International fleet management: the success factors

LeasePlan

What's next?

Now that the crisis feels like just a distant memory and the economy has bounced back with a vengeance, numerous companies are pursuing a mergers & acquisitions strategy as a route to value creation and profitable growth. At some point, those newly formed companies have to reassess their fleet operations.

Typically, following a merger or acquisition, organisations face a mixed-composition fleet based on various methods of vehicle acquisition and vehicle allocation. Meanwhile, the size of the fleet has often increased and may now include new countries. Alternatively, if the change has resulted in redundancies, there may be a surplus of vehicles. Various systems and definitions are generally in use, resulting in a lack of data and transparency about fleet management and performance. Furthermore, due to the changes in the business, company car policies will lack alignment and may be outdated.

In view of all these factors, it can feel like chaos. This is when action is needed to develop a fleet programme aligned with the new organisation's strategy and its mobility needs. From our position in the middle of this process, we have written this paper to look at some key questions companies face in these situations, such as "What level of harmonisation and standardisation is required to leverage economies of scale and achieve cost reductions and overall efficiency within the new fleet?". We also share tips and best practices on how to centralise fleet management.

When is the right moment to start centralising your fleet?

A company with a growing international fleet may wonder when it is the right moment to start a centralised fleet programme. Naturally, fleet size matters to a certain extent; we generally see companies with fleets of 300-400 cars, across various countries, starting to take central measures. This often goes hand in hand with a need to outsource, as a large fleet can become too complex for an in-house solution.

More important than fleet size, however, is a willingness to change and a central mandate, and this can often be triggered by developments such as a merger or acquisition. As described above, the fleet set-up following a merger is disjointed and may no longer be 'fit for purpose', making this a logical moment to explore a new approach to fleet management. Moreover, if the size of the fleet has increased, an international fleet programme is a good way to leverage the scale of the new company. The most significant cost savings can be made by downsizing the number of suppliers, both in terms of fleet management and vehicle choice. Downsizing also improves harmonisation and standardisation, thus simplifying the entire fleet structure and making it easier to develop an aligned solution.

A more centralised approach to fleet management can also be stimulated by other external factors such as safety and sustainability. At the end of 2015, for example, a substantial number of companies agreed to work together to stop the impact on climate change under the Paris Agreement. Cross-border efforts are required if fleet management is to contribute to achieving such an ambition. Joining forces internationally and sharing best practices for reducing the environmental impact of the fleet whilst keeping in mind cost, mobility and safety will help companies to develop an effective and integrated plan, embedded throughout the entire organisation.

Translating the company strategy into new fleet objectives

Often, the ultimate objective behind strategic business changes is to maximise profit. Fleet management can contribute to that goal by improving cost control over the fleet and by identifying cost savings. These ambitions are usually obtained by first reviewing the as-is situation followed by setting objectives, such as to optimise processes and policies including vehicle choice and budget allocation. Typically, the changes also go hand in hand with a strong – and if necessary updated – corporate social responsibility (CSR) programme including the fleet aspect. In many cases, centralisation brings a new mandate and a new level of guidance from above, which can necessitate some internal adjustments. Whereas until now each local organisation was able to decide on its own guidelines relating to company cars, the new situation is often coordinated centrally by a professional with a procurement background. This new international fleet manager is responsible for handling the fleet across multiple countries and businesses. This is not always an easy task following a merger or acquisition; they may face a complex legacy situation as well as a board of directors at headquarter level demanding change to drive business continuity forward.

What are the benefits of an international fleet management programme?

The benefits of an international fleet management programme have been repeatedly demonstrated over the years. Ever since the 1990s, countless companies have centralised their fleet management with great success. Today's world-leading multinationals, many of which were among the first to implement a pioneering central fleet management approach, are now being followed by smaller international enterprises. Their aim in setting up an international fleet management programme is always a combination of:

- cost control & reduction;
- standardised and harmonised processes;
- standardised and harmonised vehicle offering, in line with market needs, fit for purpose and providing the right level of mobility.

