

Strategic Operations BUS	8	0	3
Syndicate Group Number	4		



GROUP ASSIGNMENT COVER SHEET

Please complete **ALL** sections in CAPITAL LETTERS and attach to the front of your assignment.

LECTURER		Mrs Renu Agarwal								
ASSIGNMENT NAME		Value Chain Management at Volvo Cars						DUE DATE		27.3.2007
GROUP MEMBERS										
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CERTIFICATION

Please confirm that your assignment meets with **ALL** of the following requirements by ticking each box and by **ALL** group members signing below. Assignments that do not comply with the following requirements **MAY NOT BE MARKED**.

- We have read and understood the Unit for this course. This assignment has been prepared and submitted in accordance with the guidelines for preparation and submission of assignments set out there. We understand that failure to meet any of these requirements will lead to a deduction in the marks awarded for this assignment.
- We have attached the relevant marking criteria sheet for this assignment as provided in the Scheme of Work outline for this course. We have read and understood these marking criteria and understand that these criteria will be applied in the assessment of this assignment.
- We certify that this assignment is the work of the group, based on their personal study and research, and that all material and sources in the preparation of this assignment have been appropriately acknowledged. We have read and understood the policy on plagiarism set out at <http://www.student.mq.edu.au/plagiarism/> and understand that students found to be plagiarising will be penalised.
- We have submitted an electronic version of this assignment via an email attachment sent to the lecturer and understand that a mark for this assignment will not be assigned unless this electronic version is submitted. We understand that the University will hold the electronic version of this assignment, which may be tested now or in the future for evidence of plagiarism.

1. -----	4. -----		
2. -----	5. -----		
3. -----	6. -----		
SIGNATURE OF GROUP MEMBER	DATE	SIGNATURE OF GROUP MEMBER	DATE

IMPORTANT: Your assignment is to be handed to the lecturer in class on the Due Date. The lecturer will return marked assignments on the date specified in the Unit Outline

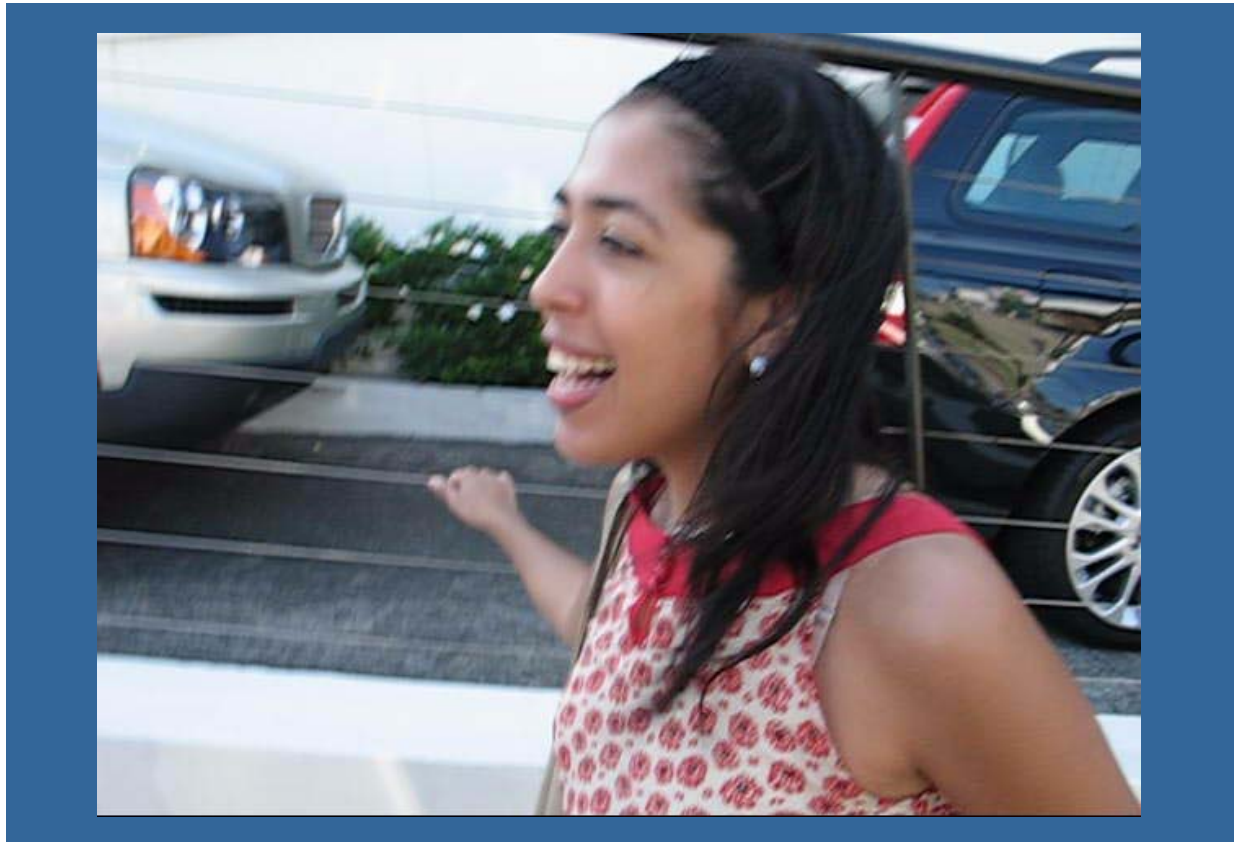
Welcome to Macquarie
Business Dialogue

Value Chain Management at Volvo Car



What influences the Customer Value of a car?

What are your expectations?



