

# The Consequences of Audit Programme Absence: A Manufacturer's Risk in Dealer Networks

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## Abstract

This paper examines operational and strategic issues that Original Equipment Manufacturers (OEMs) encounter when dealing with dealer networks operating without formalised Dealer Operating Standards Audit Programmes (DOSAPs). It examines the role of lack of institutionalized auditing systems in performance and risk management challenges in major business processes especially in assets intensive sectors like heavy machinery. The study draws on the qualitative data of a two-year doctoral research where in-depth interviews with senior executives of OEMs and dealerships in Europe and the Middle East were conducted. The discussion is based on the effect of the absence of audit frameworks on five main risk areas, including operational, strategic, financial, reputational, and customer experience, with particular emphasis on the complicated operating conditions in the Gulf region. The results indicate that the absence of DOSAPs creates high performance gaps across 9 interdependent dealership areas such as governance, sustainability, marketing, workforce development, machine sales, customer solutions, parts logistics, service and aftermarket operations, and rental and used equipment management. These loopholes compromise the control of manufacturers, generate discrepancies in service provision, promote warranty abuse, and warped customer interaction, which jeopardises brand reputation and profitability in the long run. This paper notes that audit programmes are not just compliance tools but likely strategic instruments of risk reduction and sustainable performance within the decentralised dealer networks. This study raises the crucial issue of effective auditing systems in maintaining the quality of operations, operational fit and brand safety in the heavy machinery industry by emphasising the increased dangers posed in the Gulf region by the environment and operational conditions.

**Keywords:** *Quality Management; Operational Systems; Standardised Audit Programmes; Dealer Performance; Risk Management; OEM Strategy; Dealer Networks.*

## 1. INTRODUCTION

The performance of authorised dealers is a decisive factor in determining the commercial success and image of Original Equipment Manufacturers (OEMs) in the heavy machinery industry where competition is stiff and capital outlays are high. The dealers, in addition to the distribution of products, also provide services, relationship with customers, and face the obligation to always represent the brand of the manufacturer in the local markets. Available studies emphasise that heavy equipment dealers can be viewed as the main interface between OEMs and end users, making them the most visible part of the customer experience and perception of the brand in the local markets (Chen et al., 2023; Patel and Singh, 2022).

In addition to the fact that dealerships act as an extension of the organisational structure of the manufacturer in terms of sales and services. In their daily activities, they pass across the

core brand values which include innovation, reliability, technical competence, and service quality. Consequently, any irregularity in the performance of the dealerships, in service delivery, maintenance, customer interaction and communication channels can greatly undermine customer trust and loyalty. These differences can eventually cause a loss of brand equity, the distraction of long-term ties with customers, and a harm-related adverse impact on the competitive stance and market value of the manufacturer (Rodríguez et al., 2022; García et al., 2020; Nguyen et al., 2023; Martínez et al., 2023).

Although most OEMs have invested a lot in dealer development programmes such as technical training programmes, operation guidelines and support systems, such efforts have always been sabotaged by lack of a single and standardised audit structure. In the absence of a formalised mechanism that would evaluate dealer compliance and performance systematically, gaps in governance will infiltrate dealer networks. According to the recent research, this gap of formal supervision leads to the disjointed implementation of operations, uneven service quality, and customer performance, which is denoting the deficiency of an integrated performance assessment system (Patel and Singh, 2022; Chen et al., 2023).

To address such challenges, standardised audit programmes including Dealer Operating Standards Audit Programmes (DOSAPs) have been increasingly being viewed as strategic instruments and not compliance devices. Such programmes, when managed effectively, allow OEMs to track operational consistency, promote quality assurance, enhance transparency, and organise the practises of the dealers to corporate goals in diverse geographic markets. Additionally, standardisation of the audit enables sustainable competitive advantage, as the operational risk is minimised, governance becomes more resilient, and a consistent brand is represented across dealers networks (Patel and Singh, 2022).

The paper discusses the implications of running dealer networks without formalised audit procedures based on the results of a doctoral study conducted by the author. It is based on the findings of the qualitative interviews with the top executives of OEMs and their dealerships in Germany, Sweden, Turkey, Italy, Oman, and the United Arabs Emirates. The feedback of these upper tiers respondents indicates that there are still operational challenges that occur due to the absence of enforceable performance controls such as quality control, brand image control, and reputational risk reduction.

This research, as opposed to the technical design or implementation of audit systems, focuses on the risks, inefficiencies and missed strategic opportunities that are related to the absence of audit systems. It reveals weak points of the dealer networks that have not been previously detected, or it shows how the absence of a single assessment system weakens the operational coherence. The main element in this discussion is the Dealer Operating Standards Audit Programme (DOSAP), which has nine key performance areas that cumulatively foster operational stability, service integrity, and improved control in the market- hence protecting brand integrity and organisational performance in the market.