With regards to both fleet management and vehicle choice, the most significant cost savings are derived from leveraging a company's fleet by consolidating suppliers and further outsourcing. These measures also lead to more streamlined and simplified processes, often resulting in lower costs and decreased demand on resources internally. In addition, centralising the company car policy will not only generate cost savings but will also result in a fleet that is benchmarked against industry peers. Moreover, the company car offering and the driver guidelines are harmonised and optimised. By formulating unambiguous rules for all countries, an international policy ensures a minimum standard of mobility, safety and environmental impact in all local markets. It also helps the organisation to focus on its core business by relieving the local markets of the non-core activities associated with fleet management.

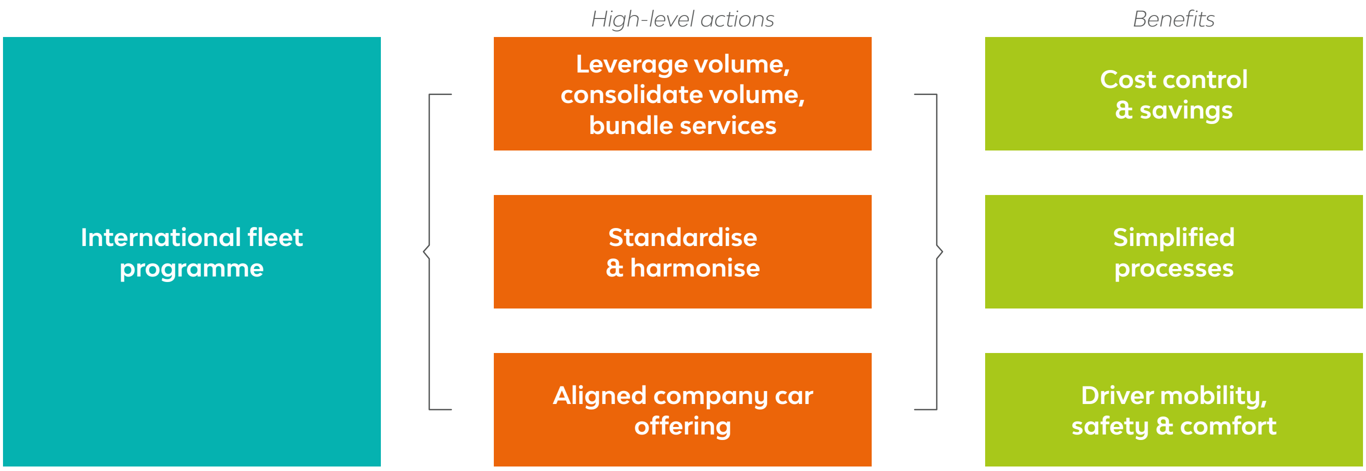

Figure 1 Activities and benefits of an international fleet programme.

Ensure the right project manager is driving the centralisation of your fleet

The implementation of an international fleet programme is an intensive, complex and time-consuming process and needs to be managed accordingly. In fact, it is a change programme affecting various disciplines and having a direct and indirect impact on the business. Hence the project manager is integral to success. In fleet today, a procurement specialist is often designated as the central project lead. Ideally, this person should be able to take on an additional role for the duration of the project. An international fleet programme project manager generally has no formal authority, despite being held responsible for the overall success of the project. They are tasked with managing the interaction between all stakeholder groups, each with their own expectations and success criteria. Company cars are often a very emotive issue, so project managers are most likely to succeed if they can put aside their own egos and maintain the necessary emotional distance.

The key prerequisites for a successful international project lead are relevant knowledge, personal skills and a focus on results. 'Relevant knowledge' encompasses general management skills, including the effective use of project management/time management tools, and of course an understanding of fleet management and the vehicle lease industry. The person is preferably empathic, has a can-do attitude and the ability to influence and motivate others. Furthermore, international fleet management takes place within a multidimensional and multicultural environment and is inherently affected by politics. It is therefore important for the project manager to be aware of the political framework and operate within it, but not to become part of it. Cultural awareness and an understanding of key market differences will also be very helpful in projects of this kind. Last but not least, the project manager should ideally demonstrate a results-driven approach. Continuously monitoring progress and showing results right from the start will have a positive influence on people's willingness to change.

By ensuring that they select the right project manager for the implementation of their new international fleet programme, companies will minimise project failures, such as 'scope creep', and maximise the ultimate benefits, i.e. cost reduction, optimisation and standardisation.

