automo**dicted**

Eight Thousand Is the Easy Part

What BMW's structural personnel programme is worth, what it will cost, when it pays back, and why a severance bill that comes in under budget is a warning rather than a win.

Case Study | Munich, 3rd August 2026

Management summary

On 29 July 2026 BMW announced the largest structural personnel programme in its history: approximately 8,000 positions worldwide by the end of 2027, without compulsory redundancies. We have modelled it from the company's own reporting. Six findings matter.

- **The gross figure is not the saving.** Eight thousand positions carry roughly €1,038m of annual personnel cost. After the share of development pay that BMW capitalises rather than expenses, and after normal implementation leakage, the recurring effect on the operating result is about €734m, and only about €600m of that arrives in 2028.
- **The target is counted in heads, the saving arrives in full-time equivalents.** Part-time working is concentrated in exactly the administrative and central functions in scope. On our assumptions the 8,000 heads deliver about 7,704 full-time equivalents, and roughly €41m a year of assumed saving disappears on definition alone.
- **A voluntary programme does not choose who leaves.** It draws hardest on the people with the best external options and barely touches the group it is aimed at. That determines the cost, the capability outcome, and why a severance bill below budget should worry a board rather than reassure it.
- **Partial retirement removes the person years before it removes the cost.** BMW's own headcount definition excludes employees in the passive phase of a partial retirement arrangement. From about 2031 the company can report the full 8,000 as delivered while roughly a sixth of the programme's cost is still being paid.
- **Payback is fast on paper and slow in the accounts.** Cumulative break-even falls around the third quarter of 2028, roughly two years after the severance window opens, and the mature run-rate is not reached until the early 2030s.
- **The programme closes about one sixth of the margin gap.** Roughly half a percentage point of Automotive margin against a three point gap to the bottom of the 5 to 7% target corridor. It is a necessary programme. It is not, by itself, a full recovery.

Kernaussagen auf Deutsch

BMW hat am 29. Juli 2026 als letzter großer deutscher Hersteller ein Personal-Strukturprogramm angekündigt: rund 8.000 Stellen weltweit bis Ende 2027, ohne betriebsbedingte Kündigungen, über natürliche Fluktuation, Altersteilzeit und das größte freiwillige Abfindungsprogramm der Konzerngeschichte. Unsere Modellrechnung ergibt sechs Kernaussagen.

- **Die Bruttosumme ist nicht die Einsparung.** Auf 8.000 Stellen entfallen rund €1.038 Mio. Personalkosten pro Jahr. Nach Abzug des Entwicklungskostenanteils, den BMW aktiviert statt aufwandswirksam zu erfassen, und üblicher Umsetzungsverluste verbleibt ein wiederkehrender Effekt auf das operative Ergebnis von rund €734 Mio.; davon werden 2028 nur etwa €600 Mio. wirksam.
- **Das Ziel zählt Köpfe, die Einsparung entsteht in Vollzeitäquivalenten.** Teilzeit konzentriert sich genau auf die betroffenen Verwaltungs- und Zentralfunktionen. Nach unseren Annahmen ergeben 8.000 Köpfe rund 7.704 Vollzeitäquivalente; allein durch diese Definition gehen rund €41 Mio. der unterstellten jährlichen Einsparung verloren.

- **Ein Freiwilligenprogramm erlaubt keine Auswahl, wer geht.** Es wirkt am stärksten auf jene mit den besten externen Optionen und erreicht die eigentliche Zielgruppe kaum. Das bestimmt die Kosten und das Kompetenzergebnis. Das ist auch der Grund, warum eine Abfindungsrechnung unter Plan einen Vorstand beunruhigen sollte.
- **Altersteilzeit entfernt die Person Jahre vor den Kosten.** BMWs eigene Definition der Belegschaftszahl schließt Mitarbeitende in der Freistellungsphase der Altersteilzeit aus. Ab etwa 2031 kann der Konzern die vollen 8.000 Stellen als erreicht melden, während rund ein Sechstel der Programmkosten weiterhin gezahlt wird.
- **Die Amortisation ist schnell auf dem Papier, aber langsam in den Büchern.** Der kumulierte Break-even liegt um das dritte Quartal 2028, rund zwei Jahre nach Öffnung des Abfindungsfensters; die volle Jahreswirkung wird erst Anfang der 2030er Jahre erreicht.
- **Das Programm schließt rund ein Sechstel der Margenlücke.** Rund ein halber Prozentpunkt EBIT-Marge im Segment Automobile gegenüber drei Prozentpunkten Abstand zum unteren Rand des Zielkorridors von 5 bis 7%. Das Programm ist notwendig. Aber es ist für sich genommen keine vollständige Sanierung.

EXHIBIT 1

The programme and our modelled assumptions at a glance

Measure	Modelled	Basis
Positions	8,000 heads, 7,704 full-time equivalents	Announced, adjusted for part-time working
Gross annual personnel cost removed	€1,038m	Our model
Recurring effect at maturity	**€734m**	**After capitalised development and leakage**
Effect in 2028	€600m	Partial retirement not yet released
Margin contribution in 2028	About 0.5 points	On Automotive revenue
Share of the gap to the 5 to 7% corridor	About one sixth	Our model
One-off investment	About €0.7bn modelled against €1bn signalled	Our model; company statement
Cumulative break-even	**Third quarter of 2028**	**Our model**
Fully delivered on paper	About 2031	Our model
Fully delivered in cash	About 2033	Partial retirement cohort

Source: automodicted model, built on BMW Group reporting. Not a BMW disclosure.

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Introduction

On 29 July 2026 BMW became the last of the large German manufacturers to announce a major structural personnel programme. Chief Executive Officer Milan Nedeljković and Group Works Council Chairman Martin Kimmich presented the framework to employees in Munich after six weeks of negotiation: approximately 8,000 positions worldwide by the end of 2027, no compulsory redundancies, partial retirement, and the largest voluntary severance programme in the company's history.