**Table 1: The Nine Key Audit Areas in DOSAP**

Key Area	Standard	Description
General Management	Governance, Leadership, and Strategy	Ensuring effective leadership, alignment with corporate strategy, and structured management practices at the dealership level.
Corporate Sustainability and Responsibility	Environmental, Safety, and Ethical Compliance	Adherence to environmental policies, workplace safety standards, and ethical business practices.

Brand Management and Marketing Communication	Branding and Promotional Practices	Consistent brand representation, aligned marketing campaigns, and standardized communication protocols.
Competence Development Programme (CDP)	Training and Certification	Implementation of structured employee training, skill development, and technical certification pathways.
Machine Sales	Sales Process and Delivery	Accuracy in pricing, quotation, order processing, and timely, compliant machine delivery.
Customer Solutions	Value-Added Services	Promotion and management of services such as telematics, warranty programs, financing options, and other customer-centric offerings.
Parts Logistics	Inventory and Supply Management	Effective stock control, precise order fulfilment, and efficient warehouse operations.
Service and Aftermarket	Workshop and Maintenance Quality	Standardised procedures for workshop operations, pre-delivery inspections, field servicing, and repairs.
Rental and Used Equipment	Refurbishment and Resale	Proper evaluation, maintenance, and resale of rental or used machinery to ensure quality and operational reliability.

In the absence of standardised and organised audit systems within all the major functions of the operations, dealership operations are disjointed and ill coordinated. The result of this inconsistency is an uneven level of service and diminished capacity of the OEM to properly manage, monitor, and promote dealer performance within the network.

## 2. LITERATURE REVIEW

The importance of structured auditing systems as a strategic tool to ensure organisational control, operational consistency, and stakeholder expectations coherence has been widely debated in the literature on the quality management and operations management. It is generally agreed by scholars that audits are now no longer limited to the process of compliance checking but have developed into the grounds of governance especially in decentralised organisational frameworks like dealer and distributor networks. This is especially problematic in those industries, such as the production of automotive and heavy machinery, where the complexity of the operations is great, and the customer experience largely relies on the interaction with local agents. As Oakland (2022) and Chung and Luo (2021) emphasise, it is intrinsically hard to keep the quality standards high in geographically distributed dealerships because of differences in skills, infrastructure, and enforcement of the regulations and level of maturity of the managers. Such differences further encourage the chances of unequal service provision and undermine the capability of the manufacturer to exercise effective control. Organisational audits cannot be effectively conducted without organised auditing systems and hence without organised auditing systems, organisations may not be able to attain transparency, proper measurement of performance or consistent adherence to operation standards which make execution processes fragmented and cause unpredictable results across markets.

The literature also proves that the absence of systematic audits has far-reaching consequences of organisational performance and customer experience. Toft et al. (2020) claim that in the absence of formal audit structures, organisations no longer have any visibility of the reality of operations at the dealer level and thus it becomes hard to detect inefficiencies, non-compliance or new risks. This inability to be proactive can lead to reactive decision-making, in which situations are not handled until they become service failures or customer complaints.

Oakland (2022) supports this idea by observing that quality management systems become ineffective in case performance monitoring is not formal and irregular, especially in the industry where the after-sale services and technical support are complex. The heavy machinery industry, where the quality of downtime, safety, and maintenance is of paramount importance, can suffer not only financial consequences but also reputation and loss of customer confidence because of these weaknesses. The literature has always been associated with poor auditing with varied service delivery, inconsistent warranty processing, and unevenness in the implementation of the working procedures, which affect the trustworthiness of the brand as perceived by customers.

More than a performance monitoring system, modern research is defining auditing as an organisational learning and capability building system. Instead of considering audits as a corrective mechanism, scholars suggest that the existence of systematic audit systems encourages knowledge and best practise mobility in dealer networks. Rodríguez et al. (2022) note that audits establish formal feedback loops where high-performing practises can be detected, recorded and applied in other regions. This role is especially useful in multinational dealer networks, where learning can be siloed and informal communication is not enough to generate a steady improvement. Audits can help organisations be better able to respond to changes in the market, new technologies and changing expectations of customers by systematically reviewing processes and their results. Auditing, in this sense, is a versatile tool that helps to perpetuate a process of improvement, strategic responsiveness, and organisational resilience, as opposed to a one-dimensional compliance process.

The close association of auditing, brand consistency, and reputation management is also highlighted in the literature. In distributed dealerships, the customers generally deal with dealers and not manufacturers, so the dealer performance becomes a major determinant of the brand perception. According to Rodríguez et al. (2022), systematic auditing is necessary in the process of ensuring consistent brand representation in various markets, particularly when the cultural, regulatory, and operational environment is very diverse. Deviation of brand standards could not be detected without formal audit controls, and thus, inconsistent customer experiences were created, undermining brand credibility. The latter risk occurs in the industries with robust purchasing behaviour, i.e., heavy machinery, in which perception of reliability, technical competence, and extended service support affect purchasing decisions. According to the literature, auditing is a very important aspect in making sure that the brand promises should always be transformed into operational realities at all the customer touch points.

