

The history of operations and performance business essay

[Business](#)



**ASSIGN
BUSTER**

Castle Nursing Home PLC – Assignment A

Overview

Castle Nursing Home PLC is a chain of homes for senior pensioners, which due to rapid expansion, is now one of the largest nursing home companies in the UK. Owing to its significant growth and expansion, the business has reorganized vastly in the last 5 years. However, this unplanned expansion has resulted in media criticism and public scrutiny claims that the organization has lost its focus around quality of care provided to its residents. The shareholders and other stakeholders of the company are aware of the company's success but fear that it may be a case of 'too much, too quickly'. The management of Care Nursing Home PLC hope to take quick actions to recover processes and implement a strategic direction. The main purpose of this report is to establish groundwork on strategic plans to move the Castle Nursing Home PLC forward and to renew its reputation among its stakeholders. It aims to recuperate operations within the nursing homes and to recover its reputation with the media and its residents. For the purpose of better understanding, this report is divided into: A) Operations and Performance, B) Information and C) Finance.

Operations and Performance

Today's challenges in the external environment - advancements in technology, globalization, corporate social responsibilities and information management - have changed the way companies do business. Companies now, have to pay attention to their operational processes to respond to challenges in the environment. At times, this may mean changing processes

and practices to cope with the external environment. Therefore, it can be said that the role of the operations function in any business is to examine the existence and worth of a process to the organization. It can be ascertained here, that the function of operations plays a strategic role when operating in changing business environments. In the case of Castle Nursing Home PLC, the operations function should review the organization's current policies and procedures to cope with its rapid expansion (Greasly, 2009). In order to conduct an analysis of operations, Castle Nursing Home can adopt the Framework for Operational Decisions introduced by Schroeder in 2005. According to this framework, Castle Nursing Home operational processes have to be analysed using five main components (Johnston et al, 2008):

Workforce: In a business environment, the management decides and the staff implements decisions. It is important that the staff at Castle Nursing Home PLC carry out day-to-day functions properly and endorse the correct message to its customers. The management needs to promote a culture of consumer-awareness amongst its employees to ensure that the workforce focuses on improved quality of service which will lead to efficiency of operations and improve its reputation amongst residents.

Capacity: This component indicates the ability of Castle Nursing Home PLC to provide goods or services to its customers as per the demand and time requested. The management at Castle Nursing Home has to conduct a capacity planning process to ascertain if the organization is meeting its customer's expectations with regards to service quality. However, it can be seen that the speedy growth of Castle Nursing Home is disturbing the quality of its service. And if this is the case, it means that the organization is currently

operating in under-capacity. Process: Castle Nursing Home needs to pay attention to its operational processes because operational efficiency contributes to better service to customers. The management at Castle should evaluate its operations and process to identify areas that can be improved for efficiency. Delegation of work is one effective way of improving processes. Quality: Castle Nursing Home needs to improve its service quality to improve its reputation amongst residents and public. It can be said that quality management is perhaps the most important factor in resolving issues at Castle. The organization should invest time in matching customer expectations to the service provided. This will help identify areas of improvements in terms of quality of service. One technique of measuring and managing quality is Total Quality Management (TQM). Inventory: Castle Nursing Home should evaluate its inventory management to improve operational performance. Accumulating unnecessary stock directly affects the cash flow of an organization thereby hampering operations. For instance, in the case of a sudden damage to a machine, accumulating too much stock could mean that business cannot pay money for repairing the machine – thereby affecting operations and performance. Similarly, Castle Nursing Home could use such extra cash to send its employees to training programs (customer-focussed or operational focussed) that could help with improving the reputation of the company. Other techniques that Castle Nursing Home can adopt to analyse its operations include systems approach and value chain analysis (Johnston et al, 2008). The management team at Castle Nursing Home should now focus on redefining its strategic focus that will contribute towards enhancing customer service and recuperating their image

