initiatives. The planning process addresses these time horizons through ongoing environmental scanning and inputs from Lexus Corporate about their product and service directions.

2.1a(2) Planning addresses key factors
Our SPP addresses our strengths, weaknesses, opportunities, and threats both at the PPD corporate level as well as for PPL. SWOT for PPL analysis are identified through the collective information gathered throughout the year as part of our ongoing reviews and research. This information is obtained from both internal and external environmental scans. This SWOT analysis includes an understanding of key areas of our environment to ensure clarity of forecasting. These areas of input and information to understand major shifts in technology, markets, competition, and regulatory issues are shown in *Figure 2.1B*.

APs from prior years are considered with new opportunities in order to prioritize actions for the coming year, providing the opportunity to redirect resources to higher priority projects. Throughout the year, AP status is reviewed and new issues are considered. Our AP prioritization approach ensures that resources are allocated to provide the largest returns on investments.

Organizational stability and continuity is considered and addressed through corporate and store level emergency plans and business continuity plans. As new concerns surface during ongoing reviews or environmental analysis, plans for addressing these concerns are developed and incorporated into the existing plans. The emergency preparedness plan is maintained by the PPD CIO and includes a variety of scenarios as described in 6.2b(2).

Strategic plan action plans are developed as described in 2.2a. These action plans contain requests for resources and funding to enable execution of the plans.

Information	Source(s)
Client and market needs	- Lexus CSI survey for client satisfaction - Lexus demographic survey for local, area, and national - Lexus comparative reports for the region - Input from listening and learning (*Figure 3.1A*) - Information from industry groups (NADA, JD Power reports, Lexus reports, industry magazines) - 3rd party research (such as study of Gen Y purchasing habits)
Competitive environment	- Lexus comparative reports for the region - Input from listening and learning (*Figure 3.1A*) - Input from key suppliers and vendors
Industry trends and product life cycles	- Industry publications and networking such as NADA, 20 Groups, Lexus research - Trade magazines and input from key suppliers and vendors
Technological shifts and opportunities	- Information from industry groups (NADA, JD Power reports, Lexus reports, industry magazines) - Involvement of IT in computer industry assoc. and publications - Information from suppliers and vendors of equipment
Product and service innovations	- Information from Lexus concerning current and future product plans and changes
Human resource needs and capabilities	- Q12 Member survey results [5.3b(3)]. - Member input through Communication Methods (*Figure 1.1B*) - Member productivity, capabilities, and training trends
Organizational capabilities	- Process efficiency and utilization measures from operat. review - Feedback from Baldrige self-assessments and feedback reports
Financial capabilities and needs	- Current financial reports from PPD and internal reports - Industry and Lexus forecasts of economic conditions and trends
Societal and regulatory issues	- Prior year performance in regulatory, and early indicators of changing requirements gained as described in 1.2a(2) - Lexus and Industry association publications
Economic environment	- Newspaper and Industry publications
Partner directions and capabilities	- Lexus plans and publications - Supplier and Vendor performance reports for capabilities

Figure 2.1B – Strategic Planning Input Sources

Through funding and human resource allocations, we ensure that we are able to execute the strategic plan. Ongoing reviews of action plan status each month provide attention and accountability to ensure that progress is made.

2.1b Strategic Objectives
2.1b(1) Key strategic objectives
Key strategic objectives that we align to are the 2007 Key Thrusts outlined for PPD. These Thrusts are shown below with their associated targets. Targets are used to establish actions at all levels of the organization and are intended to be the ultimate drivers of performance for the organization.

1) Redefining the Client Experience. Creating the ultimate WOW environment for Clients and Members.

> **Targets** are Service Client Retention at or above National average, continued high Client Satisfaction

2) Right people in the right jobs with the right training. A high performance workplace with engaged Members focused on serving clients.

> **Targets** are continued high Member Satisfaction, Q12, Member Retention at 80%, and Gross per Member at our target amount.

3) BDC/Client Touch Points. Personalized relationships with each client so that they become advocates.

> **Targets** are market share at 51.5%, and Asset Management at <=0 deviation from standard in all measures.

4) Marketing and Advertising (new client acquisition). Known for our unparalleled ownership experience.

> **Target** is market share at 51.5%.

2.1b(2) Strategic objectives address challenges
Figure P.2A shows the strategic challenges for our organization identified during planning. Our 2007 Key Thrusts consider these challenges as they emerge from the SWOT analysis. *Figure 2.2A* shows the alignment between Critical Success Factors, Key Strategic Challenges, and the Thrusts that address each. Strategic goals are established to address longer-term challenges and opportunities from the SWOT analysis at the PPD and PPL deployment levels. Action Plans are created to align shorter-term actions to these long-term directions.

Growing demand in the area: The Collin and Tarrant County areas have had explosive growth over the last ten years, particularly in higher-educated, higher-income families. This growth has contributed to increased demand for our services. Under the Thrust of "Redefining the Client Experience" we focus on the methods to capitalize on this growth. We are also completing prior year APs related to expansion of existing facilities to manage this ongoing growth and maintain outstanding service to our clients.

Competition for talent: The automotive industry as a whole is facing a potential shortage of talented workers for sales and service. In response to this threat, we have initiated the Thrust of "Right People in the Right Jobs with the Right Training" to ensure that we are consistently defining and recruiting the appropriate talent.

Keeping up with the changes taking place in the products we sell and technology in Lexus vehicles. The pace of change in automotive technology has increased just as fast as the pace of change in general technology. This year, Lexus introduced a new Hybrid vehicle. This change, along with many others, requires that we stay current on the technology to help prepare our client base. Through ongoing development activities taking place under the "Right People in the Right Jobs with the Right Training" goal, we keep Members familiar with these changes.

Strong Competition in the area: With one very strong competitor in the area for Lexus vehicles, we remain committed to differentiating ourselves through our service and focus on client needs. By creating expert methods to manage relationships with clients and maintaining relationships designed through the Thrust of "BDC/Client Touch Points," we are able to create this differentiation. We also use this Thrust to focus our energies on creating efficient and effective processes to enhance our value to the company and the client.

Changing Demographics of the Client: The changes in our local communities and in the needs of emerging client age groups have caused the demographics of our client base to change. To help us change with them, we have established the Thrust of "Marketing and Advertising" to focus energies on understanding and responding to those changing needs.

2.2 Strategy Deployment
The deployment process is integrated within the strategic planning process shown in *Figure 2.1A*. Deployment is a cascaded activity with each successive step dependent upon the results of the prior step. Following development of the company strategic directions, deployment begins with PPL and dealership level directions and targets. This takes place in the series of meetings described in 2.1a(1).

2.2a Action Plan Development and Deployment
2.2a(1) Develop and deploy action plans
Individual group and department leaders develop APs for their teams based on the dealership goals during the SPP rollout. Additional APs are developed throughout the year for all areas where current performance shows a gap from desired performance or where opportunities exist for enhancement. All departments use standardized forms to create APs to ensure they consider resource requirements, measures, and time horizons. These AP teams work

together to develop and track the actions that will achieve the goals of the organization. Required resources are identified and approved as part of this activity. When a problem arises where the root cause is not known, the DRIVE process may be initiated in lieu of an AP. Resources are allocated to APs based on their value and return to the organization. We review progress [4.1b(1)] and verify alignment to strategic goals.

Figure 2.2A is a summary of current-year APs for the two dealerships. Throughout the year, as items are accomplished, priorities shift, or performance levels indicate the need for improvement, plans are modified. DRIVE plans are accomplished through the standardized improvement methodology shown in *Figure 6.1D* and use the quality tools taught in our Quality Training course, demonstrated during DRIVE teams.

We ensure that the key changes resulting from APs are sustained by updating the appropriate processes and procedures. For non-process changes, each AP contains a step to standardize or check the impact of the change. For each process change AP, audits are done within 90 days by the Organizational Excellence department to ensure standardization. Since APs are tied to strategies that have measures, the CEO reviews performance to these measures and the APs quarterly, driving accountability into the system. As a final checkpoint, outcomes and status of all APs worked during the year are reviewed at the end of the year in preparation for the next strategic planning cycle.

2.2a(2) Establish and deploy modified action plans
As action plan status is monitored monthly by the president and GMs, and quarterly during the DX meetings. Changing conditions may indicate that action plans should be modified to accomplish their goal or other action plans should be developed to meet those conditions. When this occurs, appropriate departments/groups develop the new or revised action plan, including resource needs. This action plan becomes part of the ongoing strategic plan cycle and is measured and reviewed appropriately. If resources needed to accomplish the plan are not available, and the plan is of high priority, appropriate resources are shifted from other, lower-priority actions.

2.2a(3) Short- and longer-term plans
Key longer- and short-term actions are shown in *Figure 2.2A,* including those related to changes in our client base, services, market, and processes. These actions are in place at various levels. Some include significant changes to processes or business approaches to accomplish ongoing improvements. When actions are created that affect changes to clients, markets, or services, they are identified within the Thrust of "Redefine the Client Experience" or "Client

Touch Points." One such example is our long-term action plan related to expansions of our facilities.

2.2a(4) Key human resource plans
Most human resource plans are addressed under our strategic Thrust of "Right People in the Right Jobs with the Right Training." Training plans ensure Members remain current in skills and meet training goals.

We outline staffing needs within our projected budget plan, helping the HR managers plan training and hiring activities. Action plans were created this year to address member-manager relationships and enhance the personal recognition approaches. The PPL HR managers are actively involved in the execution of these plans, as well as projecting resource requirements for the coming year. In addition to these high-level initiatives, the HR managers work with the departments to help identify any training, hiring, and other requirements that will be required to support these initiatives.

2.2a(5) Key performance measures
Each AP has defined measures that enable the plan owner and the PPD LT to track performance and success. Additionally, each strategy also maintains higher-level measures (*Figure 2.2A*) to ensure these APs have the desired effect on overall performance. From this, departments and teams establish goals in their key measures (*Figure 6.1A)* to support the Dealership plan. This layered approach to plan measurement ensures organizational alignment and coverage of key directions. Because all stakeholders are purposefully considered during strategic planning, the very structure of our strategic planning ensures that performance to key stakeholders' requirements is tracked during ongoing meetings.

2.2b Performance Projection
For each strategy in support of the Thrusts, current and projected goals for both the short- and long-term are shown in *Figure 2.2A*. These projections are set based upon prior year trends, projections from Lexus, and improvement expectations. Actual data and projections from Lexus are used to monitor the performance and future trends of our key competitor in these same measures (where possible), as also shown in *Figure 2.2A*.

Because of our focus on process and performance improvement and our solid approach to strategic planning (which are both quite unusual in our industry), we anticipate that performance in these Thrusts will far exceed the performance of our competitors. We set standards in process performance rarely matched by anyone in our industry. In our endeavor to find industry benchmark partners, we generally find ourselves the leader with visitors being impressed at the maturity and innovation of our systems. Because of our strong, aggressive focus, we anticipate continued leadership in our industry.

Mission: To provide an extraordinary automotive purchase and ownership experience.			
Vision (BHAG): Be the unparalleled retail automotive group in the United States.			
Critical Success Factors	Client Driven Excellence	Valuing Members and Partners	Managing for Innovation	Agility
Key Strategic Challenges	Growing Demand in the Area	-Competition for Talent -Changing in the product	Strong Competition in the Area	Changing Demographics of Clients
Core Convictions	Outstanding Client Experience	Integrity	Winning	Commitment
Thrusts (Objectives)	Redefining the Client Experience	Right People in the Right Jobs with the Right Training	Client Touch Points / BDC	Marketing and Advertising
Corporate Strategies	Define the Client Experience	- Complete OJT Plans - Align compensation plan	Finalize the client touch points	Alignment of Marketing and Advertising
PPL Initiatives (Action Plans)	Increase Client Retention	- Manager/Member Development - Improve Member Recognition	- Increase Market Share - Improve Cost Efficiencies	Focus radio spots on changing client profile
Key Measures	- Client Retention - Client Satisfaction - Revenues	- Revenue per Member - Member Satisfaction - Member Retention	- Market Share - Cost of Sales - Asset Control	- Market Share - Revenues

Key Measures Goals				
Measure/ Competitor	**Prior Year (2004)**	**This year goal (2005)**	**3-year goal (2007)**	**5-year goal (2009)**
Client Retention (Figure 7.2L)	PPL Plano 76% PPL GV 78% Competitive 57%	PPL both 79% Competitive Projection 66%	PPL both 81% Competitive Projection 66%	PPL both 82% Competitive Projection 66%
Client Satisfaction (Figure 7.2A)	PPL both 69.5% Competitive 63%	PPL both 71% Competitive Projection 65%	PPL both 73% Competitive Projection 68%	PPL both 75% Competitive Projection 69%
Revenues (Figure 7.3B)	PPL $ Competitive %	PPL $ Competitive Projection %	PPL $ Competitive Projection %	PPL $ Competitive Projection %
Gross/Member (Figure 7.5A)	PPL $ Competitive $	PPL $ Competitive Projection $	PPL $ Competitive Projection $	PPL $ Competitive Projection $
Member Retention (Figure 7.4K – Inverse of Turnover)	PPL both 76% Competitive 45%	PPL both 75% Competitive Projection 45%	PPL both 80% Competitive Projection 45%	PPL both 80% Competitive Projection 45%
Member Satisfaction (Figure 7.4K)	PPL Plano 88%% PPL GV 90% Competitive 80%	PPL both 90% Competitive Projection 80%	PPL both 91% Competitive Projection 80%	PPL both 93% Competitive Projection 80%
Market Share (Text in 7.3a(2))	PPL 50% Competitive 50%	PPL 51% Competitive Projection 49%	PPL 51.5% Competitive Projection 48.5%	PPL 52% Competitive Projection 48%
Asset Management (Not Shown – Composite of variety of charts in Cat 7)	PPL Plano 1 deviation PPL GV 2 deviation Competitive N/A	PPL both 0 deviation Competitive Projection N/A	PPL both 0 deviation Competitive Projection N/A	PPL both 0 deviation Competitive Projection N/A

Figure 2.2A – PPL Strategic Plan Elements

3.1 Customer and Market Knowledge
Our core conviction of providing an Outstanding Client Experience drives our organization to understand the needs of our clients and focus on delivery of the best service possible, exceeding expectations. PPL clients have learned to expect outstanding service by knowledgeable professionals who go the extra mile to make them happy.

3.1a Customer and Market Knowledge
3.1a(1) Customer, Market Segmentation
Our targeted client segments and their profile are shown in *Figure P.1D*. These clients were targeted based upon an extensive market analysis performed by Lexus and an analysis of the types of clients that live in and around our geographic locations in Collin and Tarrant Counties. The groups that we have chosen to target are the clients that have common requirements for the quality product, high level of service, and sense of prestige that we offer; therefore, they represent the clients that we can best serve.

The market research data provided by Lexus considers our specific target market area to determine segments and opportunities for them and for us. Lexus uses a number of external vendor sources to conduct research and surveys and then provide this to dealers in each of four geographic regions in the country. The data includes input from our current clients and competitors' clients. This information enables our marketing consultants to include competitors' clients in further research and our targeted marketing plan.

Using our Listening and Learning process (*Figure 3.1A*), we acquire and use information from a variety of sources to define market segments and target clients. We regularly review information gathered from our existing client base to assist in identifying target demographics for new marketing opportunities. We segment our client database into groups and evaluate them based on Lexus market studies. Marketing consultants identify the largest three to five groups for a lifestyle review. This review is a third-party survey used to identify lifestyle choices our clients or potential clients make on a daily basis. For example, it is vital we understand our clients' radio, TV, and magazine choices. Our marketing consultants and Organizational Excellence Department also conduct focus groups on our products to assist in forming targeted marketing efforts. This information is used to create a marketing plan that focuses on the lifestyle choices and requirements for the chosen target groups.

With the addition of Client Relationship Management (CRM) software and the continued development and growth of our BDC (Business Development Center, which includes a Client Call Center), we are able to advance the relationships with our current clients while pursuing new clients in our market. CRM allows us to track and monitor relationships with both current and potential clients, provide

follow up to sales and service clients, track lease expirations, revisit unsold showroom traffic, and campaign potential clients based on market analysis input.

3.1a(2) Determine needs of customers
Lexus is our primary source of formal information about our clients and their needs and expectations. They utilize the Gallup CE11 survey, based on a scientific model of factors that provide the greatest influence on clients' purchasing behavior. Our Listening and Learning process shown in *Figure 3.1A* was designed to formalize our activities in receiving input from clients and Members. We validate results of the Lexus survey for our specific clients and ensure that we get information from former, current, and potential clients about how we run our business.
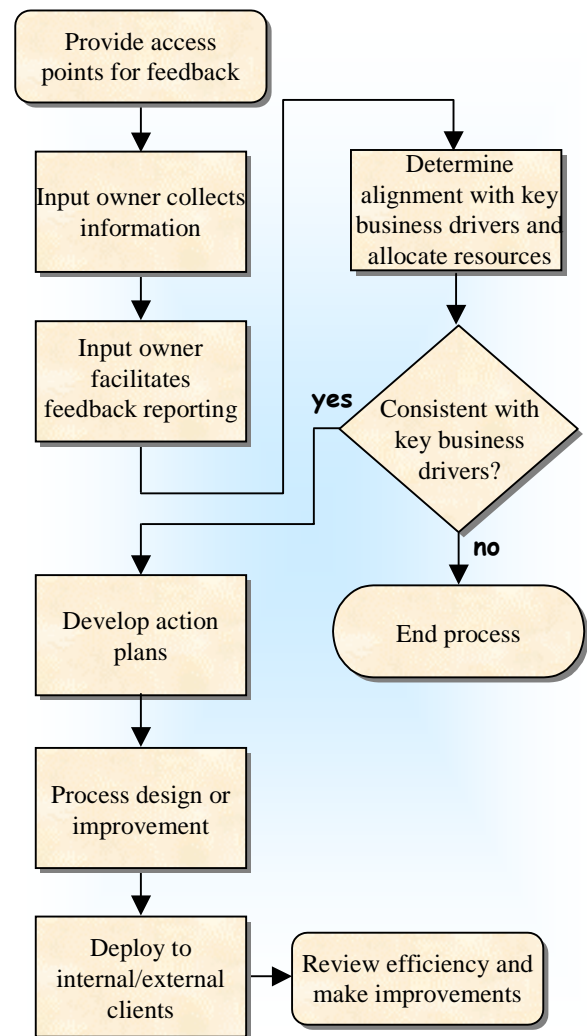
Figure 3.1A – Client and Member Listening and Learning

This process begins with providing access points for feedback, such as those shown in *Figure 3.1B*. The process also provides input from clients about the importance of the key requirements in making purchasing decisions. The

information collected from this client feedback enables us to tailor the marketing plan to highlight the items that our clients value the most when making a purchase. This is aligned with the information provided by the clients' lifestyle review. As new features, such as upgraded technology in vehicles, new service offerings, and new financing options are added to our products, the Listening and Learning process is used to collect feedback on client perception of these new features.

Listening and Learning Method	Segment	Frequency
Fireside Chats (by Lexus)	New Car Sales Clients	Annual
Suggestion boxes	All	Ongoing
Follow-up Calls	Sales/Service Clients	After transaction
Client Surveys – different survey for each segment	All	After transaction
Complaints	All	Ongoing
Contact with Member (sales person, reception, help desk, etc.)	All	Ongoing
Focus Groups (separate groups by client segment)	All	As needed
Bulletin Boards – "Listening and Learning" Boards	All	Ongoing

Figure 3.1B – Listening and Learning / Access Methods

Suggestion boxes are one of the important access points in the Listening and Learning process for both clients and Members. They are located in key places throughout our dealership and checked monthly. Our HR departments gather the inputs and include them in suggestion tracking, which is sent via email to the managers and discussed in manager meetings. Managers call the clients, and once the suggestion is addressed, they email HR with the outcomes.

The MT sends thank you cards to all clients who provide suggestions, and if it is a concern, we use the CCR Process (*Figure 3.2B*). This provides an excellent opportunity for clients to provide constructive feedback. For example, in recent years, we implemented a number of improvements based on client suggestions. These improvements include increasing our loan car fleet to make more vehicles available for waiting clients, adding more children's books to the client waiting area, adding a variety of different coffee

creamers to the beverage center, and changing toilet tissue vendors.

Similar to the suggestion boxes, the on-line feedback button on our website allows clients to provide suggestions when they are in our waiting lounges (through on-line connections) or when they are not at our facility. A button is provided on our internal intranet site to provide Members a similar opportunity to provide input. The feedback from clients and Members is aggregated and compiled monthly by our Web Content Editor and submitted to the MT for review using the Listening and Learning process. If changes cannot be made for a valid reason, the MT communicates its findings to the departments along with the reasons for not taking any action. The appropriate department manager then passes that information on to the clients and Members to open further discussion, get more feedback, or close the issue.

Another access point to the Listening and Learning process is the CSI survey. This survey follows all client transactions to evaluate our Sales and Service departments. In 2005, Lexus refined the survey process. It was simplified and focused to include more direct feedback regarding the client experience. Formerly, it was based only on the experience of the warranty client, which provided limited information. With the current refinements, all Lexus clients are now included, broadening our feedback knowledge base. In 1997, we put into practice mandatory action plan implementation for survey scores that had declined for 90 days or more. Our managers now review these survey scores daily during one-on-one meetings and quarterly during the DX Meeting to determine trends and develop action plans for improvements.

Focus groups are another of our key access points to the Listening and Learning process. These are conducted to help us understand the impressions that clients have of our dealerships, products, and services. These sessions are held whenever changes in client expectations are identified through client satisfaction measurement, when we are researching new opportunities, or in preparation for strategic planning. We ensure that these groups contain former, existing, and potential clients to capture all client impressions and support our marketing campaigns.

Each of these access points provides input to our Listening and Learning process (*Figure 3.1A*). The feedback is checked against our mission to ensure alignment. We develop action plans to implement changes based on this feedback.

3.1a(3) Keep listening and learning current
Our Listening and Learning process includes a step to evaluate its own effectiveness. We use this evaluation step

each month to ensure we continue to use the most effective approaches to listen to our clients. Certain performance indicators are used to evaluate the effectiveness of this process, including the number of responses in suggestion boxes, amount of feedback from the 50/50 committee, and attendance in focus groups. Member input is also used to determine the effectiveness of our approaches. If we find that the process is not completely effective, the process is reviewed by the MT and updated. As a result of this review approach, when we rolled out the new Park Place website in 2002, a feature was added to ask for client feedback regarding the client experience with our dealerships and our website. In 2004, the Park Place website was again redesigned based on user/client feedback with a focus on usability. We included live chat, enhanced search options, a simplified interface, front-page marketing and banner advertising, an updated feedback form, and a periodic pop-up offering the opportunity for client feedback. This provides a learning opportunity for PPL to listen to our clients using an added method of communication that our clients prefer.

3.2 Customer Relationships and Satisfaction
3.2a Customer Relationship Building

Our core conviction of providing an outstanding client experience is the foundation of our commitment to our clients. We focus on developing lasting relationships with clients. Frequent, personalized contacts and attention to detail are at the heart of our relationship strategy.

3.2a(1) Build Relationships

Our commitment to building relationships starts with our client's first encounter with us. The Lexus Covenant states that we treat each client as a guest in our own home. This focuses us on client relationships. Our receptionists are at the front entrance of the store to assist and direct clients to the appropriate Members. They ensure that clients feel comfortable and relaxed and are provided refreshments in attractive surroundings. We pay great attention to detail in our stores to provide a sense of status and luxury for our clients. Our receptionists receive specific phone training to ensure prompt and courteous handling of all calls. We also provide client service training to all Members who deal directly with clients to encourage better relationship building.

In order to build relationships to acquire business, we conduct research on the needs of specific client and market segments in order to design marketing activities. For example, in 2004, we directed our radio marketing campaign toward providing key messages regarding the Park Place experience. The campaign was driven as a result of feedback from clients who were no longer servicing with our dealerships, to counter any misconceptions that might have been created by Independent repair facilities, regain lost service business, and retain clients who currently

service with our dealerships. A follow-up campaign is scheduled for summer 2005.

Our Listening and Learning process was designed to provide a systematic method to identify client needs and then meet or exceed them. This approach ensures that we gather information from current and potential clients, as well as from Members, about what is important and how we can address their needs.

We use a client database (CRM) to maintain information on all of our clients. This allows us to track changing information about clients to assist in building personal relationships. For example, many of our Sales Members send cards for client birthdays and use the database to record the names of client family members.

Another relationship building strategy is our client follow-up approach. Our sales process requirements include client follow-up by the Call Center. Service processes include specific requirements for client follow-up to further strengthen client relationships with personalized attention. These relationships result in dramatic increases in repeat business and positive referrals from our clients.

3.2a(2) Access mechanisms

Our key client contact approaches and their requirements are defined through our Listening and Learning process (*Figure 3.1A*). Performance Standards are established for every position. Client contact is most often conducted through the phone, by email, or in-person. In addition, we employ several other mechanisms for our clients to seek information, conduct business, and express concerns, as shown in *Figure 3.2A*.

Contact requirements depend upon the method of contact and are set by industry standards and through feedback from clients. Performance Standards outline the specific requirements for contacts with clients. For example, for phone access, we have a performance standard that requires the phone to be answered within three rings. Email requirements include returning client email within 24 hours of receipt. All in-person contacts require that the client be greeted at the door. We always escort a client to their destination. Valets have a specific requirement to assist clients in transferring their personal belongings. Cashiers are required to greet clients within 30 seconds using the Park Place greeting.