Most of the commentary since has concentrated on two numbers, the count of people and the size of the cheque. Both are knowable, and we model both here. But the interesting questions sit underneath them. What is a position actually worth once the accounting is honest? How much of the announced reduction reaches the operating result, and in which year? Why will the largest personnel programme in the company's history produce a reported margin that barely moves? And what has to happen alongside the exit door for any of it to hold?

This case study works through those questions in order, using BMW's own disclosures wherever they exist and stating our assumptions wherever they do not. It ends with the playbook we apply to programmes of this shape, because analysis and execution are not separable.

> **Eight thousand departures is the visible fifth of this programme. The other four fifths is whether the work went with them.**

Who actually walks out of the door

We start with selection, because it drives everything that follows: the cost, the capability outcome, and the credibility of the exercise. A voluntary programme sorts its population along two axes that are independent of the organisation chart, cf. Exhibit 2: How easily could an employee find comparable work elsewhere, and how much do they contribute to the margin today. Combining the two allows for a prediction of the outcome of a voluntary offer before it is made.

The diagonal is the whole problem. A voluntary offer draws heavily from the top left of that grid and leaves the bottom right almost untouched, because the bottom right has no alternative and therefore no reason to move. The programme spends its budget on the people with options and retains the people without them. The reported budget mechanics sharpen the effect: the severance window closes once the earmarked sum is exhausted, which pays the fastest movers first, and the fastest movers are the ones who are most marketable.

Why the top right supplies so few exits

The two low contributing quadrants behave in opposite ways. The mobile and low contributing are not the programme's primary target. They are the departures a company gets anyway and losing them costs nothing to arrange. The target is the immobile and low contributing group in the bottom right, which is both the largest of the four and the one a voluntary offer hardly reaches.

The low contributing quadrant with the highest individual willingness to accept an offer is also the one that contributes fewest departures, which looks contradictory until the population is counted rather than the propensity. External mobility and marginal contribution correlate positively. People are usually marketable because they are good. The genuinely mobile but unproductive employee exists, but is rare and is usually in a temporary state of disengagement or role mismatch rather than a stable population.

> **The mobile and the disengaged leave without being asked. That is the one part of**

> **this problem that solves itself, but it is the smallest.**

This also explains a cost pattern that is easy to misread. Short-tenured leavers are cheap, because severance scales with years of service. Phased retirement is cheaper still per head. So a programme that draws disproportionately from the mobile and the near retirement populations will come in under budget on severance, and a board that reads that as commercial discipline has misread its own data.

> **A severance bill that comes in under budget is a warning, not a win. Cheap severance is the arithmetic signature of adverse selection.**

One practical consequence for the ring-fence in the section on parallel workstreams below: it has to be built on external marketability rather than seniority or performance rating. Marketability is not a field in the human resources system, which is why almost nobody does this properly.

EXHIBIT 2

Who volunteers, who stays, and what to do about each

	High marginal contribution	Low marginal contribution
High external mobility	**Volunteer first** Young high potentials and senior specialists with a market. They accept early, and they are the reason capability leaves faster than cost. **Ring-fence 5 to 8% of the population, documented and agreed with the works council, before the offer window opens.**	**Will leave anyway** Mobile, and not currently central to delivery. The only group the programme should be content to lose, and a thin one, because marketability and contribution usually travel together. **Expect no more than 10 to 15% of exits from here. Do not build the plan on it.**
Low external mobility	**Will take partial retirement** Long tenure, deep undocumented process, network and product knowledge, few realistic external options. Phased retirement is rational for them and cheap for the employer. **Cheapest exit per head, most expensive in capability. Capture the knowledge when it is still in the company, during the active phase, because after that it is gone.**	**The intended target** Well remunerated, established, neither bringing new thinking nor holding scarce experience. Structurally the least likely to volunteer, because there is nowhere better to go. **Hardly addressable by a voluntary programme. This is performance management under an employment security agreement, and it is a multi-year task.**

Source: automodicted Transformation Playbook.

What was agreed, and what was only inferred

Because the framework was communicated internally rather than through a capital market release, the reporting around it mixes company disclosure, agency reporting from company circles, and pre-announcement speculation from June. Those are not the same thing, and the difference matters for anyone building a model, so we have separated them.

EXHIBIT 3

The programme, by strength of evidence

Parameter	Position	Basis
Scale	Approximately 8,000 positions worldwide, counted as heads	Agency reporting from company circles
Deadline	End of 2027	Agency reporting
Severance window	October 2026 to end of 2027	Agency reporting
Functional scope	All areas outside direct production: administration, development, purchasing, planning, communications, management	Reporting from the works meetings
Excluded	Direct production, on the grounds that the ramp-up of the new vehicle generation needs every pair of hands; the Steyr plant in Austria	Reporting from the works meetings
Offer population	Contested: 40,000 of roughly 85,000 German employees, or nearly all of roughly 50,000 indirect employees of roughly 80,000	Two divergent accounts, see Exhibit 6
Mechanisms	Natural attrition; partial retirement; voluntary termination agreements; no compulsory redundancies	Agency reporting, corroborated from the works meetings
Severance basis	Scaled by income and length of service	Agency reporting
Budget cap	Window closes once the earmarked severance sum is exhausted	Agency reporting
One-off cost	Three-digit million euros in 2026; around €1bn in total	Chief Financial Officer Walter Mertl
Guidance treatment	Up to 1.25 percentage points of Automotive EBIT margin in 2026, already inside guidance	BMW half-year report, subsequent-events note
Savings target	Approximately €1bn per year from 2028	Reporting from the works meetings
Early retirement	Not part of the disclosed framework. Named only in June speculation, before the framework was negotiated.	Not substantiated
Working-time reduction	Not disclosed. Used in the 2020 programme, see Exhibit 10.	Not substantiated

Source: BMW Group Half-Year Report to 30 June 2026; Deutsche Presse-Agentur reporting of 29 July 2026; reporting from the German works meetings of 29 July 2026. Classification is automo**dicted**'s own.