Welcome to Macquarie Business Dialogue

Today's speakers are:

Adriana

Host of the Day



Martin

Academic



Adam

VolvoCars



Ehsan

VolvoCars



Stefan

Consultant

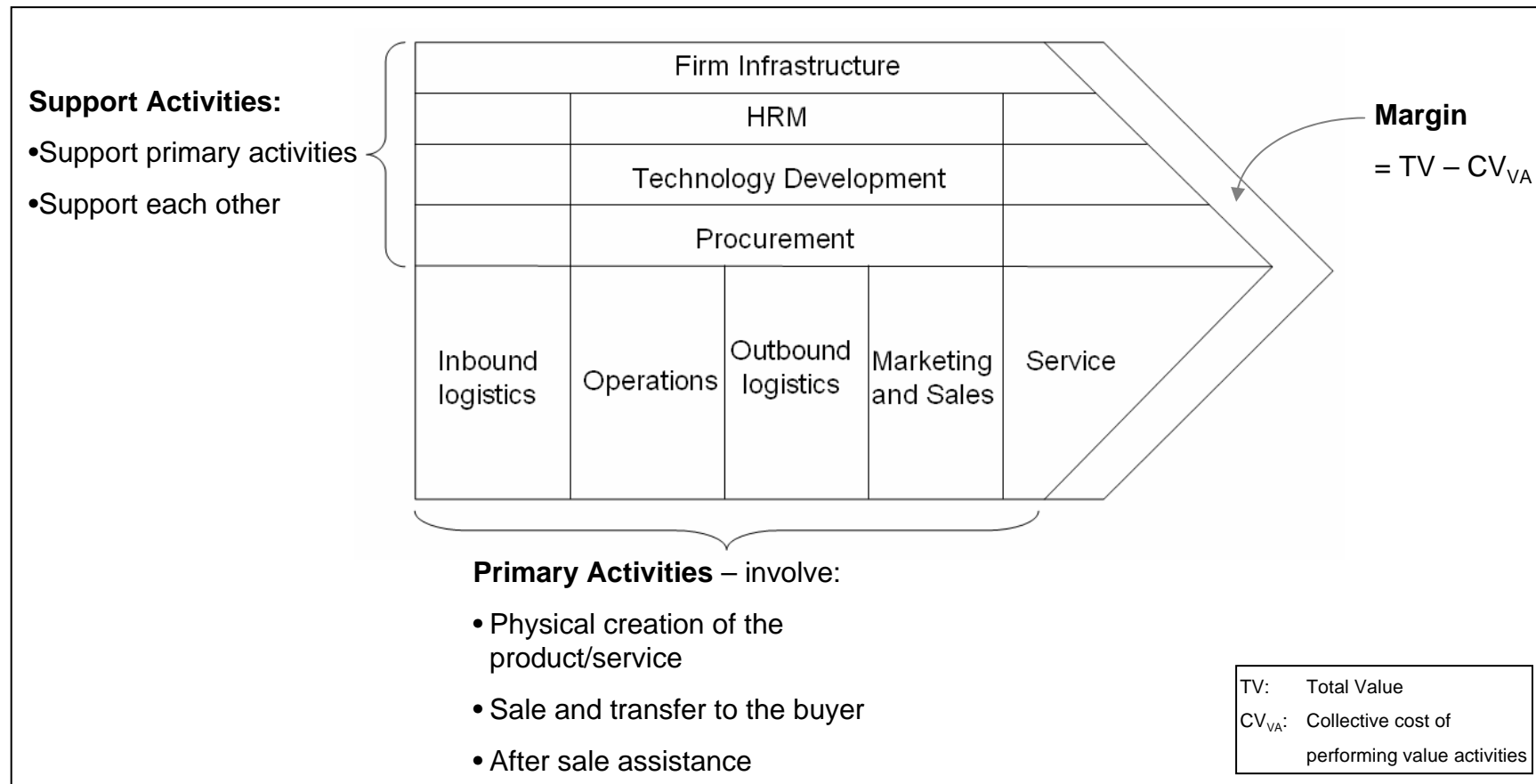




**What the academics
say**

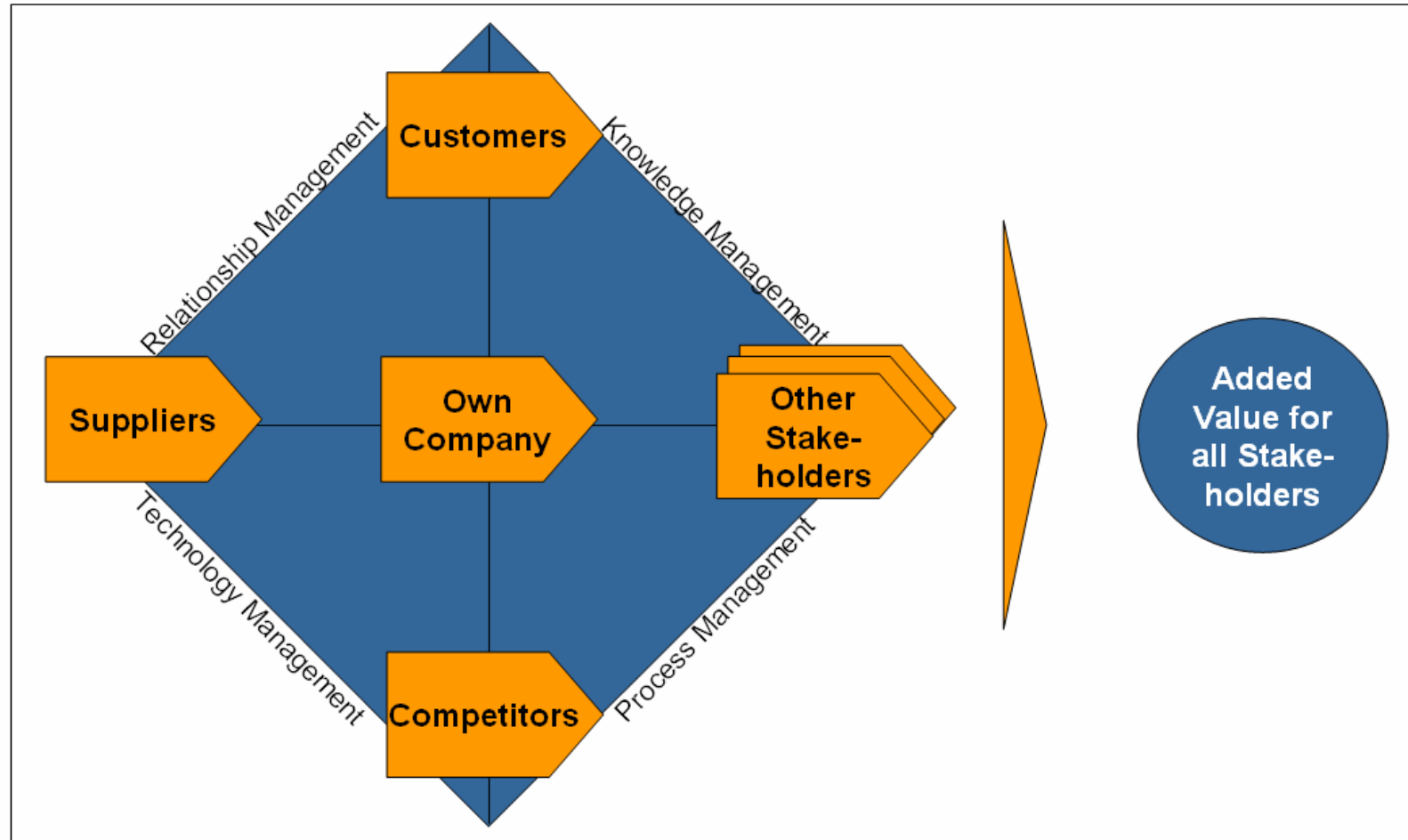
Value Chain Management – an academic approach (1/4)