Performance Standards are deployed to every Member through introduction at the Foundations new Member class, inclusion in the OJT Training, and communication through the department. For direct client contact personnel, we also include contact standards in formal training for phone, email, and showroom contact. Park Place Foundations, which includes Client Delight and Effective

Communication, covers the basics of using equipment, as well as Park Place etiquette standards.

3.2a(3) Complaint Management

Method of Access	Content/Use
Seek Information	
• Internet web site	Product and Dealership information, employment
• Marketing materials and Advertisements	Product and Dealership information, employment
• Client Visit (Shopping)	Product and Dealership information, features
• Phone or email requests	Product and Dealership information, features
Conduct Business	
• Internet web site & e-bay store	Product and Dealership purchase, schedule service employment
• Sales/Service rep direct contact	Product information and purchase, schedule service
• Client Care Reps	Product information, scheduling, etc.
Express Concerns	
• Focus Groups	Overall operations, special topics
• CCR process	Concerns
• CSI survey	Satisfaction
• Suggestion boxes	Improvement Opportunities
• Responses to client follow-up	Satisfaction and Improvement

Figure 3.2A – Methods of Access

3.2a(3) Complaint Management
Our Client Concern Resolution (CCR) process shown in *Figure 3.2B* is the method used to manage client concerns. Results for CCRs are shown in *Figure 7.2G*. Members receive training on using this process during Foundations, and all Members are empowered to utilize the process. All Members have on-line access to the CCR system to log complaints they receive.

After a concern is logged on the intranet, it is part of a CCR database that can be queried for specific information. CCR training includes instruction on how to access and use the electronic forms and requirements for recovering the relationship. Each Member, based on the documented Steps

to Empowerment, is enabled with a dollar amount to resolve client concerns. Once entered, an email is sent to the manager so he/she is aware of the issue and can track it to closure with the client. In the event the resolution will cost more than the specified dollar amount, the Member secures authorization from his/her department manager to resolve the concern in a way they determine will satisfy the client, i.e., bill adjustment or other resolution.

After concerns are resolved, department managers provide follow-up with the client to ensure the resolution meets his/her needs. Managers and supervisors are required to track both active and completed CCR tickets weekly to identify trends, which are addressed through department action plans to prevent reoccurrence. Because concerns are documented within the system, aggregate trends are captured for use by the MT during monthly reviews.
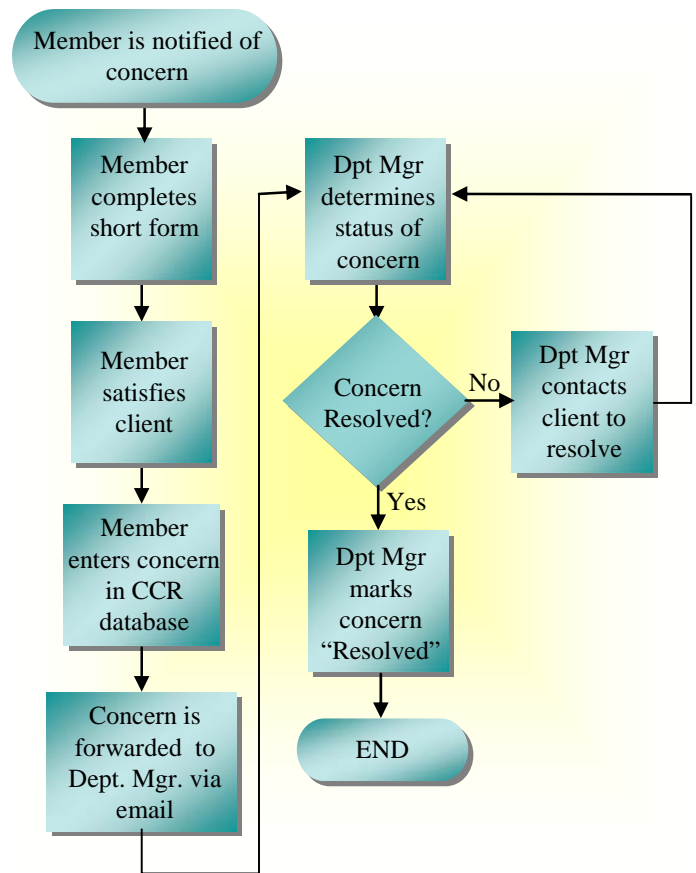
Figure 3.2B – CCR Process

3.2a(4) Relationship building current
Our approach to building relationships and providing client access changes as our business changes. We identify changing client access needs through our Listening and Learning process (*Figure 3.1A*). Clients provide feedback through the identified access mechanisms that allow us to align our business with client requirements. As our clients

request more advanced access, we update our product and service processes to accommodate these needs.

An example of response to changing client needs is the design of our website to allow clients to do business with us in new and different ways. In early 2002, we added a feature that allows clients to register with the website and log in using a username and password. This registration feature enables our clients to "build" and price a car, schedule appointments, and request additional information according to their personal profile. In 2004, we updated the website based on client feedback, including live web chat, enhanced search capabilities, updated graphics and current news, and a "Value Your Trade" feature, which allows users to describe their current vehicle for possible trade-in on a new vehicle.

We also review our relationship approach each year as a part of strategic planning. By looking at changes that have been implemented throughout the year, we can determine what improvements were successful in building stronger relationships and what additional improvements are needed. We consider client feedback from surveys, focus groups, and suggestions in this determination. We also use external input such as benchmarking and input from assessments, such as feedback reports from TAPE and Baldrige applications, to identify potential enhancements.

3.2b Customer Satisfaction Determination
3.2b(1) Customer Satisfaction Determination
Client satisfaction is an input to the overall Listening and Learning process (*Figure 3.1A*) which is used to help determine directions (*Figure 2.1B*) and to help design processes (6.1).We determine client satisfaction through:

- CCR – used to track concerns about clients' PPL experiences. We actively pursue this input because the more issues we can log and track, the better our information to prevent future problems and the better we understand client requirements. The CCR form provides fields for specific concern information, resolution ideas, dollar amounts, follow-up, and status in order to provide actionable information.

- Client Satisfaction Indicators (CSI) – captures specific data from our follow-up survey related to client satisfaction. This information is often the best predictor of whether a client will return to PPL and refer additional business. This survey allows the client to make suggestions and comments in addition to the standard structure of questions in order to provide actionable information.

- Suggestion boxes – enable us to track constructive ideas from clients to make their visit to PPL more pleasant.

If clients' visits are more satisfying, they are more likely to return and refer additional clients.

- Focus Groups – capture actionable information about client impressions and lifestyles, which helps us understand client requirements and predict future business with us based on client desires for our products and service. Data gathered from these Focus Groups are compiled and reported to encourage improvement in areas where opportunities exist.

- Lexus Market Surveys – obtain feedback on current, potential, and competitors' clients. We use this information to develop our target marketing needs.

Client satisfaction methods are consistent between sales and service. For example, the survey for delivery quality index includes elements of the sales experience as well as a rating of the responsibilities of the Service Department within the delivery of the new vehicle. *Figure 3.1B* shows listening and learning methods which also are used as methods to determine satisfaction.

These client satisfaction determinations are reviewed at the monthly review meetings. If negative trends are noted for more than 90 days, we implement action plans to address the issues. This information is also included in the annual environmental scan for strategic planning, as described in 2.1a(2). This ensures that we understand our current and potential clients' needs as we set direction and determine new product and service approaches.

3.2b(2) Follow-up on interactions
We use a systematic follow-up process (*Figure 3.2C*) to gain feedback after products and services have been delivered. The approach uses two specific methods: the follow-up call and the follow-up survey.

Follow-up Calls - Following the Sales and Service processes, a PPL follow-up Member calls the client to obtain information about their PPL experience. This call gives the client an opportunity not only to provide feedback but also to ask questions. This ensures that PPL is responsive to their needs. They give feedback about their initial impressions of the product and the dealership, as well as constructive feedback about their Sales or Service experience. The information is collected by the follow-up Member and distributed to managers and affected Members.

Follow-up Survey – The Lexus follow-up survey is used to determine our CSI score. This survey is distributed by Lexus within ten days of the client visit and asks pointed questions pertaining to client satisfaction and the likelihood of their repeat business. The feedback is used to improve and refine our Sales and Service processes. Departments establish and publish their goals for CSI scores resulting from this survey.
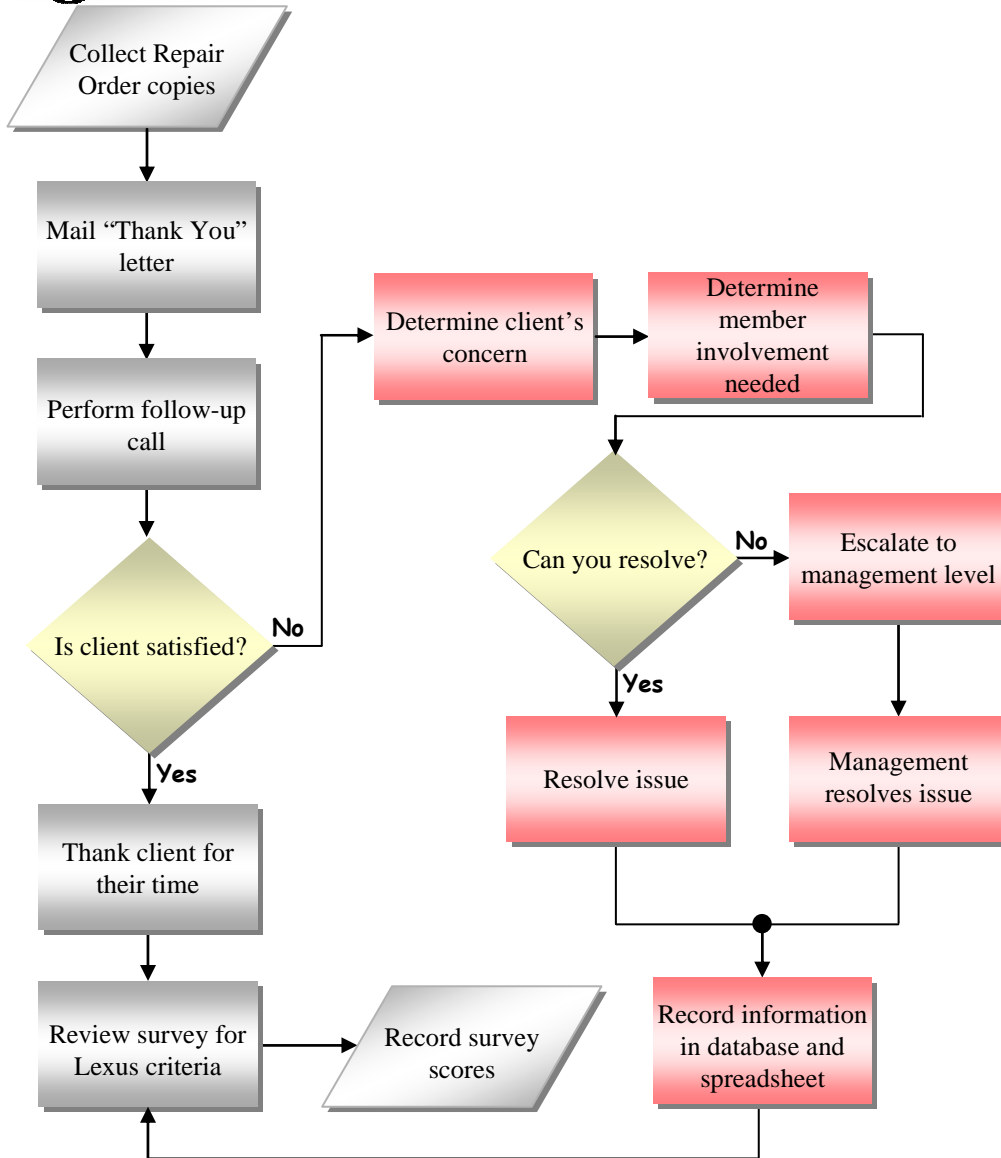
Figure 3.2C – Follow-Up Process

Collect Repair Order copies

Mail "Thank You" letter

Perform follow-up call

Is client satisfied?

No → **Determine client's concern** → **Determine member involvement needed** → **Can you resolve?**

Can you resolve? — **No** → **Escalate to management level**

Can you resolve? — **Yes** → **Resolve issue**

Escalate to management level → **Management resolves issue**

Resolve issue / **Management resolves issue** → **Record information in database and spreadsheet**

Is client satisfied? — **Yes** → **Thank client for their time**

Thank client for their time → **Review survey for Lexus criteria** → **Record survey scores**

Figure 3.2C – Follow-Up Process

If comparative feedback scores are high: We review our feedback scores to see if our goals need to be set higher. By refining and improving our goals, we continue to grow and improve our client service.

3.2b(4) Keep satisfaction determination current

Each of our processes for determining client satisfaction include a step to evaluate the effectiveness of the process. The Sales and Service managers update their information collection methods annually. If collection methods or the data collected are ineffective, we update processes or approaches using DRIVE. Focus groups are designed specifically to inquire about current issues. The effectiveness of these sessions is also evaluated at the time they are conducted, and feedback for improving the approach is gathered from the participants.

We use our benchmarking activities and external assessments with the TAPE and Baldrige programs to provide improvement opportunities to our client satisfaction approach. On CCRs, we record the client's contact information in order to follow up after the concern is resolved. Prior to 2001, we did not track and analyze the CCR data nor did we follow up with the client about their specific concern. As a result of our 2000 feedback report from TAPE, the CCR process has been improved to include these activities.

Another enhancement to the process is the online availability to all Members of the electronic CCR form to document concerns. In addition, for 2004, the CCR process was made a part of the Client Delight training program which is provided to all Members during their first week at Park Place. The CCR process is now also reviewed in the 90-day follow up course, "Experts in Excellence" in order to ensure that the importance of CCR reporting is reinforced .

3.2b(3) Comparative satisfaction performance

Lexus plays a significant role in allowing us to compare our client satisfaction to other Lexus dealerships. The follow-up survey and follow-up calls are also part of Lexus' procedures. Lexus reports results from all competitors within the district, area, and national markets. These scores allow us to track client satisfaction of competitors and set strategies to improve our scores in comparison to theirs.

If comparative feedback scores are low: We are not meeting client needs and requirements. Our action plan review process requires departments with lower performance, as compared to competitors, to benchmark practices and develop action plans to improve performance and raise the feedback scores.

4.1 Measurement, Analysis, and Review of Organizational Performance

4.1a Performance Measurement
Since the beginning of our quality journey, fact-based decision making has been an important part of our culture. Based on our continued improvement and success in this area, this systematic approach to measures, reviews, and goal setting gives us a competitive advantage in our industry.

4.1a(1) Select, collect, align and integrate
Data used in tracking daily operations and overall organizational performance is selected and aligned annually as part of the strategic planning process described in 2.1a. During the SPP, strategic measures (*Grow the Business* measures) are defined for PPL and PPD. *Figure 4.1A* shows the approach we use to select measures at both the company and operational levels. These measures are set to track performance to the strategies identified during strategic planning, which assures alignment of measures to strategic direction. During the Strategic Planning deployment process, each dealership sets goals for their store performance in each measure. The MT then reviews and refines the measures for specific departments and assigns goals for their department performance. This aligns the measurement system up and down the organization. During the goal deployment process, each department develops action plans to support the store goals, attain their department performance targets, and align with the overall store operation plans. All action plans are reviewed and refined in the monthly review meetings.

As part of the SPP, we review the measures used in tracking daily operational performance. These measures are evaluated for effectiveness and alignment to overall dealership direction. Through this review, some measures are added, some abandoned, and some modified to create an aligned set of daily operational measures.

Senior leaders regularly review two types of performance measures: "run the business" measures, which display day-to-day operational performance, and "grow the business" measures, which demonstrate progress to shorter- and
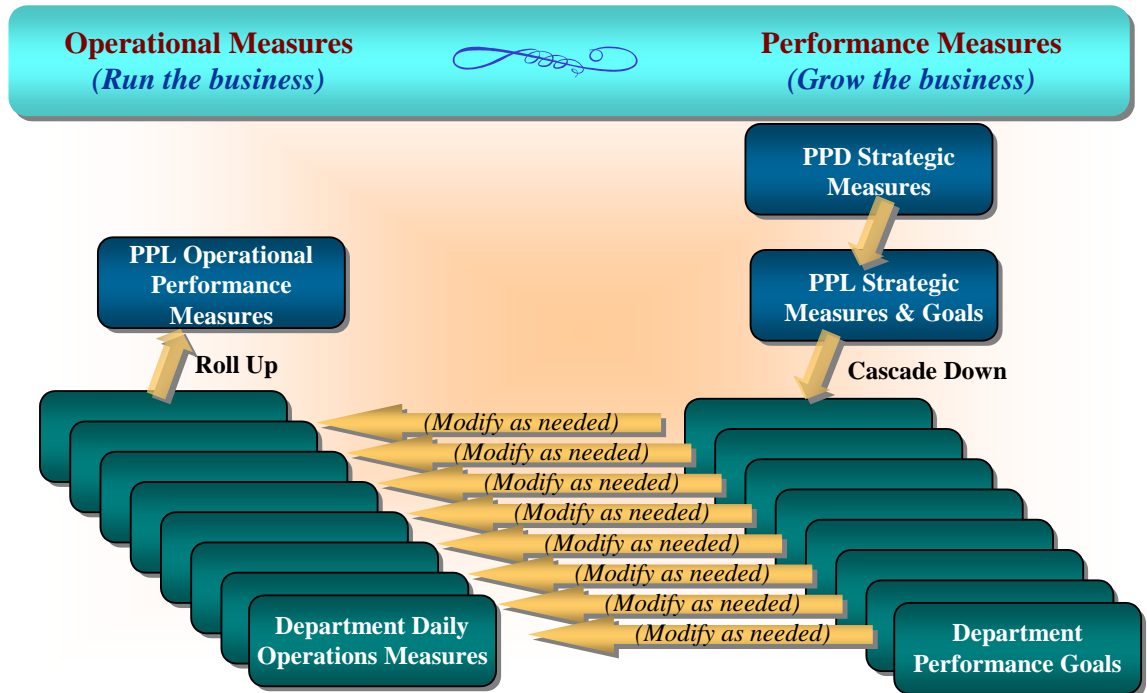
Figure 4.1A – Selection of Operational and Performance Measures

longer-term directions. Our "run the business" operational measures for each department are shown in *Figure 6.1B*, and our "grow the business" measures are in *Figure 2.2A*. Pace Reports, CSI, LSS, and OSI results are some of these key measures, which are direct indicators of our performance within the store operational plan.

Pace Reports are completed daily by the MT to monitor our current position in relation to our monthly targets, including information such as new car units sold, CSI month-to-date results, and available inventory. Our information systems are designed to allow real-time collection of information as processes are conducted. The MT forwards reports to the GM and the President daily for their review and to Members via email to keep them informed on daily progress. CSI, LSS, and OSI results monitor accuracy, timeliness, and client satisfaction. All measures are reviewed weekly during MT meetings and quarterly during DX meetings to evaluate the performance of each department to their daily operational goals and strategic plan performance goals. Data and information are gathered, reviewed monthly by the President and the GM, and then used to create the Performance Measurement Report, which is reviewed in the quarterly DX meetings.

Figure 4.1B demonstrates the process used during the DX meeting to assess organizational performance and take action on performance trends. All performance trend issues are addressed with action plans. Our information system provides the ability to aggregate and integrate information from throughout the organization to compile tracking measures and reports for management review.

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┌─────────────────────┐
│ Gather information   │
│ throughout month     │
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          │
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│ Input information    │
│ into DX reporting    │
│ format               │
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│ MT, President, &     │
│ GM review by         │
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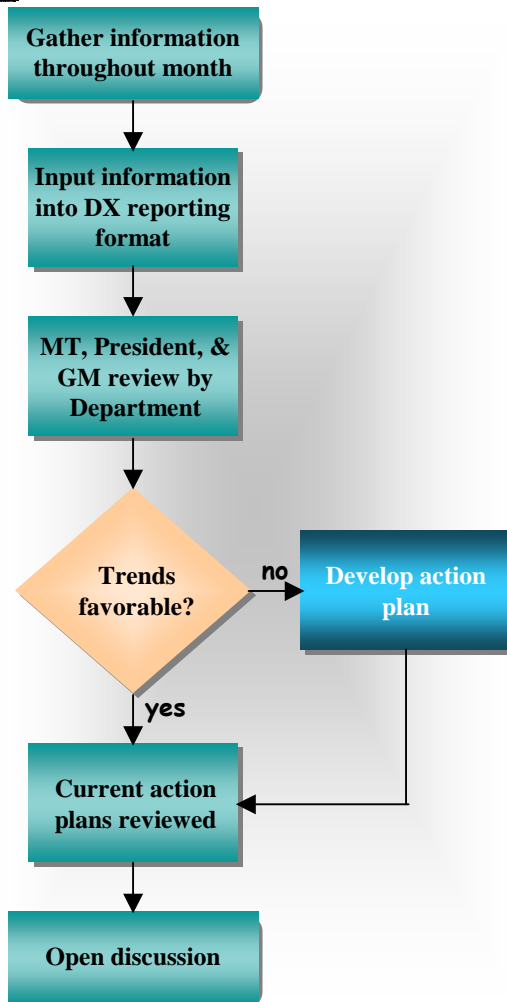
Figure 4.1B – Driving Excellence (DX) Process

4.1a(2) Comparative data and information
We select and use comparative data to assess performance levels and develop targets. Lexus provides monthly financial and CSI comparisons. These comparisons are made to other dealers in our district and market area (competitive), as well as nationally (best in class). We participate in a quarterly "20 Group" meeting with other Lexus dealerships. Performance measures, management practices, and process improvements are shared among the group Members. We use this information during the year to track competitive performance and during strategic planning to set targets.

Each department also gathers comparative data from other sources such as:

- Kelley Blue Book (vehicle pricing)
- NADA (20 Group Comparisons)
- Hay Group (HR data)
- Gallup (Member Q12 survey, CE11 Client Engagement survey)
- NCM (Mercedes Benz and other hi-line comparisons)

The criteria for selecting comparative data include relevance to our performance, reliability, and ongoing availability. To identify benchmarks, we look at other luxury automobile dealers known for their best-in-class processes, data provided by Lexus, and information from quality award program applicants and recipients. For example, we gather data from the Auto Group, considered a best-in-class organization due to their high performance levels. These benchmark organizations provide insight into areas of our organization which can be improved or where breakthrough improvements (innovation) may be possible. Modifications to these processes are considered during strategic planning each year.

We use comparisons for setting goals and identifying process improvements. We ensure the data is used appropriately and consistently by incorporating them into the standard for performance reviews. Wherever appropriate and available, we show our performance measures during reviews in comparison to competitors and/or the industry best. Because of our focus on continuous improvement and management by fact, our results consistently surpass comparative companies in most areas in our industry, making us a benchmark.

4.1a(3) Keep measurement system current
Measures we use in our performance management system are kept current with business needs primarily through the alignment process they undergo during Strategic Planning. During the SPP, new data requirements are identified to support business needs, and data that is no longer necessary is eliminated. The MT also initiates improvements as needs and requirements change in data selection, distribution, analysis, and review processes. Our measurement system has undergone several cycles of improvement in order to reduce reporting cycle time and create efficient reviews.

We have designed our performance measurement system to be sensitive to rapid internal and external changes through automation. This allows us to promptly make needed revisions, which are immediately deployed throughout the organization. Because the system is the driver for business process measures and thus the processes themselves, these changes are aligned. Additionally, we remain responsive to changing conditions by tightly linking ourselves to the Lexus system. This allows us to capitalize on their vast reserves of knowledge and research, quickly and easily, without expending large amounts of time or money to acquire this knowledge externally.

4.1b Performance Analysis and Review
4.1b(1) Organizational Performance Review
Senior leaders conduct regular reviews to track PPL success and performance. These reviews, their frequency, attendees, and the information reviewed are shown in *Figure 4.1C*. These reviews assess organizational success by verifying that each key measure and action plan has established goals and outcomes. Measurement against these goals provides

an understanding of current success. Competitive performance measures are reviewed within the strategic planning meeting, the quarterly DX meeting, and the monthly review meeting to identify emerging threats and areas for improvement. Our ability to rapidly respond to changing internal and external needs is reviewed as part of these process performance reviews, where capacity utilization is understood and future plans are aligned to our capabilities.

Meeting Name	Frequency	Participants	What is Reviewed
Strategic Planning	Annually	LT	Prior year plan, envir scan, prior year perf
Operational Planning	Annually	LT, GMs, & MT	Strategic Plan review, prior year perf
Monthly Review Meeting	Monthly	President, GMs, Controllers	Month-end dept financial reports
Quarterly Review (DX)	Quarterly	LT & GMs	Perf to strat plan, key measure perf
LT Meeting	Monthly	LT	Output from Dealership DX, Staffing, Strategic Plan
MT Meeting	Weekly	Senior Leaders	Pace, Staffing, Recognition, CCR
Department Meeting	Weekly	Department Members	Output from MT, Measures
Category Meetings	Varied	Team Members	Progress addressing Baldrige FB & develop assess

Figure 4.1C – Regular Organization Performance Reviews

We perform data analyses by charting and comparing data to historical trends, targets, and competitor performance. Correlation analysis occurs where appropriate, such as

development of client profiles and their effect on client satisfaction. Examples of trend analysis used in senior leader decision making include: market research, overall CSI rating, Member turnover, HR analysis/Member satisfaction, client retention, and net profit/gross profit.

