

Internationalisation Strategies in the Automotive Sector. The PSA Peugeot Citroen and Fiat Auto Groups: a Comparison between the two Models

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Abstract

The motor industry is the most affected by the effects of the current international crisis involving almost all the major world manufacturers that, as a matter of fact, have been recording a widespread drop in sales, owing to two factors that can be described as follows. On the one hand, the shrinkage in family per capita income leading the consumer to cut down his luxury goods expenses (like cars); on the other one, the high upkeep of cars due to a sharp increase in the cost of fuel, of insurance as well as of road tax, especially in some European countries (like Italy). Besides this deep recession reducing the car producing companies' receipts, the high costs to be borne to renew the industrial plants in accordance with the environmental regulations as well as to design products that are able to meet the consumer's changing needs led motor companies to reorganise their competitive strategies with growing attention, as compared to the past, to a kind of strategy oriented to "innovation and flexibility", allowing the design of new high technology products that are environment-friendly and energy saving with low selling prices compared to the quality offered.

In particular, these targets can be achieved by implementing such strategies as those pursued by some producers in recent years: significant mergers with other car companies aimed at combining their own peculiar features so as to properly widen the range of products marketed; production relocation to emerging countries in order to benefit from low costs of raw materials and labour to minimise production costs; boosting research and development to design cars that are able to run with alternative energy sources; re-launching neglected brands through creative promotional campaigns that are likely to stir up new emotions in the consumer.

Therefore, on the occasion of Peugeot bicentenary, the object of the present work is mainly to analyse the strategic evolution of one of the most ancient motor companies on the international scene, to make the right point about the innovative ideas brought into the market, the kind of organisational structure adopted within the company itself, as well as the future prospects of the transalpine firm.

In particular, the paper is intended to assess whether the strategic choices made are able to meet the successful factors to be considered, in order to assume the possible result that the new models suggested are likely to achieve on the consumer's market.

Afterwards, the most suitable organisational structure to be adopted to support the strategic choices made in the present market conditions will be carefully weighed up; finally, the research will make a comparison between such internationalisation strategies and those implemented by the transalpine company's competitor, namely Fiat, in order to assume which of the two strategic choices could turn out to be the most performing one in the years to come.

Keyword: Peugeot; Fiat; Strategies; Entrepreneurs; Internationalisation; Production; Organisation.

1. Introduction

Before starting to analyse PSA Peugeot Citroen's strategic choices, it is probably convenient to examine the competitive scene of the automotive market, in order to understand its own peculiarities and its evolution as well as the critical success factors to be

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met to ensure competitiveness [1], so as to find out, subsequently, whether the strategic dynamics of the Group are likely to fulfil the expectations of customers that have become, at the same time, increasingly demanding.

In this regard, it must be underlined that the automotive market is among the most dynamic and complex ones, owing to a number of special features characterising it, that can be described as follows: the huge investment needed to implement innovative models, the high technological level of the product, the wide range of the goods offered, their high value, the fragmentation of suppliers involved in the production of the car and so on. The motor sector is the one that has been mostly suffering from the international recession for the last two years, although its recovery has slowly started since the second half of 2010, with increased sales in the leading European producers. Unfortunately, the new political instability, resulting from the wars currently raging in the Middle East countries (Tunisia, Egypt, Libya, Syria, Yemen, Bahrain) - i.e. the major oil producers, has led to soaring fuel costs, whose rise is even due to speculative manoeuvring, thus seriously endangering the motor companies' recovery.

Consequently, in the light of the latest events, among the already known critical success factors to be met, such as the product quality and innovation, minimised production costs, organisational flexibility in order to keep pace with the market evolution, it seems that, as compared to the past, international manufacturers are increasingly oriented to promoting technological research, aimed on the one hand, at protecting the environment through reducing CO2 emissions and, on the other one, at dramatically slowing down fuel consumption to face the current serious energy crisis.

As a matter of fact, the above scenario has changed not only the leading producers' strategies, but also the demand for cars internationally, allowing those car manufacturers that are able to penetrate promptly new market segments to get significant competitive advantages.

Specifically, as far as the supply of the product is concerned, the automotive market evolution trends show that the major manufacturers are willing to relocate upstream activities, including the final assembly, to Eastern Europe, by exploiting the competitive advantage of the low cost labour force in those countries, while the presence in the BRIC countries (Brazil, Russia, India, China) is explained by a strong technology transfer that, by the time passing, will lead the countries benefiting from the technology to reach complete autonomy.