Porter's Value Chain is a tool for analyzing a company's sources of competitive advantage



Value Chain Management – an academic approach (2/4)

The New Economy requires a stakeholder orientated approach to the Value Chain



The Value Chain of the New Economy (based on (WISE 2003, p. 12) and (Walters&Rainbird 2007, p. 7))

Value Chain Management – an academic approach (3/4)

...forces affecting a company's Value Chain

- Prosumerism, mass customization
- Life cycle thinking,
- Customer Relationship Management
- Product & service features (value drivers)

(Walters&Rainbird 2007, p. 155)

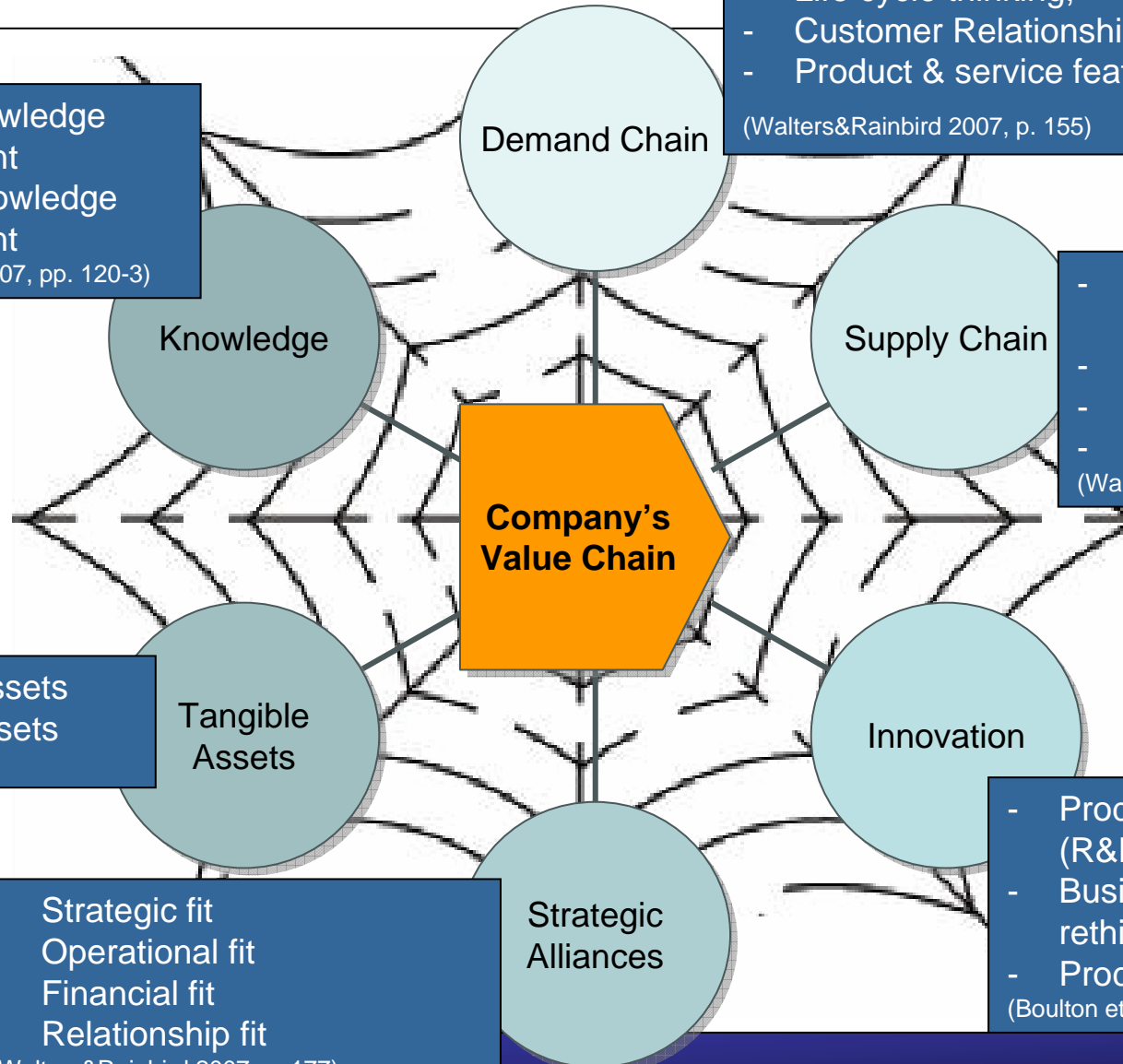
- Internal knowledge management
 - External knowledge management
- (Walters&Rainbird 2007, pp. 120-3)