A solid business case is essential

Although the international fleet programme has clear overall goals – cost control, optimisation and standardisation – these are not sufficiently concrete and specific to create the right level of buy-in from the C-level stakeholders group. They want to know which cost savings can be achieved when, and in which areas of the fleet. What will be the impact on the business, the drivers and today's fleet management employees? What will be the CO_2 reduction, and how many accidents can be avoided – both in general, and specifically for each market and business division? Therefore, a solid business case is necessary to win the support of the international decision-makers and the local stakeholders alike.

Building a business case for international fleet management takes time and is actually a project in itself. Companies often underestimate the time required to build the business case; senior executives don't always appreciate the amount of effort and resources it entails. Depending on the level of centralisation required and the number of countries involved, it can easily take up to 6 months to insightfully analyse the cost/benefit ratio, complete a feasibility and complexity study and estimate a realistic throughput time. See Figure 2 for a high-level process flowchart showing the most common approach to building a business case and implementing an international fleet programme.

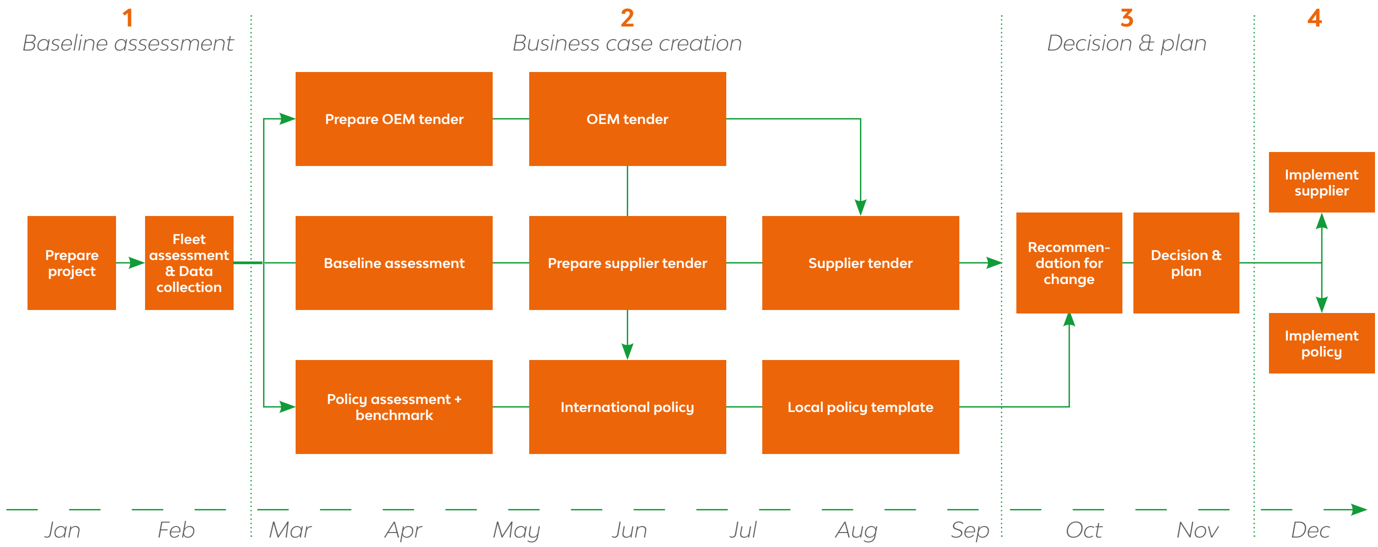

Figure 2 High-level process flowchart showing the implementation of an international fleet programme.

Baseline assessment
It all starts with the creation of a baseline in order to monitor the future results and celebrate the successes. In this stage most companies assign local ambassadors to help collect relevant fleet data. These local colleagues have access to the necessary fleet material or know how to obtain it. They are available on an ad-hoc basis during the first months of the project, the pace of which is dictated by data availability and accuracy. Fleet characteristics such as make, model, contract terms and CO_2, costs are all relevant data to collect at this stage, as is information about the local company car policies, car allocation criteria and the activities and frequency of involvement of fleet staff. Once all the data and information has been collected it needs to be assessed and benchmarked to enable the creation of an informative baseline.