Empirical literature also substantiates the view that strong audit systems help in enhancing better and more sustainable organisational performance. Kim and Lee (2021) show that organisations that have well-organised and regular audit practises are less variable in their operations and have greater customer satisfaction. Garcia et al. (2020) also identify similar results of audit-based governance that helps increase financial discipline, decrease process inefficiencies, and increase coordination between manufacturers and dealers. All these advantages enhance the competitive positioning that builds reliability and predictability, which can hardly be replicated by the rivals. Patel and Singh (2022) build upon this debate by stating that successful audit systems give firms a sustainable competitive advantage because they allow them to identify risks early and take corrective actions in a timely manner before they become system failures.

The heavy machinery industry is highly capital intensive and as such it gives the strategic significance of auditing even more importance. The errors in operations have serious financial

and strategic effects due to the high asset values, extended product life cycles, and intricate maintenance needs. As Vance et al. (2020) emphasise, the inability to manage inventory, execute services, or to meet technical standards may quickly undermine profitability and damage customer relationships. Hagiú and Wright (2020) also include the fact that the relationships between modern dealers and manufacturers are becoming more like platform ecosystems with their interdependence and joint value creation. Weak governance mechanisms in such systems provide space to opportunistic behaviour and the misalignment of incentives. These risks are made worse by the lack of a standard audit framework which hinders the manufacturer's capacity to apply standards, track the performance and orchestrate interdependencies.

Some researchers believe that auditing practises, which are broken or disjointed, are detrimental to the strategic alignment of dealer networks. Iansiti and Lakhani (2020) argue that in the absence of standardised control tools, manufacturers are unable to translate the corporate strategy into the same level of operational behaviour on the local level. The result of this disconnect is the development of divergent practises which thin out strategic intent and reduce organisational coherence. With time, this kind of misalignment can decrease predictability, difficulty making performance plans, and exposes one to strategic risk. These issues are compounded in international markets, where the unreliable performance of dealers may result in unequal consumer experiences and a reduced brand trust, which will eventually jeopardise market position and future competitiveness.

Governance wise, auditing is being considered as a primary component of organisational alignment and accountability. Oakland (2022) and Rodríguez et al. (2022) mention that integrating audits into the larger management systems encourages transparency, standardisation, and the culture of continuous improvement. Such integration is especially vital in large networks of dealers, where complex and scaled informal controls and relational governance strategies cannot deal with complexity and scale. The formal audit models are used as a reference point and a common language of performance assessment, allowing the manufacturers to support the alignment between the behaviour of dealers and the strategic intent of the company whilst keeping in mind the local realities of operation.

Other recent research studies also accentuate the importance of compliance in maximising supply chain performance and customer performance. Rodríguez et al. (2022) and Kim and Lee (2021) show that OEM standards help enhance coordination, inventory precision, and reliability of the service provided through the network of dealers. But, Garcia et al. (2020) observe that the rates of compliance in different regions are also not homogenous, especially on the global markets that are typified by cultural heterogeneity and uneven regulations. These intoxications indicate the weakness of voluntary compliance and highlight the necessity of systematic auditing procedures in order to maintain the uniformity of standards. Heras-Saizarbitoria and Boiral (2021) go further claiming that lack of standardised audit systems results in an essential gap in monitoring, which restricts the objectivity of manufacturer to assess the performance of dealers and take proactive corrective measures.

Regarding strategic control, Iansiti and Lakhani (2020) note that successful governance systems should evaluate not only the results but also the mechanisms of how the same results are attained. In dealer networks, the uniformity of process implementation is indispensable in the provision of equal quality of service and customer confidence across borders. Vance et al. (2020) cautions that poor control systems leave organisations vulnerable to reputational risks because deviations in brand and service quality go undetected. These inconsistencies in the

long run, destroy consumer confidence and disrupt competitive positioning. The literature has generally acknowledged that a weakly integrated audit controls represent a weakness of an administrative and strategic nature, which can more likely create operational failures and performance volatility (Rodriguez et al., 2022; Kim and Lee, 2021).

The strategic coherence research also supports the fact that systematic auditing models are important. According to Lee and Chen (2021), audits play a vital role in creating a bridge between strategic purpose and operations execution as it allows organisations to convert the high-level objectives into consistent operations at the dealer level. In the absence of such mechanisms, strategic initiatives tend to be only symbolic in nature, and the overall effect is the service standards and brand identity that are uneven and fragmented. Ridder (2022) also emphasises that the loopholes in periodic monitoring are among the factors, which lead to the operations breakdown that can directly influence the performance of dealers, especially those industries, which demand high accuracy and safety. Jaca et al. (2023) build upon this point and place audit systems in the context of strategic connectors that align corporate vision with daily operational choices instead of control-oriented tools.