4.1b(2) Translate to priorities for improvement
Depending on the type of issue identified in any of the reviews conducted, appropriate action is taken to address the issue. If a finding indicates that an existing process is not being followed or it is an ongoing issue, the appropriate process owner is assigned to correct the problem prior to the next meeting. For findings that represent potential improvement or innovation opportunities, the appropriate department manager implements the DRIVE process or an action plan to be tracked as described in 2.2a. For systemic issues, the same procedure is followed after the problem has been verified. If an indicator does not meet the target for two consecutive months, an action item is created. If the trend remains unfavorable for another 30 days, the action plan is implemented by department managers and deployed to our Members to assist in its execution. The impact/priority is determined by how much the project impacts our ability meet our Mission.

Corrective action plans are aligned, deployed, and monitored through the review meetings with communication and involvement in the plans assigned to core committees, suppliers, partners, and Members, as appropriate. Senior leaders ensure support from suppliers or partners when a review finding affects them; so, they may participate in the action item. For example, if there is a finding around warranty communications with Lexus, a Lexus representative facilitates the training to address the issue.

Results of organizational-level analysis are communicated and deployed to our Members through our Meeting Agenda Process (*Figure 4.1D*). This process was developed in response to Member requests for more information about the outcomes of the MT and DX meetings. This Meeting Agenda Process enables effective decision making at all levels by keeping Members informed of results, concerns, and impacts that are of importance to the organization. We refine this process as needed to achieve the goal of 100% communication and deployment to our Members.
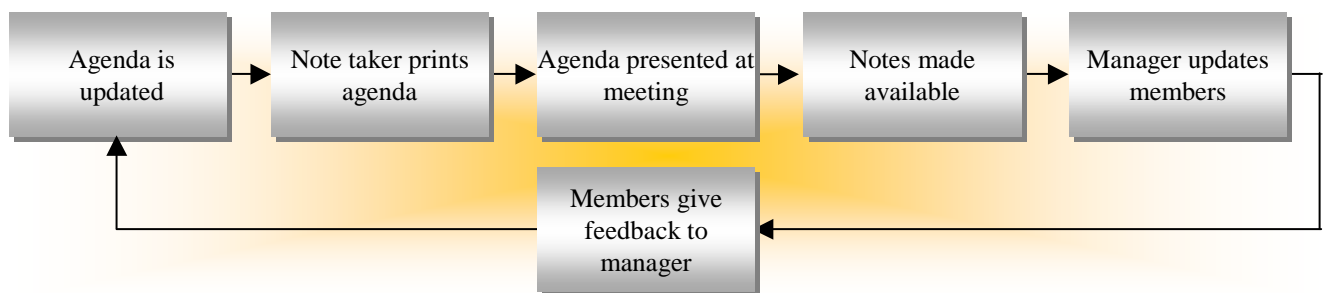
Figure 4.1D – Meeting Agenda Process

4.2 Information and Knowledge Management
4.2a Data and Information Availability
PPD provides certain foundational IT services, such as server availability and network administration, through the corporate IT department. Most IT functions, however, are decentralized at each dealership for flexibility in meeting specific needs. Hence, we maintain our own systems for information, data, and selecting and using hardware and software.

4.2a(1) Make data/information available
PPL makes needed data available to all stakeholders using both internal and external resources through both electronic and non-electronic methods. Key supplier alliances also assure accurate and timely availability of data to appropriate Members in our organization. We make this information available to our Members, clients, and suppliers/partners by the methods listed in *Figure 4.2A*.

Members	Supplier/Partners	Clients
Intranet/email	Internet/email	Web site access
Meetings (*Figure 4.1C*)	Meetings	Mailers
Daily interaction	Daily interaction	Daily interaction
Communication Methods (*Figure 1.1B*)	Focus groups	Focus groups
ADP/CRM	Mail/Phone contact	Phone contact
Park Place University	In-person visits	Email
Strategic rollout meetings		
Bulletin Boards		

Figure 4.2A – Information Availability Mechanisms

4.2a(2) Hardware and software quality
We ensure that hardware and software are reliable and user-friendly through an annual review of our systems. Our Help Desk manages and monitors reliability and accuracy. Requests for access, support, and new options are processed when a user opens a help-desk ticket. When the ticket is resolved, the system automatically sends an evaluation survey by email to the Member who opened the ticket. Once the survey is completed, the ticket is closed. We also conduct beta testing on internally developed applications, gathering feedback from our users before going live. This ensures reliability and user-friendliness. We have data redundancy in our network to ensure that critical software, such as ADP and CRM, is kept available in the event of a network failure.

We engage IT consulting firms to assess current business strategy and information technology infrastructure, further ensuring the reliability of our systems. These assessments include network, security, hardware, and software applications, as well as analyses of our business measure targets and goals to determine performance, scalability, and dependability needs. The goal of performing these assessments is to gain an understanding of our current information technology maturity with respect to industry recognized standards and best practices. We create action plans as needed to ensure we maintain proper IT structure to achieve our strategic goals, accommodate our Mission and Convictions, and improve performance.

In order to facilitate the use of hardware and software, we provide our Members with computer training specific to our systems, as well as general training in Microsoft® Word, Excel, and Outlook. In addition, all Members have access to advanced classes to further improve their computer skills.

We use several approaches to ensure that our hardware systems and software are secure. Nightly backups of files on file servers ensure that we are able to recover systems, if required, with no more than 24 hours of lost data. All of our databases are housed within our LAN (not exposed to the Internet) to prevent unauthorized access. In 2000, we installed an additional "firewall" program to further protect our system. And, in 2003, we updated our wireless network to the latest security standards, which also increased network speed. In order to keep operating systems current and reliable, our software maintenance system automatically pushes out updates to the Member's computers from the server. We update security programs with the most current patches as soon as they are tested and available.

We use password protection at the application and computer level with each user authenticated to our network by a user name and password. We have a group policy that locks a PC after a period of inactivity. When a Member is no longer employed with PPL, a standard process immediately removes that Member's access to all systems and deletes their profile after 90 days.

In response to client suggestions through the Listening and Learning process, we made wireless Internet available to clients at our dealerships. To maintain the highest level of network security, we provide wireless access points routed through a separate dedicated DSL connection, which protects our network while allowing clients direct access.

4.2a(3) Emergency preparedness
Our disaster preparedness plan outlines the procedures for recovering IT systems. Off-site backup of data and systems are maintained in case of such an emergency. The recovery of these files and systems are described within the plan and are practiced in regular recovery drills. Hardware systems are generic in nature to allow for easy recovery with new equipment, should the need arise.

4.2a(4) Keep availability mechanisms current
Periodic check-ups, like full scale IT audits, are conducted with the intention of keeping our data and information availability mechanisms current. More frequently, our IT department evaluates effectiveness throughout the year, particularly in preparation for strategic planning. IT

conducts strategic planning surveys and analyzes Help Desk results to develop environmental scanning information that addresses our current capabilities. When hardware and software problems occur, the IT administrator assesses the issue and determines if new, upgraded, or different hardware or software is required. Action plans created during strategic planning address IT strategy, network organization, asset and security management, backup and recovery, and computer operations support.

The SPP also assists in making sure that our data and availability mechanisms are kept current, through an evaluation of Member and client feedback. Our IT specialists remain current in their fields through training and research. They make recommendations to keep systems current through the SPP deployment process (*Figure 2.1A*), sharing updated information and programs with our Members, suppliers/partners, and clients.

4.2b Organizational Knowledge Management

Organizational knowledge is collected and transferred through our Organizational Excellence department and the Meeting Agenda Process. Processes are documented to provide standardized methods to communicate knowledge through the central knowledge-sharing database, which provides a location for Members to access and review processes and organizational knowledge.

We manage the transfer of the knowledge that clients, suppliers, and partners have concerning the business, practices, and processes primarily through our public website, listening and learning process, and our vendor management system. Clients provide input about our services, their experiences, benchmarking, and other significant information by using the listening and learning access methods shown in *Figure 3.1B*. These inputs then drive into business systems and knowledge databases. Lexus provides significant organizational knowledge to our Members through the Lexus Certification Program. Every Member is required to participate in this program, which provides new information on methods, practices, and products. Lexus representatives also meet with GMs every quarter to discuss updated processes and practices, provide best practices from other dealerships, and examine opportunities for improvement.

We manage best practices through our Organizational Excellence department using a central knowledge-sharing database. During manager meetings, reviews of process improvement efforts, and cross-dealership meetings, best practices are identified and entered into the database for sharing. The cross-dealership best practice meetings are held annually as part of the SPP. Each department manager brings their best practices to share with the others.

4.2c Data, Information, and Knowledge Quality

Organizational knowledge is collected in our knowledge-sharing database. Any Member on the network can access this database; yet, the data integrity is assured through system security and controlled modifications.

While we have moved significantly away from manual data entry, the remaining processes that require manual data entry have multiple checks and balances to ensure the integrity of the information entered. Our software also maintains field-level integrity checking to assure accuracy and integrity. For example, in the Sales process, Sales consultants enter most information about a client into ADP. This information is verified by both the Sales manager and the Finance manager in subsequent process steps. Once the deal is finished, the paperwork goes to the accounting office, where it is billed and sent through the title process. Each step has an accuracy check. A similar checking approach also ensures data reliability in our service appointment and service warranty processes.

To ensure that the information Members receive is delivered when they need it (timeliness), we have migrated all possible data sources to electronic access media with real-time update capabilities. Data management systems house most of our sensitive information, thus reducing the need to retain paper-based data. Security and confidentiality of electronic data are assured through the security of the hardware and software systems described previously – specifically password and access level protection schemes.

Our Content and Data Coordinator is responsible for managing procedures and methods to keep data accurate and monitoring the data on our intranet site, Internet site, and CRM database. By reviewing these weekly, the coordinator ensures that this data is current, accurate, and consistent. Double-checking procedures described previously and double checks built into our software provide the greatest accuracy check for all data and information housed.

Because we deal with sensitive information in our client data, we ensure confidentiality through a significant number of security measures. Computer hardware rooms are "Authorized Members Only" areas kept locked with a numeric security keypad. Our upgraded network includes enhanced security features. Accounting offices have locked file storage areas. All Members who manage client information are required to lock their files, desks, and computer systems. However, with the introduction of CRM in 2004, most of this information is kept secure through the utilization of the tools it provides for security of our data. For example, in CRM, a sales consultant can enter a client social security number into the system at the beginning of the Sales Process, but once the information is saved, it is only accessible by management. Computer systems automatically lock after a period of inactivity. Also, Members are required to sign confidentiality agreements when hired and attend training on security and confidentiality.

5.1 Work Systems

We have designed a work system predicated on alignment of every Member and department to the accomplishment of our Vision, Mission, Goals, and Strategic Direction. The work system is designed around our goals. *Figure 5.1A* depicts the alignment of the system. The success of this work system design was evident by the seamless launch of the Grapevine store, which has identical work systems and processes to the established Plano environment. Supporting the entire work system is the DX process (*Figure 4.1B*), which monitors the system and initiates improvement efforts as needed.

Figure 5.1A – High Performance Work System

5.1a Work Systems
5.1a(1) Work systems

Empowerment, innovation, communication, and cooperation are designed into our culture. To manage a variety of work needs, we maintain a structure of interconnected individual functions, teams, self-directed work teams, super teams, and committees. Jobs are then organized through our processes, which are well defined. As Members understand their job duties based on the posted requirements, job description, and the OJT plan, they are empowered to operate within the boundaries and scope of their jobs.

We have a culture of expectation that each Member will take responsibility for his or her job, communicate, cooperate, creatively improve their

activities, and be rewarded for these exhibited behaviors. This is supported by: 1) our hiring process, which is designed to look for Members who exhibit those behaviors, 2) our orientation process, which reinforces these values, 3) rewarding those who exhibit these behaviors through positive performance evaluations and growth in the organization, and 4) the New Member lunch. *Figure 1.1B* shows various methods to support our culture of communication with our Members. Initiative, empowerment, flexibility, and innovation are supported through the methods shown in *Figure 5.1B*.

Each of these methods have been designed to promote a work culture that is Member driven and inspires initiative, empowerment, flexibility, and innovation. For example, in early 2000 in conjunction with our latest version of Park Place University (PPU), each Member was appointed a specific manager responsible for monthly review of performance, OJT, and Training Plan. This creates work teams in our largest departments, i.e., Service and Sales, and provides increased interaction between managers and Members. The CCR process (described in 3.2) authorizes Members to resolve client concerns. The Member Achievement Plan (MAP) described in 5.2 allows Members to plan their own career development. Members may join a variety of committees to take action to improve their work, environment, and surroundings. Each committee publishes minutes of their meetings on the Listening and Learning board for sharing and communication.

The 50/50 Committee is a monthly open forum for Members to meet and discuss flexibility and cooperation between departments, ideas for innovation, and evolving corporate culture. The committee is 50% Ideas/Concerns and 50% Solutions. Anything may be brought to the table for discussion and improvement. Solutions are directed to the appropriate decision makers. The GM checks outcomes the following month.

Initiative/Empowerment	Flexibility/Innovation
• Work Teams • CCR • Specified monetary amount to address issues • Member Achievement Plan • Member Action Committee • Safety Committee • 50/50 Committee	• 50/50 Committee • Suggestion Box • Listening and Learning Process • Organizational Excellence Process and Department

Figure 5.1B – Communication, Cooperation, Empowerment, and Innovation

Other flexibility and innovation approaches include our suggestion boxes located throughout the dealerships and the Listening and Learning Process (*Figure 3.1A*). Through Member input into the Listening and Learning Process, we have made many improvements in the organization, such as realignment of committee agendas to ensure alignment with our values. Organizational Excellence processes are used to systematically improve our organization through continuous improvement and breakthrough innovations.

Work and jobs are organized and managed to promote our organization culture by aligning departments to our overall strategic direction, which represents our culture. Measures and targets of departments are aligned to our goals and their action plans are aligned with the PPL strategic direction.

Our work system is designed to promote agility and flexibility through focus on systematic processes which makes it easy to realign procedures with any new directions or opportunities. We also exhibit flexibility through cross-training, allowing Members to move where they are needed, when they are needed. Likewise, job descriptions and OJT guidelines are designed and regularly reviewed to ensure they align to our goals, business, and Members' needs. These descriptions and guidelines ensure our agility by ensuring consistency of approach.

5.1a(2) Capitalize on diversity
Our team-based culture is designed to capitalize on the value offered by our diverse Member base. We use cross-department improvement teams to address dealership-wide issues, receiving input from people in different functions and with different backgrounds. We capitalize on strong diversity by providing training and work instructions in both English and Spanish and ensuring that translators are available to allow direct communications with all Members. We provide instruction on diversity in Foundations and in other required training to facilitate strong workplace relationships.

5.1a(3) Communication and skill sharing
As effective communication promotes cooperation, we have many approaches to achieve effective communication among and between departments and Members, as shown in *Figure 1.1B*. Through these methods, we ensure that all Members receive communications about their jobs and become involved in the business of the dealerships. Workflow communication and cooperation within and between workgroups and departments occurs daily. We use the annual SPP and quarterly DX meetings to update departments on the status of each group. Team Park Place meetings provide an opportunity to share information about departments' accomplishments and directions. The Communication and Recognition Committee (CRC) is

responsible for facilitating activities to promote communications between groups, ensuring recognition for Members who contribute to our ongoing progress.

Effective skill sharing is accomplished through a variety of meetings and training events. During strategic planning deployment, best practice sharing events are held to provide the opportunity for groups to learn and adapt practices proven successful in other dealerships. Best practices and individual skills are also shared during weekly department and manager meetings and again in the quarterly DX meetings. As best practices are identified, they are submitted to the Best Practices database for sharing across departments and dealerships. On-the-job training (OJT) is designed to provide a regular opportunity for skill sharing among Members. The more impact a position has cross-departmentally, the more cross-department training is required to perform that job.

5.1b Employee Performance Management System
We sustain high performance by clearly communicating direction, providing individual development opportunities, and reviewing performance with Members. Expectations and directions are communicated and deployed through job descriptions and performance targets, including CSI goals. Members receive feedback on their performance to expectations at various times through their annual performance reviews, client satisfaction surveys, and departmental goal performance reviews. In 2005, SPP added daily one-on-ones between managers and Members.

The annual performance review is conducted between each Member and their manager to review individual performance, develop career goals, and design the MAP or training plan needed to support their goal attainment. During this review, goals and training requirements are determined for the next review period.

Compensation, recognition, and reward reinforce our focus on Member engagement and retention. Compensation is based on performance during the year and is not tied to the annual review. This allows managers to increase pay when merited. Our compensation scale is evaluated every December. We benchmark inside and outside of the automotive industry to maintain competitive compensation packages.

Our recognition and reward practices provide unique ways for managers to recognize a job well done and for peers to recognize fellow Members that have gone above the call of duty. *Figure 5.1C* outlines our Member recognition programs at both department and dealership levels. As part of the 2005 SPP, a personalized recognition program is being implemented.

5.1c Identify, hire, and retain
5.1c(1) Identify needed skills
Each job has identified skill sets based on a formal job skill analysis and benchmarked skill sets from within the industry. We use job descriptions to identify the skills and characteristics needed by potential Members when positions become available. As part of a 2001 HR Action Plan, we developed the OJT process and position-specific competency requirements to match job descriptions. In 2002, the OJT process was rolled out to Members as a method of informal training. The OJT process is reviewed annually to ensure it remains current. In 2005, we are refining OJT plans and job descriptions, as well as creating minimum job standards for each position.

Department	Recognition
New and Pre-owned Sales	Sales Department Member of the Month Sales Department Member of the Year
Service and Parts	Service Member of the Month Technician of the Month Parts Member of the Month ASM of the Year Technician of the Year Fixed Operations Support Member of the Year Parts Member of the Year
Accounting	Accounting Member of the Month Accounting Member of the Year
Support	Support Member of the Month Support Member of the Year
Dealership-wide	Goal Achievement Award CSI Goal Award Q12 Goal Award Stand for Success Program Awards Length of Service Awards Dealership Member of the Year Coach of the Year Elite of Lexus Award

Figure 5.1C – PPL Member Recognition Programs

5.1c(2) Recruit, hire, and retain
When a position becomes open, the department manager submits a request to HR to search for candidates. First, an internal opening is posted on the departmental bulletin board to ensure that our Members can pursue growth opportunities within the company and refer people they believe might be qualified for a position. Next, we post positions on the Park Place employment web site for external candidates. We may also pull applications from previous job fairs and college visits. As applicants are identified, HR screens for actual fit and skills matching. Potential Members take an aptitude test and use a well-known instrument to establish a behavioral profile. For example, a potential Member for the accounting department will display a profile that shows a propensity for processes and attention to detail.

The HR department, the hiring supervisors, and peers from the department extensively interview potential Members. The GM interviews finalists for some critical positions. At each progressive interview, candidates are evaluated for fit to PPL culture, skills matching, and capabilities.

By matching potential Members to an area of the business where their skills will be most valued and best utilized, we ensure higher retention. Retention efforts continue as the new Member becomes acclimated to their job. Our orientation process is designed to set expectations from the start, as described in 5.2a(2). Our OJT program aids in retention by providing adequate and useful training to improve Members' performance. As Members progress through their careers, our work system is designed to achieve Member satisfaction and growth, which supports retention.

Our Members come from a diverse cross-section of our community, ensuring that we mirror communities in which we operate. We recruit by using local newspapers, visiting local schools and colleges, and attending local job fairs. By recruiting locally, we provide greater opportunity to support diverse backgrounds, which encourages participation in and acceptance of many segments of our community. Our greatest recruitment tool is our Member referral program.

5.1c(3) Succession planning and career progression
We realize the importance of having Members ready to move into specific positions when the need arises. We recognize that increasingly demanding competencies are required to understand our business. Therefore, we develop that talent through work experiences and learning opportunities. In our dynamic environment, our approach is quite traditional. We have identified our critical positions and the managers who potentially fit these positions. The approach is confidential and focuses on those critical positions. The Members themselves are not usually informed about their selection, but through mentoring and coaching, they are developed by their managers with specifically defined competencies.

Our strong focus on ongoing development via cross-training and MAPs provides direction to Members on achieving their job goals. This ensures we are consistently providing opportunities for career progression. All non-management positions are posted internally before external publication to provide our own Members career progression opportunities.

5.2 Employee Learning and Motivation

We continue to raise the bar in the area of training and education with ongoing improvements to our training approaches. Based on a benchmark we conducted, we modified the number of required training hours for each Member from 24 to a specific number of hours based on job position. In 2004, we refined this further by eliminating a required number of hours and creating a comprehensive member development process. Prior to 1999, we outsourced all training, but that year PPD created a formal training department. In 2002, we reorganized the Training Department to better focus on our total educational needs. The training coordinator gathers Member and manager input for development of complete training programs that account for changing needs. In 2004, as further refinement and alignment, we merged the Business Excellence and Training departments into the Organizational Excellence department.

The Training Department maintains PPU, our database of training resources and class schedules. PPU gives all PPL Members online access to course descriptions, schedules, training plans, and MAPs. Managers and Members can access PPU to review and schedule required training by job description and by individual. Training represented within PPU supports the skills identified for each job type [see 5.1c(1)].

5.2a Employee Training, Education, and Development
5.2a(1) Organization strategy supported by education

As described in 2.1, our SPP considers current capabilities of our Members and initiates resources to accomplish our action plans. At the PPD level, various action plans are initiated to accomplish global training needs for all dealerships. This year, PPD HR plans include succession planning, improving management development, and continuing to improve recruiting. At the dealership level during operational planning, training needs are identified based on current initiatives and action plans.

Our Organizational Excellence Department was created to provide training and direction in performance excellence efforts throughout the company. It documents the main processes in each department and teaches process development for managers and key Members. Members are certified on process knowledge. The department also provides guidance on and facilitation of process improvement efforts, help with action plan creation, performance measurement training, and business excellence criteria training.

Driven by changing business and Member needs, we provide ongoing computer training to keep Members current on software changes and upgrades. Our Software Training Specialist interface with the IT staff to identify changing needs and addressing these new initiatives. When new technology is required in other areas, we contract training

from the vendor. For example, when Texas law mandated a new state inspection machine, we sent technicians to the state-offered training.

We balance the short and longer-term training needs of the organization and the Members by using various sources for identification of individual training needs. Members create training plans based upon input from 1) dealership initiatives, 2) job skill needs from a Member's performance review, and 3) a Member's desired job growth, planned through development of a MAP.

5.2a(2) Key organizational training needs

To provide focus on ongoing learning and development, our Members are offered specific training each year. *Figure 5.2A* shows the training included in PPU to support that training requirement.

Training Type	# Courses
Health, Safety, Wellness	7
Documentation and Reporting	7
Lexus Certification	16
Client Service	12
Management and Leadership	17
Orientation/Organizational Culture	1
Quality Improvement/Measurement	4
Computer Skills	7
Communication	9

Figure 5.2A – Types of Training

Our focus on learning begins when Members are hired. All new Members are required to attend Foundations class (offered in English and Spanish) within the first two weeks. *Figure 5.2B* outlines the orientation schedule. When new Members begin, they are introduced to their jobs by their supervisor using the OJT approach. This covers expectations, job duties and procedures, and safety requirements of the position.

Day 1	• History and Dealership Structure • Achievements and Community Involvement • New Member Information • Park Place Experience • Mission and Core Convictions • Park Place Culture and First Impressions • OSHA Safety Training/Sexual Harassment
Day 2	• Client Delight • Client Concern Resolution Process (CCR)
Day 3	• Effective Communication • Cash Reporting Form/Check Cashing* • Vendor Management*

* as required by job position

Figure 5.2B – Foundation Series

Diversity training is provided in many forms. Members are required to attend training to discover and learn to value different personalities. Diversity training is another course to enhance value of diversity in our work place. Managers and supervisors attend annual legal issue and diversity training. Members are all trained on sexual harassment policies as part of the orientation process and retrained annually. English as a Second Language (ESL) is offered to Spanish-speaking Members, and Spanish as a Second Language (SSL) is offered to managers to ensure effective communication with Members.

Ethical business practices (described in 1.2b) are supported through education and training approaches. All managers attend business law and legal issues training, creating an environment of ethical and legal standards. Leaders also have specific, mandatory training to ensure continued compliance. We educate all Members on ethics and how to spot and report unethical behavior. Members handling cash must understand the minimum cash reporting requirements of the IRS. In training, we set standards above regulatory requirements regarding cash reporting. We also consider our diversity training to be ethics training, as it represents respect for others and compliance with legal responsibilities for a diverse work force.

We offer a variety of internal and external opportunities to develop leadership skills. All managers may attend: First-line Management, Practical Skills for Managers and Supervisors, Lessons in Leadership, and 21 Laws of Leadership. Leaders also participate in ongoing development activities related to the Baldrige Criteria for Performance Excellence, including participation in self-assessment and category teams. Leaders pursue additional training opportunities that are identified through external sources, such as consortiums and seminars. Skill-specific training is identified for individual leader development through the succession planning process described in 5.1c(3).