Business case
The baseline will give all stakeholder groups an equal understanding of the as-is situation. Then, companies typical start tendering for their leveraged fleet. They start with an OEM tender to understand what level of bonus and rebates they could expect for their leveraged fleet if they were to restrict the vehicle choice. This tender is typically followed by a leasing and fleet management tender to further understand the fleet management costs. But while the cost aspect is essential at this stage, it is even more important to find the right business partner that is aligned with the company's vehicle strategy and can deliver the high-quality services desired at the right price. These two tender processes run in close connection with a third workflow to define a new international company car policy. The consolidated outcome of these three processes forms the basis for the business case and its underlying scenario analysis.

Decide & plan
Analysis of the various scenarios will produce a preferred recommendation for change, which is submitted to the stakeholders groups for approval. Needless to say, compelling presentation and targeted communication are essential in this phase of the project. Many companies organise either international workshops or a programme of local visits to explain the recommended option and win sufficient buy-in.

Implementation
Once the decisions have been made, the implementation can start. The international fleet programme now enters a new phase and it feels like a different project; it is time to put the theory into practice. The (new) supplier contracts have to be implemented and the local company car policies must be written and executed on the basis of the international templates.

Which central measures should you focus on to improve standardisation and harmonisation?

When a company with a decentralised model wants to centralise its fleet, it is wise to do so gradually by focusing on those elements that are easiest to centralise. Some aspects of the fleet will always retain a local element for cultural and fiscal reasons.

The following central measures create more standardisation and harmonisation and thus cost savings:

1. Outsourcing operational lease under a sole or dual-supply model;
2. Bundling services with the selected leasing and fleet management provider(s), i.e. also sourcing insurance, accident management and fuel cards from them;
3. Restricting vehicle choice. It is not unusual for company fleets to comprise over 25 different vehicle brands. Reducing this to 4-6 brands is a quick and easy way to save costs;
4. Centrally agreeing contract terms and mileages. As a rule of thumb this is a combination of a 48-month contract and 120,000 km for passenger cars and max. 160,000 km for LCVs;
5. Centralising CO_2 emission thresholds. In Europe, lower CO_2 emissions are associated with better tax incentives as well as lower fuel consumption, both of which generate cost savings. However, CO_2 thresholds must be set at a regional level as classic fuel types and engine sizes differ between the various continents.

Who are the stakeholders in a fleet centralisation process?

The disciplines of Human Resources, Procurement, Finance, Health & Safety and Corporate Sustainability all have some involvement in fleet management. Equally important are the vehicle users – the drivers – as well as the local business, but these stakeholders are sometimes overlooked in the centralisation process. As with any change programme, an initiative to internationally centralise the fleet needs dedicated resources during the entire process of preparation and roll-out to ensure effective implementation. It will only yield optimum benefits if the new approach is truly embedded in the organisation. Effective and targeted communication is a key success factor in stakeholder management during a fleet centralisation process.

Communication: an essential tool in an international fleet programme

Communication is an essential tool in international project management; actually, it is at the centre of all project management processes. About 90% of the project lead's time should be spent on communication. Most project managers work with a communication plan based on 'Who, What, Why, Where, When and How'. Surprisingly, however, research has shown that most international fleet projects experience a breakdown in communications. These breakdowns relate to three major obstacles: politics, culture and language. Political obstacles are often caused by vested interests or power games getting in the way of the dialogue, e.g. the exclusion of senior management for certain CO_2 thresholds. Confidence and buy-in are essential to eliminate these political barriers.

The second obstacle comes from differences in (organisational) culture. Especially during a company merger involving multiple countries or organisations, their differing values and assumptions can result in miscommunication and confusion. For example, in the USA a company car is seen as a tool to execute a job, whereas in Europe there is a clear distinction between 'job-need' drivers who indeed get a company car to enable them to do their work and 'benefit-in-kind' drivers who get a company car because of their level of hierarchy. Hence it is essential for a project manager to have the necessary cultural awareness.

The third obstacle is caused by the use of different terminology by different disciplines such as health & safety, legal, HR, etc. When specialists from various areas get together to discuss project-related matters, there is often a tendency for each side to make assumptions regarding a common understanding of specialised jargon. For example, company A may regard the company car policy as the document outlining the rights and responsibilities in relation to the company car for both the employee and the employer. For company B, however, the company car policy may be the document containing the selective list of cars. This will lead to incorrect or ineffective communication, which is why a clear overview of terms and definitions is required.