- Performance management
 - Cost management
 - Time management
 - Service management
- (Walters&Rainbird 2007, p. 155)

- Financial Assets
 - Physical Assets
- (Boulton et al. 2000)

- Products & Services (R&D)
 - Business Model rethinking (Wise 2003)
 - Process Innovation
- (Boulton et al. 2000)

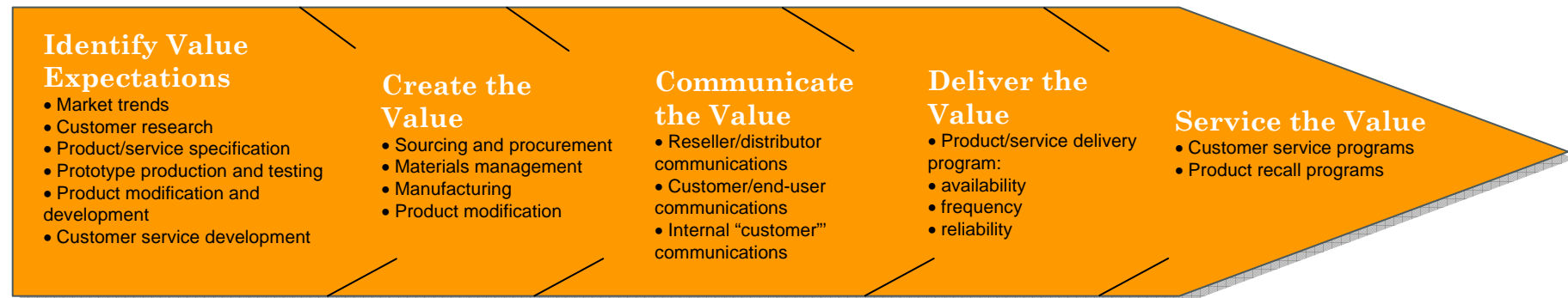
- Strategic fit
 - Operational fit
 - Financial fit
 - Relationship fit
- (Walters&Rainbird 2007, p. 177)



Value Chain Management – an academic approach (4/4)

The final Value Chain consists of five important steps

Supply Chain Management (efficiency)



Demand Chain Management (effectiveness)

“A chain is only as strong as its weakest link“



Source: Lecture notes, week 3



Value Chain Management at Volvo Cars



Volvo Cars

The Company at a Glance

Vision: *To be the world's most desired and successful premium car brand*

Mission: *We create the safest most exciting car experience for modern families*

- **Founded:** 1927 by Assar Gabrielsson and Gustav Larson (Gothenburg, Sweden)
- **Ownership:** Since 1999 part of the Ford Motor Company, Premier Automotive Group (PAG)
- **Markets:** Main Markets are USA, Sweden, Germany, Great Britain (market share = 1-2%)
Emerging markets (growth per year): China (+83%), Ireland (+39%), Portugal (+33%)
- **Production sites:** Sweden, Belgium, Thailand, Malaysia
- **Sales:** In 2005, Volvo delivered a total of 443,942 cars to end consumers (-3% compared to 2004)
- **Bestsellers:** XC90, S40, V50
- **Employees:** 25,553 (2006)
- **Characteristics:** Emphasis on safety, environment and quality



Source: Ford Motor Company, Volvo Cars

What Customers think about Volvo

What is the reason why you just bought a Volvo car?