Partial retirement is a confirmed instrument. Agency reporting from company circles names three mechanisms rather than two: natural attrition, phased retirement under the metal industry framework, and the voluntary severance programme. Reporting from the works meetings corroborates it. Any model running on attrition and severance alone is missing a channel BMW has said it will use, and it is the channel with the strangest accounting behaviour.

Early retirement in the narrow sense is not. Bridging arrangements into a full pension appear only in speculation published in June 2026, when the number in circulation was still 7,500 and the framework had not been negotiated.

A structural answer to a structural drift, not to this year's collapse

BMW held out longer than its peers. Volkswagen, Mercedes-Benz, Audi and Porsche all moved first. The half-year figures explain why the wait ended, and they also bound what a personnel programme can repair.

EXHIBIT 4

BMW Group: selected indicators

Indicator	H1 2026	H1 2025	Change
Group profit before tax	€4,045m	€5,727m	−29.4%
Automotive revenue	€54,321m	€58,654m	−7.4%
Automotive EBIT margin	**3.6%**	**6.2%**	**−2.6 pp**
Automotive EBIT margin (Q2)	2.3%	5.4%	−3.1 pp
Automotive free cash flow	€1,290m	€2,345m	−45.0%
Deliveries	1,156,727	1,207,594	−4.2%
of which China sales region	261,999	329,006	−20.4%
of which Europe sales region	497,215	471,804	+5.4%
of which USA	201,456	193,826	+3.9%
Automotive depreciation and amortisation	€4,710m	€4,214m	+11.8%
Amortisation of capitalised development cost	€1,378m	€1,031m	+33.7%
FULL YEAR, THE STRUCTURAL DRIFT			
Group revenue	€133,453m (2025)	€142,380m (2024)	−6.3%
Group personnel expense	€15,672m (2025)	€15,122m (2024)	+3.6%
Personnel expense as a share of revenue	**11.7%**	**10.6%**	**+1.1 pp**

Source: BMW Group Half-Year Report to 30 June 2026; BMW Group Report 2025.

Two different problems are visible in Exhibit 4, and conflating them is the most common error in the commentary.

The first is the collapse of 2026. Guidance issued on 16 June cut the Automotive EBIT margin corridor from 4 to 6% down to 1 to 3%. On the company's own disclosure, tariffs account for approximately 1.25 percentage points, purchase price allocation amortisation on the Chinese joint venture for approximately 1.2 points, and the structural programme itself for up to 1.25 points as a cost rather than a benefit. Add adverse currency effects from the US Dollar and Korean Won, higher raw material prices, and price measures to stabilise transaction prices in China. None of that is a personnel cost problem, and no headcount programme addresses any of it.

The second is slower and older, and it is the one that justifies the programme. Group revenue fell 6.3% in 2025 while personnel expense rose 3.6%. Personnel cost moved from 10.6% to 11.7% of revenue in a single year, and the Automotive margin has been drifting down from a double-digit peak for several years. A cost base sized for a larger company is a structural condition, not a cyclical one, and it does not correct itself.

> **The programme is the right answer to the drift and no answer at all to the collapse. Both statements are true, and the second is why the margin will not visibly recover in the short-term.**

What 8,000 positions are actually worth

BMW discloses group personnel expense of €15,672m for 2025 against an average headcount of 156,305, a fully loaded average of €100,300. However, that average is the wrong rate to apply here. It blends German engineers with financial services staff in low cost markets and production employees at the Chinese joint venture. The population in scope is German indirect and management, structurally the most expensive in the company, and by BMW's own account the measures are aimed at the more senior and management end of it.

We therefore model a fully loaded cost of €140,000 per full-time equivalent for a German indirect position, and tier management above it.[1] Weighting the tiers by the modelled population gives a blended €130,000 per full-time equivalent across all 8,000 positions (including employees in low-cost markets), and an annual gross personnel cost of approximately €1,038m.

The shape of the distribution matters more than any single rate. The most expensive individuals are almost irrelevant in aggregate: senior and top management positions, due to low absolute numbers, carry only a small portion of the €1,038m. The money sits in the span-of-control layer immediately beneath them, and that is where a structural programme has to bite if it is to change the shape of the organisation rather than merely its size.

The headcount trap

The 8,000 is a headcount figure, and part-time working is concentrated in exactly the administrative, commercial and central functions the programme targets. A person working 0.6 of full time counts as one full head against the target, but delivers 0.6 of the saving. On an assumption that 15% of the German indirect cohort averages 0.6 full-time equivalents, 4,928 heads deliver 4,632 full-time equivalents. Roughly 296 full-time equivalents of assumed saving disappear on definition alone, worth about €41m a year.

[1] Built up from collectively agreed base pay on an extended individual contract, plus the customary annual supplements and profit share, at the employer loading of approximately 1.30 implied by BMW's disclosed personnel expense. The figure sits deliberately above the German indirect population mean, because the programme targets senior, long-tenured staff on extended-hours contracts.

