

Effective operations management in automotive industry commerce essay



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“ PSA Peugeot Citroen is a France based automobile manufacturer. It manufactures cars and light commercial vehicles under the Peugeot and Citroen brands. In addition to its automobile division, the company also comprises Banque PSA Finance, which supports the sale of Peugeot and Citroen vehicles by financing new vehicle, replacing parts for dealers and offering financing and related services to vehicles buyers. Faurecia is an automotive equipment manufacturer under PSA Peugeot Citroen which focuses on four components- seats, vehicle interior, front end and exhaust system. Gefco is another division which offers logistics services covering the entire supply chain, including overland, sea and air transport, industrial logistics, container management, vehicle preparation and distribution, and customers and value added tax (VAT) representation. Peugeot Scooters division designs and manufactures scooters and motorcycles. PSA Peugeot Citroen acquired EMCON technologies in November 2009.”

Reuters, profile: Peugeot SA (PEUP. PA) (Online)

<http://www.reuters.com/finance/stocks/companyProfile?symbol=PEUP.PA>
(Accessed: 5 June 2010)

“ PSA Peugeot Citroen is number two in terms of sales in Europe. But it has faced a series of difficulties in recent times. It is recalling 100, 000 cars across Europe to change accelerator pedals on two model designed and produced in a joint venture with Toyota. The recall involves Citroen C1 and Peugeot 107 models produced in the Czech town of Kolin in the 50-50 venture with Toyota and the cars built between mid- 2005 and mid-2009.”

Coast Reporter, Voice of the sunshine coast. Toyota ally PSA Peugeot Citroen of France recalls 100, 000 cars in Europe to change gas pedals. (Online)

[http://www.coastreporter.](http://www.coastreporter.net/article/GB/20100131/CP07/301319980/-1/SECHELT/toyota-ally-psa-peugeot-citroen-of-france-recalls-100000-cars-in)

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[coastreporter.net/article/GB/20100131/CP07/301319980/-1/SECHELT/toyota-](http://www.coastreporter.net/article/GB/20100131/CP07/301319980/-1/SECHELT/toyota-ally-psa-peugeot-citroen-of-france-recalls-100000-cars-in&template=cpArt)

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[peugeot-citroen-of-france-recalls-100000-cars-in&template= cpArt”](http://www.coastreporter.net/article/GB/20100131/CP07/301319980/-1/SECHELT/toyota-ally-psa-peugeot-citroen-of-france-recalls-100000-cars-in&template=cpArt)

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19. 1. 1 The role and importance of effective operations management in automotive industry

Today, the automobile industry is a major component of economic growth in all industrialized countries. Operation management is seen as a vital part in any organization and it is a widespread activity embracing all sectors of the economy. “ Operation management deals with decision making related to productive processes to ensure that the resulting goods and services are produced according to specifications, in the amounts and by the schedule required, and at minimum cost. Inputs of materials, labours, and resources are used to obtain goods and services using one or more conversion/ transformation processes, thereby adding value.” Shim & Siegel (1999: 2).

Shim, Jae K & Siegel, Joel G. 1990. Operation management. (Online)

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There are different factors that affect organizational success, they are:

Summers, Donna C. S(2009: 8)

Strategic factors

Market, Product, Technology, Customers, Suppliers, Vision, Value Creation
Strategy

Organizational factors

Strategy Deployment, Effective Leadership, Policies, Procedure, Processes,
Continuous Improvement Culture, Problem-solving, Commitment, Culture,
Measurement of Performance; Trust, Honesty and Ethical Behaviour

People factors

Employee Involvement, Education, Training, Internal Supplier-customer
Relations, Motivation, Teamwork, Communication, Safety

Environmental factors

Social, Economic, Competitive, Technology

Effective operations management is must in every organization and the role
and importance of effective operations management in automotive industry
are summarized below: Summers, Donna C S(2009: 16)

Improve in profitability

Increase in customer retention

Reduce in customer complaints and warranty claims

Reduce in cost through less waste, rework, and so on

Greater market share

Increase in employee involvement and satisfaction, lower turnover

Increase in ability to attract new customers

Improve in competitiveness

Improve in customer satisfaction

Improve in management-employee relations

Improve in focus on key goals

Improve in communication

Improve in teamwork

Improve in employee morale

Improve in company image

Improve in revenue

Improve in service to internal and external customers

Improve in effectiveness

Greater adaptability

Improve in planning

Improve in work environment

Improve in decision making

19. 1. 2 Strategic Objectives

“ Strategic objectives are used to operationalize the mission statement. They help to provide guidance on how the organisation can fulfil or move towards the high goals of their mission and vision. As a result of which they tend to be more specific and cover a more well-defined time frame. Setting objectives needs a yardstick to measure the fulfilment of the objectives. Most of these objectives are directed towards generating greater profits and return for the owners of the business, other objectives are directed at customers or even at society. Therefore, those objectives need to be:

Measurable: There must be at least one indicator that measures progress against fulfilling the objective.