Risk management wise, the exposure to operational and reputational risks is always attributed to weak systems of audit as revealed by recent studies. According to Nguyen et al. (2023), organisations with weak internal controls have a difficult time to ensure the continuity of service and implement safety measures, particularly in high-risk sectors like heavy equipment industries. Ridder (2022) further states that inadequacies in audit and control systems make organisations less resilient, as they will not be able to react effectively to a crisis and do not generate trust among stakeholders. Jaca et al. (2023) endorse such a perspective by showing that integrated audit and risk management systems can help organisations maintain stability, comply with regulation, and perform over the long term.

Although the importance of the auditing process has been widely discussed, there is a significant gap in the literature of studies analysing the implications of functioning in the absence of formal audit programmes. The current literature dwells extensively on the continuous improvement approaches, including the Plan-Do-Check-Act (PDCA) cycle, but it gives only minimal attention to the structural risks of the lack of systematic audits (Nguyen et al., 2023; Jaca et al., 2023). Consequently, the empirical evidence on the relationship between the failures in governance and the accountability, the sustainability of performance, as well as the risk exposures in dealer networks, is limited. This research paper fills this gap by discussing the operational and strategic consequences of the lack of integrated audit systems, specifically, Dealer Operating Standards Audit Programmes (DOSAPs), in the heavy equipment dealership networks. By integrating the classical theories of quality management with modern governance and control systems and by basing the discussion on the qualitative evidence in the field, this study will provide novel perspectives on auditing as a strategic facilitator of sustainability in the performance, risk reduction, and sustainability of the organisation at a long-term level.

### 3. METHODOLOGY

In the research, a qualitative paradigm based on interpretivist paradigm is adopted to determine the operational and strategic implications of lack of structured audit programmes among dealer networks of Original Equipment Manufacturers (OEMs) in heavy machinery industry. The case study method was chosen in order to allow a detailed analysis of practical activity, governance relations and risk exposures in complex and decentralised organisational environments.

The design provides a subtle insight into the role of audit-related deficiencies in determining consistency in performance, managerial control, and strategic alignment within the networks of dealers.

The empirical data were collected on the basis of massive fieldwork which was carried out during the three year period 2022-2025. The study involved a variety of locations such as the OEM headquarters and authorised dealerships which are found in different parts of Europe and Middle East and hence with a variety of operational backgrounds and governance setups. Semi-structured interviews with fifteen senior executives and managers in OEM and dealer organisations were the primary data collected. This method contributed to experience-based and insightful information on areas like agency performance, risk management practise, and governance problems experienced without a coherent audit framework.

In order to gain greater analytical depth and triangulation, the secondary data sources were reviewed as well. These covered internal OEM documentation in terms of operational guidelines, procedural manuals, performance evaluation, and internal report. The thematic analysis was applied to the qualitative data, based on the systematic approach described by Braun and Clarke (2006) to find out recurring patterns, prominent themes, and areas of critical risk related to non-standardised audit practises. Qualitative analysis software, such as NVivo, facilitated the data organisation and coding, allowing to make a systematic comparison across cases and identify performance determinants that relate to each other.

The selected methodological approach is expected to add both theoretical and practical knowledge by illuminating the risk of lack of formal audit systems and inform the creation of reference frameworks, including Dealer Operating Standards Audit Programmes (DOSAPs), to strengthen governance, reduce risk, and improve management of OEM dealer networks.

### **3.1 Research Design and Scope**

The research design adopted in this study is multiple-case study design; it concentrates on dealer networks of Original Equipment Manufacturers (OEMs) in six countries, which are Sweden, Italy, Germany, Turkey, the United Arab Emirates, and Oman. These markets have been chosen due to their complicated operating conditions such as multiple regulatory frameworks, geographic and economic factors and degree of dealer maturity in the management of heavy equipment sales and after sales activities.

The study specifically looks at the impacts of running without the structured audit framework, including the Dealer Operating Standards Audit Programme (DOSAP), and how this lack has impacted on the performance of the dealers, their alignment in operations and their risk management in 9 core areas.

These areas are general management, sustainability, marketing, competency development, equipment sales, customer solutions, parts, and logistics, service and after-sales operation, and rental or used equipment management.

The study aims to reveal the role of regulatory loopholes, inconsistencies in performance checking, and the absence of formalised assessment mechanisms in the deterioration of the stability of dealer networks, deterioration of service quality, and, eventually, the global reputation and strategic positioning of OEMs by analysing these areas of operations. Its design permits a deep comprehension of operational and strategic weaknesses in various market environments, which encompass the regional and cross-country distinctions in dealer-practises and manufacturer controls.

### 3.2 Data Collection Methods

To achieve methodological strength and develop a multi-faceted multi-dimensional view of dealer network practises, data related to this study were gathered through a qualitative triangulation process. A total of fifteen senior professionals took part, comprising of 9 executives of OEMs, and 6 dealer managers, all of whom were chosen according to experience and strategic impact in the industry of heavy machinery.