These choices have caused a job shortage in industrialised countries; which, together with the end of incentives for car scrapping, has led the car company to experience a serious financial and social crisis (as shown by the events that have recently involved Fiat in Italy).

On the other side, as regards the supply, there is evidence that the international recession has brought about a divergence of trends in car registrations between the USA and the European Union, on the one hand, and such countries like China, India and Brazil on the other one. In fact, if the former have reduced registrations because of the recession, the latter experienced registration increase significantly due to a highly positive GDP (Gross Domestic Product), even in such a difficult period like the current one.

As to the new market segments, those cars equipped with gas or methane engines are increasingly making their way together with hybrid and electric cars in particular, that represent the vehicles of the future, especially in such countries like Italy which have no oil wells and power plants.

Supporting this trend, one of the most attractive markets in the sector is definitely the Chinese one, due to two main factors.

The first one is that, in 2009, the Chinese market was characterised by a production capacity of about 17 million cars, that is expected to grow in the future, and a large concentration of producers (the first 10 covered about 87.15% of the total), which makes one understand that to date, this market has not any problem of exceeding capacity. The second factor is related to the fact that the Chinese Government has included, in its five-year plan, the so called "new energy" plan among the seven strategic emerging industries supported by tax measures such as governmental incentives as well as tax reduction or exemption; the above sector will benefit from a public investment of 1.46 billion Dollars to fund technological research and the production of special components for electric cars, and its market is expected to reach between 5% and 10% of the total sales of cars in the near future.

2. PSA Peugeot Citroen Group and its Development Strategies

The work is now going to draw attention to PSA Peugeot Citroen Group's development strategies, to assess whether or not they comply with consumer's expectations, as well as whether they fulfil the critical success factors suggested by the market.

In this regard, in 2007, PSA Peugeot Citroen Group decided to pursue, among its strategies of action, the goal of sustainable development, implementing a plan called "10 sustainable development objectives for 2010-2011" in four areas, namely environment, social responsibility, governance and society; in the Group's expectations, these aims should allow the company to achieve the ambitious target of rising from tenth, at present, to seventh in the world producers rankings by 2015 [2].

With regard to the first issue, the Group focused on the following items: the drastic cut in carbon dioxide emissions below the threshold of 120 grams of CO2 per km., which allowed a sale of about two million vehicles in the period 2007-2010; the

development of eco-design aiming at using the massive percentage of green materials (i.e. recycled organic materials, natural materials, polymers that do not come from the petrochemical industry); the construction of vehicles having a polymer content of 20% by 2011 and, finally, environmental management aiming at reducing the energy consumed for each car to be produced.

The goal of social responsibility has already been pursued for several years and the Transalpine Group is in the lead compared to other manufacturers because, since 2003, the Group has been part in the agreement called Global Compact, providing for the Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment, the United Nations Convention against Corruption and, since 2009, the United Nations initiative called “Caring for Climate”.

As far as these agreements are concerned, the Group wishes to involve trade unions and engineering industries and is committed to foster the staff's growth, the workers' safety and welfare, social cohesion, the respect and promotion of the employees' rights.

With regard to corporate governance, it will focus mainly on a better dialogue with shareholders, on the implementation of socially responsible investment, as well as on greater awareness of their responsibility for suppliers that must be all certified in compliance with ISO (International Standards Organization) regulations providing for the fulfilment of such standards as price, quality, service and time to market.

Finally, concerning social commitment, the Group has focused its attention on the safety of passengers, on the development of communication services such as, for example, emergency call systems, with which 1 million vehicles are going to be equipped in 10 European countries by 2011. Moreover, a charter for responsible communication has been drawn up, whose main task is to establish social responsibility standards for all the advertisements made by the Group and by the Group-related brands.

As regards the strategic choices made to re-launch the Group, they were centred on restyling their image by focusing on redesigning the mark, on launching new innovative advertising campaigns, on renovating the product range, on developing environment-friendly products, an efficient after-sales service as well as strategic and operational alliances aimed at enhancing as well the international image of the Group, so that to facilitate the entry into those emerging markets, where the automotive industry shows a clear growth trend.

In particular, considering the strategic dynamics of the Group, it can be noted that the historic Lion Rampant logo has become more aggressive, dynamic and modern, because of its three-dimensional drawing made on a background coloured with a stronger shade of blue than in the past.