Specific: The objective should provide a clear message as to what needs to be accomplished.

Appropriate: It must be consistent with the mission and vision of the organisation.

Realistic: The target must be achievable with regard to the organisation's capabilities and opportunities in the environment and it must be challenging.

Timely: There must be a time frame for accomplishing the objective.”

Strategic objectives. (Online) Available at:

http://www.sbaer.uca.edu/publications/strategic_management/pdf/08.pdf

(Accessed: 15 June 2010)

PSA Peugeot Citroen is putting sustainable development at the heart of its strategy, by undertaking to build even safer, environmentally friendly vehicles. There are 10 sustainable development objectives guiding its teams' action in each area of responsibility:

CO2 emissions objective

It aims to continue to be the leading producer of low-emission vehicles.

Eco- design objective

It aims to sharply increase the proportion of green materials in Peugeot and Citroen vehicles.

Environmental management objective

It aims to reduce the energy consumed per vehicle produced in all PSA Peugeot Citroen manufacturing facilities.

Social responsibility objective

It aims to extend PSA Peugeot Citroen socially responsible approach worldwide.

Supplier responsibility objective

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It aims to disseminate the PSA Peugeot Citroen social and environmental responsibility requirements guidelines.

Socially responsible investing objective

It make sure PSA Peugeot Citroen continue to be listed in the principal extra-financial indices.

Stakeholder dialogue objective

It aims to enter into constructive dialogue with civil society representatives during theme-based sessions.

Road safety objective

It aims to broadly deploy data communication services (such as the emergency call system) to improve passenger safety.

Urban mobility objective

It aims to finance innovative mobility solutions.

Customer respect objective

It aims to implement the PSA Peugeot Citroen Responsible Communications Charter.

PSA Peugeot Citroen. 2010. (Online) Available at:

[http://www.sustainability.psa-peugeot-citroen.](http://www.sustainability.psa-peugeot-citroen.com/vision/commitment/action-plan.htm)

[com/vision/commitment/action-plan.htm](http://www.sustainability.psa-peugeot-citroen.com/vision/commitment/action-plan.htm) (Accessed: 15 June 2010)

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19. 1. 3 Operations objectives and Organisational Objectives

PSA Peugeot Citroen could meet their organizational objectives if they manage to get their operations objectives right considering the five following competitive objectives:

Quality: In the context of operations, quality means what enables you to do things right. It means error free processes and error free products and services. Quality has several meanings. The two most common are:

Quality as the specification of product or service

Quality as the conformance with which the product or service is produced.

So, we can define quality as consistent conformance to customer's expectations.

Speed: In the context of operations, speed means which enables you to do things quickly. It means quick delivery and fast throughput. Speed has different interpretations. Externally, it means the elapsed time between a customer asking for products or services and getting them that too in satisfactory conditions. In other words, it enhances the value of product or service to customers. Internally, speed reduces the need to manage transformed resources as they pass through the operation, thereby saving cost.

Dependability: In the context of operations, dependability means which enables you to do things on time, that is, delivery or making available products and services when they were promised to the customer. It means

dependable delivery and reliable operation. Dependability prevents late delivery and lateness causing disruption and wasted time and effort.

Flexibility: In the context of operations, flexibility means which enables you to change what you do. It means ability to change and offer frequent new products with maximum choices. Flexibility has several distinct meanings but they are always associated with operation's ability to change. It is the degree to which an operation's process can change what it does, how it is doing it, or when it is doing it:

Product/ service flexibility: ability to change the products and services it brings to the market.

Mix flexibility: ability to change the mix of products and services it produces at any one time.

Volume flexibility: ability to change the volume of products and services it produces.

Delivery flexibility: ability to change the delivery time of its products and services.

Cost: In the context of operations, cost is which enables you to do things cheaply. It means minimum cost, maximum value and minimum price, highest value. The cost of producing products and services is influenced by many factors. The most important is 4 V's: volume, variety, variation and visibility.

