

Managing Operations

1

Guideline answers to case studies

Comments and guidelines for selected case studies have been included in the student zone of the website to help you to further understand the operations function and the tasks undertaken by operations managers. All or some of the other cases in the book will form part of the lectures and tutorials that make up your course in operations management.

CASE 1.1 OPERATIONS TASKS IN DIFFERENT ORGANISATIONS

Case outline

Large retail organization

To gain the advantages of size (the company has several outlets), tasks like purchasing the goods to be sold would be handled centrally. Buying in large quantities entitles the organization to the bigger discounts that are associated with high volume purchases. Meanwhile, individual stores would handle the day-to-day activities listed in the case and detailed in Chapter 1.

Restaurant

As a single service business, the restaurant buys all the food and drinks it needs to prepare meals and offer the required a selection of drinks. Some of the purchases would be made and delivered daily while others would be bought less frequently, depending on demand.

This case also introduces the principle of a back office (the kitchen and food preparation areas) and front office (the dining area). This split of the operations' service delivery system is characteristic of service businesses. Take for example the example of a retail store, the front office is where customers select and pay for goods while the back office would consist of the offices, store rooms and loading bays where goods are received.

Garment manufacturer

This example looks at a manufacturing company. Here, the goods are made and then delivered to its customers. As customers are not present, there is no back office and front office split as with a service organization.

However, the rest of operations' tasks are similar:

- Operations meets the needs of its customers (the strategic task) such as delivery on time (delivery reliability) and makes the garments to the product specifications laid down (quality conformance).
- Operations also handles the typical range of day-to-day tasks, including the delivery of materials and ensuring the staff required to undertake the tasks have been arranged.
- Finally, it manages the staff within operations, the relationship with other functions, and the links to external companies such as suppliers.

Designing services and products

3

Guideline answers to case studies

CASE 3.2 PRODUCT RESEARCH AND DEVELOPMENT AT MICROSOFT

Case outline

This case provides an opportunity to apply what you've learned from the chapter to a real-life situation. Have a go on your own before looking at the note below.

1 In which category of R&D strategy would you place Microsoft?

First, look back at the list of alternative approaches to R&D strategy on p.71 of the book. The history of R&D expenditure at Microsoft (tripling its R&D budget between 1998 and 2010 to \$9.5 billion) marks the company as following a 'first-to-market posture', clearly focused on investing in cutting-edge research, with the aim of introducing new technologies ahead of its competitors.

2 Explain your choice

The size of the cumulative spend on R&D over the last 12 to 13 years is a clear indicator that Microsoft's intent is to stay ahead of competitors in this most competitive market and one driven by technology developments. Microsoft clearly wishes to be ahead in this technical development race.

CASE 3.6 INCREASING THE FRESHNESS OF BREAD IN SUPERMARKET BAKERIES

Case outline

This short case provides an example of the impact of design (here, this is the bread design specification) on a company's competitive position. Simple though it is, you'll see the sizeable impact of a change in the bread dough specification on high volume market of providing fresh bread every day.

Delivering Services

4

CASE 4.5 PROVIDING PERSONAL SERVICE ONLINE AT GARDEN ESCAPE

Case outline

1 What are the advantages of shopping on the internet?

Using an online system allows customers (without visiting the garden centre) to:

- Check past purchases.
- Check technical details on plants such as soil type, when to plant and when to prune.
- Get answers to general questions such as plant/shrub availability and centre opening times.
- Access technical support for specific queries.

One outcome is that it is easy for customers to use and regular use reinforces customer loyalty to Garden Escape as a matter of choice. For Garden Escape the advantages include:

- Reduced costs in terms of staff time.
- An ability to better meet the specific needs of its customers.
- A more personalized service for customers.
- Increased chance of retaining customers.

2 Do you see any problems?

There are downsides to the service including:

- The opportunity for customers to make price comparisons before visiting a garden centre.
- Customers who submit queries through the website will get answers based on the detail they provide. Sometimes this can result in an incorrect diagnosis as the response given has to be based on the

customers' answers to questions. Any negative outcomes could harm the centre's reputation.

Managing Quality

10

CASE 10.4

NASHUA: HAVING THE RIGHT TOOLS TO DO THE JOB

1 What point is Bill Conway, the Nashua CEO, trying to make?

Bill Conway uses an example with an obvious outcome to stress the fact that exalting and encouraging staff to improve quality without the appropriate tools (systems, procedures and training) to back this up will not lead to any real level of sustained improvement.