In regard to the new advertising campaign, it is based on a spot that, by the “Motion & Emotion” message, shows that the transalpine company wishes to focus on such items as the emotional side of the cars produced, environmental protection, that has increasingly become a critical success factor to be met to ensure competitiveness, as well as the pursuit of solutions enabling a large scale urban mobility through the production not only of cars but also of commercial vehicles, scooters and bicycles.

Thus, in order to promote the new brand identity internationally, the renovating programme includes the new stylistic manifesto aiming at innovating some of the car models, to make them more appealing to consumers.

Besides, the Group's strategy has focused on widening the range variety by setting the goal to produce 14 new environment-friendly models by 2012, to meet the demands of both Western consumers and emerging countries, the latter becoming increasingly demanding [3].

In detail, a line of “custom-built” cars started by RCZ is expected to be put on the market, together with low environmental impact motor vehicles such as the 3008 HYbrid4 (a 200 HP four-wheel drive hybrid diesel reducing fuel consumption by as much as 35%) as well as the creation of a new family of 3-cylinder gasoline engines.

Furthermore, the BB1 production acts as a link between cars and scooters; it is a small city electric car, 100% emission-free, about two metres and a half long, with a very special look, as it seems made up of two side by side scooters, which are incorporated in a single compartment equipped with a handlebar instead of the steering wheel and two long motor-bike saddles to hold four passengers [4].

As regards standard-luxury segments, Peugeot is launching the 508 model that would replace the 407; the new model shows an innovative body style, better use of the driver and passenger internal compartment and very low CO₂ consumption and emissions.

In the years to come, thanks to 50% funding, namely 200 million Euros granted by the European Investment Bank (EIB) to Peugeot, as part of the ECTF (European Clean Transport Facility) funding program, in order to reduce drastically CO₂ emission, the latter will introduce plug-in hybrid technology to be used from diesel-hybrid HYbrid4 rechargeable engine, which is going to represent a real breakthrough in terms of emissions, pursuing the ambitious goal of achieving less than 50 grams of CO₂/km. with 2.0 l/km. consumption [5].

Another distinguishing feature is the expansion of after-sales services which now include the innovative “Mu by Peugeot”, an initiative that allows you to rent any car of the transalpine company at any official Peugeot dealer, through a system of progressive Credit cards based on “units of mobility”. In detail, the card, that is rechargeable via the Internet, allows you to rent

cars and accessories (such as GPS or roof bars) as well as to buy the services provided by some partners (travels, airplane or train tickets, hotel rooms, etc.) [4].

On the side of international alliances, the transalpine Group and the Fiat Group are likely to join for the production of cars, a solution that would supplement the collaboration already started since 1978 between the two producers in the field of commercial vehicles.

In fact, the cooperation in this segment, which started with the creation of a platform for industrial commercial light vehicles under the direction of Fiat, has developed over the time with the creation of a second platform, this time under the control of PSA Peugeot Citroen Group, to produce middle-sized space-wagons and commercial vehicles manufactured in the factory of Sevelnord in Valenciennes, then ending with the final agreement reached in 2008 with Tofas, to build small-sized commercial vehicles.

This cooperation made it possible to renew more promptly the range, to keep pace with the present times, to fully satisfy the expectations of professionals and companies and to share costs and resources between the two producers.

Thus, the increased load capacity of trucks, a more appealing style of design, the best performance on the road and more suitable equipment in terms of comfort and safety allowed successful results to be achieved, considering that the two brands rank 1st and 3rd in Europe for large vans and compact vans respectively.

The alliance recently signed between Renault and Mercedes is likely to speed up the Agreement between PSA Peugeot Citroen and Fiat with the birth of a mega group that can produce nearly 6 million vehicles per year (represented by the sales of 2 million vehicles by Fiat in 2009, 1.3 million by Chrysler and 3.2 million by PSA Peugeot Citroen) [6].

However, the above merger could be hindered by the joint venture that has just been made, on an equal basis, between Peugeot Citroen and BMW German company to develop new technologies for hybrid engines. This joint venture, called “BMW Peugeot Citroen Electrification”, that should be operational by the end of 2011, should focus on the study and production of components, batteries, retrieval systems and management software, aimed at increased penetration of the hybrid market and at the extension of the current agreement, providing only the joint development of the new Euro 6 four-cylinder gasoline, to the carbon fibre material, that, though being very expensive, is at the same time increasingly present in the automotive industry to reduce the weight of the newly designed models [7].