LSBM, drop. io. 2010 (Online). Available at:

<https://assignbuster.com/effective-operations-management-in-automotive-industry-commerce-essay/>

http://drop.io/lbms_apdms_qsm (Accessed: 29 June 2010)

TASK 2

19.3.1 Analyze the areas of good practices and system used in improving organizational performance

There are numerous methods to increase the performance of any organization. Each method includes regular recurring activities to establish organizational goals, monitor progress toward the goals, and make adjustments to achieve those goals more effectively and efficiently. The following approaches improve organizational performance only if they are implemented comprehensively and remain focused on organizational results.

Balanced Scorecard: It focuses on four indicators- customer perspective, internal-business processes perspective, learning and growth perspective and financial perspective, to monitor progress toward organization's strategic goals.

Benchmarking: It is used as the standard measurements in a service or industry in comparison to other organizations in order to gain perspective on organizational performance. It is often perceived as a quality initiative.

Business Process Reengineering (BPR): It is a management approach aiming to improve by means of elevating efficiency and effectiveness of the process that exists in an organisation.

ISO 9000: It is an internationally recognized standard of quality, and includes guidelines to accomplish the ISO 9000 quality standard. Organizations can be optionally audited to earn ISO 9000 certification.

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Total Quality Management (TQM): TQM is defined as a set of management practices throughout the organization to ensure the organization consistently meets or exceeds customer requirements. TQM is a quality initiative and is slower and cheaper process.

Six Sigma: It is a quality management initiative that takes a very data-driven, methodological approach to eliminating defects with the aim to reach six standard deviations from the desired target of quality.

19. 3. 2 Recommendation on improvement

Like the other leading companies, the PSA Peugeot citroen should focus on many activities to raise the level of its business. Some companies adopt the strategies like expansion of the product category, market segmentation and regional expansion. These strategies help them a lot to achieve their required target. Likewise, PSA Peugeot citroen should adopt different types of new strategy which will be on the favour of both company and consumers. Some of the steps of improvements are as follows:

PSA Peugeot Citroen should follow the best and effective strategy to overcome its problems.

It should bring new technology like other companies which is in favour of the customers and the company itself.

Good and effective communication within the members of the company should be maintained.

A circle should be implemented to analyze its marketing and operational activities.

The senior managers should win the belief of the lower level employees.

It can also change the brand name and capture the market with new brand name.

It should extend its market globally. i. e., all over the world.

It has to focus on innovation, strategic advantages and available resources within the organization.

Organisations do not move forward unless their strategies are formulated and implemented, So the main thing is to develop action plan and performance.

19. 3. 3 Wider implications of proposed changes

As we know that PSA Peugeot citroen has been facing problems, they can solve the problems if they follow the operational and management strategy effectively by keeping the quality issues. So PSA Peugeot citroen should sort out its failures and problems by inspecting at intermediate stages, since work-in-process undergoes many operating steps and control the situation. The findings give statistical information necessary to determine the cause of the quality problem, which can be prevented in the future. So the PSA Peugeot citroen has to establish proper system and procedures that would result in change within the organization. They should focus on technology having latest machinery and tool to carry their operation activities. They

should frame a policy based upon their resources and put maximum effort to achieve it.

19. 3. 4 Implementation and Evaluation of Changes

PSA Peugeot citroen should focus on quality issues, which is very important to exist and compete in the market by using various tools and technique of quality management like establishing quality circle and total quality control and so on. PSA Peugeot citroen can adopt benchmarking process which allows them to make comparisons with other companies. This process is very important for the company to know its competitors and it is very crucial to capture the market. It is cheaper process and they can easily implement this process within the organization. It also has to focus on work force management which seems to be very poor in this organization. So the success of company depends upon how the organization manages its workforce to achieve organizational and personal success.

PSA Peugeot citroen is a large car manufacturing company so it has to maintain its quality and it can adopt the total quality control and quality circle to ensure the quality product. For the improvement of organizations operation activities, it should use tools and techniques which enables the organization to become more responsive and worthy to their customers. Total quality circle, benchmarking, etc practices reduce the process flow times and eliminate waste. These tools and technique helps to improve the organizations operation activities and quality control. The isolation and analysis of problem and the development of permanent solution, is an integral part of improvement in effectiveness of organization. Therefore,

company should always first identify the problem and sort out problems accordingly.