

“Life in a competitive world”

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Ernst Baumann
Member of the Management Board of BMW AG

Introduction

Ladies and Gentlemen,

Thank you for inviting me to the Europe Asia Young Leaders Forum. I am delighted to take on the European role today for the session on “Life in a competitive world” – “Do we work to live or live to work”?

Different countries and different cultures provide different answers to that question. In Western Europe, Asian employees for example have the reputation of working far beyond just their normal working hours. From the European perspective, their diligence and zeal are invariably held up as model attitudes.

Work or life – are these really the only alternatives we have? Are work and life really mutually exclusive opposites, as reflected in the question, “Do we live to work or work to live”?

Today, in parts of Europe, we are experiencing globalization and a recession, both of which have intensified competitive pressure worldwide and are continuing to increase. Many companies are responding to this economic crisis with personnel cutbacks and a reduction in benefits.

In this situation, the individual worker faces the increased risk of becoming unemployed. The result: In view of the growing pressure, many people are getting more and more involved in their work. Additionally, they often have to cope with even more work than before. This kind of constant heavy load – some would say overload – often leads to lower productivity. Accompanied by a general mood of crisis, this has more of a braking effect on corporate development than it does a helpful one.

In view of the increasing demands on individuals, I'd like to take some time to address the question: What human resources policy tools does the BMW Group use in order to maintain employee performance at a consistently high level? With this question, I'm referring to the group of employees that does not have its working hours determined by collective bargaining.

With a fixed workweek of 35 to 40 hours, almost anyone can organize his or her life around work. But what does this situation look like for the so-called “high-performance elite” members of a company? How are these workers able to balance their private lives and career?

I. Historic Bases for Today's Forms of Work

Ladies and Gentlemen,

Before we explore the questions of, "Do we live to work or work to live?" and "How do the performance elite balance private lives and careers?", I'd like to give you a little historical perspective.

These questions imply a concept of work that is typical of industrial capitalism. During the Industrial Revolution, life and work developed into areas that were physically separated from one another. In turn, people were then perceived as a source of labor that simply increased capital; they were no longer viewed as complete individuals.

In a later phase of industrial capitalism, the idea that a company had an obligation to provide for the welfare of its employees began to spread. This assuaged the "social question" and served to increase loyalty among the workforce. But it also made economic sense: It preserved the employees' ability to work. It took into account that people's ability to perform as a workforce was dependent on their health, recreation, and a sufficient level of assistance.

This care for the welfare of employees was demonstrated in the construction of company living quarters for workers, the establishment of hospitals and company-run infrastructure.

Bayerische Motoren Werke AG, founded in 1916 as an aircraft engine manufacturer, assisted its employees with obtaining health care. In the 30s, it intensified construction near the Munich plant, building houses for its employees as part of a development.

II. Fundamental, Time-Tested Consensus as the Basis

Ladies and Gentlemen,

It is thus a matter of tradition that a direct connection emerged between the performance of the employees and the success of the company, and this paid off for both sides. The devotion to work and the responsibility of the individual employee for his or her own activity was recognized and rewarded accordingly. Cooperation with an emphasis on consensus developed, and this still characterizes relations between employer and employee today.

The foundations that were developed back then still form the basis for many companies in Germany. The BMW Group also depends on the partnership quality of relations between employer and employees.

In Germany, a fundamental consensus that has grown over the decades represents an immense advantage when it comes to global competition. This mutual trust is a valuable constant in professional dealings and forms a pillar of our corporate culture.

The question for the corporation is: How should human resources policy be established so as to ensure that people are not only viewed as workers, but also as human beings?

Basically, this question deals with balancing private life and career, and appreciating personal achievement while on the job. When someone feels that he is no longer just viewed as a worker but rather as an individual, work takes on the meaning of making a personal contribution to a social fabric.

The BMW Group's employee-oriented human resources policy provides a framework within which this is possible.