As for the relocation of production, PSA Peugeot Citroen Group, like other major international producers, having previously concluded partnership in the Eastern countries (Hungary, Poland and Czech Republic), now appears to have oriented its investments to emerging markets like China, where, the agreement with Dongfeng was followed by another one that led to the joint-venture with Chang’an local firm.

The initial investment was fixed at 395 million Euros per year, for the construction of about 200,000 items, namely engines, commercial vehicles and French cars made in four factories. In addition, as compared to the agreement with Dongfeng selling models under the two brands of the French PSA Peugeot Citroen Group, the products manufactured by this joint venture will be marketed under a new brand [8].

The strategies adopted by the Group brought about more significant results than expected in 2010; in fact, the analysts’ forecasts had predicted a profit slightly below one billion Euros. The end result was a net profit of 1.13 billion Euros that, compared to a loss of 1.16 billion Euros in 2009, represents an increase of 15.8% [9].

This result will allow the full redemption of the remainder of the 2 billion loan granted by the State, as well as stable results expected for 2011, which will facilitate the entry into some emerging markets such as Russia, whose growth is estimated at 15%, China (where the three-volume 408 model will be presented, the model being designed specifically for the Chinese market), as well as Latin America with 10% and 4% growth respectively.

In addition, the special attention given to the environment, resulting from the recent agreement with Mitsubishi for the construction of the iOn electric car (a compact and handy utility passenger car with a top speed of 130 km/h), ranked the Group 1st with regard to the electric car market and allowed the Group itself to be awarded the “Energy and Mobility” prize for the production of the latest e-HDi diesel engine equipped with mass-produced StopStart, which will allow 15% reduction in fuel within the whole range by 2011.

3. Fiat Group’s Development Strategies

After surveying the internationalisation strategies adopted by PSA Peugeot Citroen Group, it is useful to examine those implemented by Fiat Auto Group, even in view of a possible merger in the near future, as it was previously pointed out.

From the analysis conducted it comes out that, unlike PSA Peugeot Citroen Group, the Turin firm’s development strategies involve two main trends that can be described as follows. The first one is internationally-oriented through the relocation of the production process to countries offering such competitive advantages [10] as low labour costs, cheap energy, tax incentives and so on, as shown by the latest joint venture between Fiat and the Serbian Government, which, in December 2009, gave birth to

Fiat Automobiles Srbija (FAS), of which two-thirds are owned by Fiat and the remaining part by the Serbian Government that took over the Kragujevac-based Zastava Automobiles. The second trend is oriented to redesigning the governance within the company, by splitting the Group into two separate companies, namely Fiat Auto and Fiat Industrial [11].

As regards the first point, the agreement made with the Serbian Government provides that Fiat is going to make the most important foreign investment in the Balkan country (reaching 700 million Euros over three years) aimed at producing about 200,000 “LO” space wagon models in the former Zastava factory, thus replacing well-known models such as the Fiat Multipla, the Fiat Idea and the Lancia Musa.

The advantages of this agreement are related to the opportunity of producing cars at a competitive cost, thanks to the low cost skilled labour force whose wages are about 400 Euros per year, namely well below both the Italian and Polish ones, reaching about 1,200 Euros and 600 Euros respectively [12].

What is more, the State bears the total cost of the factory decontamination (to dispose of about 370 tons of dioxins resulting from the Nato air raids in 1999, during the war that caused the former Yugoslavia to split), handing over its ownership to the Fiat Group.

Another advantage which is worth considering concerns the number of employees that are currently paid by the Fiat Group. In fact, for the moment, only 1,060 out of the 2,600 total staff are paid by the Turin Company, while the remaining ones will be on the payroll of the Serbian Government until the development of the Kragujevac factory allows new recruitment for which, on the other hand, the “Lingotto factory” will be granted a loan of 10,000 Euros for each new employee by the Serbian Government.

Furthermore, the Italian motor company will be allowed remarkable tax reduction; in fact, both Belgrade Government and Kragujevac municipality are willing to exempt the company from taxation for the following ten years.

The strategic importance of such an investment in the heart of the Balkan area is even related to the fact that Fiat can use Serbia as a launching pad to market the product in Russia on highly competitive terms, thanks to a free trade agreement involving the motor industry as well. In fact, through the elimination of customs duties and with a view to achieving the ambitious goal of 200,000 cars exported per year, the above agreement will allow the Turin firm to earn, averagely, 2,000 Euros more on each motor vehicle, for a total amount of 400 million Euros.