Since 1997, an outside vendor has conducted bi-monthly safety inspections and annual safety training to ensure OSHA compliance. We also provide CPR training for our Members. Our worker compensation insurance company conducts quarterly safety audits. We also include safety training in our orientation. In 2002, we established the Safety Committee to address safety and ergonomic issues. The HR Managers are standing members of the committee, and one is a member of the National Safety Council. Beyond standard workplace safety courses, training is developed for position-specific needs. For example, Service Technicians receive training on equipment safety and avoiding injuries. All drivers receive training on safe driving practices.

Environmental safety training is provided to Members in effected job positions. Service technicians receive training on the proper disposal of waste, such as oil, transmission fluid, brake fluid, engine coolant, etc.

We reimburse tuition for technicians enrolled in technical schools and other higher education pursuits that contribute to job performance. Service technicians receive required, ongoing Lexus training before working on specific cars or issues related to Lexus vehicles. For instance, with the emergence of hybrid Lexus vehicles, Lexus mandated that only technicians trained on the car would be allowed to work on it. There are eight ASE areas in which all techs are trained and certified. In addition to these formal training approaches, we provide Members with informal opportunities, such as learning on the job, reading, and learning at meetings at all levels of the organization.

5.2a(3) Input on training needs
Figure 5.2C illustrates the Education Development Process.

KEY INPUTS
- **Q12 survey**
- **Performance Reviews/Training Needs**
- **Manager Input**
- **Listening & Learning Process**
- **PPD SP and PPL Action Plans**
- **Committee Minutes**

Analyze Needs

Evaluate & Improve

Define Training Requirements

Implement & Deploy

Develop Lesson Plans

KEY OUTPUTS
- **Position Specific Training**
- **Formal Training Plans**
- **Required and Elective Curriculum**
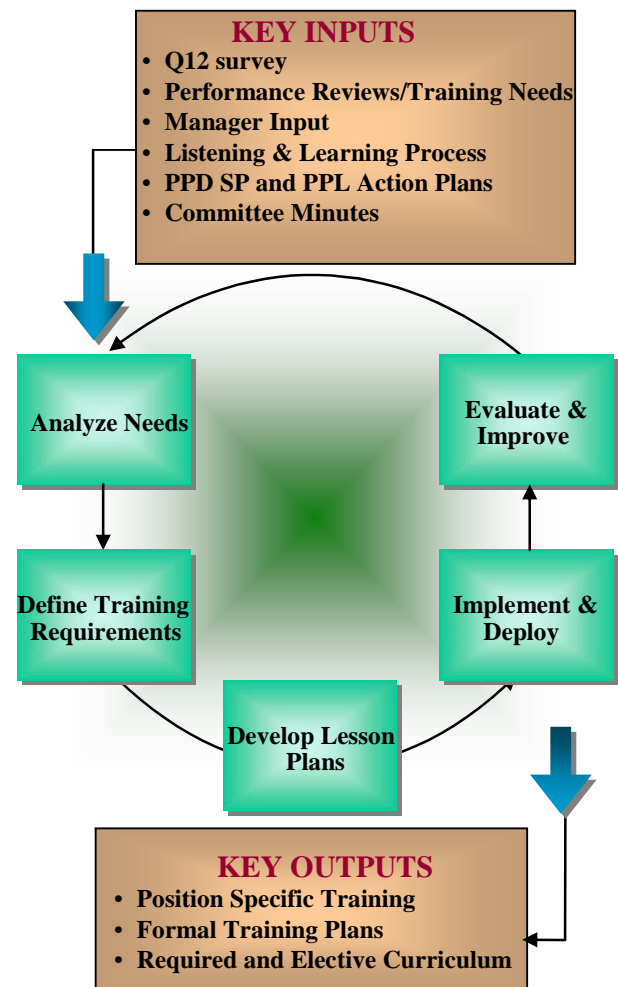
Figure 5.2C – Education Design Process

The process takes input from Members, supervisors, managers, and PPD through surveys, manager input, the Listening and Learning Process, strategic planning, and

committees to use in the design and delivery of training and education. During business planning, managers and Members identify training needs and delivery options from department plans, performance reviews, and Member input. OE works with each manager to identify new training needs and delivery methods for the coming year.

Organizational learning and knowledge assets are incorporated into training and education offerings by ensuring that internal subject matter experts are included in training development. These experts use information gained through department meetings, sharing databases, documented processes, or industry practices to provide course material for training development.

5.2a(4) Deliver education and training
Formal training is delivered through Computer Based Training (CBT), classroom instruction, web-based training, and self-paced training. Experiential and hands-on training occurs through OJT, cross training, mentoring, and job shadowing. Informal training occurs through presentations and One-on-One discussions.

Managers and Members identify the most preferred and effective delivery options and training needs throughout the year, the same way training needs are identified, i.e., through business planning, performance reviews, and Member input.

5.2a(5) Reinforce education and training
Skills and knowledge gained through education and training are reinforced on the job by Managers who are held responsible for mentoring, coaching, observation, feedback, and performance measures. Daily measures and regular observations are used to evaluate training effectiveness. Most training is linked to performance indicators; thus, regular review of these measures ensures we reinforce skills and knowledge required by each job description. Members are asked to share notes or key learning with other Members when they return, via notes, email, or report.

Knowledge gained by Members that is important for the organization to retain over time is collected and documented by OE. Similarly, information about jobs and knowledge used on the job is gathered from departing or retiring employees by HR. On-the-job training is another method used frequently to share information about jobs and knowledge from experienced to new Members.

5.2a(6) Evaluation of education and training
Figure 5.2D shows methods used to evaluate the effectiveness of training and education for both individual and organizational level performance.

OE conducts immediate surveys of managers and Members to obtain feedback on the effectiveness of the training, which is used to update training plans and requirements. At 30 days, we survey Members on the effectiveness of the training in improving their work. The annual performance review addresses process quality, job skills and knowledge, productivity, safety, and Member development. This feedback assists the Member and their manager in developing the Member's Training Plan. Scores from CCR tracking are also used to determine effectiveness of training in improving performance. Informally, training effectiveness for individuals is discussed in frequent meetings to share knowledge with other Members and reinforce and evaluate the effectiveness of the training.

	Formal	**Informal**
Individual	• 30-day feedback report • Performance review / performance to goals	• Weekly team meeting feedback • One-on-ones
Organization	• DX performance review • Q12 survey results • Recognition program	• Feedback option on Intranet

Figure 5.2D – Training Evaluations

Evaluation of organizational-level training effectiveness occurs through reviews and surveys. The linkage of training to performance indicators is our primary method to evaluate training effectiveness. For instance, sales volume is an indicator of whether training received by the Sales staff is effective. Our Q12 survey provides input concerning whether Members are receiving the training they need to excel. Informally, we get feedback through our Intranet website, where Members can comment on the effectiveness of the training provided for organizational development.

5.2b Motivation and Career Development
Our Members are our competitive advantage that separates us from other dealerships. Our annual performance review process is a key manager-assisted activity to motivate Members to develop and grow to their full potential. Each Member develops career goals and a training plan during this review with the option to develop a Member Achievement Plan (MAP), indicating training needed for their desired career path. Members and managers control their own training plan, schedules, and MAP via PPU on our intranet.

Other activities designed to motivate Members are:

- Required training per Member,
- Internal job fairs to encourage growth within PPL,
- Wide offerings from PPU to touch all interests, and
- Feedback button on PPU that allows Members to give input on desired training, etc.

5.3 Employee Well-Being and Satisfaction

A key component of Member engagement is ensuring a safe and supportive work environment. While providing this environment, we also encourage our Members to improve the safety and support organizational efforts to better their work place.

5.3a Work Environment
5.3a(1) Safe and healthful work environment

Figure 5.3A shows the various health, safety, security, and ergonomic factors we address, the Members impacted, and the specific measures and targets for performance. We measure our safety performance through reportable injuries and accident-free days, which are posted in the shop area. The MT re-evaluates our standards annually to ensure we meet or exceed OSHA requirements.

Health/Safety Issue	Measures	Targets	Group Affected
Equipment handling injury	# of incidents	0 incidents	Shop Members
Lifting/back strain	# of incidents	0 incidents	Shop, Facilities
Driving accidents	# of accidents	0 accidents	Valets
Chemical handling injury	# of incidents	0 incidents	Service Drive
Ergonomic injury	# of reports	0 reports	All Members
Slips/falls	# of accidents	0 accidents	All Members

Figure 5.3A – Member Safety Issues, Measures, Targets, & Affected Groups

The Safety Committee reviews regulatory issues, attends community and industry functions to study current and future concerns, monitors effectiveness of current internal programs, and recommends improvements in safety policies and procedures to the MT. Internal audits are conducted using our Safety Improvement Process (*Figure 5.3B*) to proactively address safety issues.

Assess Risks
-3rd Party Safety Audits
-Safety Team Inspections
-Accident Rpt/Inspection

Eliminate Risks
-3rd Party Corrective Action
-Safety Team Corrective Actn
-Safety Meeting Process

Prevent Risks
-Suggestion Program
-Safety Training
-Safety Newsletter

Evaluate & Improve
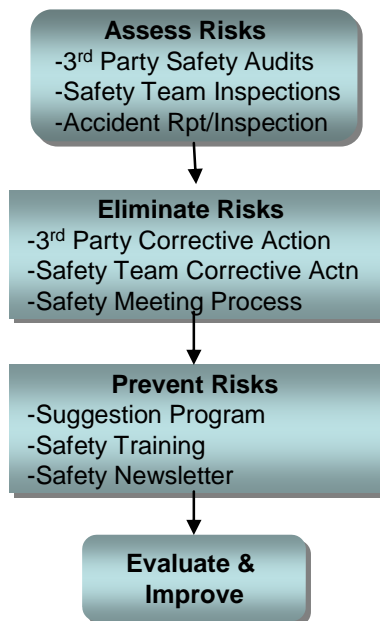
Figure 5.3B – Safety Improvement Process

Safety issues are addressed primarily through safety equipment and training. All areas of the organization address ergonomic injury. Ergonomic training is presented at each Foundations, and Members can request ergonomic equipment to support their work needs. Safety training is included in Foundations, and training is developed for position-specific needs.

5.3a(2) Emergency and disaster preparedness

Annually, our Safety Team and MT facilitate disaster relief training that gives Members an understanding of emergency information on tornadoes, floods, fires, etc. Evacuation plans are posted throughout the building, and drills are conducted every quarter to ensure Members know egress and safety actions / responses and how to properly exit the building.

To ensure business continuity for the benefit of Members, we provide an emergency number to call to see if we are open for business following severe weather or emergencies. This number provides status and any special instructions. Business continuity is also addressed through a comprehensive insurance plan to protect the assets of the company. As described in 4.2a(2), nightly backups of our IT systems are performed and stored off-site.

5.3b Employee Support and Satisfaction
5.3b(1) Key factors affecting satisfaction

We determine the specific needs and factors that affect Member well-being, satisfaction, and motivation through response to our periodic importance survey, which asks Members to rate various factors on a five-point scale for importance level and on another five-point scale to assess how well we meet their needs in those areas. The survey is segmented by job area to allow analysis of differing needs by different Member groups. Our Q12 survey then provides a reinforcement of those findings each year by evaluating satisfaction in factors of importance.

We also use the Listening and Learning Process to gain insight into Member needs and their importance. Through suggestion boxes and committees, Members submit ideas on how we can improve working conditions. This information often provides important insight into the wants and desires of a specific workgroup. For example, by listening to our Members, we instituted a vacation flexibility concept among our commissioned Members, allowing them to collect vacation pay without taking time off.

Other programs and practices often reveal what is important to Members and are used to support decision-making. These include Safety Team meetings, intranet input, training

evaluations, performance reviews, succession planning reviews, reasons given for the request for internal moves and exit interviews, information shared at department and other meetings, discipline process, and the 50/50 Committee.

5.3b(2) Services, benefits, policies
We support our Members through services, benefits, and policies designed to accommodate their needs. By listening to what motivates our Members, we work to find better benefits and create better policies.

Key benefits offered by PPL include:

- Medical, Dental, Eye, Prescription
- Flexible Spending Accounts
- Life & ADD Insurance
- Member discount on service, parts, accessories, autos
- Member discounts at local eateries
- Member discounts at local retail stores
- Five paid holidays
- Birthday holiday
- EAP
- 401k
- Disability Insurance
- Four sick days
- Member referral bonus

In addition to these formal benefits, we provide a variety of services and perks that are unusual in our industry. Our facilities are well kept and comfortable, including rooms for training events, large meetings, break rooms with vending and provided beverages, and air-conditioned service areas.

These services/benefits/policies are tailored to our diverse workforce by understanding each group of Member's unique needs. Specific services and benefits are provided to Members based on their satisfiers, such as air conditioned service areas for Service Members, dependent care for Members with kids or aging parents, ESL and SSL for Hispanic American Members, etc.

5.3b(3) Determine satisfaction and well-being
We employ a wide variety of methods and measures to assess Member well-being and satisfaction. Formal methods and measures include the Q12 and other surveys, performance reviews, turnover, absenteeism, safety issues, exit interviews, coaching and counseling input, and rework and productivity measures. Informal methods include open door policy, suggestions, referrals, and committees.

The Q12 survey is conducted by the Gallup organization semi-annually and gauges relative engagement in the

organization (see 7.4). Prior to 2003, we used the Employee Opinion Profile (EOP) conducted by a local consortium to measure Member satisfaction (see 7.4). As preparation for strategic planning in 2003, we changed survey vendors based on Member feedback about the length and value of the EOP.

Training evaluations allow Members to express satisfaction with training and development activities. Other formal methods are tracked and presented at the DX meetings.

Informal methods such as open door policy, suggestion boxes, and Member committee feedback are available to Members at any time and provide HR with a sense of the climate of the organization. The 50/50 meeting is a good method to determine satisfaction but also increases Member satisfaction, as they see their concerns addressed. Our Member Action Committees provide ways for Members to voice issues about policies and procedures, and the Circle of Excellence Committee enables our Members to voice their opinions about how PPL should be involved in community service events.

Many special needs and motivation factors are common, primarily within workgroups; thus, we analyze satisfaction by workgroup. Surveys are conducted with all Members using a set process; however, the evaluation of results is analyzed at a more granular level to determine if any special needs are not being addressed. Measures such as turnover, absenteeism, and others are also evaluated at the workgroup level to identify areas of unmet needs. New Members are an area of special analysis. New Members and Members in new positions are assessed on their first 30 days after OJT. This feedback assists in gauging motivation and satisfaction and is reviewed monthly in the Manager Meeting.

5.3b(4) Relate satisfaction findings to results
We relate satisfaction assessment findings to key results through a variety of analysis conducted as part of the DX process (*Figure 4.1B*). Our formal satisfaction assessments are tracked throughout the year, with many of them compiled monthly. Assessments of specific issue satisfaction, such as training, are reviewed in light of the amount of training provided/taken, improvement in performance, and changes in approach. Assessment of job satisfaction is analyzed and compared to productivity, cycle time, and quality to determine cause and affects. These statistics are reviewed quarterly at the DX meetings; so, trends can be identified and action plans developed. The meetings also provide an opportunity for the managers to discuss potential threats to workplace well being. By discussing these issues at the dealership level, we can focus on creating a workplace environment more supportive to all Members.

Concurrent Processes

CCR

Vendor Management

Client Call Center

Receptionist

New Car Sales

Pre-owned Sales

F&I

Valet

Service

External

Parts

Make Ready

Pick up

Follow-up
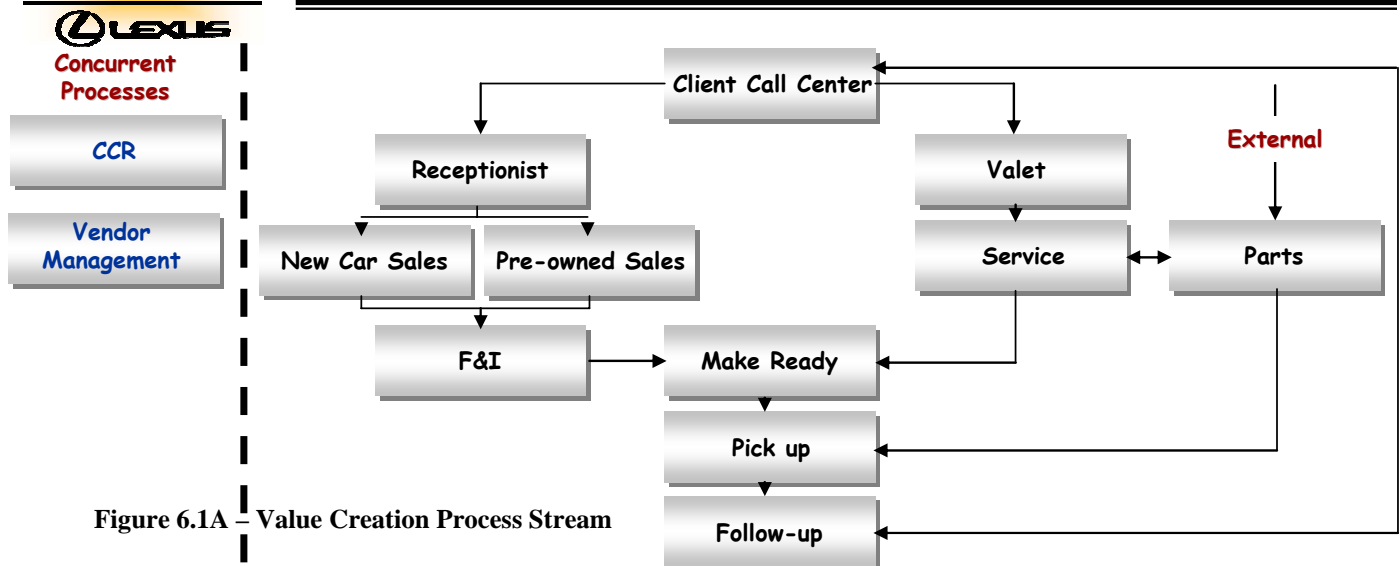
Figure 6.1A – Value Creation Process Stream

6.1 Value Creation Processes
6.1a Value Creation Processes
We have long been focused on improving the quality of our processes as a means of improving our business. As we began our quality journey, we focused on process management by creating our Organizational Excellence Department to assist Members in the definition, documentation, and refinement of all processes.

6.1a(1) Determine value creation processes
Value creation processes are identified as those that either have direct interface with clients, significantly contribute to the delivery of service to our clients, or provide opportunity for growth of the business. By creating a client path through our systems, we can easily identify which processes are involved in this value chain, as shown in *Figure 6.1A*.

Our key value creation processes are shown in *Figure 6.1B* along with their key requirements and the process measures used to manage them. These processes provide value from the client perspective because they add value to the client experience. The value of these processes are re-evaluated regularly through strategic planning such as the re-evaluation of client touch points as a cycle of improvement this year (*Figure 2.2A)*.

6.1a(2) Determine requirements
Requirements and measures for each value creation process are shown in *Figure 6.1B*. Requirements are determined during the Planning phase of our Process Management Process (*Figure 6.1C*) based on input from our Listening and Learning Process [*Figure 3.1A*]. Another source of longer-range requirements from clients, suppliers, and key partners and their changes comes through the environmental scanning activities in the SPP, as described in 2.1a(2).

6.1a(3) Design value creation processes
New value creation processes are rarely introduced into our system; however, these processes do undergo annual review and improvement cycles. When a new process or a major change is designed, we use our standard Process

Management Process (PMP), shown in *Figure 6.1C*. In order to regularly improve or correct processes, we use our DRIVE problem solving process, shown in *Figure 6.1D* and described further in 6.1a(6).

The PMP has three phases: Planning, Organizing, and Monitoring. Each phase has a series of steps to guide a process team through defining, developing, and implementing a process. A Design Worksheet provides detailed explanations of each step and design guidelines to document the results of each task for communication and historical purposes. Through the specified activities in the PMP, a process team reviews the new process against the current operational requirements to ensure all key requirements are met. For instance, Sales process teams ensure they remain within the parameters of requirements for client contacts.

Technology requirements are considered during the Planning phase of the PMP. The team considers the technology required and/or desired in the process. Examples of changes driven by technology advances include our Internet site with current pictures of our pre-owned inventory, the CRM system, wireless networks for mobile Members, and Nextel phones with direct connection features. Considerations for efficiency and user friendliness are addressed as described in 4.2.

Organizational knowledge, including prior experiences, past project reviews, best practices, and subject matter experts, is incorporated in Steps 1 - 5 of the process. Knowledge is shared in Step 10 of each project to help ensure success of future projects. The knowledge is documented, communicated, archived, and shared in Best Practice meetings. As of 2003, all lessons learned are available on our intranet site in the Driving Excellence folder.

Agility is incorporated into the process being designed by development of work instructions and job aids that make it easy to cross train and manage workflow. Our value creation design process addresses cycle time, cost control,

Value Creation	Requirements	Process Measures	Ref
Client Call Center/Reception/ Valet	- Courtesy, client service - Impression at arrival - range of vehicles, salespeople available, greeted promptly, comfortable	*CSI: Courtesy, arrival, dealership experience* *Client concerns (communications, etc.)* % Service appointments show, # appointments % Sales appointments show, # appointments	*7.2B* *7.2G* *7.1G* *Not Sh*
New Car Sales (Prepare for sale, engage client, finalize, sustain relationships)	- Sales consultant courteous, knowledgeable, respect time, honored commitments - Courtesy, client service	*CSI: Overall; Sales experience and sales consultant* Client concerns Average units sold/consultant Policy adjustments, days supply of cars Expenses, new cars sold	*7.2C&I* *7.1A* *7.2G* *7.5B* *7.1C&D* *7.3E&H*
Pre-owned Sales (Prepare for sale, engage client, finalize, sustain relationships)	- Sales consultant courteous, knowledgeable, respect time, honored commitments - Courtesy, client service	*CSI: Overall; Sales experience and sales consultant* Client concerns Average units sold/consultant Policy adjustments, days supply of cars Expenses, pre-owned cars sold	*7.2D&J* *7.1B* *7.2G* *7.5B* *7.1C&D* *7.3E&I*
Service (Make Service appointment, advise and service sales, perform repairs/service, follow-up)	- Quality of service - courtesy, appropriate explanation, informed of additional work, review of service - Ease of doing business with - provided time estimate, greeted promptly - Service communications - kept informed, documented service needs - Courtesy, client service	*CSI: Overall Dealership, ASM & ready when promised; Dealership, fixed right first time* Client concerns Service client re-checks Service retention Service revenue % client paid revenue, expenses, WIP Technician productivity Reconditioning cycle time	*7.2E&K* *7.1E* *7.2G* *7.1F* *7.2L* *7.3J* *7.5D,E,F* *7.5F* *7.3E*
Parts (Manage inventory, sell parts, receive and ship parts)	- Courtesy, client service - Sustained, cost effective inventory control - Address client concerns	*CSI: Parts availability* Expenses, Parts revenue Parts productivity, days supply of inventory Client concerns True turns	*7.2F* *7.3E&K* *7.5G&H* *7.2G* *7.5I*
Finance and Insurance	- Courtesy, client service - Finance manager discreet and efficient, recognize needs	*CSI: Treatment with respect, overall handling* Client concerns F&I penetration	*7.2A* *7.2G* *7.3K*
Make Ready/Pick up/ Follow up	- Quality and on-time make ready - Courtesy, client service, contact - Vehicle delivery personalized	*CSI: Delivery process* Client concerns Policy adjustments	*7.2I&J* *7.2G* *7.1C*
Vendor Management	- Quality service/supplies - Available when needed	# vendor violations $ cost savings	*7.5M* *Not Sh*

Figure 6.1B – Service Processes, Requirements, and Measures

productivity, and other important issues both in Step 3 and Step 8. Within these steps, process teams evaluate the needs of the process and incorporate them into the design. Often cycle time, productivity, and cost control are the topics of process improvement efforts, which use the DRIVE process (*Figure 6.1D*).

DRIVE is designed to address specific issues of performance for focused improvement efforts. The PMP was created as a mechanism to ensure consistency, quality, and efficiency of the design process. The use of PMP Design Worksheets reduces process variability and the occurrence of overlooked requirements, by ensuring that teams consider key design concerns such as requirements,

costs, and inter-relationships of the resulting designed process.