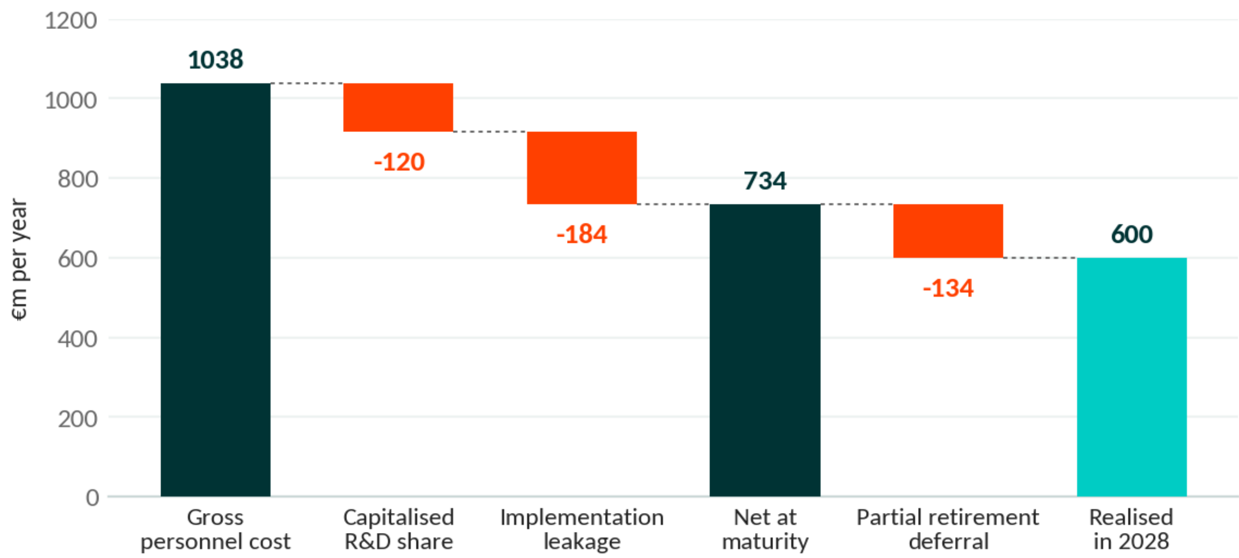
> **The target is counted in heads. The saving arrives in full-time equivalents. Those are not the same number.**

From gross cost to the operating result

Two deductions stand between the gross figure and the profit and loss account, and a third stands between the profit and loss account and 2028. BMW capitalises a substantial share of development cost, 41.2% in 2025 and 34.8% in the first half of 2026. Where a development engineer's cost is capitalised, removing that engineer improves free cash flow and reduces future amortisation, but does not reduce the operating result in the year. Leakage is the gap between positions removed and cost removed, and it runs at 15 to 30% in industrial indirect functions through backfilling, contractors, overtime and re-hiring. We model 20%. The third deduction is timing, and it is the subject of a later section.

EXHIBIT 5

Bridge from gross personnel cost to realised effect



Source: automodicted model. Figures in €m per year.

> **Gross personnel cost is not the saving. Between the two sit capitalisation, leakage and time, and together they take about two fifths of it.**

Our modelled gross of €1,038m lands essentially on BMW's public target of approximately €1bn, which is a reasonable indication that the pay and composition assumptions are in the right place. That has a sharper implication than agreement usually does. If the company's €1bn is a gross personnel figure, the achievable effect on the operating result in 2028 is roughly €600m. The gap is not scope, but realisation.

Three channels, and the cheapest is the least reliable

BMW has named three mechanisms. Their relative contribution determines the cost, the timeline and, following the matrix above (Exhibit 2), which capability the company keeps.

EXHIBIT 6

Modelled channel split, and required severance take-up

Channel	Positions	Share	Principal risk
Voluntary termination agreements	3,300	41.2%	BMW does not choose the leavers. Take-up concentrates where external options are best.
Natural attrition, not backfilled	2,800	35.0%	Attrition is procyclical. In a weak German automotive labour market it is least available exactly when it is most needed.
Partial retirement	1,900	23.8%	Cheapest exit per head, and the slowest to release cost. Draws from the low mobility, high contribution quadrant.
Total	**8,000**	**100%**	
REQUIRED TAKE-UP ON 3,300 SEVERANCE CASES			
On 40,000 offers, per agency reporting	3,300	8.3%	Slightly below the Mercedes-Benz benchmark of roughly 10% on a comparable population.
On 50,000 offers, per works-meeting reporting	3,300	6.6%	Comfortably below the benchmark, and materially more deliverable.

Source: automodicted model. Channel identification follows BMW's disclosed mechanisms; the split between them is our estimate. Offer populations as reported on 29 July 2026.

We would not pick between the two offer populations on present evidence. The honest position is that the severance channel sits somewhere between *just* below the benchmark and *comfortably* below it.

The split embeds an age effect that follows directly from the matrix. Younger colleagues with shorter tenure are more inclined to take cash and go, because they will find work easily. A fifty-five year old engineer with fifteen years of company-specific experience has far fewer options and will rationally prefer phased retirement. That is why we model severance tenure at ten years rather than fifteen, and why the phased retirement channel is larger than a naive reading would suggest. It makes the programme cheaper and the capability outcome worse.

The one-off investment

We model the total one-off investment at roughly €0.7bn, against the approximately €1bn the Chief Financial Officer has signalled. It comprises severance for the voluntary cases, the present value of employer top-up and additional pension contributions for the phased retirement cohort, and execution cost covering outplacement, legal work, qualification and programme management.

We deliberately do not publish our modelled severance terms for individual groups. They are commercially sensitive, they are unknowable from outside the company, and a live voluntary programme depends on them. The aggregate is what matters for the payback question, and the difference between our figure and the signalled provision is unremarkable: it is what any competent finance function reserves when take-up is uncertain and the cost of running short mid-programme would be a public failure.

The cash profile matters more than the charge in any case. Automotive free cash flow was €1,290m in the first half of 2026, already down 45%. Adding severance cash into 2027, against a dividend that absorbed €2,654m in 2026, leaves less room than the €42.6bn of Automotive net financial assets suggests. Two recall campaigns announced in July, the larger covering more than 744,000 vehicles worldwide for a starter relay fire risk, draw on the same line. The balance sheet is not the constraint. The free cash flow line is.

When it will show, and why it will look like failure

Before the timing, a question of scale. A recurring saving of €734m is a large number in absolute terms, close to five per cent of BMW's entire group personnel expense, and it is reasonable to expect it to move the margin visibly. It will not, and the first reason has nothing to do with accounting.