Besides, the workers quitting the Zastava company of their own will benefit from a gratuity of 300 Euros for each year’s service completed, while those employees that are not going to take legal proceedings against the firm to assert their own rights and to be paid off interest on the arrears from 1997 to 2001 will get a total settlement of the debt (for a total value of 10 million Euros) [13].

In addition, the agreement is favourable to the Turin firm even on the fiscal side, thanks to a number of benefits and tax relief granted by the Serbian Government, namely, the voluntary conveyance of the factories to the Fiat Group, exemption from paying taxes to the municipality for ten years, the creation of a “free zone” of 75 hectares (55 for the Fiat Group) [14], in order to allow the duty-free import of goods from Italy, as well as the concession of another industrial estate to house 14 Fiat-related firms (from Iveco to Ditec and Magneti Marelli) involved in the construction of a motorway link for the E75 aimed at improving the road network in the area.

On the other side, the main disadvantages of the agreement are mostly of a social nature.

In fact, the above agreement has stirred up tension both in Serbia and in Italy. Indeed, in the Balkan country, following the production of the new Fiat Punto at the end of 2009, a fire was deliberately set to the factory in Kragujevac, destroying the conveyer belt between the painting line and the assembly line; the management considered this event as a warning sign aimed at urging more care in employing the staff.

In Italy, instead, there was much tension between the Turin firm and the unions about the Mirafiori factory that, as a matter of fact, lost the “LO” production.

Nevertheless, at the beginning of the year, the Mirafiori factory’s owners held a referendum concerning the acceptance or not of the new labour agreement, in exchange for considerable production investment reaching 1 billion Euros to produce new “luxury” models (like Jeep and Giulietta). The referendum was successful, with the favourable opinion of 54.1% of the workers, out of the total staff of 5,400 employees in the factory.

In particular, the agreement is penalising for workers who, nevertheless, due to the current international economic recession, opted for keeping their job despite reduced rights.

In detail, the agreement provides for reduced breaks, shrinking from 40 to 30 minutes, with a monthly supplement of 32.47 Euros to the wage packet for the extra minutes worked, the non-payment of the first day off sick for those employees who will be out shortly before holidays or on their weekly day off for more than twice a year, a 40-hour weekly work salary, including breaks, spread over a total of 18 work-shifts, compulsory overtime up to 80 hours per year and, above all, new sanctions about striking that can lead to the worker’s dismissal if production is seriously endangered [15].

Significantly, the assent of almost all the trade unions to this independent contract providing that the Joint Trade Union Committee (JTUC) is replaced by the corporate one is only possible because the Fiat Group is no more party to the Italian Manufacturers’ Association (Confindustria).

Another disadvantage is, however, related to this corporate Taylor-style policy inhibiting workers from any kind of protest.

Which, in the long run, is likely to stir up growing social unrest caused by exhausting work-shifts, lack of dialogue with the top management, as well as a worker's wages which are not up to the average standard of living of the country. All these factors are likely to lead the employee to develop a state of depression thus causing either long periods of absenteeism from work or lesser commitment by the worker as compared with his own potential.

On the fiscal side, even if the elimination of customs duties to enter the Russian market allows the company to collect 400 million Euros, considering 200,000 motor vehicles exported, this amount is not going to be cashed by the Turin firm but it will be handled by the Kragujevac joint company [13].

Moreover, it is to be underlined that the incidence of the labour cost doesn't exceed 7% of the total capital in a highly complex and technologically advanced structure, with a final saving that, after all, should only reach 3% of the end-product.

Which would make one consider that the GOM (Gross Operating Margin) is very low if, to keep it steady, given the current international recession, the social peacefulness of the firm has to be sacrificed.

As to the internal strategy, aimed at changing the corporate organisation, in order to expedite the decision-making process, as well as to achieve the flexibility needed to meet promptly the market's evolution, in September 2010, as it was already described above, the Fiat group split into two separate companies: Fiat Auto and Fiat Industrial. The first will include, besides Fiat Group Automobiles, such companies as Ferrari, Maserati, Magneti Marelli, Teksid, Comau and Fiat PowerTrain automobiles; the second will incorporate CNH and Iveco, in addition to the industrial and marine sector of Fiat PowerTrain.