To ensure that process implementation meets design requirements, the process team is responsible for the actual implementation using a defined implementation plan. They create action plans listing tasks, assignments, and time frames to acquire technology, tools, equipment, and supplies; make changes to work spaces; and hire and train new staff, if necessary. Lead-times for delivery and installation of new equipment are obtained from vendors. The team develops contingency plans for problems that might occur during rollout. Documentation for new processes are updated and issued, including written procedures, best practices, process standards, and measures.
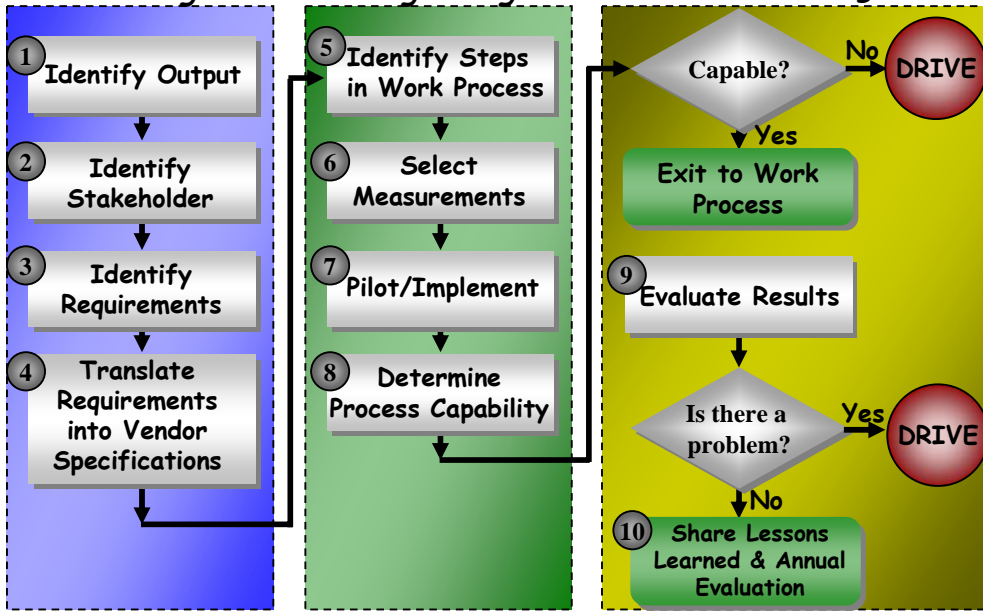
Figure 6.1C – Process Management Process (PMP)

Figure 6.1D – DRIVE Problem Solving Process

Additional documentation may include forms, checklists, and other job aids, such as quick reference cards. These documents and defined training are designed to ensure the process meets designed performance requirements.

The team also defines any new skills training needed by Members. Department managers, key personnel, or an outside resource conduct needed training. Appropriate third parties, such as vendors, also attend the training. After training, the team plans and executes a process "trial run" to identify any final issues and ensure a smooth rollout. This proactively identifies any errors or inefficiencies, which are addressed before introduction. After implementation,

managers and supervisors observe the process and coach Members to resolve questions / problems.

6.1a(4) Key performance measures
Key performance measures used to control and improve value creation processes are shown in *Figure 6.1B*. These measures are identified through design activities, process improvement efforts, and strategic planning activities to ensure they gauge performance of processes to their requirements. Both outcome measures and in-process measures are included in process documentation. During day-to-day execution of the processes, these are collected to track performance to requirements. Department performance is reviewed with Members and compared to targets at department meetings. If problems exist, Members work with managers and other Members to take corrective action. At a more global level, department managers and supervisors utilize the DX Process to monitor process and production measures against their targets.

Value creation processes are managed through these measures and also through various forms, checklists, computer screens, and other standardized methods. These methods ensure consistent process performance to requirements and reduced variability.

Real-time client input used for process management is gathered through work requests, sales checklists, the CCR process, and Client Satisfaction Surveys. They are used to design specific process applications based upon clients' needs and personal styles. Real-time input from Lexus is also gathered through email, Dealer Daily, personal contact with Lexus representatives, and 20 Group meetings. Our key vendors provide real-time input through vendor meetings and surveys, as part of our Vendor Management Process. All this input is used to tailor processes to meet specific circumstances or to initiate redesign, problem solving, or action plan activities.

6.1a(5) Minimize cost of inspections
Our business environment includes many mandatory inspections, tests, and audits from internal and external organizations including:

Inspections/Tests
- Facility inspections to identify potential problem areas (Environmental Compliant Services (ECS), Facility Members)
- Safety inspections (Safety Committee, ECS)

- New Car inventory inspections to verify no damage on incoming vehicles (PDI Members)
- Facility equipment test (vendors, ECS, Facility Members), and
- Service equipment test (vendors, ECS, Service Members)

Process/Performance Audits
- Floor plan audits (Lexus)
- External Safety Audits (ECS, OSHA)
- Internal Safety Audits (Safety Committee)
- Vendor management audit (Vendor Management Coordinator)
- Warranty audits (Lexus, Warranty Administrators)
- HR audits (HR Managers, HR Vice-president)
- Car Deal Check-lists (F&I Managers)
- Financial audits (independent CPA firm, Accounting Members)

Our preventive approach, using the PMP for process design and the DRIVE for process improvement, minimizes defects and errors, creates documented and standardized procedures, and ensures that processes are designed with compliance and requirements in mind. This reduces the costs associated with rework that comes about and reduces the cost of inspections, tests, and audits by ensuring process compliance and reporting features are built into the processes, thus reducing the time it takes to prepare for audits. For instance, our sales process includes steps that ensure our inventory is tracked closely; so, we always focus on this critical issue and don't have to pre-prepare for Lexus floor plan audits.

By incorporating regular, internal audits, we also minimize the costs of tests, inspections, and audits by ensuring ongoing compliance and avoiding expensive problems. For example, third-party safety inspections are conducted by a consultant who also teaches our OSHA and safety classes. These inspections and our monthly Safety Committee audits allow us to proactively address issues. Our Vendor Management Coordinator audits vendor files to ensure we maintain appropriate paperwork, such as proof of insurance, and receive correct billings. These audits are designed to identify issues and potential defects in processes, ultimately providing increased client satisfaction and reduced cost from rework. By including checklists and regular checkpoints in our processes, we minimize defects, rework, warranty, and policy costs (*Figure 7.1C*).

6.1a(6) Improve value creation processes
We evaluate process performance through a variety of methods, including regular measurement review (Monitoring phase of the PMP), SPP, DX meetings, comparative studies, benchmarks, annual self-assessments to the Baldrige criteria, and input from clients, vendors, and Members. Our primary approach to improving process performance is the DRIVE Problem Solving Process

(*Figure 6.1D*), which is used to manage all process improvement activity. DRIVE follows a traditional plan-do-check-act approach with defined activities in each phase.

Process improvement activities also take place through the action planning process used during strategic planning. Process improvements are entered into the best practice database for use by other improvement teams and department teams. They are shared at the weekly manager and department meetings, quarterly DX meetings, monthly reviews, and LT meetings. Improvements are also shared at formal best practice meetings, which include all PPD. In the past, these meetings have been held annually; however, due to manager feedback, they are now held twice a year.

6.2 Support Processes
Support processes receive the same process improvement and capability enhancement focus as our value creation processes. Support processes are the backbone of the organization and help ensure that value creation processes are effective. As such, there is great similarity between the management of support processes and the management of value creation processes.

6.2a Support Processes
6.2a(1) Key support processes
Key support processes are those that are critical to the effective functioning of the business, impact the effectiveness of our value creation processes, and affect a large number of Members. Our key support processes are noted in *Figure 6.2A*, along with their key requirements and process measures.

6.2a(2) Determine key requirements
Key requirements for our support processes are shown in *Figure 6.2A*. As with our value creation processes, key support process requirements are determined in the Planning phase of the PMP, with input from internal and external clients through surveys, committees, and other access points in the Listening and Learning Process (*Figure 3.1A*). Vendors and other stakeholders also provide input regarding their corporate, regulatory, or legal requirements. Our SPP provides input on requirements through information identified in the environmental scanning activity.

6.2a(3) Design of support processes
As with our value creation processes, our support processes are designed or modified using the PMP (*Figure 6.1C*), for new processes or significant modifications, or DRIVE (*Figure 6.1D*), for regular process improvement efforts. Use of these standardized processes ensures consistent incorporation of requirements into design. Both process approaches include a method to determine internal and external requirements and track them into the design of the process. The three phases of PMP guide a process team to define requirements, develop a design, and implement the process. Design Worksheets provide guidelines for each task of the process. With the DRIVE process, required

Support Proc	Key Requirements	Process Measures
Accounting	Timely and accurate posting Three-day close	AR aging Accounting scorecard Accounting Deal Cycle Time
Human Resources	Timeliness Recruitment source information Continuation of training	Time to fill position % Exit Interviews Training Hours
Marketing	Visibility & Image Clear message Cost effective	# of clips per month Media value per month Response quantity
IT	Tickets opened at Help Desk Help Desk checked by Admin every 15 min. Ticket can't be closed without completed survey	# of open tickets,# of closed tickets Response time IT survey scores
Organizational Excellence	Audits on new/improved processes <91 days Members are certified on their processes Continuous improvement based on feedback	Audit scores % Members certified Self-assessment scores

Figure 6.2A – Key Support Processes

documentation ensures that process requirements are determined and incorporated into work procedures.

Technology requirements are considered as part of the PMP and DRIVE processes. A specific step requires each team to consider new technologies that are required or could be used to enhance the process. Examples of changes driven by technology include enhanced action planning options in our meeting agenda, better linkage of HR information with new software, and improved support of process improvement efforts with an on-line DRIVE system. Support process organizational knowledge is shared and included in new projects in the same way as the value creation processes. The PMP and DRIVE process include steps to share outcomes and knowledge, including incorporating prior experiences and lessons learned into new projects, as described in 6.1a(3).

Cycle time, productivity, cost control, and other effectiveness and efficiency factors are addressed through specific steps in the PMP and DRIVE processes, as described in 6.1a(3). Worksheets used in design are made to ensure that process teams focus on the effectiveness, requirements, costs, and inter-relationships of their process.

As with value creation processes, forms, checklists, and job aids ensure that implemented support processes meet design requirements. The process team is responsible for implementing the designed process to provide continuity of knowledge. If required, the team defines any new training required and procedures for piloting the new or redesigned process. During execution, the department process and performance are monitored through defined measures to ensure results are as expected.

6.2a(4) Key performance measures
Key performance measures for evaluating and managing support processes are identified in *Figure 6.2A*. These measures are established through process design and are refined and kept current through ongoing improvement activities, strategic planning activities, and benchmarking. The measures are designed to evaluate performance of processes to their requirements. Outcome measures and in-process measures are part of the documentation for each process. Day-to-day execution of support processes is managed, in part, by collecting and tracking measures to requirements. If measures show the process is not meeting targets, Members work with managers to take corrective action. Tracking performance to process measures provides assurance of process capability to meet requirements. The performance measures are reviewed weekly in department and manager meetings, monthly in reviews, quarterly in DX meetings, and in LT meetings. Managers use the DX process to monitor performance of processes to requirements at a high level.

Process documentation and tools support PPL processes and procedures. The support tools include checklists, documented procedures, computer entry screens, and other job aids that ensure processes are conducted consistently and correctly. These aids are designed to align activities to process design requirements.

Input from internal clients is gathered through internal surveys and focus groups. Input from the Client Satisfaction Surveys also offers satisfaction information that affects support processes. Lexus provides real-time input for many processes through personal contact with Lexus representatives and regular audits of key processes. Vendors also provide input through vendor meetings and surveys as part of our Vendor Management Process. Input from these stakeholders is used to improve performance and meet their needs.

6.2a(5) Minimize cost of inspections
Our highly regulated environment includes a number of external inspections, tests, and audits that occur in support

processes (e.g., accounting, IT, and HR). Other audits and inspections are internal and voluntarily conducted to ensure we are operating at our best. Audits, inspections, and tests for support processes include:

Inspections/Tests
- HR file audits (HR Managers)
- Process certification tests (department Managers)
- Internal 401k audits (HR vice-president)
- License usage audits (IT Members)

Process/Performance Audits
- Internal audits and assessments (Accounting Members)
- External audits and assessments (outside consultants)
- Process audits (Organizational Excellence Department)
- Internal expense account audit (Assistant Controllers)
- Form 8300 audit (Assistant Controllers)

In the same way as value creation processes, we take a preventive approach to minimize inspection and audit costs by designing processes to include all needed compliance and reporting features, reducing "audit preparation" requirements. For example, in our accounting processes, required Lexus reporting is included in basic procedures to ensure prompt compliance. Our internal audits are designed to catch any process inconsistencies that may increase overall costs and defects.

6.2a(6) Improve support processes
We evaluate the performance and variability of our support processes through our DRIVE problem solving process, the PMP, strategic planning, comparative studies, benchmarks, input from stakeholders, and annual Baldrige assessments. As opportunities for improvement are identified, we use the DRIVE problem solving approach (*Figure 6.1D*) or the action planning process to improve our performance.

We ensure processes remain current even when business needs and directions change. Processes are reviewed yearly based on the creation date. The process is emailed to the process owner for review, and any changes are made using the PMP or DRIVE process. Also, process audits performed throughout the year by the Organizational Excellence Department ensure processes are being performed as designed.

Improvements to our support processes are shared at weekly manager and department meetings, monthly review meetings, quarterly DX meetings, and LT meetings. We also share improvements in formal best practice meetings, which include all PPD. Process improvements are entered into the best practice sharing database for use in future improvement efforts.

6.2b Operational Planning
6.2b(1) Ensure adequate resources
We ensure that adequate financial resources are available to support operations and strategic directions, such as business investments, through our annual budgeting process. This sophisticated budgeting process is updated as needed, using detailed forecasting and budgeting models and historical trend analysis.

Each year after Strategic Planning, our bottom-up budgeting process begins with a questionnaire that is sent out by accounting that requests projections of equipment, personnel, facilities, and other resources for the coming years. By taking the prior year budget and current results as baselines, removing special causes, and incorporating factors that will require budget allocations from the Strategic Plan and input from managers, a new projected budget is created for the coming year. In addition to capital and operating budgets, human resource, facility, equipment, and supply requirements are projected. Five year projections are made based on production data from Lexus and inputs from the SPP. The annual budget is reviewed by the President and the GMs, modifications are made, and the revised budget is reviewed and approved by the CEO.

We have lines of credit with several financial institutions available to meet current and future financial obligations. Our exemplary credit history and fiscal strength provide valuable financial flexibility and opportunity. As part of the SPP, we create cost benefit analysis on all projects in order to assess financial risks.

6.2b(2) Continuity of operations
We ensure continuity of operations in an emergency through our disaster recovery approach. Data and information system recovery is described in 4.2a(3). Workplace preparedness for disasters and emergencies (safety of members) is described in 5.3a(2). Likewise, procedures and processes for managing in case of an emergency are also in place to ensure that the business can resume operations. The contingency approach includes Business Continuity Insurance to ensure financial resources are available to recover the business.

All processes are capable of being run through manual methods rather than through computer interactions, and Members are trained on these procedures. The strategic placement of our locations allow us to operate from other locations if one store is not available. Beyond that, we have vendors and procedures in place to bring in mobile buildings to continue operations. Contingencies exist for supply chain interruptions from Lexus, such as terrorism, shipping embargos, strikes, etc. However, because of our high absorption rates, we are able to operate our businesses at near break-even levels even without selling a single new vehicle.

7.1 Product and Service Outcomes

We remain client-focused because we listen to and learn from our clients daily. In *Figure P.1D*, we show the client requirements of our services. We track our performance to these requirements through a variety of satisfaction and direct performance measures.

7.1a Product and Service Results
SALES

The first customer requirement shown for Sales in *Figure P.1D* is that the relationship with the Sales Consultant be courteous, be knowledgeable, respect the client's time, and honor commitments. This is measured through client satisfaction with a number of measures, including the knowledge of the sales consultant - *Figures 7.1A* (New Car) and *7.1B* (Pre-Owned). *Figures 7.2I* and *7.2J* show aggregate levels of performance for the new and pre-owned sales consultants. Number of CCRs related to the Sales consultant interaction also show performance to this requirement (*Figure 7.2G*), as does the contributory indicator of average units sold per sales person shown in *Figure 7.5B*.

New Car Consultant Knows Products
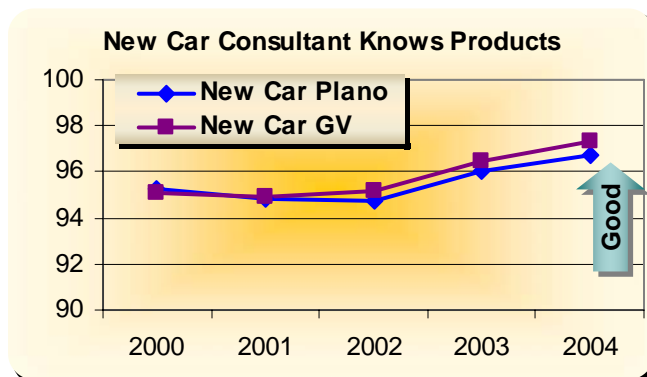
Figure 7.1A – New Car Sales Member Knows Products

Pre-Owned Car Consultant Knows Products
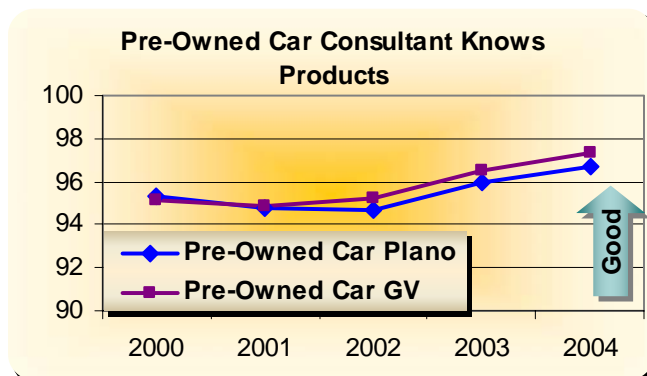
Figure 7.1B – Pre-Owned Member Knows Products

The second customer requirement shown for Sales in *Figure P.1D* is that the Finance Manager be discreet and efficient and recognize the client's needs. This is measured through client satisfaction for questions including those shown in *Figure 7.2A* for treated with respect. CCRs related to the Finance Manager interaction (*Figure 7.2G*) further address

results as does Finance and Insurance (F&I) penetration shown in *Figure 7.3K*.

The third customer requirement shown for Sales in *Figure P.1D* is that Vehicle Delivery be personalized to the individual client. This is measured by a number of measures for both New and Pre-Owned, including client satisfaction with the delivery process shown in *Figure 7.2I* and *7.2J*, CCRs for vehicle delivery issues (*Figure 7.2G*), and New-Car and Pre-Owned Policy Adjustments (*Figure 7.1C*). Policy adjustments are a measure of product and service performance and client dissatisfaction in terms of expenses required to correct problems that occur after a sale. Pre-Owned policy adjustments are very low due to the strict Lexus Pre-owned Certification Program. The Pre-Owned Department has made considerable reductions in this area as a result of team improvement efforts. To encourage improvement, we continue to tighten the target each year.

Sales Policy Adjustments
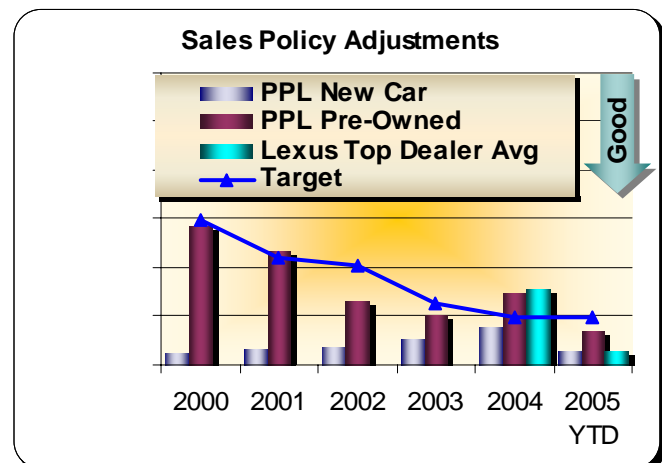
Figure 7.1C – Sales Policy Adjustments

The fourth customer requirement for Sales in *Figure P.1D* is the Impression at Arrival relative to the range of vehicles, availability of sales people, being greeted promptly, and being made comfortable. This is measured through client satisfaction (*Figures 7.2A, C&D*), CCRs related to the overall dealership interaction (*Figure 7.2G*), and a measure of "Days supply of cars" (*Figure 7.1D*) which measures inventory (called floor plan) management for the New and Pre-Owned departments. Proper inventory management requires balancing sufficient selection with controlling inventory-carrying costs.

The target for days supply of pre-owned cars is higher because they can only sell from current inventory. The Pre-Owned Department tracks sales and inventory by type of manufacturer, model, and year. The Pre-Owned Sales manager must select the right makes and models from cars available through the dealership (trade-ins on new cars) and from auctions. PPL buys ninety-percent of auctioned Lexus cars through Lexus' off-leased auctions. The Pre-Owned Departments for both stores have effectively managed performance since 1999/2000.
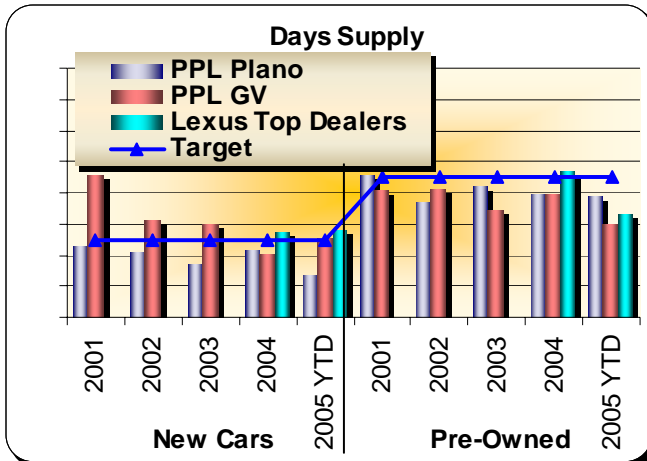
Figure 7.1D – Days Supply of Cars

SERVICE

The first customer requirement shown for <u>Service</u> in *Figure P.1D* is the quality of service. Our performance in quality of service is measured through Client Satisfaction in questions such as was the car fixed right the first time (*Figure 7.1E*).
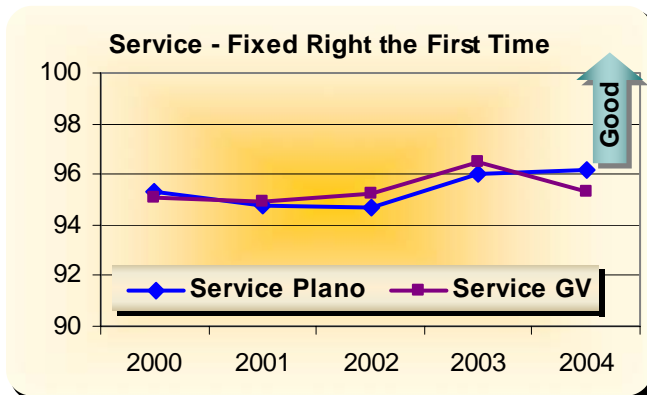
Figure 7.1E – Service Fixed Right the First Time

Other measures used to evaluate quality of service is Service Client CCRs related to Service Quality (*Figure 7.2G*) and Service Client Rechecks (*Figure 7.1F*). A "Recheck" is rework in the Service Department. This occurs when a client brings their car back to the dealership after a repair has been performed with concerns about the service provided. We have, on average, a low number of rechecks per month. This includes client paid and warranty work. Compared to the average of all departments' repair orders each month, rechecks account for less than one percent.

The second customer requirement shown for <u>Service</u> in *Figure P.1D* is the Ease of Doing Business with the Service Department, including providing an accurate time estimate and being greeted promptly. This is measured through client satisfaction with Service (*Figure 7.2K*), and CCRs related to these interactions (*Figure 7.2G*).
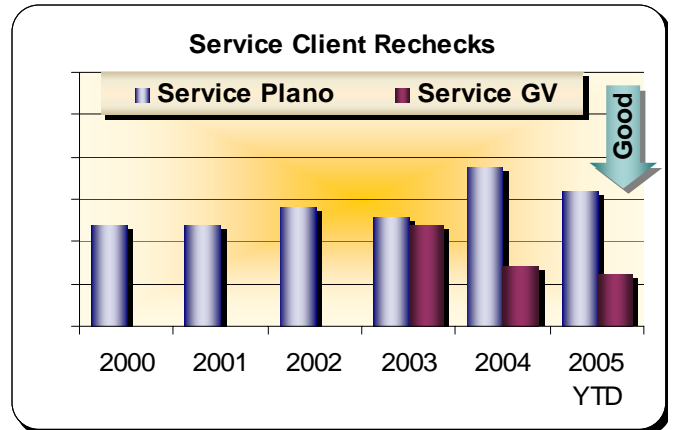
Figure 7.1F – Service Client Rechecks

The third customer requirement shown for <u>Service</u> in *Figure P.1D* is the Service Communications (kept informed and documented service needs). This is measured through client satisfaction (*Figure 7.2K*), CCRs related to Service Communications (*Figure 7.2G*), and effectiveness of communications with Service. The Call Center measures a variety of different effectiveness indicators including the percent of appointments made that show up for their appointment, shown in *Figure 7.1G*. Other indicators are available on-site for review
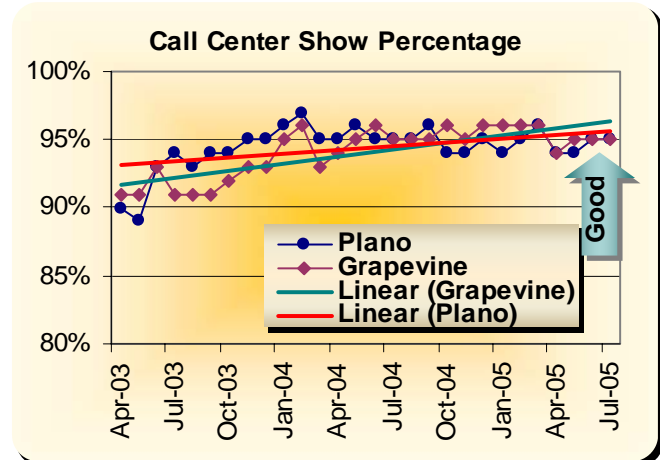
Figure 7.1G – Call Center Show Percentage

7.2 Customer-Focused Results

The key to success in the luxury automotive business is creating comfortable, personal experiences for clients. All Members accomplish this through the many approaches described throughout this application. Our entire organization is focused on outstanding respect and responsiveness to clients. The results in this Category demonstrate our success in attaining these strong relationships.