Considering that there were no standardised audit programmes, semi-structured interviews gave essential information about operational and strategic practises and enabled the participants to think about the issues of governance, risk management practises and performance discrepancies. To enhance the interviews, internal organisational documents, such as operation manuals, procedural guidelines, and performance reports were put into analysis to provide the context of findings and confirm the observations.

Competency Development programmes (CDPs) were examined in order to evaluate the technical and managerial competencies of the dealer staff, training approaches, and any shortcomings in the skills or knowledge transfer. Pre-Delivery Inspections (PDIs) and visits to customer sites and practical CDP evaluations were also made under the field observations in Dubai and Muscat working environments.

These firsthand observations offered useful real-world evidence on how dealers perform its operational procedures, interrelate with its customers and conform to the expectations of its manufacturers, which enhanced the empirical basis of the research.

### 3.3 Audit Domain Framework

The audit assessment through this research was developed in line with the Dealer Operating Standards Audit Programme (DOSAP), which is an all-encompassing audit programme that covers nine domains of operations that are interrelated. All these areas become the essence of the operations of dealers and are used to evaluate their performance, its adherence, and compliance with the expectations of OEMs.

The audit also encompasses the general management practises, sustainability and corporate responsibility initiatives, brand governance and marketing communications, as well as competency development activities, competency qualifications of the technician, and training effectiveness. It also evaluates equipment sales operations, customer solution and customer support, spare parts operation and logistics, and after sales service operations.

The framework also deals with equipment rental operations along with used machinery. Through systematic reviews of these areas, the paper analyses the level of operational coherence in dealer networks, the holes that emerge due to lack of standardised audit and the impact of the holes on performance consistency, risk management, and general coherence in the practises of dealer with OEM strategic goals.

DOSAP is therefore a diagnostic as well as a strategic instrument because it provides an organised prism to comprehend operational effectiveness and management within distributed dealer networks.

The main functional areas of the dealer performance are generally accepted as the key quality gateways, which become measures of assessing the strategic alignment between dealers and Original Equipment Manufacturers (OEMs). The domains play a critical role in providing uniform brand representation, regulatory adherence, and facilitating the successful

implementation of the everyday operational functions across the dealer networks (Oakland, 2022; Toft et al., 2020).



**Figure 1: DOSAP Key Audit Domains**

The Dealer Operating Standards Audit Programme (DOSAP) framework was used as the main analytical tool in this study to evaluate the impact of the lack of formalised audit systems on the dealer performance, the accountability, and the uncertainty about the degree of control that is exercised by OEMs. The study shows that lack of proper auditing systems usually creates performance gaps, inconsistencies in service delivery, and quantifiable quality of operations in various markets. These gaps, in their turn, undermine customer satisfaction, undermine trust, and jeopardise long-term profitability (Rodríguez et al., 2022). As Chen et al. (2023) point out, effective audit frameworks give manufacturers the means to monitor dealer activities systematically, find the risks emerging as well as address any potential operational or strategic failures. Through this, these frameworks allow stabilisation of dealer networks, brand protection, and provide operations durability and sustainability in diverse and complex market environments.

### 3.4 Data Analysis Techniques

The research used thematic analysis as the main data analysis tool facilitated by NVivo software which helped to present and arrange the qualitative data gathered in the form of interviews, field observations and internal documents in a systematic manner. The method enabled the researcher to find repetition of patterns, bring out meaningful information as well as contextualising the operational and strategic phenomena in dealer networks. Data were coded and grouped into five major risk areas namely; operational, financial, strategic, reputational and customer experience. More than sixty recurrent problems were listed and discussed in terms of the lack of formalised audit programmes, which showed the complex effects of non-standardised dealer control of the performance and compliance and the network coherence. In order to maximise the analytical rigour and the credibility of results and to increase the confidence of the findings, qualitative results were triangulated using quantitative indicators of performance such as reports on internal compliance, assurance checklists, and

operational documentation. This triangulation approach, based on multiple sources, minimised subjectivity and provided transparency in the methodology and allowed a multifaceted perception of how the gaps in governance translate into the functioning of dealers in reality (Braun and Clarke, 2021; Nowell et al., 2022). Thematic analysis proved to be very instrumental in identification of the multidimensional interactions of the work practises, performance outcomes, and strategic alignment in the different markets, as well as giving constructive information on what can be done to address the operational gaps and where intervention is possible. This approach is particularly effective in studying high-stakes, complex industries like heavy equipment manufacturing, where the complexity of operation and the structure of the dealer network must be examined in detail and properly interpreted within the context.

### 3.5 Limitations

Even though the case study method enabled an in depth analysis of dealer networks in six chosen countries in Europe and Middle East, it has a limitation in generalisability of the results to the heavy equipment market of the entire world. The study setting is local, and the sample size is adequate to perform qualitative research, but it cannot be generalised statistically. However, triangulation of methods, which involves the combination of interviews, review of documents and direct field observations, provided more credibility, reliability, and validity of the study. Regardless of these strengths, the research is limited in scope, and some regional or market specific differences might not be well represented. Future research may take the form of a comparative, multi-country design using increased sample sizes to investigate the difference between dealer performance, audit effectiveness and operational risks in different geographical and regulatory environments. This kind of research would enable one to create more generalisable conclusions, come up with statistically sound findings and get a holistic picture of the global consequences of the absence of standardised audit frameworks. This broadening would also contribute to the theory and practise further, as it would provide the OEMs with practical information on how to enhance the governance, compliance, and performance within the various dealer networks.