Such reorganisation will eventually allow the motor sector to go its own way and the management and funders to really understand the extent of the value yielded through the production and sale of cars. In fact, from a financial point of view, the above shake-up will also include a fair distribution of the industrial debt between the two groups reaching approximately 2.5 billion Euros as well as initial liquidity of 10 billion Euros for Fiat Automobiles and of 3 billion Euros for Fiat Industrial [16].

Furthermore, the spin-off of the automotive industry from the industrial one has allowed Fiat Automobiles and Fiat Industrial securities to be listed separately on the Stock Exchange as from the beginning of the year; which was highly appreciated by the financial community.

Given the current situation of the international market which is experiencing a state of turmoil due to a process of continuous change influencing its evolution, the logic of the above demerger is primarily oriented to eliminating the heterogeneity of the businesses that made it up because of a clear distinction between the two main activities as regards their specific features, commitments, capital profitability, margins and dynamics of their markets.

In this way, each of the two business units will be able to focus on its own SBA (Strategic Business Area) with goals easily identified and recognised by the market and to display specific features by adopting strategies that are determined autonomously, as well as to bring out the amount of value that each entity is likely to yield.

In particular, the Fiat Group will be able to improve its competitive position on a world scale and to enhance its efficiency thanks to an alliance with Chrysler, whose share should reach 51% by the end of the year, thus profiting from the best distribution in the Chrysler's sale network; which will enable Fiat to make its brand known internationally, giving birth to a "four-headed heart": Turin for the European market (that is going to control the Italian factories as well as those based in Poland, Serbia, Turkey and Russia), Detroit for the North-American one (covering American investments in addition to those in Canada and Mexico), Betim for South-America (that is going to control Brazil as well as Argentina) and finally Peking, for the Asian area (that is going to run the newly established Chinese factory in Changsha, as well as India).

The results achieved seem to support the Group's strategies, in spite of the cut in governmental incentives; in fact, it seems that, on one side, the Group's net proceeds have risen from 50,102 million Euros in 2009 to 56,258 million Euros in 2010 and, on the other one, 2009 negative net result, recording a loss of 848 million Euros, was turned into a profit in 2010, namely 600 million Euros. Finally, the car sector alone has increased the result concerning the ordinary management, shifting from 719 million Euros in 2009 to 934 in 2010, while, thanks mainly to the partnership with PSA Peugeot Citroen, vehicles have doubled and over their positive result, rising from 105 to 270 million Euros from 2009 to 2010 [17].

Prospects for the future are highly ambitious for the Turin firm whose turnover is expected to reach 64 billion Euros within four years, which would actually double the amount expected for 2010, of which as much as 80% would result from Fiat Group Automobiles, 6% from Ferrari and Maserati, while the remaining part would come from component production [16].

4. PSA Peugeot Citroen and Fiat Auto: their Organisational Philosophy

From the analysis carried out on the corporate organisational structures of PSA Peugeot Citroen and Fiat Auto it turns out that the two carmakers rely on the Toyotist principles based on the lean production model.

The reasons for this organisational orientation are connected with the turbulence of the markets that has changed the companies' strategic structure (meant as the company's organisation that is strategically relevant) that, being originally of a

unitary kind (namely having a single competitive reference system), has got diversified (i.e. involving companies that are willing to compete in different areas and ranges of activities characterised by different reference economic operators and different rules).

Given the current international situation, a radical reinterpretation of the production process is increasingly needed, in order to meet successfully the new requirements of the market.

In order to achieve this goal, World Class Manufacturing (WCM) [18], [19] was worked out, which represents a modern evolution of the Japanese model known as the “Toyota Production System” [20], [21] that developed in the automotive industry in the eighties and consists in an Innovative Production System based on such techniques as Lean Production, Total Quality Management (TQM), Total Productive Maintenance (TPM) and Just-in Time [22], aimed at a rapid and continuous improvement in the whole logistics and production cycle of the company, through eliminating any kind of waste and loss (Muda), which can be achieved only by involving the company’s human resources at all organisational levels, through the strict application of the suitable standards and methodologies such as “Six Sigma” [23], [24], [25], [26], [27].

Instead, the purpose is that of segmenting the corporate system into processes both at a global level and for each single SBA (Strategic Business Area), which means subdividing the system into a set of sub-systems involving homogeneous activities that are interconnected and aimed at the creation of value for the customer, by transforming an input into an output [28].

