

Chapter 23

The Impact of Improvement in Productivity on the Creation of Value in the Automotive Parts Sector

Ricardo Prada-Ospina
EAN University, Colombia

ABSTRACT

Improvement in productivity is not an end in itself. It is an intermediate situation applied to exert an impact on results. For its part, created value is the company's power to adapt to environmental conditions, to make relevant adjustments that not only allow its survival, but also the option to enter into other markets successfully. Thus, every interaction that takes place must create value. This chapter identifies present associations between improving productivity by creating value in Bogota's auto parts companies.

INTRODUCTION

In Colombia, small and medium-sized enterprises (SMEs) are the fundamental basis of economic activity. However, these SMEs, including the auto parts sector, which represent almost all (more than 90%) of the companies in the industrial sector, have poor production organization as well as variability in product quality, among other drawbacks. Colombian SMEs today face the challenge of internationalization as an opportunity for growth (Garay, 2012).

The sub-sector of SMEs of Auto parts is an important chain of the automotive sector, representing 6.2% of the GDP and has two large markets in the automotive industry: assembly of vehicles and sale of spare parts, both are concentrated in Bogotá, Cali and Medellín and seeks to provide parts and parts of the car, such as wheels, tires, suspension, glass, electrical components, air conditioning and ventilation systems, exhaust, elements for the interior conditioning of the vehicle, among others. This sector, constituted primarily by SMEs, is characterized by the low volume of production per piece, the wide

DOI: 10.4018/978-1-5225-9425-3.ch023

range of references and its versatility to change or modify production lines to meet the specific demands of the market.

Even though the manufacture of components or value-added systems is one of the smallest items in the generation of income, the transition from an “assembly country” to a “manufacturing country” is one of the most important challenges facing the industry. . The foregoing could represent an increase in the degree of specialization of the auto parts (Boletín Tecnológico, 2012).

Productivity improvement is not a goal in itself, but an intermediate situation applied to exercise an impact over results. Value creation, for its part, is the power companies have to adapt to environment changes, thus making the pertinent adjustments allowing the organizations not only to survive, but also to successfully penetrate other market possibilities. Each interaction occurring should necessarily be translated into value creation. This study aims to identify the present associations between productivity improvement and value creation through descriptive research in auto parts companies in Bogotá.

Productivity has gained increasing importance in recent years as an indicator of business management and competitiveness as well as in the development of a country's economy (OCDE, 2004; Brynjolfsson & Hitt, 2003; ICO, 2004; Almunia, 2005). In this sense, Heizer & Render (2009) argue that productivity is the relationship that exists between outputs (goods and services) and one or more inputs (resources such as labor and capital). This relationship inevitably leads to improved productivity, and thus improves efficiency, which is nothing more than doing your job well with minimum resources and waste. This improvement can be achieved in two ways: reducing input while output remains constant, or by an increase in output while input remains constant. Both forms represent an improvement in productivity. For the purpose of this investigation improvement in productivity is defined as a measure of a company's operational efficiency, which associates production with the consumption of resources to develop its activity.

The particular operating conditions imposed by the geographical variation of the country and the state of the road infrastructure generate a space for the development of specific components for these conditions, without which situations of bad operation of the vehicles can be generated. Although the main activity of the Colombian Auto parts Industry has been concentrated in the development of products based on the technical specifications required for homologation and integration in local assembly, in recent years the technological capacity of the country to propose innovations has been demonstrated incremental ones that allow adapting the suspension components to the Colombian geography. There is evidence, albeit on a small scale, of the local manufacturing of value-added components, which in two ways have set off alarms in terms of identifying opportunities and errors committed against the intellectual protection of said inventions (Boletín Tecnológico, 2012).

Currently, companies are primarily focused on creating value, seeing as it is the basis of all decision making. Creating value, according to Boal (2015), is identified as profit or wealth gained by a company during an operation and period of time with maximum benefit a company's primary objective to traditionally achieve it. For their part, Porter & Kramer (2011) associate creating value with the concept of shared value, defined as policies and operational practices that improve a company's competitiveness, while helping to improve economic and social conditions in communities where they operate.

Companies are indeed aware of the need to improve results and product quality; to implement management systems and associate productivity with organizational and financial factors of each organization. Studies on improvement in productivity have, in effect, employees, owners and governments playing their part as actors; improvement in productivity can grow at a micro and macro level. However, it is debatable how best to measure said improvement in terms of variables used as indicators and methodologies

25 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:
www.igi-global.com/chapter/the-impact-of-improvement-in-productivity-on-the-creation-of-value-in-the-automotive-parts-sector/246476

Related Content

The Effect of Structural Capital for Human Capital Development and Management in Social Enterprises

Eric Kong (2017). *Organizational Culture and Behavior: Concepts, Methodologies, Tools, and Applications* (pp. 1442-1460).

www.irma-international.org/chapter/the-effect-of-structural-capital-for-human-capital-development-and-management-in-social-enterprises/177634

Philosophical Sediments: AI-Enabled Translation and Analysis of Chinese Business Ethics

Ross A. Jackson, Brian L. Heath, Paul Hartman and Shweta Kumar (2021). *International Journal of Responsible Leadership and Ethical Decision-Making* (pp. 50-66).

www.irma-international.org/article/philosophical-sediments/304868

Let's Get a Two-Sided Platform Started: Tactics to Solve the Chicken and Egg Paradox

Daniel Trabucchi (2020). *Journal of Business Ecosystems* (pp. 63-77).

www.irma-international.org/article/lets-get-a-two-sided-platform-started/250364

Job Crafting for Tourism Employees: Conceptual Overview, Dimensions, Antecedents, and Consequences

Derya Toksoz, Ali Dalgic and Kemal Birdir (2020). *Organizational Behavior Challenges in the Tourism Industry* (pp. 147-167).

www.irma-international.org/chapter/job-crafting-for-tourism-employees/243972

Ethics of Architecture or Ethical Architecture?

Hisham Abusaada (2019). *International Journal of Responsible Leadership and Ethical Decision-Making* (pp. 1-15).

www.irma-international.org/article/ethics-of-architecture-or-ethical-architecture/264436