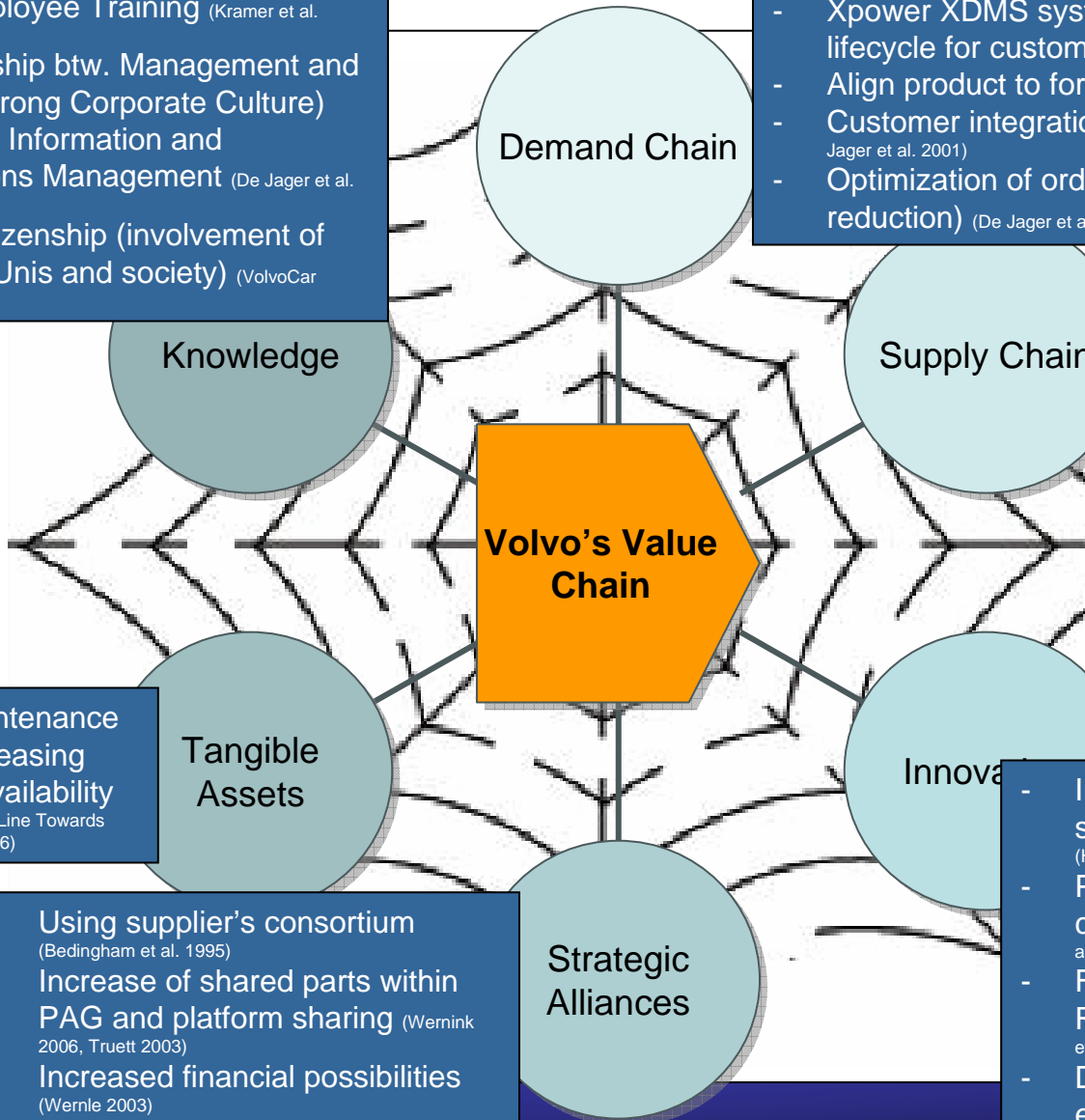


Volvo Cars – How we create Value

...forces affecting VOLVO's Value Chain

- Extensive employee Training (Kramer et al. 1996)
- Good relationship btw. Management and Employees (strong Corporate Culture)
- Emphasize on Information and Communications Management (De Jager et al. 2001)
- Cooperate Citizenship (involvement of Government, Unis and society) (VolvoCar Company, 2007)

- Attempt to attract younger buyers
- Monitoring customer satisfaction in order to improve product design (Gustafsson et al 2000)
- Introduction of CRM resulted in three times more customer leads (Abbate 2004)
- Xpower XDMS system: track each car throughout lifecycle for customer benefit (Casanova 2006)
- Align product to foreign demands (De Jager et al. 2001)
- Customer integration into production process (De Jager et al. 2001)
- Optimization of ordering processes (lead time reduction) (De Jager et al. 2001)



- Customer based production (De Jager et al. 2001)
- Continuous improvement (Kaizen) (De Jager et al. 2001)
- Outsourcing to suppliers account up to 75% of a car's value (eg. India) (VolvoCar Company 2007)
- Supplier controlled warehousing (Barding 2006)
- Sourcing of whole components (from suppliers) (Foudy 2002)

- Reducing maintenance costs and increasing product line availability (Pushing the Production Line Towards Maximum Efficiency 2006)

- Implementation of reverse logistics system for recycling used cars (Hudson 2004)
- Process redesign, focus on customer-facing processes (Kramer et al. 1996)
- Ford spends 3% of Revenue for R&D (2005 top R&D spender) (Bordia et al. 2006)
- Derive relevant information from environment (stakeholders) to develop better products

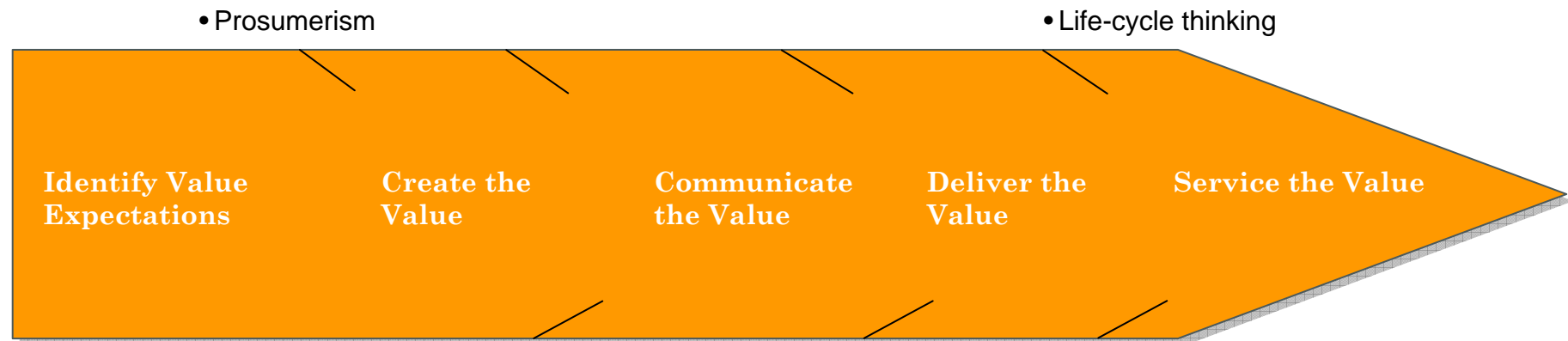
- Using supplier's consortium (Bedingham et al. 1995)
- Increase of shared parts within PAG and platform sharing (Wernink 2006, Truett 2003)
- Increased financial possibilities (Wernle 2003)
- Team purchasing (Weernink 2006)



Volvo Cars – How we create Value (2/2)

...what is **unique** about Volvo's Value Chain?