## 4. RESULTS AND DISCUSSIONS

### 4.1 Operational Risks of Audit Absence

Lack of systematic and structured audit programmes in dealer networks presents a high degree of operational risks that could undermine the levels of performance and safety. Where formal audit systems are ineffective, dealers do not adhere to all the operational requirements of the Original Equipment Manufacturers (OEMs), and this translates to loopholes in the execution of processes and the services. These dangers are especially acute in the spheres of key activity where trust in the equipment and its safety in use is of utmost importance. The concern that is one of the most urgent is whether non-genuine or unauthorised spare parts are used during major repair. Replacement of certified parts with low-quality substitutes does not only reduce the reliability and safety of the equipment in operation but also increases the number of warranty claims and legal liability of manufacturers which further increases operational and financial susceptibility (Al-Ghamdi and Ahmad, 2020; Chen et al., 2023).

Process inefficiencies can also be seen in basic operational processes especially in Pre-Delivery Inspections (PDIs). Poor or inconsistent implementation of PDIs through delays, unfinished checks, or omissions affect the quality and performance of machines sent to final

consumers directly. These lapses lead to high chances of malfunctions after delivery, low customer satisfaction and undermined brand image of quality by the manufacturer.

The other significant operational risk is the result of the lack of professional development and renewal of technical certification among the service personnel. Current heavy equipment is based on more advanced technologies, and the lack of systematic and continuous training negatively affects the skills of technicians to diagnose the problems accurately, do the repairs, and offer high-quality services. Skills gaps due to poor training lower the competence of the workforce, operational efficiency and constrain the capability of the dealer network to manage newly introduced machines.

There are also low internal control systems and absence of audit controls that increase service quality and operational standards inconsistency. Such inadequacies undermine the trust of customers, heighten the threat of equipment breakdown, and eventually reduce the performance of a whole organisation. The evidence is consistent with the previous studies as the authors find inadequately performed auditing as a primary cause of inefficiencies in the operational networks of dealers (Al-Ghamdi and Ahmad, 2020; Toft et al., 2020). In addition to direct implications on the functioning of the specific enterprise, these vulnerabilities have strategic implications, as they have the potential to harm the brand image, diminish the competitiveness in the market, and test the ability of the manufacturer to continue delivering consistent performance even in the highly valued and challenging industry, such as the sector of heavy equipment (Chen et al., 2023).

**Table 2: Key Risk Domains Without Audit Oversight**

Risk Category	Description
Operational	Inconsistent repair quality, inadequate maintenance, use of non-genuine or unauthorised parts.
Strategic	Misalignment with OEM objectives, fragmented execution of corporate strategies, and conflicting priorities among dealers.
Financial	Unverified or inflated warranty claims, misuse of resources, and financial inefficiencies.
Customer Experience	Variability in service delivery, reduced customer satisfaction, and erosion of client loyalty and trust.
Reputational/Regulatory	Non-compliance with regulations, potential legal disputes, and deterioration of brand reputation.

#### 4.2 Strategic and Alignment Risks

The alignment of Original Equipment Manufacturers (OEMs) to dealers networks is a key factor to organisational performance, consistency in the brand, and competitiveness in the market. The key to successful alignment is the presence of effective communication lines, objectives and cohesive supervisory systems that make the dealers pull towards a common direction within the strategic framework developed by the OEM. But, where there is no formal audit programme, this alignment is broken, so that there is a discontinuity in dealer priorities and a lack of strategic coherence throughout the network. The dealers who do not have a centralised performance monitoring system often embark on independent projects that might not be entirely embraced by the overall organisational approach which leads to the absence of consistency in sustainability projects, digital transformation projects and initiative campaigns centred on innovation. In the absence of regular audits, manufacturers cannot evaluate whether strategic goals are being converted into the stable operation patterns, and there is a loophole in governance that allows flexibility in implementation of high-level initiatives.

Such a mismatch is carried over to customer interaction practises, pricing strategy, warranty management and application of promotional campaigns. The dealers in various places might use different communication norms, service practises, and reply durations, which affects the quality of customer intercourse and weakens brand sincerity. Research has demonstrated that this lack of consistency results in quantifiable loss of brand equity and adoption of innovation, especially in the emerging markets, where dealers have a high level of autonomy and low level of oversight (Singh et al., 2023). In the absence of an efficient audit structure, the capability of the manufacturer to remain in strategic control, impose uniform practises, and brand value will be greatly compromised, and these weaknesses will go beyond operational inefficiency to long-term competitive disadvantage.