Margin is a ratio, and the denominator is enormous. Automotive revenue was €117.6bn in 2025. On a recovered base of roughly €112bn, one percentage point of Automotive EBIT margin is worth about €1.12bn of cost. The mature saving of €734m is therefore about two thirds of a point, and the €600m realised in 2028 is about half a point. That is true before a single headwind is considered.

> **Even with flawless execution and no offsetting headwinds at all, 8,000 positions move the Automotive margin by about two thirds of a percentage point.**

The second reason is the one this section is about. What the programme does deliver will be obscured, because the forces working against it are individually larger than it is. If a programme is merely invisible, the remedy is a savings bridge and communication discipline. If it is too small, the remedy is more levers. At BMW both are true, which is why the parallel workstreams in the following section are not optional extras.

Three separate mechanisms conspire to hide the result, and none of them is a communications problem.

One: partial retirement removes the person before it removes the cost

BMW's own headcount definition excludes employees in the passive phase of a phased retirement arrangement. Follow that through on a block model signed in 2026 or 2027. During the active phase the employee works full time on roughly 70% of pay, so the company captures about 30% of the cost and loses none of the capacity, and the person is still counted. During the passive phase the employee stops working, still receives roughly 70% of pay, and drops out of the reported headcount. Full cost relief arrives only at actual retirement, which for a six year arrangement means 2032 or 2033, cf. Exhibit 7.

> **From about 2031 the 8,000 can be reported as delivered in full while roughly a sixth of the cost is still being paid.**

Two: rising amortisation is growing faster than the programme saves

Automotive depreciation and amortisation rose from €4,214m to €4,710m in the first half of 2026, an increase of €496m in six months and roughly €1bn annualised. Amortisation of capitalised development cost alone rose 33.7% to €1,378m in H1 2026, against €1,956m for the whole of 2025. As the new vehicle generation moves from development into series production that figure keeps climbing, and it is entirely insensitive to headcount.

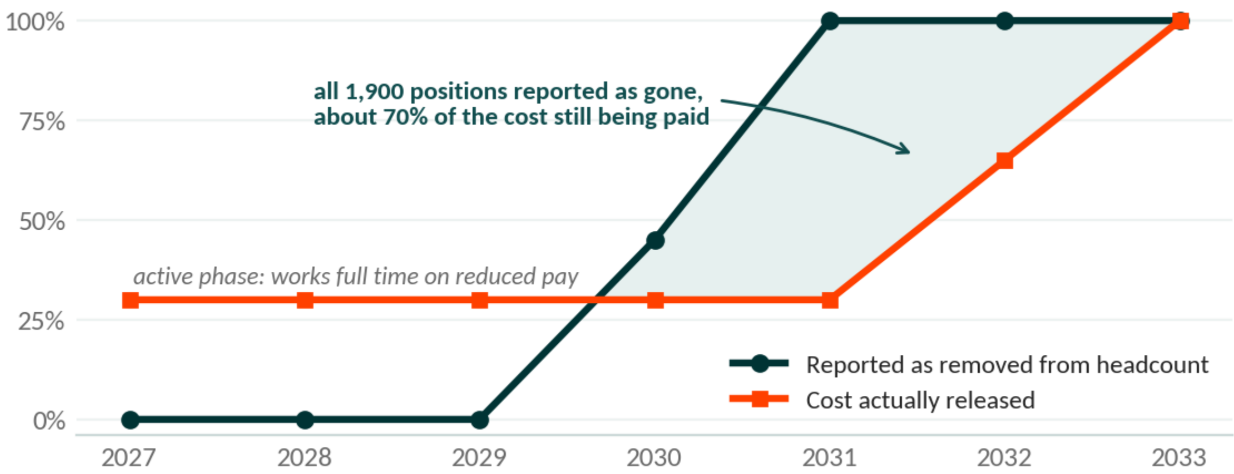
> **Amortisation of past investment is currently growing faster than the largest personnel programme in BMW's history can save.**

Three: the payback is fast on paper and slow in the accounts

On a full run-rate basis the arithmetic is attractive. An investment of roughly €0.7bn against a mature saving of €734m a year is a simple payback inside a year. The calendar is less flattering, because the mature run-rate does not arrive until the phased retirement cohort clears.

EXHIBIT 7

The phased retirement cohort: reported as removed against cost released



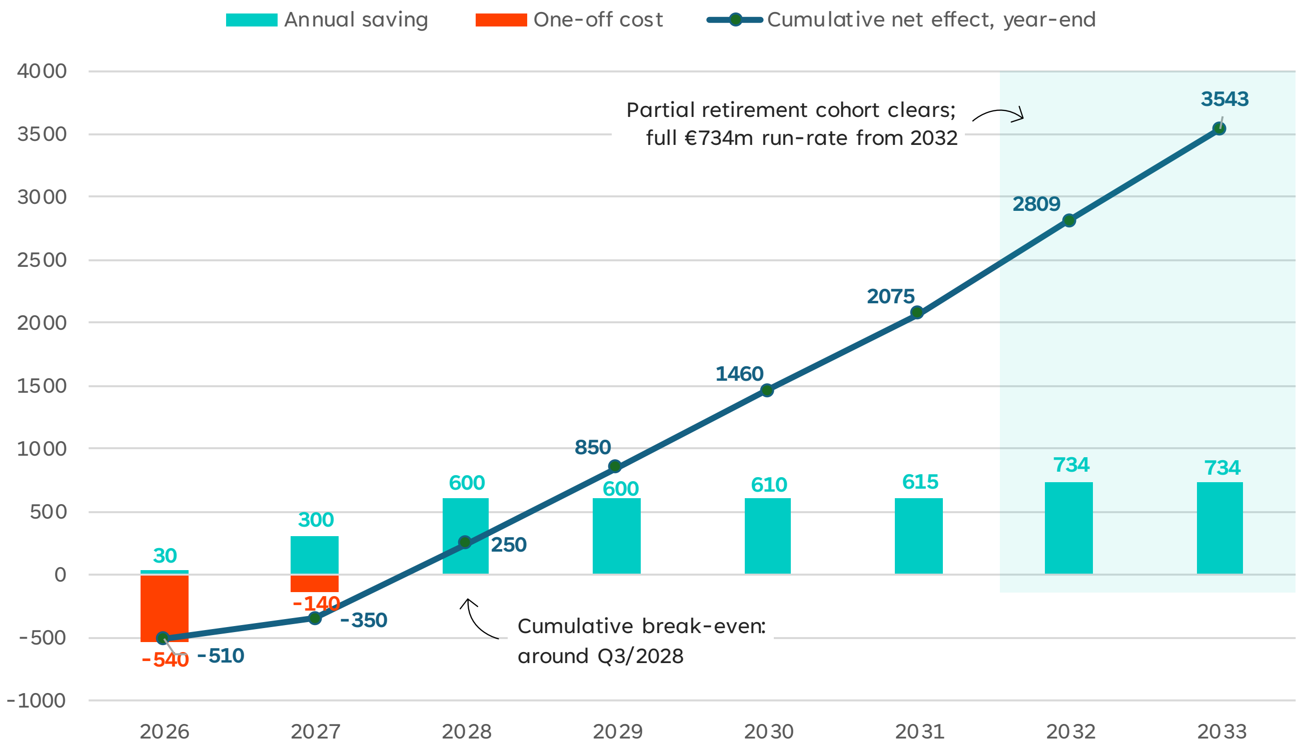
Source: automo**dicted** model for the 1,900 modelled phased retirement positions; BMW Group Report 2025 for the headcount definition, which excludes employees in the passive phase.