7.2a Customer Focused Results
7.2a(1) Customer satisfaction

All information shown for client satisfaction and comparative data comes from surveys conducted by Lexus.

These comparative measures include the "Best in Southern Area." Used where available, this best-in-class benchmark indicates the strongest performance among the 56 Lexus dealerships in the southern US. The "Local Area" is north Texas, which consists of PPL and our competition.

As a top dealership, we were invited by Lexus to participate in the pilot of the new Gallup CE11 survey, which has since been rolled out to all Lexus dealerships. *Figure 7.2A* shows the results of this pilot survey compared to the top 25% (75th percentile) of all automotive dealerships in the pilot.
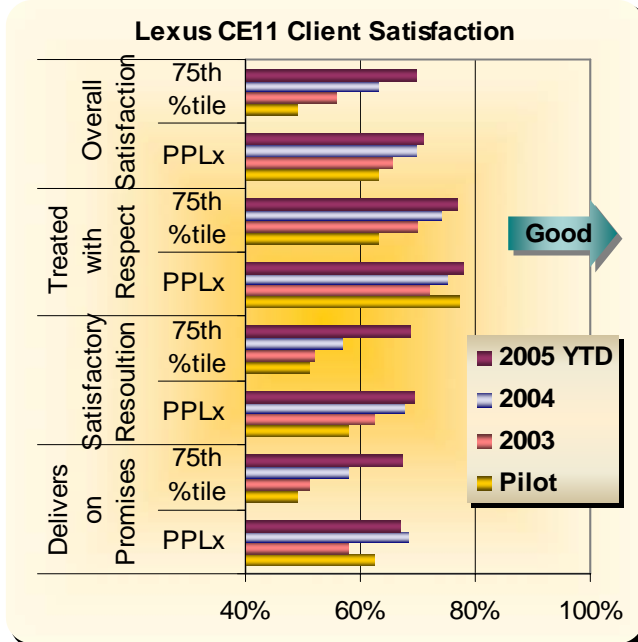
Figure 7.2A – Lexus CE11 Client Survey

Dealership Satisfaction Levels
The Overall CSI for the Dealership is the Owner Satisfaction Index (OSI) shown in *Figure 7.2B*. This is a composite of both Sales and Service performance and loyalty satisfaction ratings with the key question: "Would you recommend this dealership?" We have sustained high
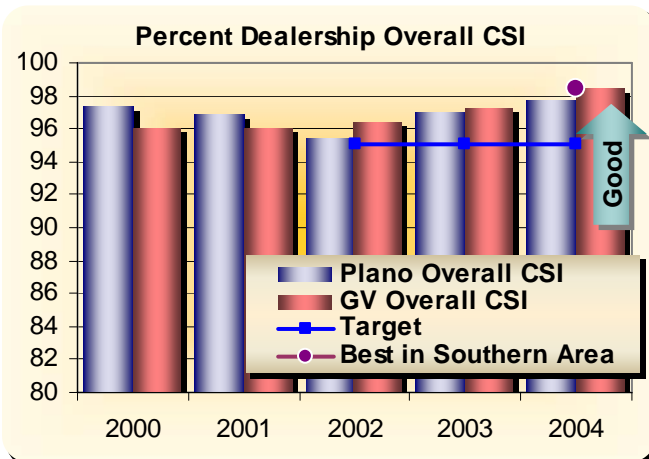
Figure 7.2B – Percent Dealership Overall CSI

performance, improved ratings, and exceeded the Lexus benchmark for the last eight years, earning both dealerships the prestigious "Elite of Lexus" award. We have closed the gap to the best-in-class performance in the Southern Area.

New Car Department Satisfaction Levels
The overall New Vehicle Sales and Delivery Survey is shown in *Figure7.2C* with a high, sustained level of performance, earning "Elite of Lexus" status. We have met our "top 10% in the nation" target and Grapevine is #1 in the country. Plano is very close to the almost perfect performance level of the Best in the Southern Area.
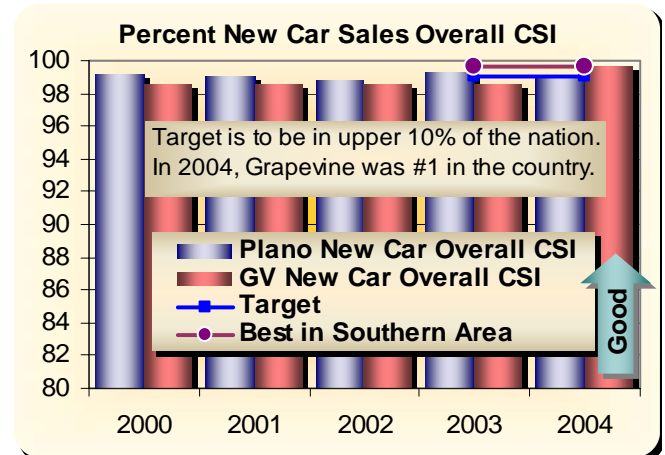
Figure 7.2C – Percent New Car Sales Overall CSI

Pre-Owned Department Satisfaction Levels
CSI for Pre-Owned clients is shown in *Figure 7.2D*. The "Elite of Lexus" benchmark is 90%; however, we have performed at much higher levels. We maintain an internal target of 95.1% to promote aggressive improvement in the department. We have exceeded this goal consistently, outperforming competing Lexus dealerships in our area.
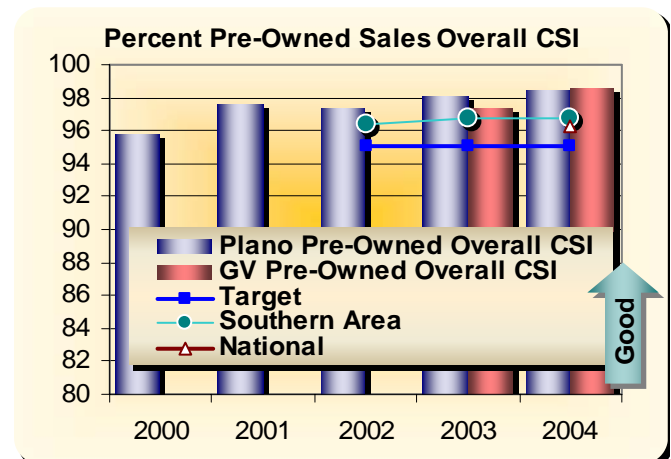
Figure 7.2D – Percent Pre-Owned Sales Overall CSI

Service Department Satisfaction Levels
The Lexus Service Survey (LSS) measure is a composite of the questions from the Lexus Service customer satisfaction

survey (*Figure 7.2E*). We have exceeded the goal of 95.1% every year since 1998, exceeding the performance of our direct competitors.
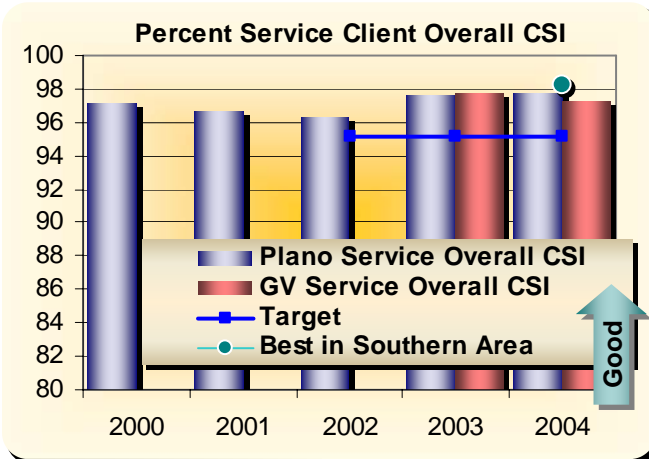
Figure 7.2E – Percent Service Client Overall CSI

Parts Department Satisfaction Levels

Parts availability is a key contributor to Service Department client satisfaction. We work very hard to have the right parts on hand when they are needed, which reduces client wait time and inconvenience. We measure success in parts through client perception of parts availability from the LSS *(Figure 7.2F)*. As shown in the chart, client satisfaction with parts availability has maintained high levels over time, exceeding the "Elite of Lexus" benchmark of 95.1%. We also now exceed the ratings of our competitors in the Local Area Average, and Plano is Lexus highest rated dealership.
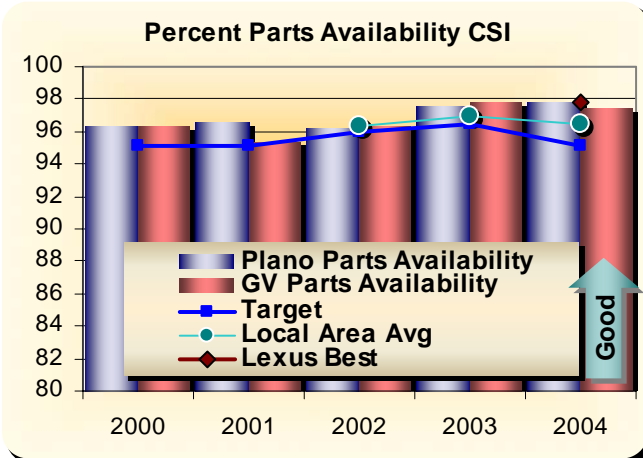
Figure 7.2F – Percent Parts Availability CSI

Client Dissatisfaction Levels

In 1998, the PPL client concern process was reengineered to systematically record and analyze client dissatisfaction. The process was re-evaluated and revised again in 2000, further empowering Members to resolve concerns and better track concern data. *Figure 7.2G* shows the results of CCR data categorized by type, for a sample of causes by department. The full listing is available for review. The last three

categories are not based on defects per se, but rather misunderstandings or misinterpretation that were resolved through goodwill gestures by Members or managers.

Category	2001	2002	2003	2004	2005
Unable to meet Req	266	373	374	431	98
Poor quality of work	169	202	154	169	86
Defective Part	25	363	118	269	83
Communication	173	267	195	193	52
Lot Damage	41	144	83	109	41
Dissat with product	213	147	90	116	26
Estimate inaccurate	28	43	16	36	13
Lost/Misplaced Items	0	0	0	45	11
Promises not met	68	130	77	21	3
Misled by staff	30	22	17	2	1
Member discourteous	8	28	14	11	1
Warranty issues	88	75	32	13	0
Good Will Executive	1	23	4	6	4
Good Will Park Place	6	530	595	360	152
Good Will Factory	0	7	15	1	5
BY DEPARTMENT					
New Car Sales	136	119	80	95	14
Pre-Owned Sales	119	85	48	60	18
Service	730	1632	1379	1307	434
Parts	194	293	172	226	60
Call Center	0	0	0	2	0
Accounting	0	2	0	2	0
Other Dpt	5	0	0	1	1

Figure 7.2G – Client Concerns - CCRs

The pilot for the new Lexus Survey previously described, also asked clients about their plan for repurchase and referral and their sense of loyalty to our dealership. Results for these questions are shown in *Figure 7.2H*.
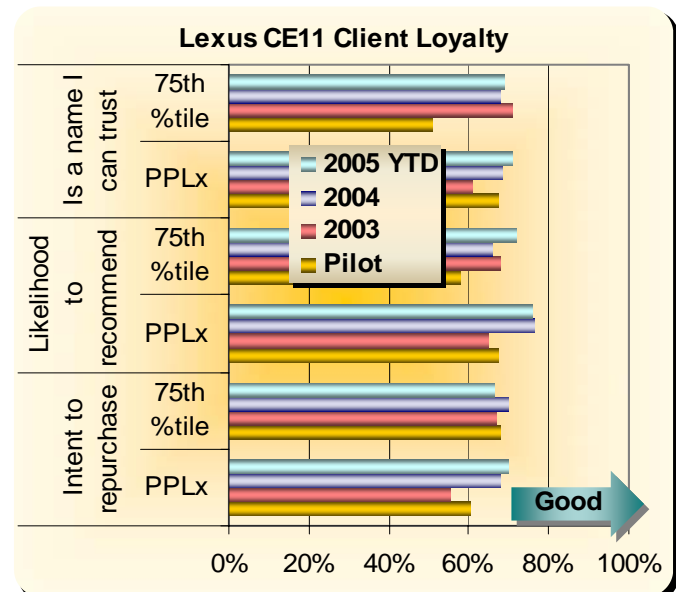
Figure 7.2H – Lexus CE11 Client Loyalty

7.2a(2) Customer Perceived Value
The Lexus CSI client indicators are designed to track the dealership's performance to key client requirements. We have selected key parts of the CSI indicator group to provide high-level measures that tie strategies and goals to processes. As described in 1.1b, we track and review this data daily, weekly, and monthly to evaluate performance.

Client Relationships Indicators all Dpts
Figure 7.2I shows the results of client indicators for the New Car Department. The goal for each indicator is the same as for Overall CSI: 95.1%. "Overall Experience" is a leading indicator of repeat business and potential for positive referral. The New Car Sales Department has improved and sustains a high level of client relationships through constant attention to detail. The department reengineered its sales and delivery processes in 1997 to better focus on client satisfaction. These same approaches were implemented in Grapevine when the dealership opened, ensuring full integration into the organizational culture from the beginning.

The Pre-Owned Department has high-level indicators similar to those for New Car Sales, with the addition of Lexus Certified Pre-Owned Certification (*Figure 7.2J*). Results for these measures show consistently high scores. The goal for each indicator is the same for Overall CSI: 95.1%. Pre-Owned Sales began tracking these indicators in 1999.

As with New and Pre-Owned Sales, the Service client indicators (*Figure 7.2K)* are designed to provide high-level

Key Indicators Pre-Owned		2000	2001	2002	2003	2004
Sales Experience Knows Lexus Products Professionalism Fulfill Commitments Overall Sales Experience Follow Up	Plano	96.7	97.5	95.8	98.3	97.2
	GV				98.3	98.9
Delivery Process Explains Warranty Inform. about Service/Parts Explains Car Operation Provide Vehicle Certific	Plano	97.4	98.6	95.0	94.6	98.6
	GV				96.1	99.4
Overall Experience Fulfill Commitments Would Recommend	Plano	95.5	97.5	97.3	98.1	96.9
	GV				97.3	98.8

Figure 7.2J – Pre-Owned Car Key Indicators (KI)

Key Indicators - Service		2000	2001	2002	2003	2004
ASM Score Ease of Appointment Proper Diagnosis Clear Explanation Overall Performance	Plano	97.0	96.6	95.6	97.8	96.6
	GV	96.1	96.6	96.7	96.7	95.2
Ready When Promised	Plano	96.8	95.5	93.9	96.4	96.3
	GV	93.3	96.2	95.9	95.4	96.1
Dealership Experience Clear Explanation Would Recommend	Plano	96.3	95.8	96.6	96.9	96.1
	GV	94.6	93.9	96.4	97.2	96.3

Figure 7.2K – Service Key Indicators (KI)

measures for important client requirements. The Dealership Experience measure is a leading indicator for repeat service business and potential for positive referral. The goal for each indicator is the same as for the Overall CSI: 95.1%.

Client Retention for Service
Understanding that satisfied service clients will return to our dealership, we established client retention as a long-term goal for Service in 1999. *Figure 7.2L* shows service client retention for the combined areas of "first service" (Free inspection of the car at 1,000 miles) and "second service" (oil change and standard maintenance at 5,000 miles). While percents remain fairly level, the number of clients represented in this number has grown steadily each year. Our retention rate in the Service department outperforms that of both the Local Area and National averages.

Key Indicators - New Cars		2000	2001	2002	2003	2004
Sales Experience Knows Lexus Products Professionalism Overall Sales Experience Would Recommend	Plano	96.3	96.7	97.4	99.5	98.9
	GV		98.4	99.0	98.8	99.4
Delivery Process Explains Warranty Information about Service Information about Parts Explains Car Operation	Plano	99.1	99.3	99.4	99.3	99.0
	GV		98.8	99.2	98.4	99.7
Overall Experience Fulfill Commitments Would Recommend	Plano	97.8	97.9	97.0	97.7	97.7
	GV		96.4	98.3	97.79	98.5

Figure 7.2I – New Car Key Indicators (KI)

Service Retention

Figure 7.2L – Service Retention

7.3 Financial and Market Results

As a result of our increasing quality of service and client satisfaction, we have experienced sustained growth in financial and market results. We have had success in managing operations within this dynamic industry, despite the economic downturn in the early 2000's that closed a number of other local dealerships.

7.3a Financial and Market Results
7.3a(1) Financial Performance

Figure 7.3A demonstrates our results in Return on Investment over time. The effects of the economic slowdown can be seen in the decreasing ROI in 2001 and 2002. Plano was particularly impacted due to their proximity to the Telecom Corridor. That prosperous area is only now recovering. The downturn of Plano ROI in 2004 is attributable to the major capital investment for shop expansion. Grapevine's ROI has shown dramatic improvement each year since opening, surpassing the Lexus Southern Area average in just five years.

Dealership Return on Investment
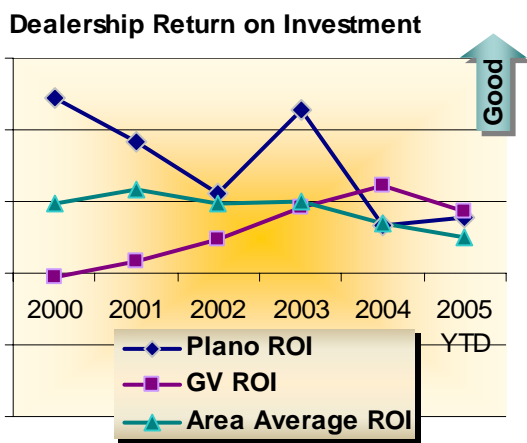
Figure 7.3A – Dealership ROI

Revenues have increased dramatically since our opening in 1991, as shown in *Figure 7.3B*. As anticipated, the opening

of the Grapevine dealership in 2000 shifted some revenues from Plano: however, their combined performance continued the dramatically positive trends. Overall revenue growth has been driven by the increase of new car revenue combined with the steady annual increases in parts and service revenue. These results are reflected in our successful performance in the market, as demonstrated in 7.3a(2), Marketplace Performance.
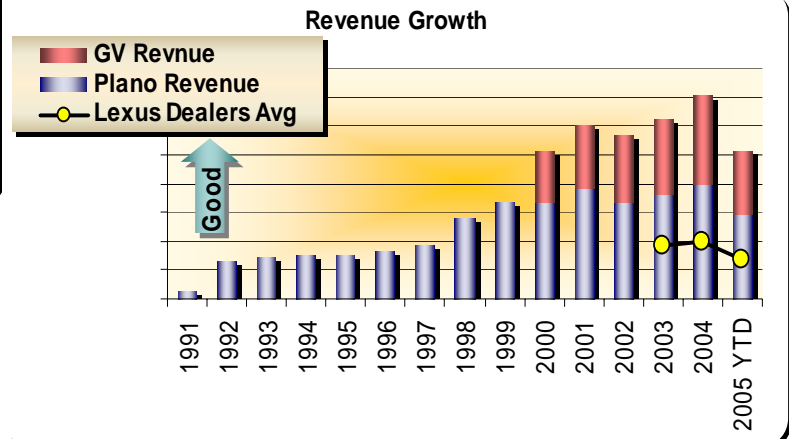
Revenue Growth

Figure 7.3B – PPL Revenue Growth

Improvements described throughout the application have allowed us to keep a greater portion of the increasing revenues by increasing our gross profit percentage. *Figure 7.3C* shows performance in gross profit as a percentage of revenue. The impact of the economic slowdown is also evident in the measures from 2000 through 2001 with a stabilizing of the percentage beginning in 2002. It was during this time that the Grapevine location was opened. The store was established and able to capitalize on the upturn in the economy in 2002.

Gross Profit Percentage
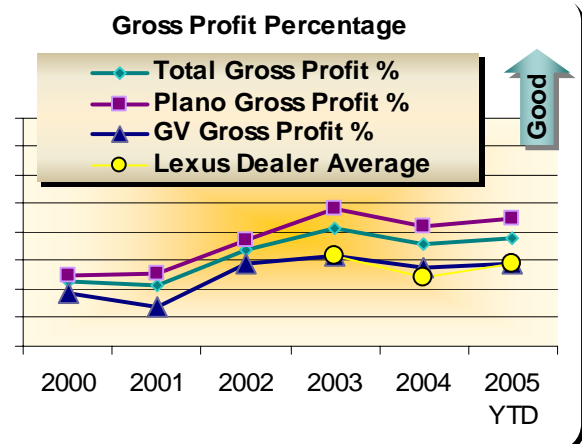
Figure 7.3C – Gross Profit Percentage

Despite economic slowdowns, gross profit dollars continued a steady climb as seen in *Figure 7.3D*. Improvements in processes and efficiency and investments in Members and equipment continue to show positive impact.

Park Place Lexus Gross Profit
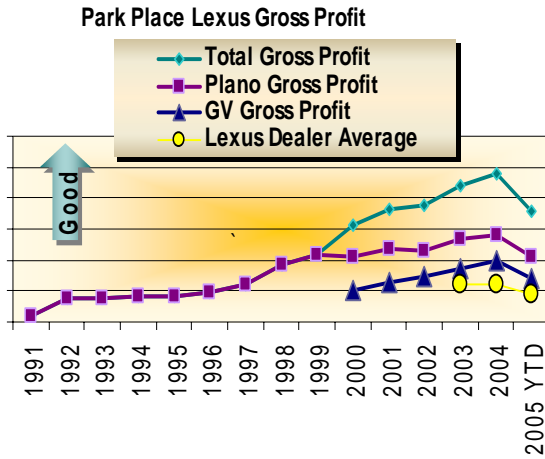
Figure 7.3D – Gross Profit

Increased gross profit only becomes increased operating profit through expense control. *Figure 7.3E* shows our success in managing expenses. We have been able to decrease variable expenses as a percent of gross profit through increased sales efficiencies and other economies of scale. Semi-fixed expenses as a percentage of gross profit dropped and then remained relatively flat due to cost control efforts and the support of increased fixed expenditures. Investments in capital assets (multiple dealership expansions, equipment purchases) and support structure (Members, assets) have increased the trend of fixed expenses as a percentage of gross profit. We have chosen to provide the finest facilities and equipment in the industry for our clients and Members. While this translates into higher fixed expenses compared to the average Lexus dealer, the results achieved are also significantly better than the average dealer.

Expenses as a % of Gross Profit
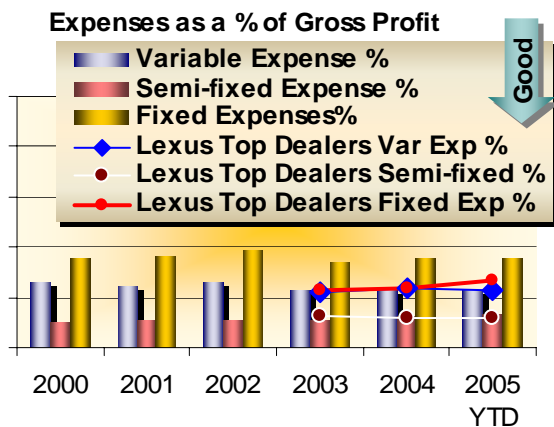
Figure 7.3E – Expenses as Percent of Gross Profit

All of these factors combine to determine our operating profit. Our results are shown in *Figure 7.3F*. Record results were achieved in 2003, particularly as compared to

other Lexus dealers. Plano levels declined slightly in 2004 because of significant capital expansion projects.

Dealership Operating Profit
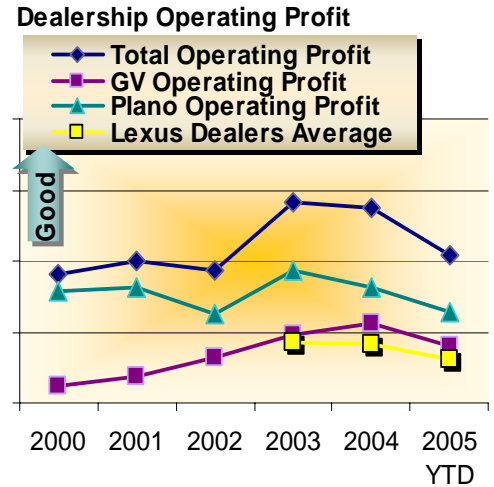
Figure 7.3F – Dealership Operating Profit

7.3a(2) Marketplace Performance
Figure 7.3G demonstrates that overall, Lexus cars achieve strong market share. In 2004, Lexus was up from 20.3% to strong 20.7% for the total new luxury car/SUV market in Plano. Grapevine was down a percentage point in 2004 indicating the tremendous opportunity still available in the rapidly growing Grapevine market. Within DFW, we have maintained a 50% market share against our competition for three years.

	2002	2003	2004	2005
Lexus share of Luxury in Plano	19.6%	20.3%	20.7%	30.7%
Lexus share of Luxury in Grapevine	19.7%	19.5%	18.5%	21.2%
DFW Market Share of Lexus	50%	50%	50%	51.2%

Figure 7.3G Lexus Market Share

One key measure of marketplace performance is the volume of activity in each department. New cars sold is a standard industry indicator of dealership size and overall sales success. This measurement is used as a key market share target for our business. In 2004, out of 213 Lexus dealers in the nation, Plano was the eighth largest, selling 3,060 new units, a 9.1% increase over 2003. Grapevine was the 27th largest (a remarkable achievement for either a companion dealership or a fifth-year dealership), selling 2,241 units, a 16.7% increase over 2003 (*Figure 7.3H*).