2 Why is it important for people to realise this when they are trying to manage quality within their business?

As will be dealt with more fully in Chapter 12 'Improving Operations' there are five steps to secure and sustain developments such as improving quality:

- 1 *Plan* – the tasks, costs, investments and timescales involved.
- 2 *Do* – implement the changes including the necessary training.
- 3 *Check* – assess the level of improvement made.
- 4 *Review* – determine if the improvements have been sustained.
- 5 Then, back to step 1.

Managing the Supply Chain

11

CASE 11.4 CHIQUITA RELOCATES FROM CINCINNATI TO COSTA RICA

1 Why did Chiquita move its main purchasing team to Costa Rica?

This case offers an illustration of how many companies are rethinking their supply chain structure with the aim of moving to a more integrated and synchronised format throughout. Here, physically relocating its main purchasing team from Ohio together with several staff from its Head Office in Cincinnati to Costa Rica was a clear statement of intent to move towards being more fully integrated with its fruit-growing producers.

2 What opportunities did the relocation offer?

The main opportunities provided by the relocation are:

- A statement of the central role that procurement plays within the wider supply chain configuration.
- Direct, on-the-spot support for the people who buy fresh fruit for Chiquita's world markets. Customers' individual preferences, in terms of taste and product range, can be built into purchasing decisions at the point of selecting what and when to grow products. This means produce can be chosen which more accurately reflects the needs of individual customers from all over the world.
- Emphasis can be made on meeting Chiquita's corporate social responsibility policies as the key staff who develop these policies are now close to where its material and service suppliers operate.

Continuous Improvement

CASE 12.3 PORSCHE: CONTINUOUSLY IMPROVING OPERATIONS

1 How do the improvements at Porsche show the need to continuously drive improvement?

The fall off in car sales from over 53,000 in 1986 to less than 13,000 in 1993 forced Porsche into undergoing change. Clearly, without a continuous drive to improve, most organisations go backwards, or at best stand still, in terms of their overall position compared with competitors.

A table similar to the one below helps summarise the improvements.

Source of improvements	Outcomes	Benefits
New working methods	34 per cent less workers	<ul style="list-style-type: none"> Reduced labour costs
	50 per cent reduction in time taken to produce a car (from 120 down to 60 hours)	<ul style="list-style-type: none"> Lower employment costs Fewer supervisors at centre
Reduce number of suppliers	Suppliers down from 900 to less than 300	<ul style="list-style-type: none"> Simplified earning arrangements Increased opportunity to develop supplier relationships Lower purchasing costs – single servicing increases volumes placed with a supplier

Multi-use of parts	36 per cent of the parts for 911 and Boxster are now shared	<ul style="list-style-type: none"> • Increased use of parts leads to higher volumes and lower costs • Less inventory (including spare parts business)
--------------------	---	---

2 Check on the Porsche website www.porsche.com

This will bring you up to date on sales figures and any other continuous improvement initiatives.

CASE 12.5 FORD MOTORS: BENCHMARKING AGAINST MAZDA

How did benchmarking help Ford improve its business?

In order to improve existing processes, the existing procedures and norms (in this instance, way of doing things and the number of staff required) must be identified. In the case of Ford, the aim of reducing staff in the accounts payable department by 20 per cent appears, on the face of it, a sizeable target to aim for. Benchmarking, as Ford found out, challenges the systems already in place by coming at the problem from a completely new starting point. In this instance the starting point is not 500 staff but a staff of only 5. This breakthrough method of addressing areas for improvement is inherent to the benchmarking approach.

The question Ford had to address was not how to improve what they did, but to find out about Mazda's approach and the assumptions on which its approach was built.

CASE 12.9 UNIPART

1 What aspects of Unipart's approach illustrate the concept of continuous improvement?

- Small groups meet regularly.

- Over 400 internal facilitators train and coach staff and help pass on solutions and ideas between groups.
- Intranet allows solutions in one part of Unipart to be accessed by another.
- The company continuously work on solving problems.

2 How is employee involvement central to this approach?

The main drive for improvement within Unipart comes from small groups of staff (with 400 internal facilitators in support) and sharing of ideas between these groups.