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## Dashboard Results Reflect Employees' Hard Work; Leaders Urge Renewed Effort to Drive Second Half Performance



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Today, Navistar released its [latest performance dashboard](#), showing May results for 2015 financial targets across four categories: **Quality, Cost, Cash** and **Revenue**.

"We're now exceeding our targets in three of four categories, which reflects the commitment, hard work, and collaboration we're seeing across the company," said CFO Walter Borst. "In the second half, we need to continue to over-deliver in areas like quality and cost given the headwinds we have in other areas so that we end the year both profitable and cash-flow positive."

While this month's forecasted payout has increased, it's important to remember that

this is a projection—execution is key.

"We have a lot of work to do to achieve these goals," added Walter. "We launched our H2Go initiative to help stimulate more ideas to drive revenue and manage costs. While we have a number of actions identified, all of us must execute with the same focus and determination we had in the first half to hit our financial targets."

As the updated dashboard shows, our projected Annual Incentive\* (AI) payout percentage is at 100 percent of our total payout target, based on the current forecast. This is represented by the inverted triangles at the top of each bar. The colored bars along the bottom of each category show how we are tracking to our forecast, as of May. As the graphic shows, we continue to have a few categories that have moved into the distinguished level of payout, which is causing the Cash, Cost and Quality categories to exceed the target percentage.

This payout percentage is in addition to the Q1 "kicker" that has already been earned at the maximum level for meeting our Q1 EBITDA target, which is reflected on the left side of the dashboard. AI-eligible employees also have the opportunity to earn an additional kicker in Q4, if we hit our 8-10% EBITDA margin target exiting 2015. This indicator will be updated as more information becomes available on how we are projecting to end the fourth quarter.

Here is a summary of each category:

### Quality

**First-time quality** and **uptime increase** both remained green for May; **warranty spend** remained blue, representing distinguished-level performance.

"This month, we saw our highest first-time quality (FTQ) of the year, which will help improve dwell time and uptime," said Bill Osborne, senior vice president, Global Manufacturing and Quality. "This marks the first month that our 2015 products are represented in the FTQ category, given that our metrics are lagging indicators. So far, performance is looking good. We also saw our lowest NIPA scores of the year last month, which reflects the great quality improvements we're seeing across our facilities."

In addition, we're continuing to deliver strong performance with warranty-related items. "Most warranty line items are doing better than plan. Our warranty spend was very low in April, the second lowest figure we've seen this year," said Kevin Stack, director, Corporate Financial Planning and Analysis.

### Cost

**Material cost reduction** moved from green to blue. **Product development spend** and **SG&A cost reduction** remained blue, while **manufacturing cost reduction** stayed green.

"The fact that this category is almost completely at distinguished-level performance shows that we're continuing to do an outstanding job at managing the areas we can control," said CFO Walter Borst. "The improvements in material cost reduction are due to a lot of hard work including efforts by Supply Chain/Logistics, as well as holding the line on indirect spend. We need to keep up this focus in the second half of the year."

### Cash

In the cash category, **used truck inventory** remained yellow, **manufacturing working capital** remained green, and **capital expenditures** remained blue.

"We saw improvement in used truck due to good receipts coupled with growing **export sales**," said David Gerrard, senior vice president, Distribution. "This is the second month in a row where our sales of used trucks with MaxxForce engines have exceeded the number of MaxxForce units we received. This is a big deal. We're also working closely with our pricing and new truck sales teams to make sure we're making smart decisions about our used truck inventory."

In addition, manufacturing working capital continued to have strong performance. "We were able to continue to do well in the first month of the quarter, which is typically a challenging time," added Kevin. "Our teams have continued to leverage strong inventory management and lean processes."

## **Revenue**

In the revenue category, **Global EBIT** moved from green to yellow, while **pricing improvement** remained red and **market share** and **Parts EBIT** remained yellow.

"Economic conditions in Brazil continue to be a challenge, and that has led to lower volumes for us. Our MWM team is mitigating the circumstances with cost reduction—and they're doing a great job," said Kevin.

Our Sales and Marketing team continues to drive efforts to improve market share. May was the softest sales month we've seen since December. "We've been working with dealers to move inventory," said Jeff Sass, senior vice president, North America Truck Sales and Marketing. "We have several large deals that are near to closing. Between these and other efforts, we anticipate, I'm confident we'll see the uptick that we're looking for in the second half of the year."

*The 2015 dashboard and additional resources are housed on [Navistar Connect](#). We have a number of tools available to help employees understand the new dashboard, including:*

- *[A detailed guide on how to read the dashboard](#)*
- *[Definitions for the terms included on the dashboard](#)*
- *[An AI Calculator\\*](#) that allows employees to calculate a potential payout*
- *[A place to submit your questions and review recently submitted questions and answers](#)*

*\*for U.S. salaried, non-represented employees eligible for the AI Plan*

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