

Assessing the capacity planning for bmw business essay



First of all, capacity refers to the upper limit or ceiling on the load that an operating unit can handle. And the load might be number of physical units produced or number of service produced. (Stevenson, 2009). According to Eng. Abdel Moniem shehata, he said that capacity is always something to manage. He added that capacity planning is not necessary to be time consuming or expensive. And any company will use the capacity planning depending on its tools and resources. According to BMW, the Company owns workers, machines, tools, engineering and materials and etc, and they have to use all this resources to maximize productivity and take full advantage of it to reach high capacity.

When Mr. Abdel Moniem shehata was asked about the importance of capacity decisions towards BMW he said that the more capacity the more profit the company will gain and the expenses will be decreased as BMW involves manufacturing so it is important to set a capacity planning because the source of income of BMW comes from selling cars. However, Capacity is important because it deliver benefits and profits much more than what was expected. Mr. Abdel Moniem shehata said that capacity is very important as it affect and have impact on BMW as a Company and its cars. It also affects competitiveness and he said that he thinks that the most near competitors to BMW are Mercedes and Volkswagen as the three brands are Germany and the factories are located near to each other. On the other hand, the firm that has more capacity will have an advantage of delivery speed. He added that capacity decision affects the Operating costs by helping in minimizing operating cost.

There are two different ways to measure capacity which are design capacity and effective capacity. The design capacity is the output rate while the effective capacity is the design capacity minus allowances. According to BMW Eng. Abdel Moniem shehata says about the ways BMW use to measure capacity, that at the beginning of any business a Feasibility study is very important to start with and study it very proper and ensure that it is right to reach the profit which the company needs. Afterward things that is essential for production comes after like machines, inventories, workers, engineering, and equipment all these kind of resources which will help in achieving high capacity. Then the budget of the production is putted which consists of income and outcome. Income like assets and expenses while outcome like revenue and profit that is received. Mainly BMW measures capacity by multiplying the number of machines or workers with the number of shift, with utilization and with efficiency.

According to the determinants of effective capacity there are factors that influence capacity. The design of BMW is important including the shape and the size. Also the design can have influence on capacity. According to BMW it is important to produce cars with the same range other than different ones. He added that quality of the car is an important part in the determinants of effective capacity. As by increasing quality the capacity will increase as well. And other external factors like safety, purchasing decisions and inventory stocking decision, all these factors have a great impact on capacity.

Any company or organization has a capacity formulation bases its capacity strategy on assumptions and prediction. Strategy formulation consists of 3 primary stages which are leading, following and tracking. Leading helps in <https://assignbuster.com/assessing-the-capacity-planning-for-bmw-business-essay/>

building capacity in a hope of future demand increases. While following start building capacity when demand increases current capacity. Finally tracking keeps capacity to keep demand increase (Stevenson, 2009). However, BMW can measure the success of its new process by tracking how long it takes for one car to be built from the very beginning until it's all done. If vehicles take different of times to be built then it is a sign of uneven flow of materials to the production line. Another way is looking at the number of vehicles that are returned for warranty work. This measurement looks at the final product. If suppliers are hurried to complete orders, they might reduce the quality of the products that they are supplying to BMW. Once those low quality parts are used in the manufacturing of a new car, the customer will find it unsatisfying and it will be returned back to be corrected.

The capacity planning is done by the general manager and other people that are responsible for the materials and engineering as well. There are six steps of capacity planning. The first step is to Estimate the future capacity requirements, the second step is to evaluate existing capacity, the third step is identify alternatives, the fourth step is to conduct financial analysis, the fifth step is to assess key qualities issues, while the six step is to implement alternative chosen, finally, the six step is to monitor results.(Stevenson, 2009). But Eng. Abdel El Moneim said that BMW makes the capacity planning in 3 simple steps. The first step is determining service level requirements; as they categorize the work done by systems and quantify customers' expectations for how those works get done. The second step is to analyze the current capacity which is important to analyze it to see how it is meeting customer's needs. The third step is planning for the future, by forecasting

BMW's future business activity and determining it. However, Implementing is important as it ensure that the available capacity will be enough even if any changes happened if the future.

Finally, when coming to the evaluation of the capacity planning at BMW Mr. Abdel Moniem shehata said that " Evaluations carried out to learn lessons that can be used to improve ongoing or future capacity planning efforts are of potentially greater value. Unfortunately, improvement-oriented evaluations are seldom carried out. This is a serious shortcoming of evaluation practice, since capacity-development efforts involve a great deal of experimentation, and managers need to know the results in order to sharpen or reformulate objectives and reorient their activities in appropriate ways."

In conclusion, for any company to achieve a successful planning capacity is to set goals and define objectives. The company must also ensure that the planning process is carefully recognized. And if the company found any mistake in the plan or the plan is not working, it doesn't mean that the organization has to start the planning from the beginning but only to correct or improve the parts which include the mistake. BMW creates their capacity planning at least once a year and sometime every six months.

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