Read the following Exhibit 8 carefully, because the cumulative line is not a savings total. It is the net position after the programme has paid for itself. The €1,460m shown at the end of 2030 is the sum of about €2,140m of realised savings less roughly €680m of one-off cost. Cumulative break-even falls around the third quarter of 2028, roughly two years after the severance window opens. If take-up lags and the offer has to be extended or improved, break-even moves out by two to three quarters. If leakage compounds towards the upper end of the range, the programme becomes a one-off charge with a modest recurring residue.

Note also the step in annual savings at the right-hand end. Until 2031 the annual effect sits in the low €600m range, because the partial retirement cohort is still being paid while contributing only the reduction in their working-phase salary. The full €734m arrives only as that cohort reaches actual retirement. That is why the exhibit runs to 2033 rather than stopping at the conventional five-year horizon: on a shorter view the programme appears to plateau well below its own run-rate, and the reason for the plateau is invisible.

EXHIBIT 8

Modelled annual and cumulative effect on the operating result



Source: automodicted model. Savings reflect average full-time-equivalent reduction in each year rather than year-end headcount. The cumulative line is measured at each year end and is stated net of the cost of the programme. Of the roughly €680m one-off charge, about €540m is modelled in 2026, when the provision for the programme is recognised, consistent with the guidance treatment and the three-digit-million charge the Chief Financial Officer has signalled for the year; the residual of about €140m falls in 2027 as remaining agreements are concluded and execution costs are incurred. Figures in €m.

EXHIBIT 9

What observers should expect to see, and when

Period	What is visible	What is actually happening
H2 2026	Restructuring charge; margin at the low end of the 1 to 3% corridor; year-end headcount near 151,000	Provisioning and offer administration. No operational saving of consequence.
H1 2027	Continued charges; free cash flow under visible pressure; first departures	Peak execution load. The same work carried by fewer people, which is the leakage window.
H2 2027	Headcount approaching 147,000; savings partly visible in administrative expense	Bulk of severance departures. Adverse selection becomes apparent.
FY 2028	First clean year, roughly half a point of margin contribution	Attrition and severance mature. Phased retirement contributes about a quarter of its eventual effect.
FY 2031	**The 8,000 reported as delivered in full**	**Roughly a sixth of the cost still being paid to employees in the passive phase.**
FY 2033	Full €734m recurring effect, if the structure held	Either the operating model changed, or the organisation has quietly regrown.

Source: automodicted model.

The remedy is not communications polish, but a published savings bridge that separates programme delivery from amortisation, currency, tariffs and volume, reported the same way every quarter, so that delivered saving stays visible when the margin line does not move. Externally, analysts will otherwise conclude the programme failed. Internally, and this matters even more, 8,000 colleagues will have left, the remaining organisation will have absorbed the disruption, and the reported margin will barely have moved. The rational conclusion drawn in the open-plan offices will be that the sacrifice achieved nothing, and that conclusion makes the next necessary programme far harder to run.

For calibration

Deliveries in the China sales region fell by 67,007 units in the first half of 2026, down 20.4%. Annualised that is roughly 134,000 units. At an assumed average contribution margin of €7,500 per unit, our own estimate for BMW's China mix, the annualised contribution lost approaches €1bn. On those assumptions the mature saving from the largest personnel programme in the company's history is approximately equal to the contribution lost on China volume in a single year.

BMW has run this playbook before, and left one lever on the table

In early 2008 the company announced a reduction of similar magnitude, and headcount fell by more than 10,000 by the end of 2010 before rising steeply again. More instructive is June 2020, when BMW agreed a 6,000-position package with the works council on a base of roughly 126,000.

EXHIBIT 10

The June 2020 package against the July 2026 framework

	June 2020	July 2026
Scale	6,000 positions on a base of about 126,000 (~5%)	About 8,000 on a base of 154,540 (~5%)
Trigger	Pandemic volume collapse; electrification investment	China decline; tariffs; rising amortisation
Compulsory redundancies	Excluded	Excluded
Attrition and voluntary agreements	Yes	Yes
Near-retirement exits brought forward	Yes, explicitly, with severance	Phased retirement named instead
Working-time reduction	**40-hour contracts returned to 38 hours**	**Not disclosed**
Pay for time trade	**Collective bonus tradeable for up to eight leave days**	**Not disclosed**
Qualification offer	Funded external study for under-25s with a return guarantee	Not disclosed

Source: Agency reporting of 19 June 2020 and 29 July 2026; BMW Group Half-Year Report to 30 June 2026 for headcount. Comparison is automo**dicted**'s own.