- CRM
- Integration of local knowledge
- Gov't cooperation
- Optimizing internal and external processes
- Making use of alliances (Platforms)
- Clear value proposition
- Strong Brand
- Cooperate Citizenship
- Meeting value proposition
- Corporate culture
- Financial value to Ford's shareholders
- Performance measurement
- Kaizen
- Interaction with universities




Value generated at each stage:

Knowledge Cost reduction Shareholder Value Customer Value



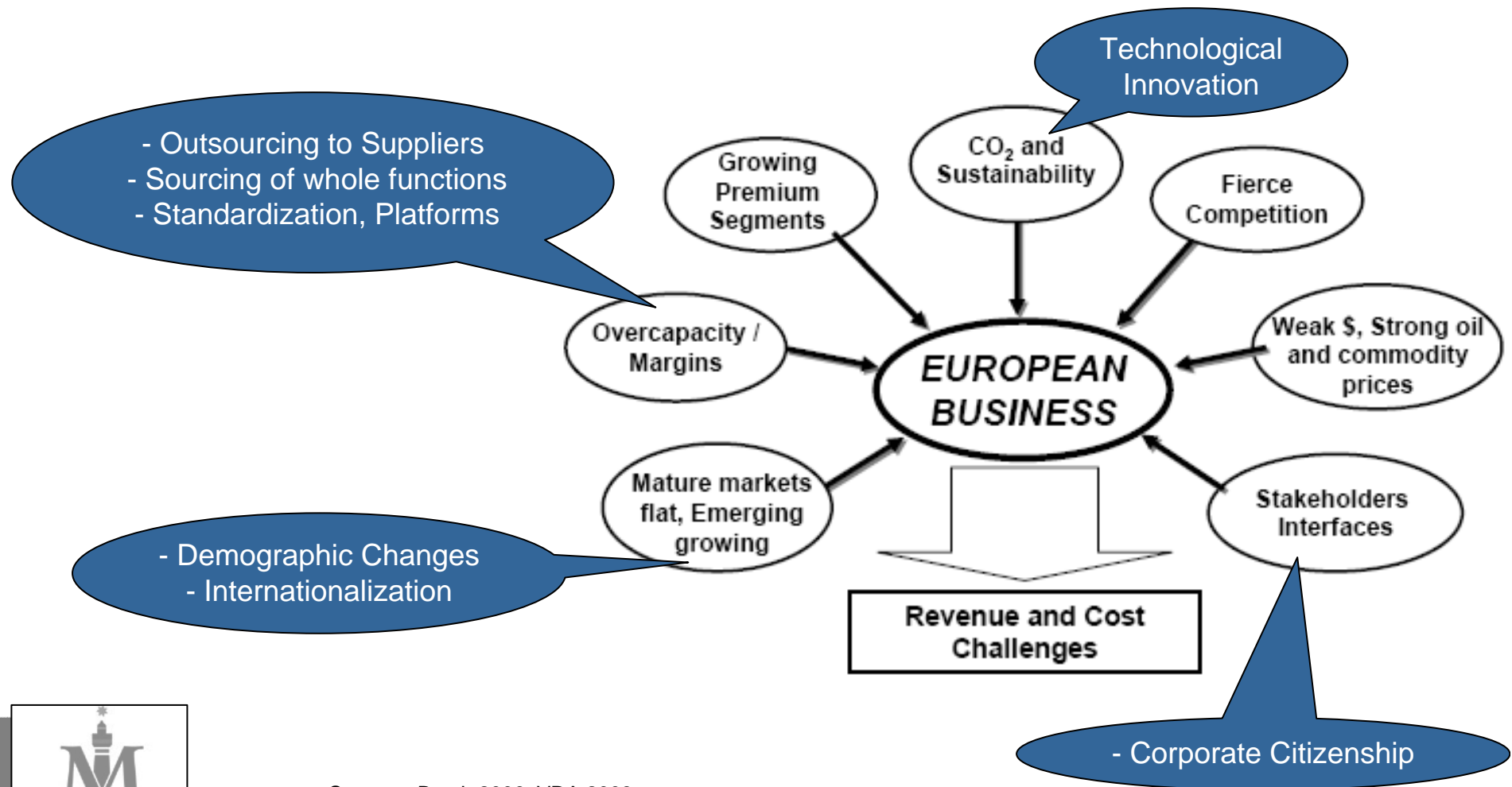
Sources: See previous slide

A close-up photograph of a person's hand holding a red marker, drawing a red car on a whiteboard. The hand is positioned on the left side of the frame, with the marker pointing towards the right. The whiteboard has a grid pattern and some red markings, including a curved line and a small red circle. The background is a plain white surface.