### **4.3 Financial and Warranty Exposure**

The most immediate and measurable effect of poor audit mechanisms would include financial risks and warranty liabilities. In the absence of an organised audit of the dealer business, OEMs are exposed to the high risk of financial misstatements, cost inefficiencies, and uncontrolled spending. The unregulated practises which are operating in an unregulated environment like over-reporting labour hours or replenishing of unnecessary spare parts during warranty repairs, result in a huge unplanned financial outflow and this directly affects profitability. Poor technical diagnosis and poor procedural adherence will also contribute to these risks and lead to unnecessary replacement of parts and exaggerated warranty claims.

The credibility of the historical records of repair complicates the possibility of the manufacturer to analyse the patterns of recurring failures because of delays in reporting warranty problems, mistakes in the registration of service data and inconsistent documentation. This results in OEMs not taking corrective actions in time, where structural weaknesses in operations remain unattended. Financial transparency is also not facilitated by the lack of formal audits, which prevents the identification of waste practices or possible misuse by dealers. This waste does not only consume financial resources but also limits the ability of the manufacturer to plan and overcome risks strategically, which makes them more exposed to long-term operational and financial crises (Oliveira et al., 2022).

### **4.4 Customer Experience and Safety Risks**

Lack of audit structures especially leaves customer satisfaction and operational safety vulnerable. Lack of consistency in the following of the technical testing process, full documentation, and not following the maintenance protocols leaves gaps in service quality directly impacting the confidence of the end user. Pre-Delivery Inspections (PDIs) and other safety critical operations might be conducted to a substandard level or not done at all which increases the risk of post-delivery equipment failures and decreases operational reliability.

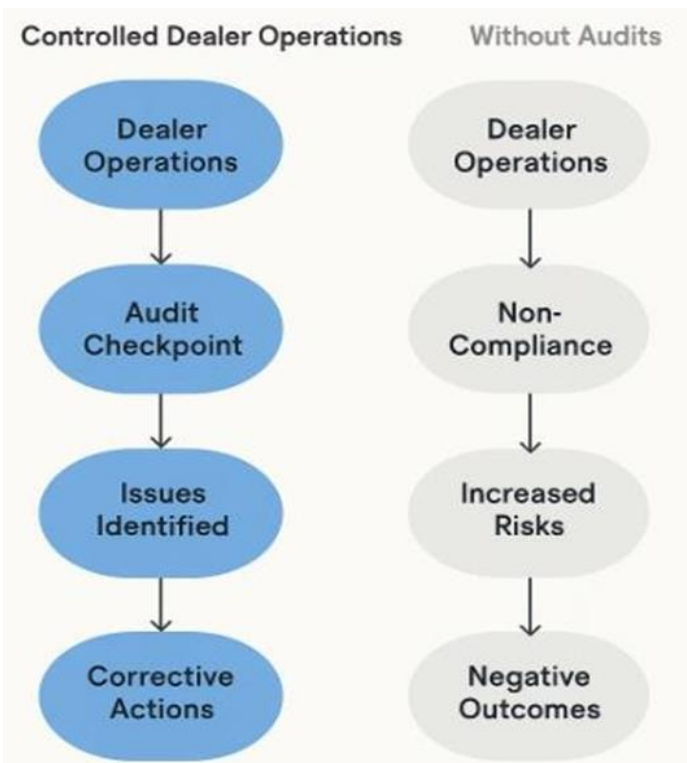
Fluctuations in the quality of services among the dealers in various locations make these risks even more. Whereas there are dealerships that operate with high standards, others do not meet the minimum requirements in terms of operational or safety standards, creating unpredictable customer experiences and undermining both trust in the dealer and the OEM brand. Also, missing or incomplete technical documentation, obsolete maintenance history, or falsified service data undermine transparency, which does not allow customers to make informed decisions about the functionality of equipment, maintenance scheduling, and warranty usage. These areas of operational break reveal the relevance of audit programmes, as a regulation and strategy instrument, that guarantees uniformity of quality of services,

maintenance of safety, and preservation of brand image with geographically disperse dealer networks (Oliveira et al., 2022).

#### 4.5 Reputational and Regulatory Exposure

Lack of efficient audit systems is not limited to operational and financial risks, but also entails considerable reputational and regulatory risks. The lack of systemic monitoring of dealer operations in the industries that pose a high level of safety and compliance like mining, oil and gas, and government projects eliminates trust, damages brand credibility and kills the confidence of the customers and other stakeholders. Inadequate auditing in a more unstructured form can also result in non-conformable compliance to regulatory requirements, and this will raise the chances of operation punishment, licence suspension or even being sidelined in strategic contracts.