Two observations follow. The first is a linguistic tell. In 2020 BMW described its intended reduction as slight, and in the company's internal usage *slight* meant approximately five per cent. The 2025 annual report guided to a *slight* decrease in employees for 2026. Five per cent of 154,540 is roughly 7,700. The scale announced in July was effectively published in March, in BMW's own vocabulary, months before it became news.

The second is commercially more interesting: the working-time levers used in 2020 are absent in 2026. Returning individual contracts from 40 to 38 hours and trading collective bonus entitlement for leave both reduce personnel cost without reducing headcount, and both are reversible when volume returns. They are the classic German instruments for a cyclical trough. Their absence suggests BMW has concluded that this is structural rather than cyclical. That is probably the right read, and it is also a far more demanding conclusion, because structural reductions have to be earned through process change rather than negotiated through working time.

Seven things that must happen alongside the exit door

Reducing headcount removes capacity. It does not remove work. Unless the work goes first it stays, and finds another way to get done through contractors, overtime, deferred process maintenance, or is simply not getting done, which surfaces later as quality escapes and launch delays.

One condition sits above all seven and is the one most often left to chance. A programme of this length outlasts the people who designed it. This framework was negotiated in six weeks, the offer window runs for fifteen months, and the cost does not fully clear until the early 2030s. Any change in the leadership of the human resources function, the finance function or the programme itself during that period breaks the chain between design and execution, because the reasoning behind a ring-fence or a channel assumption is rarely written down in a form a successor can inherit. Continuity of ownership is a control rather than a courtesy, and where it cannot be guaranteed the design intent has to be documented well enough to survive a handover.

1. Process elimination before headcount reduction

In indirect functions of German premium manufacturers we typically find that 15 to 25% of effort is consumed by rework, internal reporting, coordination and interface management the organisation created for itself. This is the largest and cheapest lever, and it has to be pulled before the offer window opens. Once people have gone, nobody has the capacity to redesign the process they used to run.

2. Delayering and span-of-control correction

If management density in the reduction does not exceed management density in the population, the programme has removed capacity without removing structure. Seven to nine layers between the board and an individual contributor, with average spans of five to seven, is common in this industry and is not defensible. Five to six layers with spans of eight to ten is achievable. The money is not in the most senior positions but in the band immediately beneath them.

This is not an outside inference. Presenting the framework to employees, the Chief Executive Officer said the company would merge organisational units across all management levels and move responsibility into the value-adding areas, describing it as a return to entrepreneurial action with high personal responsibility. Stated intent and structural necessity point the same way here, which is not always the case.

3. Complexity reduction on the demand side

BMW has committed to more than forty new or revised models by the end of 2027 while removing 8,000 indirect positions. Variant count, derivative count, change-order volume and homologation scope are the actual generators of indirect workload. Someone has to hold the pen on complexity with authority to say no, and that authority almost never sits with the functions bearing the workload.

> **Cutting the organisation without cutting its workload is not a savings plan, but a plan for overload.**

4. Digitisation with a line in the savings ledger

Our research into European automotive digitisation finds a persistent gap between declared digital maturity and operational reality. The most common failure is structural: digitisation runs as a parallel programme with its own governance, its own metrics and no connection to the cost base. Every use case in a transformation of this kind must carry a named owner, a full-time-equivalent effect, a go-live date and a line in the same ledger the Chief Financial Officer reviews. Anything else is spend without saving.

5. Artificial intelligence where the work actually sits

The productive opportunity in a manufacturer is not in the flagship use cases. It is in the high-volume, document-heavy, rule-bound work that fills indirect functions: engineering change documentation, homologation and compliance evidence, supplier qualification and purchasing analysis, warranty and quality analytics, finance and human resources shared services, technical after-sales support. These are precisely the areas losing headcount. Sequenced correctly, adoption makes the reduction sustainable. Sequenced late, it arrives after the leakage has been institutionalised as contractor spend.

6. Retention design against adverse selection

The opening section sets out why a voluntary programme loses capability it did not intend to lose. The countermeasure is unglamorous and has to be in place before the first offer letter. Identify the five to eight per cent of the population that must not leave, build the list on external marketability rather than seniority or performance rating, agree a documented ring-fence with the works council, and pair it with a visible retention proposition. Then run a parallel knowledge capture programme against the phased retirement cohort, because their experience leaves at the end of the active phase whether or not anyone planned for it.

7. A savings ledger owned by Finance

If the programme owns the reporting of its own savings, the savings will be reported. Whether they reach the profit and loss account is a separate question. The reconciliation from full-time-equivalent reduction to profit and loss effect has to sit with Finance, be reviewed monthly, and be reconciled against the actual cost lines, with external services, agency labour and overtime inside the same envelope as headcount.

> **A headcount ceiling without a contractor ceiling is a reclassification exercise, not a cost programme.**

How we run programmes like this

Transformation fails on sequence far more often than it fails on analysis. Our structure, therefore, is deliberately simple: Reveal, Reframe, Rebuild.

Reveal, a baseline both the Chief Financial Officer and the works council can sign

Four to six weeks. One version of the truth, produced fast enough to be useful and rigorous enough to survive challenge from either side of the table.

- **Zero-based activity baseline.** Indirect full-time equivalents mapped to activities and outputs rather than to organisational boxes. This is where eliminable work becomes visible, and where the difference between heads and full-time equivalents stops being a rounding error.
- **Span-and-layer diagnostic.** Layers from board to individual contributor, distribution of spans, and the cost of the management structure as a discrete number by tier.
- **Mobility and contribution mapping.** The matrix in Exhibit 2, populated for the actual population, so that the ring-fence is built from evidence rather than instinct.
- **Digital Reality Index.** Our assessment of the distance between declared and actual digital maturity across process, data, platform, capability and governance.
- **Demand-driver analysis.** The variant, derivative, change-order, report and compliance volumes that generate indirect workload, with the cost per unit of each.