III. Employee-Oriented Human Resources Policy

On the one hand, this suits the needs of the employees, and on the other, it also keeps the company's objectives in view. When a human resources policy takes both of these interests into account, it will be spared from being sacrificed in times of economic crisis. After all, what use is a pronounced focus on employees if it doesn't pass the test of economic prudence?

Three core elements are indispensable here:

- Corporate thought and action are governed by long-term considerations. The long-term approach ensures the company's future growth and jobs for the employees.
- Cooperation within the company is based on clearly defined values (employee and management mission).
- Individual working time arrangements and flexible forms of work make compatibility possible between corporate interests and individual life circumstances, to the benefit of both sides.

Today's human resources policy and the corporate culture of the BMW Group reflect these convictions, and indeed, they have done so for decades. Employee orientation is a key aspect of this. Let's take a quick look at the past: In 1983, we put this down in writing for the first time, in the form of our value-oriented human resources policy. Its core principle states: "Employee orientation in corporate policy ensures the company's economic efficiency. Over the long term, corporate policy that is not employee-oriented will always lead to negative repercussions on costs and will therefore be uneconomical."

And so, the sustainable development of the company and its long-term success are assured when each and every employee gets involved and participates in this success. After all, the employees also make a contribution – at the BMW Group, employees are the essential factors in our success, not sources of costs.

IV. Performance and Reward

For this reason, one of the principles of BMW's human resources policy is: Performance should be rewarded. The employees' performance toward the success of the company is recognized and has a direct payoff.

After the end of a successful business year, each employee receives a bonus. This year it is one and a half times the monthly salary. This makes BMW by far

the payer of the highest success-based bonus in the entire German automotive industry.

V. Long-Term Human Resources Policy (1994) as the Lesson Learned from a Recession Phase

In 1994, the “Long-Term Human Resources Policy” concept confirmed the central importance of employees. This highlighted one essential function of human resources policy: Human resources policy measures should strengthen the competitiveness of the company on an international level.

Long-Term Human Resources Policy was our solution to the difficult economic phase at the beginning of the 90s. At that time, the German automotive industry was suffering from a severe and devastating recession: The economic boom of the reunification was abruptly followed by a worldwide drop in retail volume. The number of workers employed in the automotive industry sank from 824,000 in 1991 to some 660,000 in 1994. Twenty percent fewer jobs in three years!

Contrary to the trend in the industry, the BMW Group was able to protect its employees' jobs. Our advantage in this was that our Human Resources Department reacted promptly and reduced capacity without the need for operations-related layoffs. We also adapted our production plans flexibly in relation to the outlook for orders.

These measures were undertaken without any fanfare. But above all, we held firmly to one core element of our human resources policy – protecting jobs. There are several reasons for this type of farsighted human resources management: The company is able to retain the employees' know-how and competence. There is no need to acquire new workers for the coming growth phase. The atmosphere at work improves thanks to jobs being protected. The employees recognize this and greet it with an even greater willingness to perform.

This farsighted human resources policy also makes sense from the financial point of view: While the BMW Group recorded only slight declines our competitors' revenues plunged. In fact, in 1993, at the height of the crisis, the BMW Group was the only German automobile manufacturer to show a profit.

Moreover, the company got through the crisis much more rapidly and with all of its personnel, and was able to go into high gear in the growth phase that followed.

What we learned then was that employees are unique when it comes to their abilities. They provide the core of the company's expertise. They are the crucial engine of change.

Our transparent and long-term human resources policy still takes this to heart. Today it also conveys reliability and embodies the company's fundamental appreciation of the employees. Together with the employees' participation in our success, this promotes and reinforces their identification with the company. In the end, it engenders trust. It governs dealings between management and employees, but also those between employees and external partners. This culture of trust is an essential component in the BMW Group's corporate culture.

Ladies and Gentlemen,

In our company, how we relate to one other is of critical importance. At this point I would like to talk about the 'BMW Spirit' – meaning a type of cooperation that is based on mutual appreciation and respect.