**Measuring Up
Evaluation of
Volvo's
Performance**

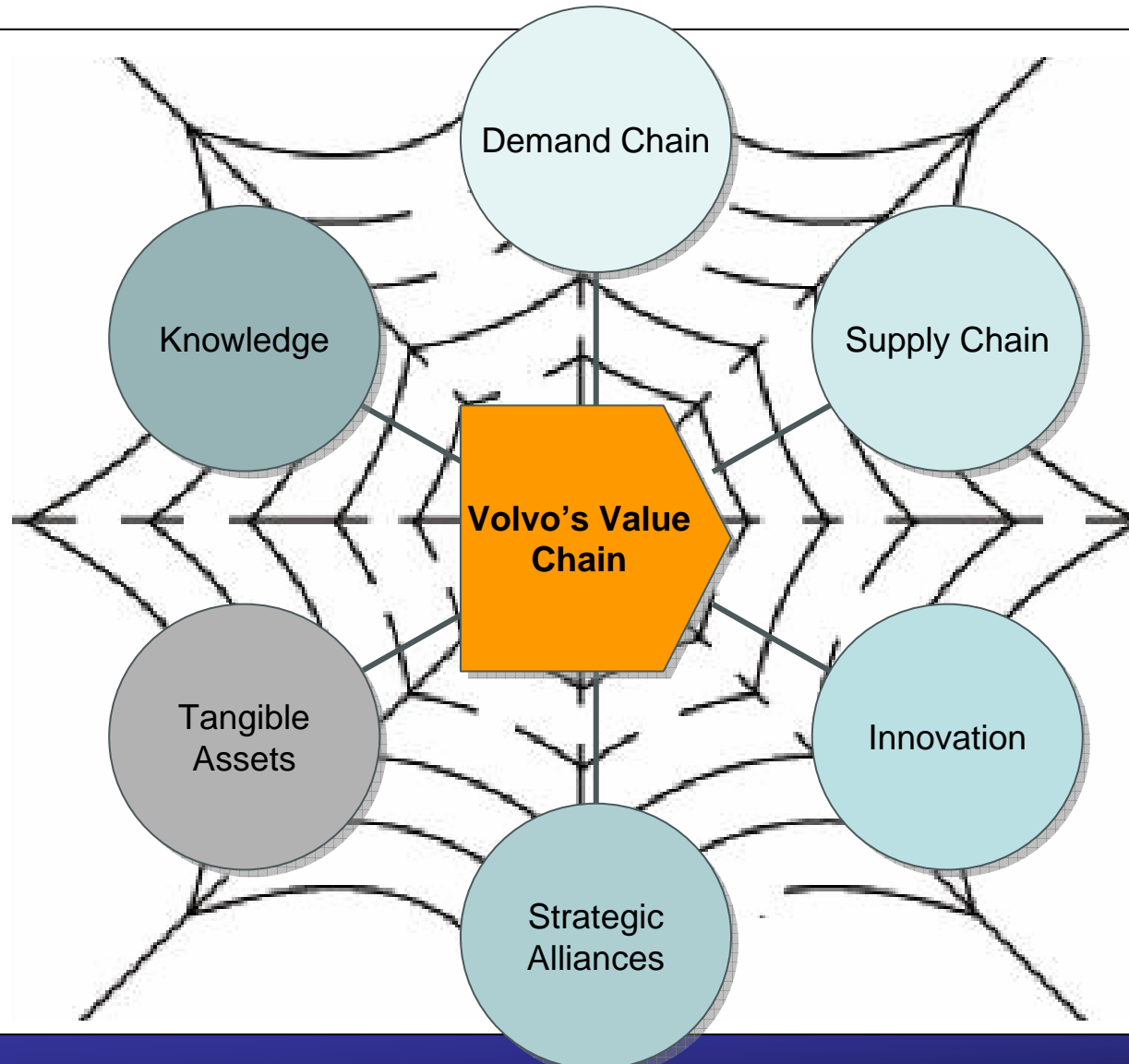
Trends in the Automotive Industry (for next 20 years)

...major trends can be identified that effect Volvo's way of doing business



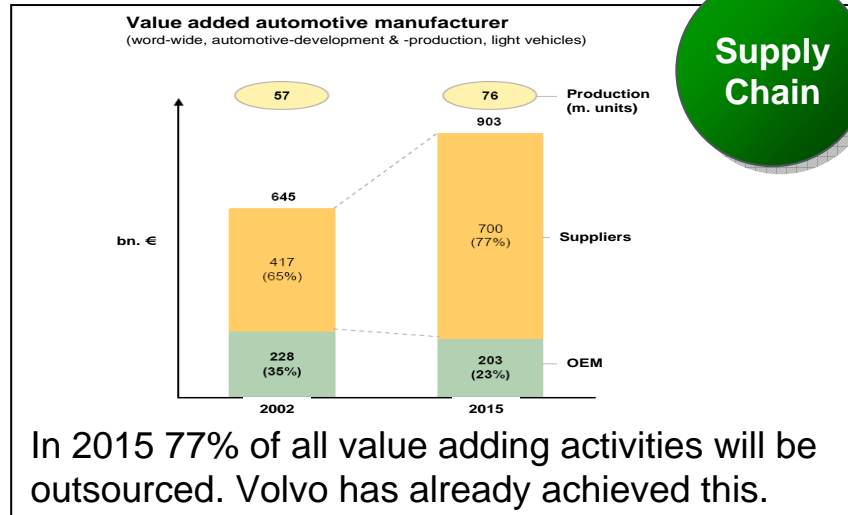
Assessing Volvo's Value Chain

...once again, Volvo's Value Chain is influenced by those cornerstones



Volvo already performs well in those areas

... within those cornerstones, Volvo has an comparative advantage

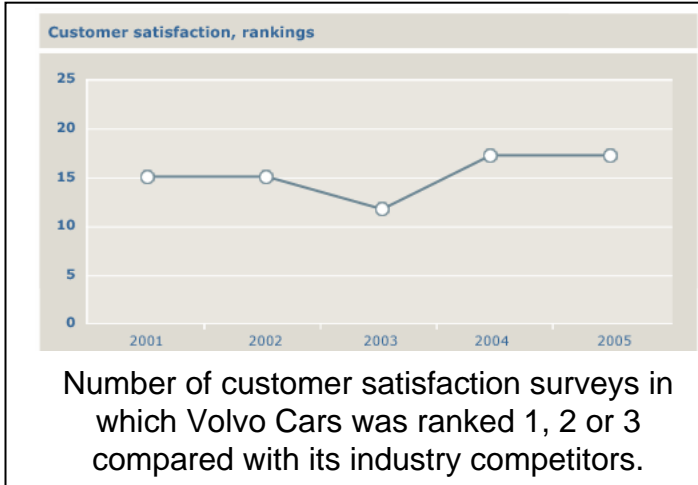


Supply Chain

Source: Mercer 2004

- Knowledge: Corporate Citizenship**
- Understanding stakeholders makes Volvo able to develop the cars society needs
 - Volvo promotes importance of road safety through NGOs
 - Volvo recruits people and knowhow by cooperating with unis
 - Corporate Culture, Social Responsibility and Environmental caring are big advantages of Volvo
- Source: VolvoCar 2007

Knowledge & Innovation



Demand Chain

- Customer satisfaction monitoring
 - Customer Based Production
 - Customer Relationship Management
 - lifecycle thinking
- Source: VolvoCar 2007