The reputation of the brand, especially in a competitive market, is the most susceptible because reliability and trustworthiness are the basis of buying choices made by customers. The consistently low performance of dealers in addition to low regulatory compliance may initiate adverse media coverage, lower customer loyalty, or competitive advantage (Tan and Roberts, 2021; Singh et al., 2023). In addition, reputational damage can affect the OEM in the long term by undermining the capability of the company to be offered future strategic initiatives, engage in regulated markets, and sustain operations. It is therefore vital to initiate an audit programme that is strategically co-ordinated and globally enforceable not just as a regulatory compliance mechanism, but also to provide proactive control measures over operational, financial, and reputational risks. Audit structures are a strategic tool to sustain governance, consistent operational performance, brand equity and reduce exposure to financial and regulatory uncertainties which contribute to the long term sustainability and competitiveness of the OEM and dealer network.



**Figure 2: Controlled Loop With and Without Dealer Audit Programmes**

## 5. CONCLUSION AND FUTURE RESEARCH

This paper shows that lack of systematic Dealer Operating Standards Audit Programme (DOSAP) leaves Original Equipment Manufacturers (OEMs) vulnerable to great operational and strategic risks. Operational vulnerabilities in the short term take the form of lack of consistency in the quality of the delivered services, mistakes in the maintenance processes and lack of technical competence among the dealer staff. In the long-term, the lack of these reduces strategic harmony, where dealers tend to engage in independent practises due to the local concern as opposed to organisational goals. In the absence of formal auditing mechanisms the manufacturers cannot adequately monitor compliance, impose standardised procedures as well as ensure that corporate policies are in line with their implementation at the dealer level. This inconsistency compromises the consistency in performance, reduces customer trust and threatens the brand name within global networks.

The results show that the dealer environments with no formal audit programmes have a greater rate of process fragmentation, service delivery variability, and customer experience variability. These results validate the findings of Oliveira et al. (2022) and Singh et al. (2023) who highlight that auditing goes beyond a control role to become a strategic instrument towards increasing accountability, regulatory adherence, and value creation in the long term. Organised audit systems like DOSAP can offer manufacturers a tool to ensure operational uniformity, curtail financial and reputational threats, and brand protection in competitive markets.

Further study needs to be conducted on the economic consequences of the adoption of standardised audit frameworks such as the cost-benefit analysis in various market conditions and operation set-ups. It may also investigate the possibilities of implementing the current digital technologies into the audit practise so that it becomes possible to track the processes in real-time, intervene actively, and manage the networks of dealers more effectively. Regional comparison, dealer network structure, and market maturity would also enlighten the effectiveness of auditing to the operational performance, alignment of the strategies and business sustainability. Also, longitudinal studies that follow the long-term success of the implementation of audit programmes would be helpful to determine the role of systematic oversight in the ongoing enhancement, customer satisfaction, and competitive advantage.

Implementing a full-scale audit programmes is not just a compliance practise but a strategic necessity that OEMs aiming to achieve a consistent performance, build brand trust and resiliency through complex and geographically spread dealer networks. The lessons of this research lay the groundwork of both practical application and continued academic research on how to optimise dealer network management using organised audit systems.

## 6. RECOMMENDATIONS

Lack of systematic audit systems amongst OEM dealer networks subjects manufacturers to operational, financial, strategic and reputational risks. To curb these weaknesses, it has been highly suggested that the manufacturers adopt a standardised audit framework e.g. Dealer Operating Standards Audit Programme (DOSAP) in all dealer locations. This framework would facilitate the uniformity in governance, simplified performance monitoring, and the timely detection of deviations or non-compliance, which would facilitate consistency in the quality of services and the standard of operations in geographically dispersed networks.

It should also invest in audit training and capacity-building programmes. The training programmes should be implemented on both OEM personnel and the dealer personnel, to help

them obtain the required skills in carrying out audit procedures in an effective way. These programmes do not only improve the accuracy and reliability of the audits but also makes sure that all the participants are geared towards consistent application of standards resulting in an operation alignment throughout the network. Standardisation of audit practises to all sites of dealers can also be enhanced by certification programmes.

Another important suggestion is the integration of the modern digital technologies. With digital audit tools, it is possible to monitor the performance of the dealers in real-time, thus giving manufacturers real time information of dealer performance that enable prompt corrective action. The solutions lower the level of operational inefficiency, conserve resources, and increase the effectiveness of audit interventions, as a whole. Moreover, it is important to have a formal post-audit review process that will help to make sure that the identified issues are considered, corrective actions are taken, and the continuous improvement is integrated into the organisational culture. Targeted audits of the risky areas allow manufacturers to spend resources effectively and devote more attention to the interventions that influence the performance in operations the most.

It is also important to have transparent communication during the audit cycle. The publication of audit findings and the corrective measures taken subsequently will create a sense of accountability amongst dealers, establish credibility among stakeholders and enhance compliance. Lastly, audit procedures need to be coordinated with the standards of customer satisfaction and safety such that the performance of dealers is continuously assessed based on both technical standards and the criteria of service quality. With such practises in place, OEMs will be able to protect their brand image, operational excellence, and provide long-term sustainability and competitiveness within their dealer networks.

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