VI. “We at BMW”

The BMW Spirit is fostered by ten principles of action. In 1998 we stated these in detail in our Employee and Management Mission Statement, “We at BMW”. It conveys four central and core messages.

- Generate a culture of trust
- Provide orientation
- Promote cooperation
- Take responsibility

VII. Flexible Working Time Arrangements

Ladies and Gentlemen,

As you see, the BMW Group pursues a long-term human resources policy that places extraordinary importance on a living, breathing culture based on values within the company. We want our employees to feel good and appreciated in the company.

However, we all know that there are individual circumstances in life that can have a negative impact on work: Some examples of these include employees who take care of children, who pursue continuing education, or who become the prime caregiver for sick family members.

For nearly two decades, the BMW Group has been looking for ways to make it easier for employees to balance their work and private lives. In the mid-80s, we were the first company in the industry in Germany to make working hours more flexible: In our company today, there are more than 300 working time patterns that are applied as individually to the situation as possible.

And this trend of making working hours more flexible continues uninterrupted: The employees' contractually arranged working hours are becoming increasingly customized, for example by setting up life-long work time accounts or annual working hours accounts.

In keeping with our management style, we also rely on individual responsibility in many areas when it comes to working hours: Many employees have so-called “honor system working hours“. Their presence isn't recorded. They are responsible for organizing their own working hours, and by doing this, they can create their own personal space and private time.

This honor system has allowed us to offer many of our employees telecommuting work: They work part-time from their home offices but are still linked to the company through their PC and communications media. We've had very good experience with this: For many of our employees, especially those with long

commutes, productivity increased significantly. We know that telecommuting allows many employees to participate in their families' lives.

We also took on a trailblazing role with regard to company child care facilities at the beginning of the 90s: The "BMW Rascals" is a day care program that was created based on the initiative of employees with small children. At that time, state day care institutions were few and far between.

The BMW Group saw that it had an obligation to provide assistance for its employees: We developed our own concept, which has since been copied many times over: Our day care centers are each registered associations that are autonomously managed by the parents themselves. They make the decisions when it comes to their children's day care staff.

The company pays for the space and the operating costs and provides all of the equipment. The current four facilities are co-financed by the parents, the cities, and the Free State of Bavaria.

This cooperative project provides an advantage to everyone involved: Our employees know that their children are well looked after and they remain with the company. For the public sector, this concept means fewer costs.

In order to satisfy employees' needs for consultation in the event that a family member needs care, the BMW Group supported the founding of Family Service in 1992. Today, this service organization provides individual and skilled consultation across Germany. The BMW Group offers this service to its employees free of charge.

We have also noticed that our management staff avail themselves of the opportunity to take a sabbatical.

The company pays their salary, excluding bonuses, for up to six months, thus continuing to cover the employees' living expenses. Officially, employees use this time for their continuing education, but they are also able to participate in their families' lives that much more intensely.

In the specific case where BMW Group employees care for sick family members, they can take up to six months off work with pay. With this employment agreement, we have once again been the trendsetter in Germany. Above all, we count on the fact that the relations between management and employees, which are based on mutual trust, also allow for individually tailored options. In principle, needs-oriented solutions that benefit both sides are always welcome.

Conclusion

Ladies and Gentlemen,

Work to live or live to work? The BMW Group has found its own answer to this question. It lies in the middle between both extremes.

It consists of a long-term human resources policy that is oriented toward the employees as well as the company's objectives. I have introduced you to our principle of performance and reward, and our mission statement "We at BMW" as

components of our human resources policy. They contribute to a corporate culture in which the individual employee feels accepted and can get involved.

Two things show us that we are coming along very nicely with these: Very low employee turnover, and surveys of graduates and young professionals. For years, the BMW Group has been one of the top employers in Germany and in Europe.

We would like to hold this position of leadership in the future as well. Thank you for your attention.