Pre-owned units has also dramatically grown with the addition of Grapevine, as seen in *Figure 7.3I*. In 2004, Plano was the fifth largest Lexus dealership in the Southern Area, based on pre-owned Lexus unit sales. Grapevine was the eighth largest.

41

Figure 7.3H – New Cars Sold

Of 213 Dealerships Nationally, Plano is 8th Largest, Grapevine is 27th
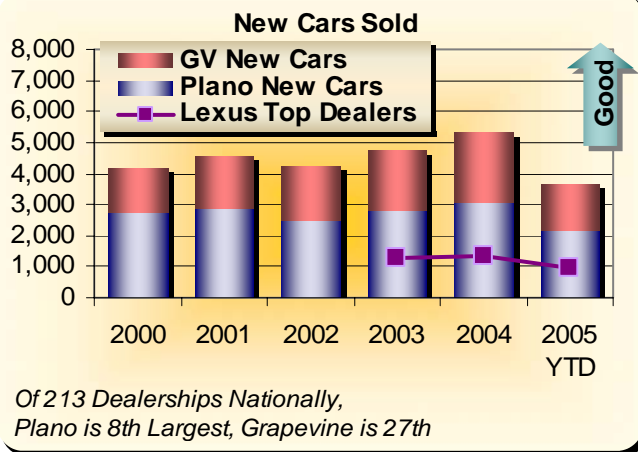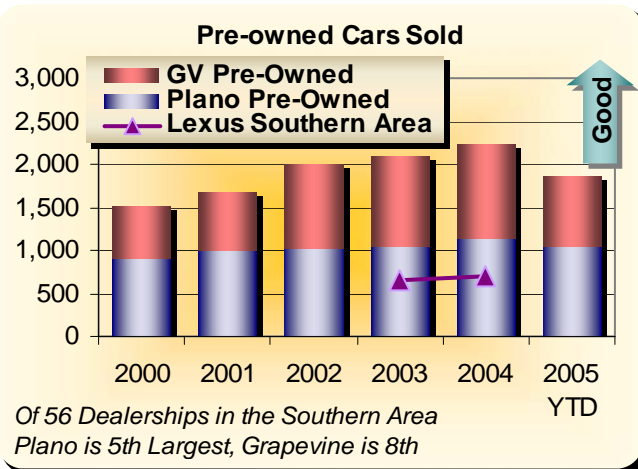
Figure 7.3I – Pre-Owned Cars Sold

Of 56 Dealerships in the Southern Area Plano is 5th Largest, Grapevine is 8th

The Service and Parts Departments continue to show strong, steady growth in the market. Service volume is measured by the number of technician hours sold and the related revenue generated. *Figure 7.3J* shows the revenue growth trend, which directly correlates to the trend in technician hours sold.
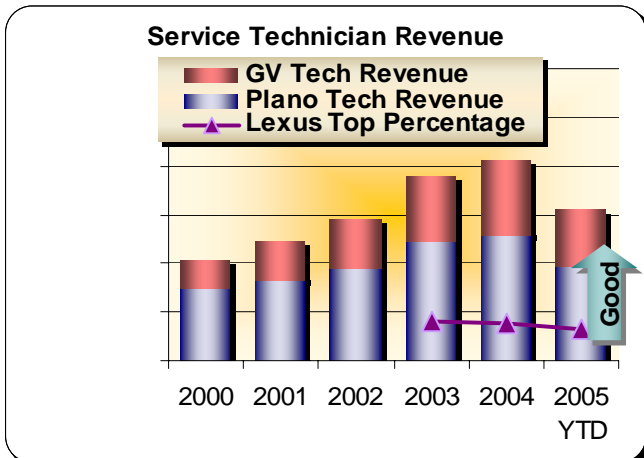
Figure 7.3J – Service Technician Hours Sold

Parts volume is also measured in revenue dollars. The trend in parts revenue is shown in *Figure 7.3K*. The revenue growth reflects growth in car sales and service hours sold combined with increases in accessory and boutique sales.
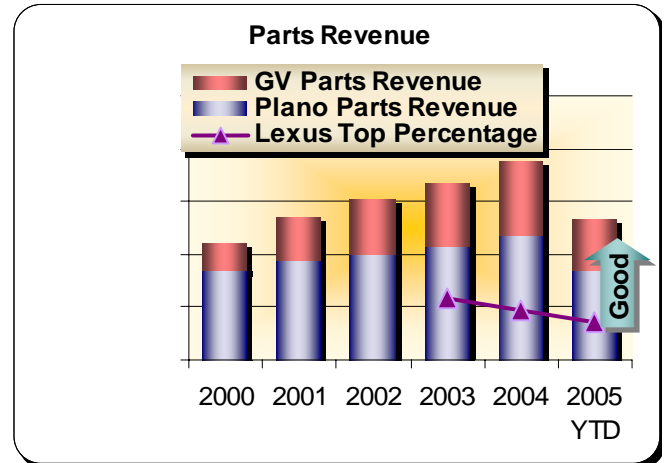
Figure 7.3K – Parts Revenue

Another measure for market performance is Finance and Insurance (F&I) Penetration (*Figure 7.3L*), the percentage of car sales for which we also provided financing, insurance, service contracts, and/or other related aftermarket products. In 2004, we developed a new method for measuring F&I Penetration: the Combined Penetration Index (CPI). Prior penetration measures provided good overall information but did not give enough input into our business decision-making processes. The CPI combines the penetration amounts for each product, allowing use to closely monitor the product mix and the performance of the individual products. This change added significant agility to our F&I Sales process.
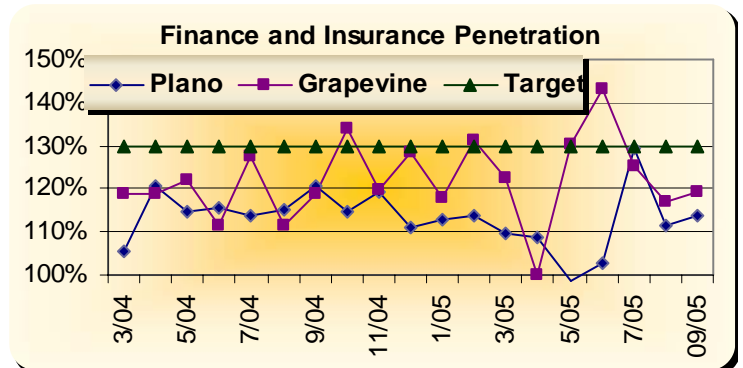
Figure 7.3L – Finance and Insurance Penetration

Our success in market performance is directly attributable to the maturing of our organization. We have established a reputation in the community for treating clients fairly, providing a high level of personalized service, and standing behind our commitments. This continued attention to how we deliver service has enabled the dealerships to become some of the largest luxury dealerships in the nation.

7.4 Human Resource Results

Throughout Category 5, we discuss our multiple approaches toward hiring, developing, and retaining Members. Many of our results for this Item are related to results from our member satisfaction survey. In 2003, we began a transition from the EOP survey, administered by a local quality consortium, to the Q12 survey, administered by the Gallup organization. Because both surveys are administered on a similar 5-point scale, using similar questions, comparison is possible. Administration and approach are different, and these affected the scores for the first administration of the Q12, but they have stabilized on the subsequent administrations.

7.4a Human Resource Results
7.4a(1) Work System Performance

One key measure of work system effectiveness is the results to six questions on the annual member satisfaction survey. *Figure 7.4A* and 7.4B shows member satisfaction in four of these areas. Both locations show continuing improvement. Members of each department create an "Impact Plan" to improve a low-rated area on their survey. This approach gives Members ownership of their satisfaction and control over improvement activities. A variety of improvements have been implemented through Impact Plans this year.
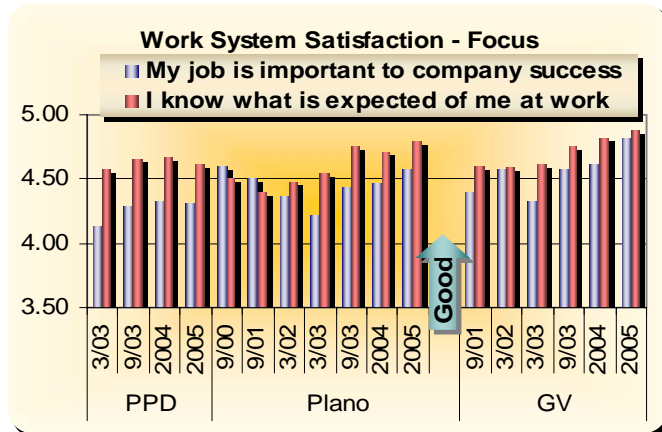
Figure 7.4A – Work System Satisfaction with Focus
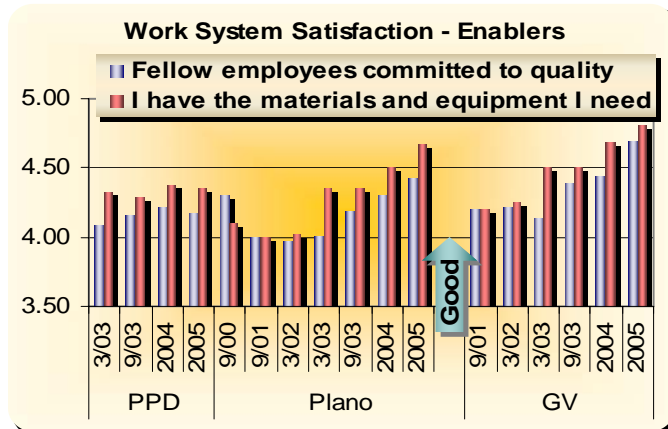
Figure 7.4B – Work System Satisfaction with Enablers

Retention is a significant issue in the automobile business, but our policies, culture, and practices have allowed us to address this issue, increasing our tenure and creating a strong base of knowledge. *Figure 7.4C* demonstrates the strength of our experience level within our departments.

Figure 7.4D demonstrates that we fill a large number of our internal postings from internal sources rather than going outside the company. This number is particularly high for Grapevine, which continues to grow and mature since it's opening in 2000.
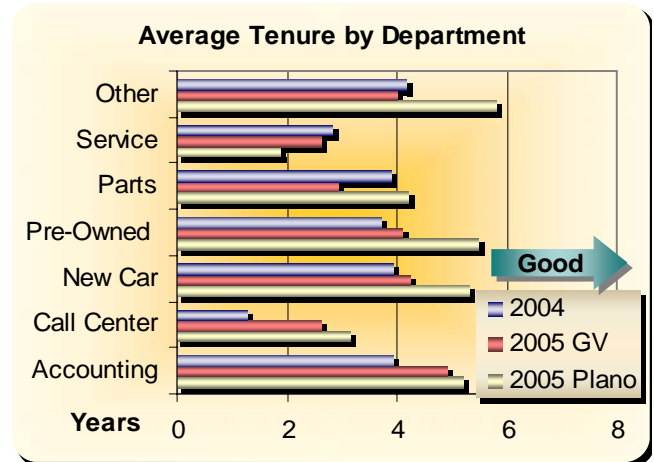
Figure 7.4C – Average Tenure by Department
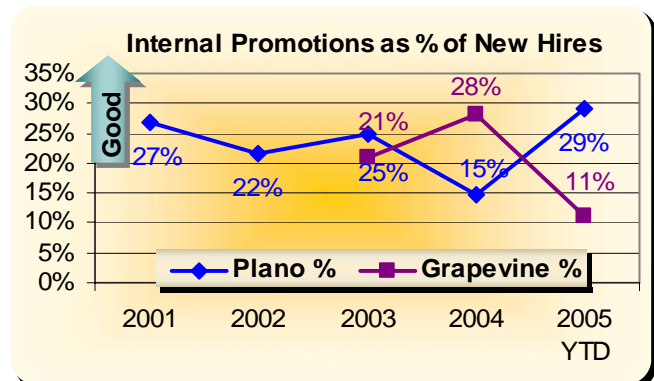
Figure 7.4D – Internal Promotions % of New Hires

Figure 7.4E shows our levels of Members who are in positions of professionals and management who are
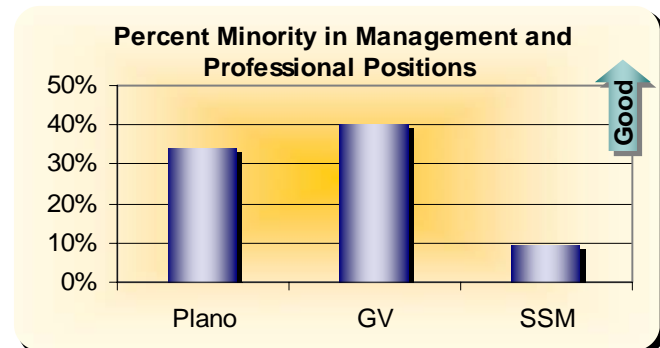
Figure 7.4E – % Minority in Mgmt and Professional

minorities. For purposes of comparison, results are shown for SSM, a Baldrige recipient.

7.4a(2) Learning and Development Results
Figure 7.4F shows the results of one of our most important indicators of learning and development - number of certified Lexus Members –Master and Senior levels. All Members are required to be enrolled. This is a strong driver of our performance and our high consideration with our Partner, Lexus. The figure indicates that our percentage of Members attaining Master or Senior levels has increased significantly over the three year period.
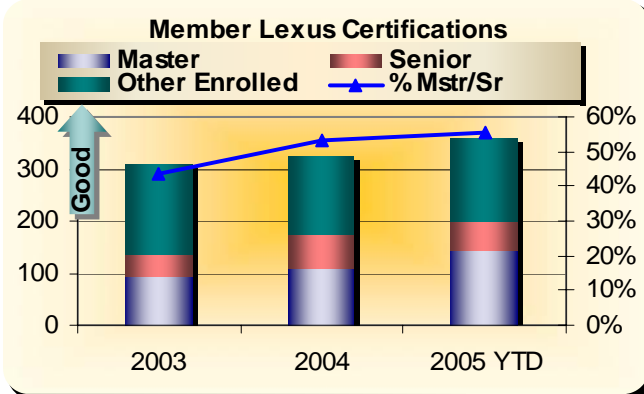
Figure 7.4F – Member Lexus Certifications

Figure 7.4G shows the results of our member satisfaction surveys to the questions related to ongoing training and development. In both stores, our Members express that their supervisors encourage them to engage in development activities and that they have development opportunities. These are high scoring areas for us, as every member is required to attend annual Lexus certification training.
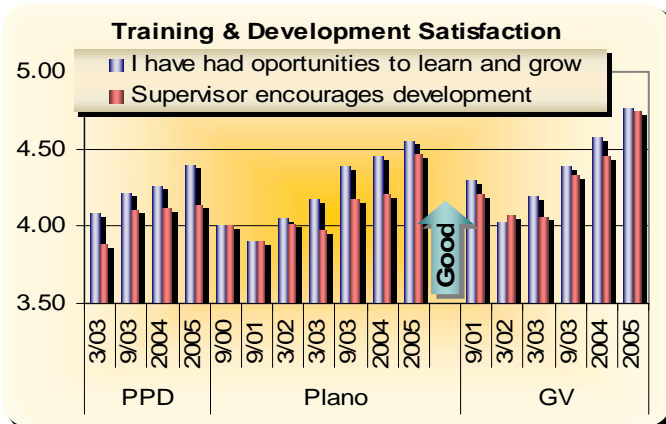
Figure 7.4G – Training and Development Satisfaction

Figure 7.4H identifies the average training hour per Member received by our Members at both stores.

7.4a(3) Employee Well-Being and Satisfaction
Figure 7.4I shows our results in recordable injury rate. Due to many improvements and focus, this rate began to show an improvement trend in 2004.
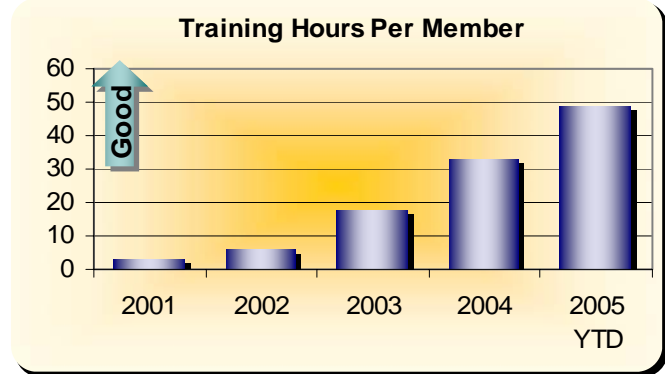
Figure 7.4H – Average Training Hours
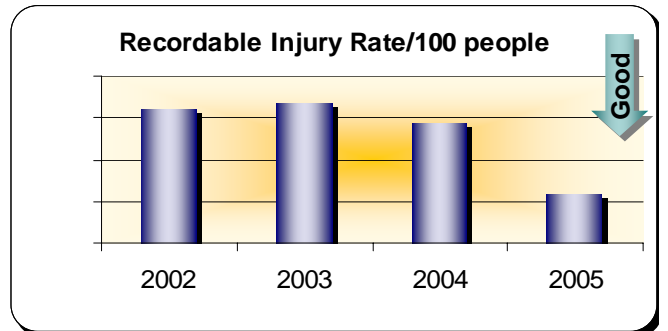
Figure 7.4I – Recordable Injury Rate

Figure 7.4A and B shows member satisfaction with work system elements and *Figure 7.4G* shows member satisfaction in training and development areas. *Figure 7.4J* shows the results of three general environment questions. Gallup provides comparative information for the Q12 survey. The 75th percentile, or companies that scored in the top 25% of their extensive database, is a best-in-class benchmark. Both of our dealerships exceeded this benchmark in all questions.
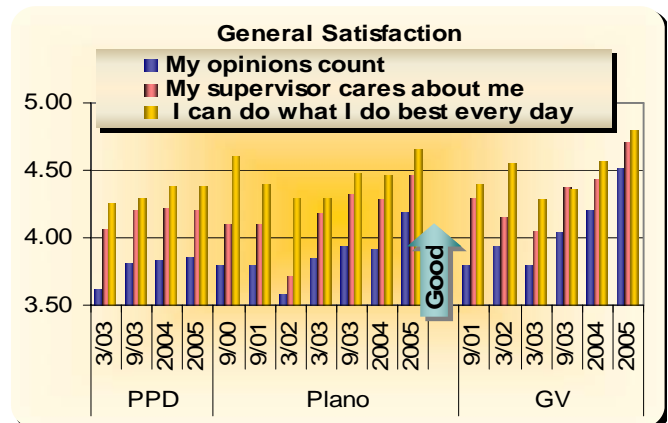
Figure 7.4J – General Member Satisfaction

Figure 7.4K shows overall member satisfaction and its relationship to overall turnover results for the last seven years. Overall satisfaction is a specific question on the survey asking about the member's satisfaction with the organization as a whole. Turnover rate is calculated for the

whole organization for the entire calendar year. This figure highlights the long-term trends of increased member satisfaction and the associated reduced turnover from 1999 to 2003. Both locations have experienced a continued low level of turnover, particularly as compared to the average turnover in the Southwest area of 55%. Turnover and satisfaction results by department are analyzed by department managers and are available on-site.
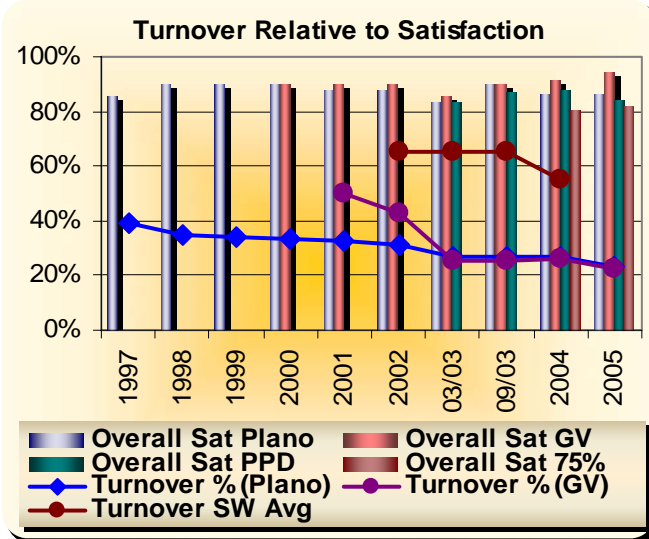

Figure 7.4K – Turnover Relative to Satisfaction

To better understand turnover, HR began tracking job termination reasons in 2001 (*Figure 7.4L*). In the past, "Involuntary" turnover, i.e., terminated by the company, was the most prominent reason. These have declined significantly through several important changes in our recruiting and hiring practices, described in 5.1. Turnover has also been addressed through areas of member concern.

Member safety is an ongoing concern. We strive to protect the health and safety of Members with safety programs, training, and on-site inspections. In 2004, Plano had only 19 reportable injuries, and Grapevine had only two. The HR, Facilities, and Shop managers work with our safety compliance firm to continually improve safety. Recent improvements to our approaches include:

- Mandatory use of safety glasses for specific jobs
- Use of caution signs for work areas; increased staff to monitor facilities during rainy days
- A safety committee, which meets monthly to discuss current issues, review accident log items, and conduct Safety Audits.

7.5 Organizational Effectiveness Results
Our measures include performance indicators to determine effectiveness of all process. The measures shown in this item demonstrate the success of our Members in developing effective processes and managing their performance.
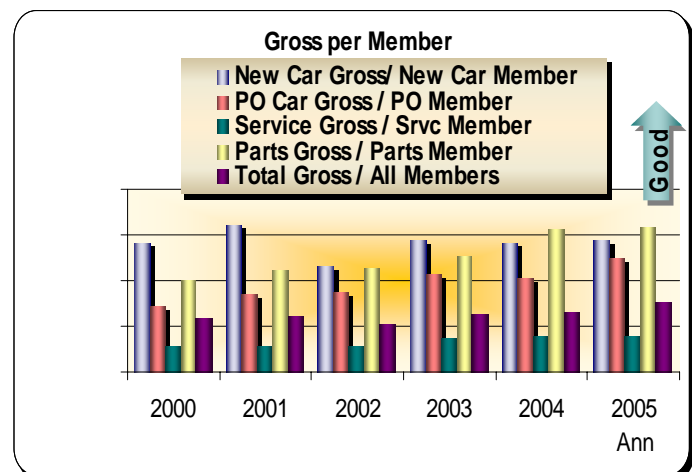
7.5a Operational Effectiveness Results
7.5a(1) Value Creation Process Results
Productivity of our Members is measured primarily through the measure of Gross Profit per member as shown in *Figure 7.5A*. This measure shows the effect of various business decisions over time, but more importantly demonstrates the sustainability of our systems through mild adjustments in productivity despite the economic downturns and changes in focus seen throughout 7.3. PPL per Member productivity measures tend to run below industry benchmarks due to our conscious business decision to staff at higher levels to achieve greater client satisfaction.
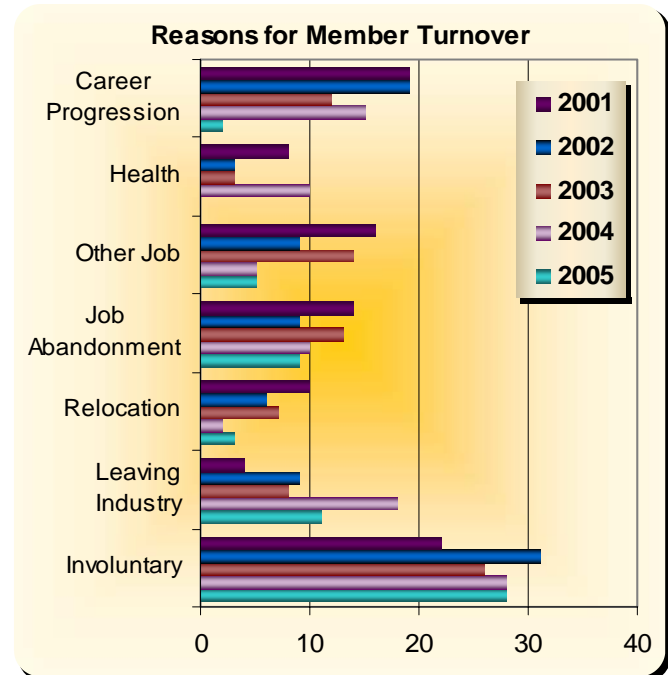
Figure 7.4L – Turnover Reasons

Figure 7.5A – Gross per Member Productivity

New and Pre-Owned Sales Performance
In addition to the gross per member measure, productivity of the new and pre-owned sales departments is managed

through the key measure of units sold per sales member. *Figure 7.5B* shows the results of this measure for Plano and Grapevine since 2000.
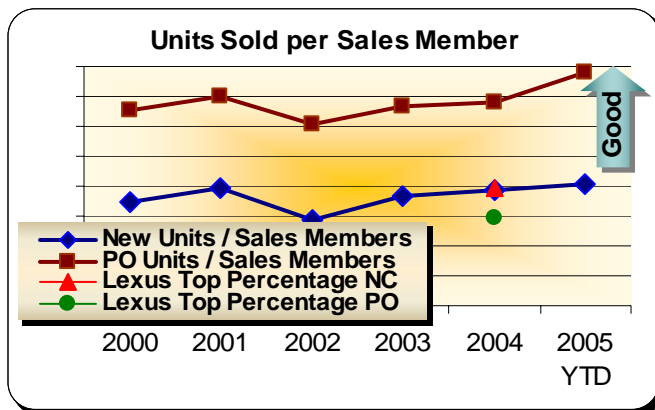