In particular, it is to be pointed out that this organisational structure is based on a set of fundamental criteria with which compliance is critical to the effectiveness and efficiency of the structure itself. They include: the process diversification, the decision-making power delegated to employees, the tasks unification, avoiding production waste thanks to the Just-in-time system, the process activity outsourcing, the total involvement of suppliers [29], [30], [31], [32], [33], [34], [35], [36].

In detail, the main purpose of WCM is, therefore, to be successful on the market with high quality products at competitive prices, by meeting customer needs and ensuring maximum flexibility, through the strict application of “zero defects in everything” formula, namely the “nine zeros” on which this management philosophy relies, represented by: zero customer dissatisfaction, zero mismatches, zero bureaucracy, zero shareholders’ dissatisfaction, zero waste, zero non-value adding work, zero stops, zero missed opportunities, and zero lost information [19].

From a purely strategic point of view, WCM System is based on three meanings [37]:

- the sense of innovation, meant as the search for a way to do something better than it has ever been done before;
- the sense of achieving quality through constantly pursuing a perfection standard made up of details;
- the sense of efficiency, as a result of reduced waste.

In order to achieve these goals, the key actions to be pursued when applying this philosophy are thus summarized as follows:

- improving processes;
- avoiding waste and correcting errors;
- detecting errors before they become defects;
- investing the resources saved in Value adding activities for the customer;
- displaying waste through scientific observation and a graphic display of flows.

After explaining the principles supporting WCM, it is necessary to assess the validity of this management philosophy, to understand whether it is likely to match the current competitive context and to benefit the companies adopting it, both economically and qualitatively. The analysis carried out has revealed that WCM is able to achieve significant results such as:

- 100% increased productivity;
- 90% shrinkage in both stock and production time;
- 50% reduction in both errors for the customer and in scraps for the process;
- 50% reduction in Time to Market;
- low extra cost supply of a wider range of products;
- very modest investment.

Besides, once adopted, WCM allows productivity to be doubled, over time, through incremental improvements over two or three years, as well as stock-in-trade, errors and time to be halved over the same space of time [38].

Therefore, in the light of what is examined above, it can be stated that the new organisational structure of the two producers considered radically changes the main criteria on which the old hierarchical-functional model was based, thus leading to replacing the management by “functions” with that by “process”, to completely redesigning the decision-making system through the setting up of the “Business Units”, as well as to abolishing the “teams” by establishing the “basic organisational Units” [39].

Ultimately, the benefits of this organisational reshaping are mainly two:

- the first is the fact that, in this way, it is possible to understand the economic impact (cost) of each activity on the end-product;
- the second one concerns the possibility of establishing what are the key business processes, namely those able to create value for the customer as well as of favouring those processes at the expense of others that do not allow such a result and are, therefore, eliminated from the company.

5. Conclusions and implications

The purpose of the present research was, first, to analyse PSA Peugeot Citroen Group's development strategies, in order to assess whether such strategies were in accordance with market expectations, and second to compare them with those of the Fiat Auto Group, trying to find out the main differences between the two car manufacturers, as well as to identify, subsequently, the kind of organisational structure that would best support the business goals planned.

Thus, from the analysis carried out and the results examined it comes out that, in the current international context, the automotive industry is definitely one of the most affected by the recent war in the Middle East, owing to the evident rise in fuel prices.

In particular, the sector is characterised by significantly reduced fragmentation in competition, as compared to the past, due to the joint ventures made between international manufacturers and local governments, especially in developing countries, as well as to the merger between traditionally leading producers, aiming at allowing the realization of those synergies ensuring competitiveness.

Among those synergies, the one that is increasingly pushing its way among the others is that oriented to the development of the expensive innovation concerning energy saving in order to introduce either hybrid or electric engine cars, which, in the current phase of serious international recession, increasingly represents a critical success factor to be met.

Specifically, the PSA Peugeot Citroen Group's strategy is going this way, thus being more and more oriented towards environmental protection and energy saving, being well supported by the Government and the unions, so that they now rank 1st for the production of electric vehicles in the international scene and currently represent 10% of the overall French car market, even thanks to 5,000 Euros discount on cars, funded by the State that is also committed to purchase these cars to renew the public car park.

This result is related to two main factors. On one side, the availability of large quantities of electricity that is not exploited, due to the nuclear power plants production that would encourage the development of infrastructures for recharging electric vehicles on the area; on the other one, the concern for employment shortage in the French automotive industry, due to the relocation of production by the leading transalpine manufacturers that are concentrated on seeking low-cost labour in emerging countries.

