

Auto fleet discount case case study

Business, Company



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Systems and design perspective

Improving systems and design in an organization is the most important and effective measure that is established to achieve the success of the company.

When recommending the improvement of the systems and design, the Board of Director’s main idea was to enhance effectiveness in the daily operations of the automobile company. The two types of the systems that should be put into consideration include the physical system or an abstract system. The physical system involves tangible entities that may be dynamic or static in operation, such as computer systems (Schlickman, p. 76). On the other hand, abstract systems are non-physical or conceptual entities. These machines should be designed in appropriate and efficient manner to ensure that they do not get to the end of their lives before achieve their subjected goal.

The management should be in a position to define the boundaries and interface where the system should have well-defined by its limits. The

elements of a machined should be defined into two; those activities that are within the system boundary and those that are on the external environment of a machine. This distinction is very important to the management of the company because it will help to pay attention on the main interrelationships within the systems and the transactions within its environment. For instance, the causal loop diagram below demonstrates how the anxiety at work and the number of the mistakes made forms an interrelationship within the system.

In this causal loop diagram, each arrow is labeled with letter “ S”, indicating that, when the first variable changes, the second one varies in the same direction. For instance, when a worker in the automobile company increases their level of anxiety at work, the number of mistakes increases (Slooten, p. 55). This is an example of the activities carried out on the external environment of machines, and the management should define them, among others, to increase efficiency, flexibility, integration, flow of data, enhancement, adaptability, user interface, and easy and fast development within the company.

More sales and profit

The car rental company would buy more cars from the automobile company if they are granted a discount in every purchase they make. They would also increase the frequency of buying cars to take advantage of the going discount since they are not sure when the discount would end. The trade discounts, in this case are the car rental incentives to do business with the automobile company. The consumers feel that they have a better deal while purchasing cars on discount and this entice them to buy more. Offering

discount also indicates concern to the customers and this increase consumer loyalty and relationship.

The automobile company does not have to provide an enormous discount to make the car rental company to shift and purchase their new cars from every 5 to 6 months instead of every 10 to 12 months. The automobile company should be able to predict the effectiveness of the discount on the sales and determine the appropriate discount that should attract more purchases from the car rental agencies. If they anticipate that the sheer volume if the purchases would be not enough to counteract the loss of money on the discount, the automobile company should provide low discount. In my point of view, the discount does not have to be enormous because in most cases the discount prompts more spending (Schermerhorn, p. 77). The car rental company would, as a result save less and spend more to enjoy the discount.

Having the controlling interest on a car rental company, which is a customer to the automobile company, would be ineffective without the consideration of the external environment in the industry (Daft & Weick, p. 288). To increase the competitiveness, the automobile company should analyze the actions undertaken by their competitors in the industry. Since the management of the Auto Fleet Company has differences in their argument regarding the environment, it is important to use the interpretation model to make an effective decision. The diagram below represents a model of organizational interpretation modes.

Undirected viewing

This is a passive approach, where the data cannot be analyzed. The managers can use soft information such as rumors or informal information to create a perceived environment. In this scenario, the management is not restricted by the formal management system in the company, and they are exposed from variety of cues concerning their competitors from many sources. For instance, there could be rumors that one of competitors in the automobile industry is aiming to increase their shares in the car rental company. This would affect the control interest of the automobile company on the car rental company. The company can use this informal information to counter attack this anticipation by raising their shares on the car rental company so that they can have a full control interest.

Enacting mode

In this mode the management should reflect both active, intrusive strategy and the assumption that the larger industry environment cannot be analyzed. The automobile company can construct their own environment by trying new behavior and seeing what happening. The management can use the traditional expectations to determine how their discounts will influence the buying pattern of their buyers. The can also conduct a test by giving different levels of discount, starting from low discounts, to determine their effectiveness of sales. Rather than waiting for the market forces to determine what to produce the company can use the enacting elements to create excess capacity that could result into a reduced or low marginal cost (Daft & Weick, p. 289)

Conditioned viewing

In this case, the management of the automobile company can rely on the established data collection procedures and develop their interpretation using the traditional boundaries. The organization is conditioned since they are limited to routine documents, publications, reports, and information systems. The company therefore can use, for instance, financial reports to analyze the situation in the larger industry environment. By observing the historical events of the discounted trade, the company can be able to anticipate the success of their project.

Discovering

The automobile company can search the correct answer already in the analyzable environment rather than modifying the answer. By using trend analysis, market research and forecasting, the management can be able to predict whether the discounting decision will result into problems or opportunities. This can be accurate measure because they are relying on formal search procedures to make their decisions.

Using the above modes, the management in the automobile company will be in a position to determine the correct and appropriate amount of discount that will result to increased sales and profit.

References

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