Reframe, redesign the work and then derive the number

Six to eight weeks, overlapping Reveal.

> **Headcount is an output of the design. It is never an input.**

- **Target operating model.** Process architecture first, then structure, then staffing, in that order and without exception.
- **Sequenced levers.** Across comparable programmes our savings decompose as roughly 40% from elimination and simplification, 30% from automation and digitisation, 20% from delayering and span correction, and 10% from sourcing shifts. A programme that cannot show that decomposition does not have a design. It has a target.
- **Instrument design by cohort.** Severance terms, phased retirement and retention offers differentiated by mobility and criticality rather than applied uniformly, with the cash and headcount timing of each instrument modelled explicitly.
- **Make-or-buy decisions** for non-differentiating work, taken deliberately rather than by default through contractor drift.
- **Social-partner design.** Negotiate the mechanism and the sequence, not only the number. A works council that has shaped the design defends it. One that has only been told the number negotiates against it for three years.

Rebuild, execute, lock in, and build what replaces the capacity

Six to eighteen months and beyond. This is where most programmes lose the value they correctly identified.

- **Savings ledger** with monthly reconciliation from full-time equivalents to profit and loss, owned by Finance, with the phased retirement cohort tracked separately so that reported headcount is never mistaken for released cost.
- **Leakage controls.** A single approval gate for all hiring, external services and agency labour capped inside the same envelope as headcount, and a re-hire prohibition with named exceptions at board level.
- **Capability build.** New role profiles, tooling and training so the remaining organisation can run the redesigned processes. Underfunding this is the most common cause of year-two regression.
- **Governance rhythm.** Weekly at working level, monthly at board level, quarterly independent validation.
- **Annual re-baselining,** so that structure does not silently regrow with the next product cycle.

EXHIBIT 11

Dos and don’ts

Do	Do not
Derive headcount from redesigned work.	Announce a number and reverse-engineer a design to fit it.
Count full-time equivalents, and publish both headcount and FTE.	Let a headcount target flatter a part-time population.
Ring-fence on external marketability before the window opens.	Let a voluntary programme choose your leavers for you.
Model attrition, then discount it by a third.	Assume attrition will hold its historical rate in a downturn.
Track phased retirement cohorts separately from exits.	Report a position as delivered while still paying for it.
Put the savings ledger in Finance.	Let the programme report on its own performance.
Cap external services and overtime in the same envelope as headcount.	Fund the same work through contractors after the headcount has left.
Cut development scope and development headcount together.	Reduce engineering capacity while adding derivatives.
Publish a savings bridge isolating delivery from amortisation, tariffs, currency and volume.	Let the market and the workforce read a flat margin as failure.
Differentiate severance terms by cohort and criticality.	Pay a uniform premium across a heterogeneous population.

Source: automo**dicted** Transformation Playbook.

Most of those are recoverable if caught early. The six patterns below are not, in the sense that by the time they are visible in the numbers the window to correct them has usually closed. We design against them explicitly from the first week.

Ten questions for the boardroom

If you are running, sponsoring or overseeing a programme of this kind, these are the questions we would ask in the first meeting. The answers reveal within twenty minutes whether the programme has been designed or merely announced.

1. Can you show me the activity-level baseline from which the headcount number was derived, or was the number derived first?
2. Is the target measured in heads or in full-time equivalents, and what is the difference worth?
3. What proportion of the reduction is management, and how does that compare with management density in the affected population?
4. Which five to eight per cent must not leave, is the list built on external marketability, and was it agreed before the offer window opened?
5. What attrition rate does the plan assume, and what happens to the cost if it comes in a third lower?
6. How many of the positions are phased retirement cases, and in which year does their cost actually leave the profit and loss account?

7. How much of the personnel saving sits in capitalised development, and therefore will not reach the operating result in the year it is achieved?
8. Who owns the savings ledger, and are external services, agency labour and overtime inside the same envelope as headcount?
9. What is the savings bridge you will publish so delivered savings stay visible when amortisation, tariffs and volume move the margin line?
10. What stops the structure regrowing with the next product cycle?

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Sources and method

Company figures are taken from the BMW Group Half-Year Report to 30 June 2026, covering segment results, guidance, development disclosures and the subsequent-events note on the structural personnel programme, and from the BMW Group Report 2025 for personnel expense, average headcount, the employer loading, Automotive segment results and the target corridor. Programme parameters are taken from Deutsche Presse-Agentur reporting of 29 July 2026 and from reporting of the German works meetings of the same day, including the statements of Chief Financial Officer Walter Mertl. Where those accounts diverge, notably on the size of the offer population, we show both. The June 2020 comparison draws on agency reporting of 19 June 2020. Recall figures are as published by the Kraftfahrt-Bundesamt in July 2026. Benchmarks for severance levels and take-up rates are the publicly reported parameters of comparable German programmes.

Everything else is our own model. BMW has not published the functional or geographic breakdown of the reduction, so the 70% German share and the 12% management density are informed estimates, and both materially affect the gross figure. The management tiering and the rates attaching to it are our estimates, informed by a directly comparable German manufacturer. The part-time adjustment assumes 15% of the German indirect cohort at an average 0.6 full-time equivalents, which is an assumption rather than a disclosure and one of the larger single swing factors in the model. Severance is modelled at ten years of service for employees and twelve for management, with differentiated factors that we do not publish. Phased retirement is modelled at €150,000 present value per case on a block model. Leakage is a judgement; we model 20% and show the 10 to 30% range. The China contribution comparison rests on an assumed €7,500 per unit and is an order-of-magnitude calibration rather than a measured figure. Figures are rounded and totals may not sum exactly.