Figure 7.5B – Sales Member Productivity

The indicator of Reconditioning Cycle Time (*Figure 7.5C*) is a measure of the number of days it takes to recondition pre-owned cars, either for us or a client. The department has reduced cycle time significantly in both locations, exceeding their goal. The reconditioning work groups were restructured to create a dedicated pre-owned team, which contributed to the improvement.
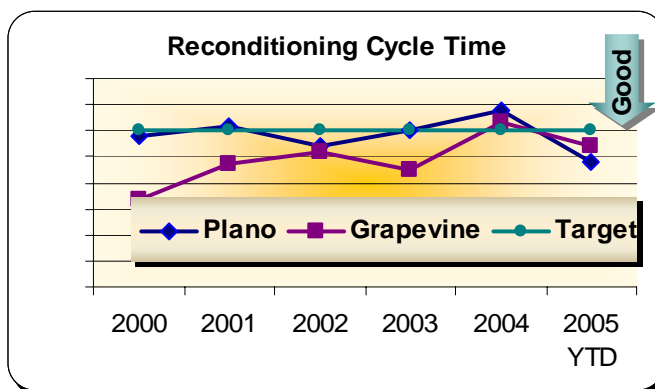
Figure 7.5C – Reconditioning Cycle Time

Service Department Performance
The measure of Client Paid Percent of Revenue (*Figure 7.5D*) is an indicator that the Service Department is properly allocating its resources between internal and external clients. This indicator is reviewed by Service Managers to determine if additional technicians are needed. Lexus' warranties for both new and pre-owned cars are very comprehensive, resulting in a high percent of service work paid for by the manufacturer. The remaining service work is for make-ready of new cars and reconditioning of pre-owned cars. This internal work is critical, as it impacts on-time delivery of cars to clients. Plano's client-paid percent of revenue for 2004 is slightly higher than Grapevine's.
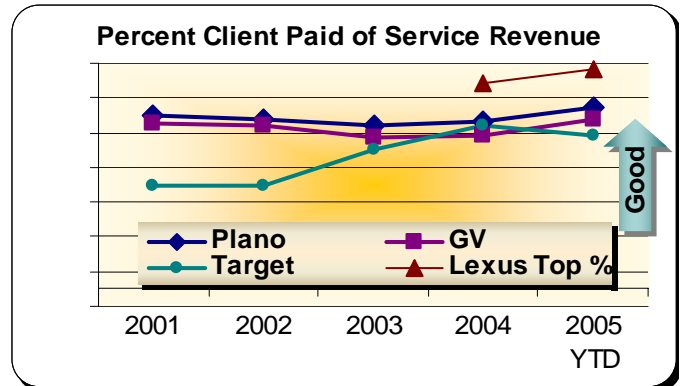
Figure 7.5D – Percent Client Paid

Service technician productivity, shown in *Figure 7.5E*, is measured as flag hours (hours the job should take) as a percent of work hours (clock time). Each service and repair job is rated by Lexus as to the number of hours the job should take. The technician is paid for the flag hours, regardless of how long the job actually takes. This provides a motivational tool. Monthly Productivity goals are set for each technician based on their previous 20-week average. Technician productivity fell in Plano for 2004 due to the opening of a major shop expansion and the hiring of a large number of service technicians.
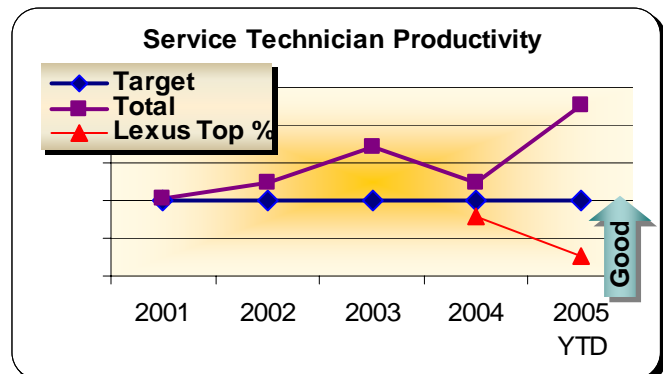

Figure 7.5E – Service Tech Productivity

Figure 7.5F shows our performance in Service Work in Progress (WIP), which is the percent of all repair orders that have been open more than five days. Repairs may be waiting for special ordered parts or for sublet work. WIP is a leading indicator of days out on appointments. In 2003, WIP percentage went up somewhat in the Grapevine location, however remained well below the target. The issue was addressed through improvements driven through our action planning approach and the percentage has now dropped for 2005 YTD.

Parts Department Performance
Parts productivity is tracked as Cost of Sales per Parts Member per month, shown in *Figure 7.5G*. This is an indicator of member performance and how well internal and
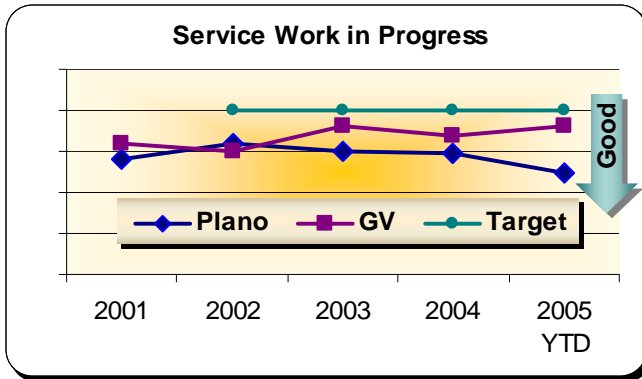
Figure 7.5F – Service Work in Progress

external clients are being served. The target set each year is designed to support the organizations gross profit goals and provide sufficient coverage for counters and phone calls. Projected increases in throughput for the Service department are also comprehended in the target, as these two departments are closely linked. We have exceeded this target every year in both stores and continue to increase the target to encourage ongoing improvements in efficiency.
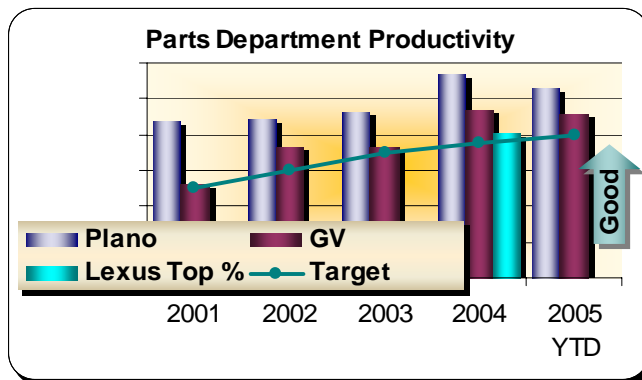

Figure 7.5G – Parts Department Productivity

Average days supply of parts (*Figure 7.5H*) is another internal indicator of parts availability. This is an indicator of our ability to maintain both the proper amount and proper mix of inventory. If too many parts are on-hand that are not used often, this negatively impacts this measure.
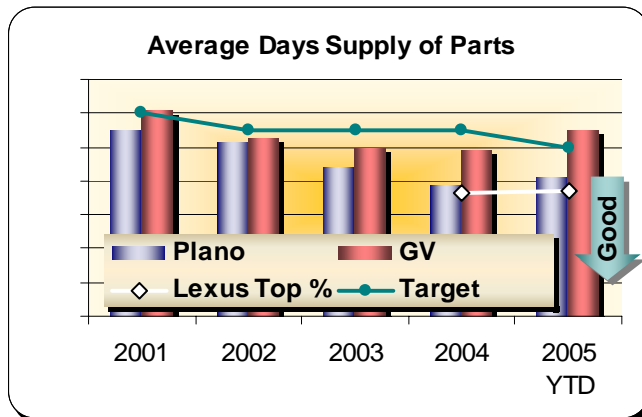
Figure 7.5H – Average Days Supply of Parts

The True Turns indicator (*Figure 7.5I*) tells us how many times inventory is turned (sold) in a year. It shows that the Parts Department is generating the maximum profit from its inventory investment. Both stores exceed target and continue to improve.
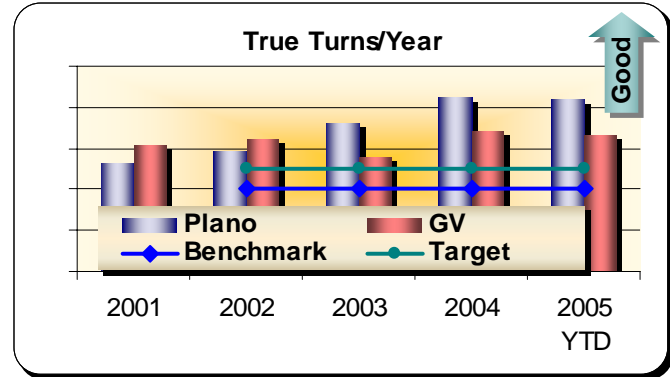

Figure 7.5I – True Turns/Year

7.5a(2) Support Process Performance
Accounting "car deal cycle time" (*Figure 7. 5J*) is the time required by our Accounting Department to complete the processing of a car purchase. Cycle time has a direct impact on cash flow, bank charges, and pre-owned cars. The department redesigned the car deal work group to remove bottlenecks and document their process to train new Members, resulting in major improvements in 2003-2004.
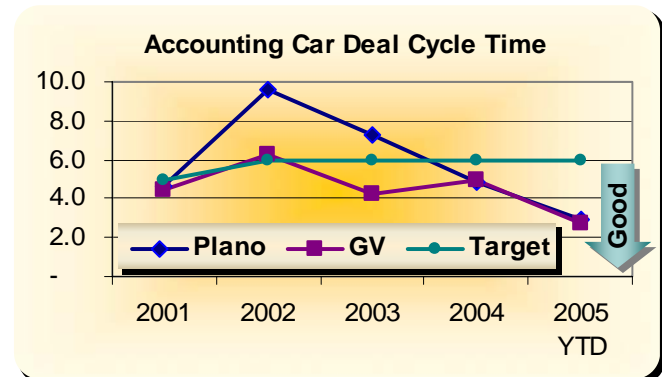

Figure 7.5J – Accounting Car Deal Cycle Time

Human Resources started tracking cycle time to fill job openings in 1999 (*Figure 7.5K*). In 2002, cycle time performance eroded slightly as the department focused on the more time-intensive task of hiring new positions due to growth. As we have settled new Members into position, cycle time to fill openings has decrease again and, because of numerous improvements to our hiring process, has reached a very low level, below target for that activity.

To help us improve, we attempt to gain a specific set of information from Members who are leaving. *Figure 7.5L* shows the results of this activity. Some terminating Members are reluctant to discuss their reasons for leaving,

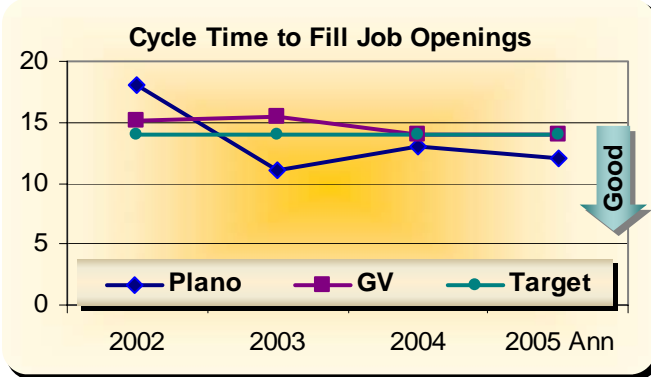**Cycle Time to Fill Job Openings**

Figure 7.5K – HR Job Fill Cycle Time

which is the reason for the declining performance from 1999 to 2002. In order to address this and to get more actionable information, the HR Department created an Exit Interview Form that allows Members to provide information more privately. This has caused significant improvement in this measure in 2003.
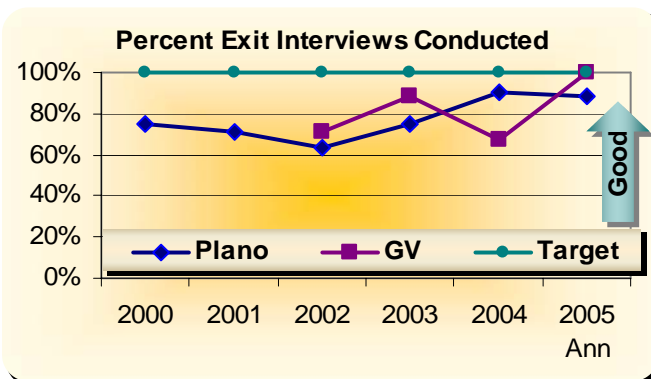
Percent Exit Interviews Conducted

Figure 7.5L – Percent Exit Interviews Conducted

We concentrated on fully implementing the internal procedures of the Vendor Management System in 1999. *Figure 7.5M* shows the results of tracking vendor process violations, such as a missing authorization or invoice. Almost one-half of the violations occur in Parts or Service, which generate the most supplier purchases.
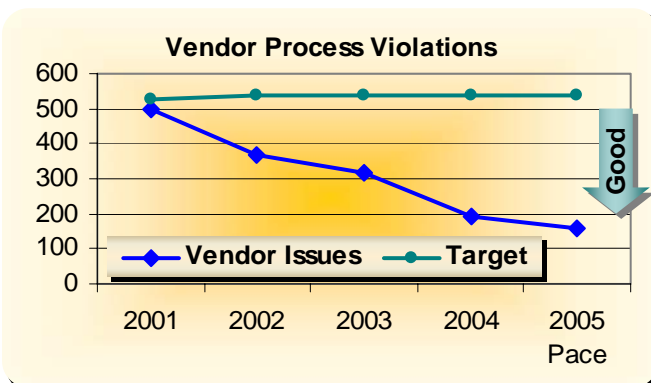
Vendor Process Violations

Figure 7.5M – Vendor Process Violations

7.6 Government and Social Responsibility Results
7.6a(1) Accomplishment of Strategy
Our Strategic Directions for the current year are outlined in *Figure 2.2B*. Progress to the strategic plan is measured by progress to the key measures, also identified in that chart. Those measures have been shown within this Category. Each month we conduct a status of progress to action plans with each department, plans are modified/added/ replaced as needed, and additional assistance is provided to help departments complete their plans. In 2004, all actions that were due to be completed were completed. In 2005, all action plans are on target to be completed.

7.6a(2) Ethical Behavior and Stakeholder Trust
Ethical behavior begins with the organizational culture we create and equates to a characteristic we look for during recruiting, hiring, reviewing, and promoting Members. Violations of our ethics policy are not tolerated and Members will be terminated for such activity. *Figure 7.6A* shows the trend in involuntary turnover and the involuntary turnover that is due to unethical behavior.

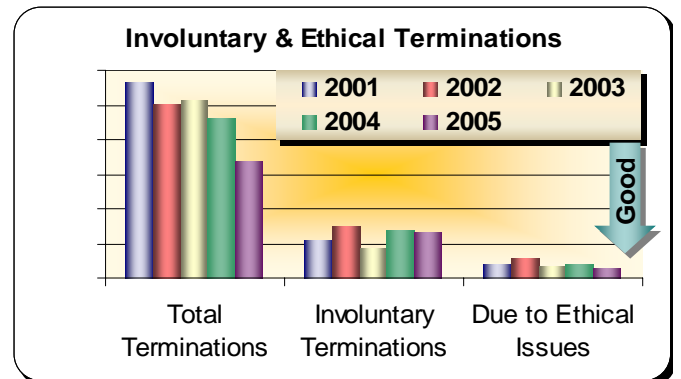**Involuntary & Ethical Terminations**

Figure 7.6A – Termination Due to Ethics

Member stakeholder trust builds from our continued adherence to our convictions in our policies and actions, including orientation, training, compliance with laws and regulations, and respect for Member privacy and concerns. All leaders are required to train in key legal and ethical areas, and all Members train in several ethical areas, including sexual harassment, diversity, cash reporting and money laundering, vendor performance, and OSHA. Participation in these mandatory events is 100% over at least the last three years.

External stakeholders are also expected to have high ethical standards. Partners have annual partnership meetings where governance is assessed and discussed and have access to all audit reports discussed in 7.6a(1). Vendors participate through our vendor management program, and ethical issues are noted in the vendor database. Client related issues are monitored and tracked by the CCR process, suggestion boxes, focus groups, and direct feedback.

A key outcome measure of ethical behavior is the dollars spent on outside legal and accounting firms. *Figure 7.6B* shows our favorable trend in these expenses.
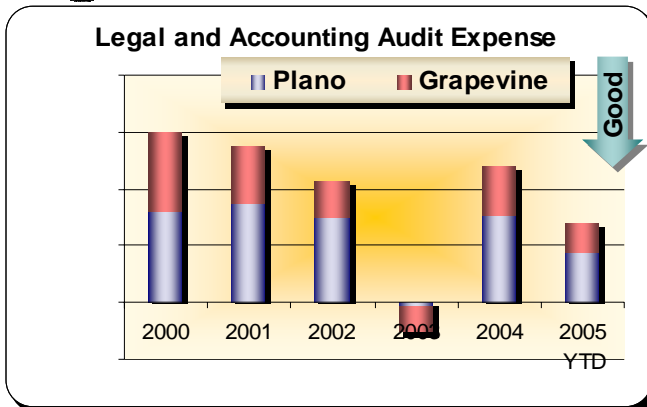
Figure 7.6B – Financial Legal/Accounting Expense

Stakeholder trust is also exhibited through the many external awards and recognition we receive. *Figure 7.6C* demonstrates some of these external awards.

PPL Awards and Recognition
"Elite of Lexus" award ten times (including 2004)
Rated 1st in Lexus Dealer Delivery Index in 1995, 1996, and 1997.
Rated 1st in New Car Sales Client Satisfaction in TX in '96 & '97.
Rated 1st in Service Client Satisfaction in the state in 1998.
As part of PPD, received the National Auto Dealers Association National Import Dealer of the Year Award in 1998.
As part of PPD, PPL was recognized nationally by the American Import Automotive Dealers Association for our support of charitable organizations.
PPL of Plano was the first auto dealership to ever receive the Texas Award for Performance Excellence – the state Quality Award

Figure 7.6C – External Awards and Recognition

7.6a(3) Fiscal Accountability
PPL is a privately held partnership and has no public reporting requirements. Nevertheless, in order to provide stakeholder trust, each year we retain a nationally recognized, independent public accounting firm to audit our financial statements. In each year since our inception, we have received an unqualified opinion from the auditors, attesting to our fiscal accountability. Currently, a different nationally recognized, independent public accounting firm performs all the tax related work of the partnership. This ensures an increased level of independence and accountability. Neither of these firms provides PPL with unrelated consulting services.

Internally, the accounting department produces a monthly financial reporting package with financial statements, reports, detail, and analysis. This package is distributed to the general managers and officers for their review. A monthly meeting is held to review the package and discuss noted trends and issues. This review is a key component of

the financial management system. As such, a leading indicator is the ability of the accounting department to meet internal and external reporting guidelines and deadlines. A scorecard is maintained of these results, with a score of 100% reflecting the achievement of meeting deadlines and goals. Scores over 100% reflect the surpassing of these deadlines and goals. Annual scorecard results for the last five years are shown in *Figure 7.6D*.
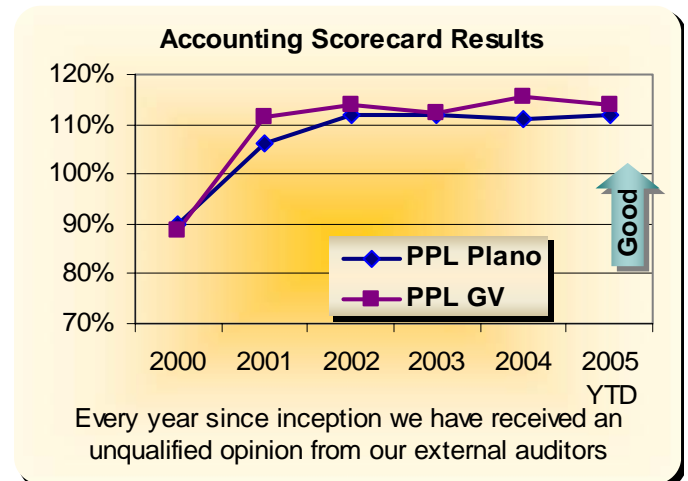

Figure 7.6D – Accounting Scorecard Results

In addition, the accounting department performs nine separate internal audits each quarter. The internal audit results are sent to appropriate managers and officers for review and consideration. Minor items are addressed and reviewed as discovered. No major internal control issues were noted in 2004.

7.6a(4) Regulatory and Legal Compliance
As noted in *Figure 1.2A*, the dealership is subject to the authority of numerous regulatory agencies. *Figure 7.6E* shows our performance levels for these regulators. We have never been subject to sanctions or adverse actions under the laws and regulations.

Overall, the favorable trend in outside legal and accounting expenses shown in *Figure 7.6B* also speaks to our success in regulatory and legal compliance.

Each of the individual risk areas is addressed by incorporating compliance into our daily business processes. Job processes are documented and designed to comply with all rules and regulations. Departments measure their progress monthly in certain performance measures and results are discussed in the monthly review meetings. Several regulatory items are subject to internal audit. For example, IRS cash reporting compliance is audited quarterly. Where special expertise is required, we retain qualified, outside vendors to ensure 100% compliance with regulations. For example, disposal of waste oil and coolant is performed by an outside, expert vendor. All these

Risk Area	Measure	2003	2004	2005
County Tax Assessor - TTL (Title, tax and registration on vehicles)	Late Fees/ Compliance	0/100 %	0/100 %	0/100 %
IRS Cash purchase reporting	Sanctions	0	0	0
State DOT - Emissions	Machine Failure	0	0	0
TNRCC & EPA	Compliance	100%	100%	100%
US DOJ & FCC Privacy Act	Compliance	100%	100%	100%
Law Suits from HR Practices	# Law Suits	0	0	0
EEOC Claims	# Claims	0	1- dropped	0
Other Legal Complaints against PPLx	# Settled Law Suits	0	0	0
OSHA internal audit	Findings	0	0	0
Various federal regulations including FMLA, Patriot Act, ADA, etc.	Various Federal Agencies	Hiring & HR practic	Compliance	100%

Figure 7.6E – Regulatory & Legal Compliance

vendors are subject to our vendor management process, which helps ensure their regulatory and legal compliance.

PPL hires an outside consulting firm to conduct bi-monthly OSHA compliance and safety audits. Audit results are distributed to all managers and officers, and any noted issues are addressed accordingly. This firm also teaches several annual OSHA safety classes, which all Members attend. Our commitment to safety and regulatory compliance is built into our culture. In fact, all Members attend these safety classes as part of their orientation.

7.6a(5) Organizational Citizenship
Our organizational citizenship is evident in the support of our key communities through the Community Relations Process described in 1.2c. We support numerous local charitable organizations with monetary donations, product donations, participation, and event support. For example, each year we donate a Lexus to the Crystal Charity Ball and the Northeast Tarrant County Heart Ball for auction. We also open our doors to organizations needing event locations, like the Dallas Stars annual Charity Casino Night held at our dealership. *Figure 7.6F* shows the amount of direct financial support that we provide to community organizations each year. This amount does not include matching and co-op funds provided by Lexus, many donated cars for charitable auctions, facilities, member time in support of events, and general community participation.

Last fall we surveyed top clients to determine how best to match their community involvement. As a result, the community relations program will focus this year on

scholarships for high school students - the largest place our clients spend resources in their community.
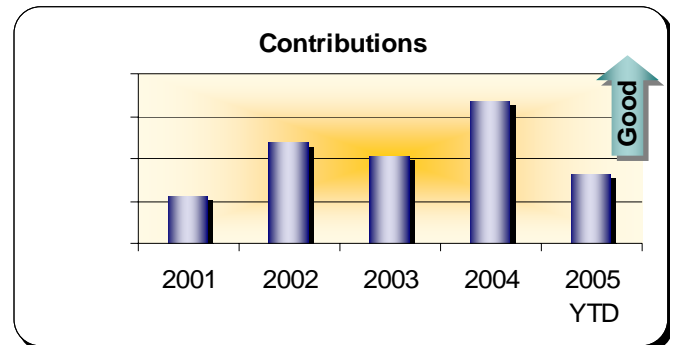

Figure 7.6F – Contributions

In addition, we encourage our Members to become actively involved in the community. The Circle of Excellence Committee discussed in 1.2c selects the participation that will provide the most investment by Members. Some of the many organizations supported through this program include those shown in *Figure 7.6G*.

2004 Activities
2 Blood Drives (increased from 1)
Angel Tree
Holiday Food Drive
Lee National Denim Day
Tsunami Relief Fund
Meals-on-Wheels
Big Brothers, Big Sisters (BBBS)
Adopt-A-Soldier – (Same level as 2005 - See Below)

2005 Activities (Planned and Underway)
2 Blood Drives scheduled
Adopt-a-Highway
Susan G. Komen Race for the Cure
Big Brothers, Big Sisters (BBBS)
Meals-on-Wheels
Angel Tree
Food Drives
Lee Denim Day
Adopt-a-Soldier – 21 soldiers in Iraq adopted by PPL Members, and an additional 55 were adopted by family and friends to send cards and comfort.

Figure 7.6G – Company Sponsored Member Participation