Stakeholders international fleet programme:

Senior management
Line managers ('the business')
Employees ('the drivers')
HR
Procurement
Health & Safety
Corporate Sustainability
Legal
etc.

How long does it take to centralise a fleet?
It can typically take between nine months and two years to centralise a fleet. This not only depends on the fleet size and number of countries involved, but also – and more importantly – on the willingness of the local organisations to change and the central mandate within the company. In major fleet centralisation programmes spanning several continents, in which the market maturity and economic stage of development differs from region to region, a tiered approach is recommended (see figure 3).

Conclusion
The successful implementation of an international fleet programme depends on three main factors: a solid business case, the right people, and a structured approach. Firstly, a solid business case is needed to persuade the decision-makers of the benefits of centralisation and to create a clear mandate from the top down. The business case should include both the quantitative and the qualitative impacts of the change, covering the risks, the costs, the governance around implementation and the roles and responsibilities for the future. Secondly, it is essential to have the right people on board for this large and highly complex change process to ensure access to the necessary levels of expertise and perspectives. Don't forget the importance of communication in ensuring the necessary support for the change at both headquarter level and local level. Thirdly, and most importantly, a structured approach provides the key to success. Therefore, it is advisable to follow the roadmap for the implementation of an international fleet programme, including a tiered approach if necessary, and/or to enlist the help of experts with proven professional experience of such a complex centralisation project.

For more information, please contact LeasePlan International's Consultancy Services department or your local LeasePlan office.
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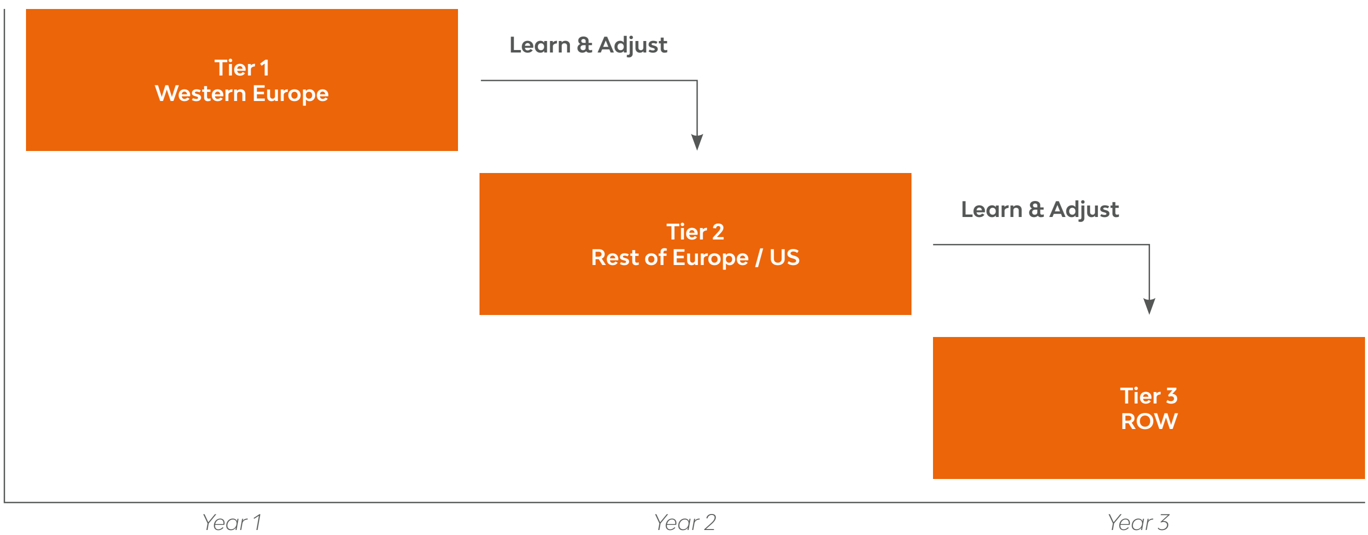

Figure 3 Example of a tierd approach to an international fleet programme spanning several continents.

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