Actually, though, on one side, they do not want to give up the idea of relocating activities abroad for the above reasons, in order to ensure the creation of value in A and B segments which represent about 80% of the market, on the other one, it is also true that they are fully willing to produce electric cars on a local base; which would favour both employment and an increase in domestic sales, with the prospect of penetrating the Chinese market that appears to be the most attractive on an international scale, due to high demand for cars as well as to tax relief granted for electric car production.

Unfortunately, as regards the electric car segment, the Fiat Group starts from a position of clear disadvantage, since it cannot rely either on nuclear power or, for the moment on the Government's funding; such factors do not make the purchase cost of those vehicles very competitive, namely 35,000 Euros on average; besides, they do not allow the national territory to be equipped with a widespread supply network [40].

Concerning the production location, the Fiat Group shows a greater geographical decentralisation compared to PSA Peugeot Citroen Group, due to a wider network of production and sales, supplied in all continents by a widespread organisation known as "four-headed heart", in which the "heads" are represented by the parent company located in Turin for Europe, by Detroit headquarters of Chrysler in North America, by Betim for South America and Peking for Asia.

The reasons for this stronger decentralisation, as compared to PSA Peugeot Citroen Group, are related not only to the search for low cost labour, but also to the search for affordable energy resources and, above all, to the low level of productivity of the Italian factories, reaching 54% (this percentage falls to 37% if one considers the technical capacity), compared to the foreign ones in which work commitment is equal to 126% (and to 78% considering the workers' technical training).

As a matter of fact, this relocation has stirred up considerable social tension in Italy, particularly after the decision to produce the "LO" model, originally planned in the Mirafiori plant in Turin, in the new Kragujevac-based factory in Serbia.

Another aspect emerging from the analysis conducted on the two automotive groups examined is related to their political relaunching.

Actually, the transalpine Group has focused its attention on its image restyling, by redesigning the brand, launching innovative advertising campaigns, developing a wide and various range of products focused on environment-friendly and energy saving engines, as well as on an efficient after-sales service through the "Mu by Peugeot" initiative. On the contrary, Fiat Group's re-launching strategy was different, aiming mainly at redefining the corporate structures both nationally, through the demerger giving birth to the two companies, namely Fiat and Fiat Auto Industrial, and internationally, through the acquisition of Chrysler.

The spin-off implemented has eliminated the heterogeneity of the businesses, thus enabling each SBA (Strategic Business Area), to establish specific objectives easily identified by the market, to expedite the decision-making process with independent strategies and to bring out the amount of value that each entity is likely to produce; instead, the French Group is still

experiencing this kind of heterogeneity, due to the merger of the automotive and business sectors into a single corporate structure as well as to the presence of the Citroen brand.

With regard to the acquisition of Chrysler, it allows a more widespread distribution network at an international level, mostly in North America, as well as the exploitation of the know-how in the standard and luxury segments of the American company to complete the product range, thus creating successful cars relying on quality engines and high technology in those segments where the Turin company is not competitive, being focused, mostly, on utility passenger cars.

Finally, as regards the organisational structure adopted by the two manufacturers, it was noted that the model used is the same, namely no longer the one based on functions, but one that focuses on processes, based on WCM management philosophy, allowing organisational efficiency and effectiveness to be improved, thus fulfilling a number of critical success factors that can be described as follows: the streamlining of production that is likely to better both the business flexibility and the product quality, greater decision-making power delegated to employees, whose increased involvement leads to improved commitment, minimised costs thanks to reduced stock-in-trade and waste, improved information, whose effectiveness is ensured by the high technological value of the computer system, reduced assembly time of the car through the location of suppliers close to the parent house and so on.

In conclusion, in the light of the analysis carried out, it can be maintained that both the strategies adopted by the two manufacturers surveyed have been successful and that, indeed, their merger, in the years to come, could be facilitated by a common organisational structure and it is likely to allow the transalpine Group to exploit the wider relocation of production and distribution of Fiat Auto to enter new markets, as well as its specialisation in the production of utility passenger vehicles to get stronger in this segment; on the other side, the Italian company will be allowed to exploit the low cost of French energy in order to minimise production costs, as well as technology and the degree of specialization achieved in the segment of electric cars, to ensure the development of this segment in the domestic market, producing cars whose average cost is lower than the current one.

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