Where Volvo still must improve

...however, there are other areas in which Volvo still has to improve

Strategic Alliances: PAG

Relationship Fit:

- **Corporate Cultures** within Ford Motor Company too different (Wernle 2003)

Strategic Fit:

- Volvo moves upward in the luxury segment, Jaguar downward, resulting in **competition within PAG**.
- With substantial growth, which Ford requires from Volvo, it would **lose its uniqueness** (Flint 2002)

Operational Fit:

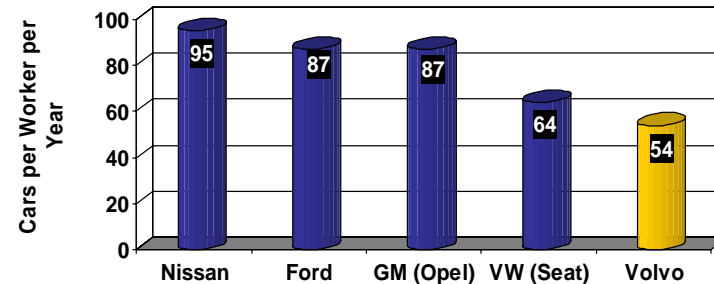
- Not many platforms shared within Ford Motor Company so far.
- Developed platforms are rejected by partners (Rechtin et al 2005)

Financial Fit:

- Ford enables Volvo to **develop new technologies**
- **Volvo is profitable** within PAG
- **PAG is lacking** far behind **Ford's expectations** (goal: 30% contr. to Ford's profits, 2005: loss of \$100 Mio.) (Wernle 2003)

Strategic Alliances

Most Productive Automobile Plants in Europe 2001



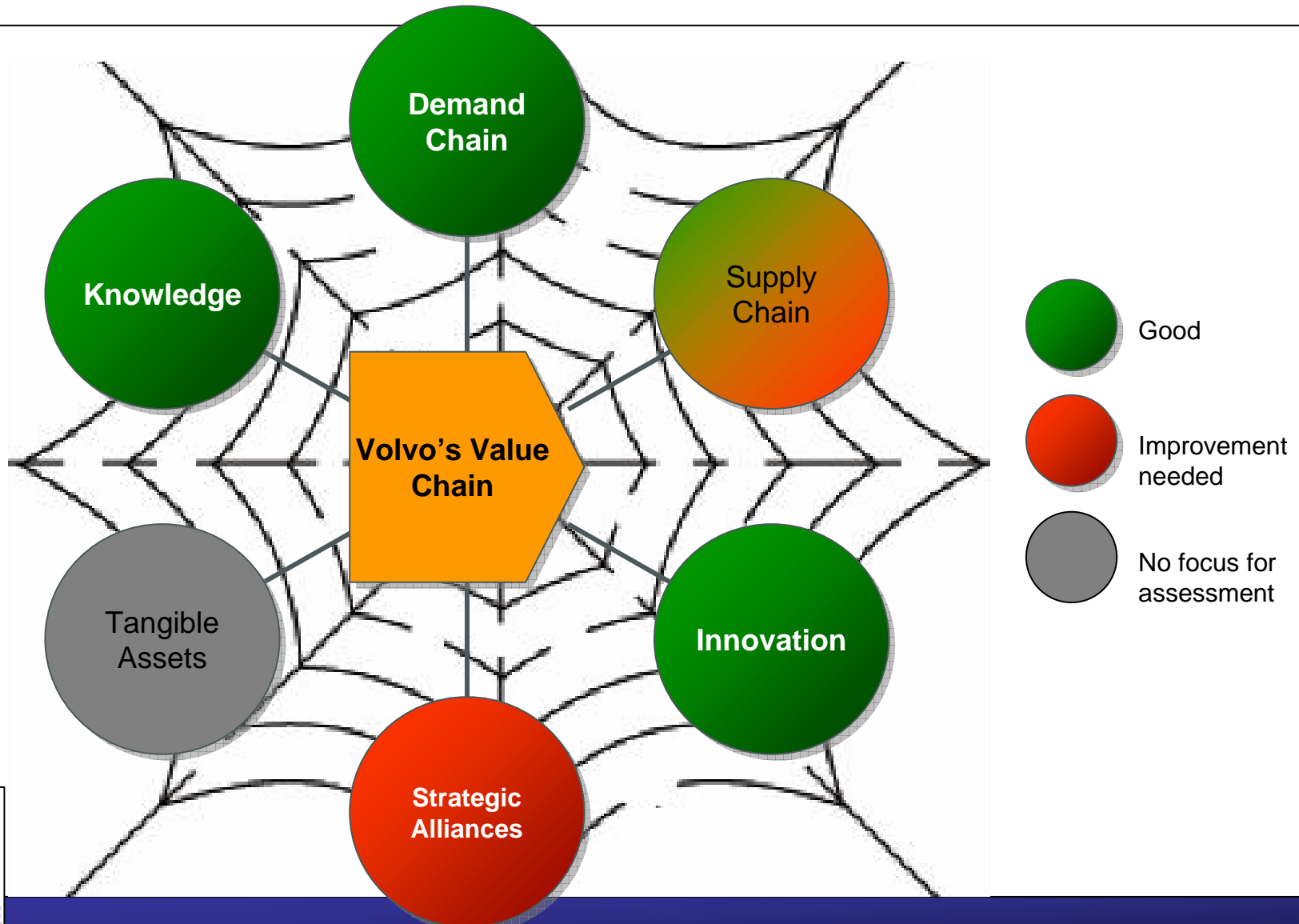
Source: Automobil Produktion 2002

Volvo Plants are lacking productivity

Supply Chain

Assessing Volvo's Value Chain

To put it all together: Summary and Conclusion



Macquarie Business Dialogue

**Thank you very much for your
attention.**

We would like to answer your questions now!



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