amongst residents and the public. Once the strategic focus is defined, the management should implement this strategy in its operational processes and activities. Also, there are many techniques to measure if this strategy is moving in the right direction. One way of doing this is to measure these against performance objectives that include dependability, quality, flexibility, cost and speed. It is important that criteria for measuring these performance objectives are laid out whilst implementing the strategy and its operations (Slack et al, 2010). Implementing a performance evaluation strategy is a crucial part of strategy setting. This is because without a performance evaluation strategy, the business will not be able to evaluate whether or not the implemented strategy is moving in the right direction or if it is creating the change that is needed for the business. After definition and implementation of strategies at Care Nursing Home, the management should evaluate the influence of these strategies on its business operations and performance. They should seek to evaluate whether the new strategies have improved the quality of service, speed of service and whether customers find that they can depend on the service of the organization to meet their customer needs. Improvements in operations can also be evaluated based on flexibility to cope with external challenges. Cost is also another performance objective that needs to be addressed. Other performance techniques designed by management scholars include benchmarking, balance scorecard approach and critical success factors. When adopting any of these performance evaluation techniques, the management should mould the technique to match its strategy and this should be designed at the time of implementing the strategy (Denvir, 2011). The management at Castle

Nursing Home stress on quality management to recuperate its image amongst customers. An operational focus on quality ensures that the customers' expectations are met and that they will not look for alternatives to satisfy their needs. A business that accurately manages its quality standard has a competitive advantage with advantages such as better delivery times, upgraded quality, enhanced customer service, cost benefits which will contribute towards better market share. There are many quality improvement techniques designed by management scholars to aid with the improving product quality and service. These include: Total Quality Management (TQM) that makes certain that high quality is a key emphasis of each activity of the business. The Six Sigma Initiative which is an initiative that focuses on high quality in a business. The Statistical Process Control (SPC) is a quality control technique that applies predominantly to operations. The Value Chain Model Framework focuses on high quality throughout the entire value chain (Finlay, 2000).

Information Systems

The role of information in strategic decision making is enormously significant. Routine day-to-day operations result in the creation of data which are administered to create information that can be used to analyse situations and make business decision. This administration of information is facilitated through information systems that enable inputting of routine data to create knowledge for decision making. After implementing the actions suggested by the analysis of information generated from the information systems, the results of these actions/decisions are inputted into the system to understand whether these have created an effect on the business. This is continuous

cycle of information gathering and information analysis that continues throughout the lifetime of the business. It should be noted here, that information systems promote and encourage employee knowledge that promotes informed decision-making. In the case of Castle Nursing Home, management needs to invest in information systems that allow informed decision-making. For example, the management can monitor the quality of service by perhaps introducing a customer satisfaction survey for each resident living the nursing home to estimate whether customer expectations are being satisfied or if there is anything that management can do to make their stay in the homes more comfortable. Inputting raw survey results can help identify majority opinions and management can use this information to make improvements in their operations and customer service (Ward et al, 2002) Since information systems are important for strategic decision making, it is important that Castle Nursing Home invest in an information strategy that is supplementary with their strategic goals. To create an information strategy, it is important to perform information strategy planning which can be carried out using various techniques. For instance financial models will evaluate data of a financial nature whereas optimization models will derive the best option from the given alternatives. Sensitivity analysis helps check if suppositions made about variables are in fact correct. For instance, Care Nursing Home can use this to determine what an increase in staff rate could do to the efficiency of service levels. Simulation models predict outcomes of actions/decisions which aid decision-making. SWOT Analysis can be used to analyse information that affect the business in the internal and external environment. The management at Castle Nursing Home need to choose the

model that will suit them best (Swift, 2001). Technological advancements like the internet and intranet have enable sharing, transferring and management of information. These advancements have aided the use of quantitative techniques in strategic decision making which helps analysis of business decision alternatives. Quantitative techniques are mainly important for decision making because it facilitates decision-evaluation, quality control, project management and inventory control. Examples of quantitative techniques that can be used by businesses include Materials Requirements Planning, Economic Order Quantity (EOQ), Program Evaluation and Review Technique, Queuing Theory, Lean Synchronisation, Critical Path Method (CPM) and Gantt Charts. Castle Nursing Home need to choose a quantitative technique that strategically fits with its strategic goal (Slack et al, 2010). From the above discussion, it can be said that it is important that Castle Nursing Home adopt a systems approach to recuperating its image with the public by making informed decisions. This would mean that the organization synchronize all its work processes to meeting its strategic objectives. A systems approach will also encourage employees to take on a systems-thinking focus as it stresses interdependencies between different systems and work processes. Such an approach also studies external factors that may influence decisions. Overall, it takes on an ' holistic' view which helps make informed decisions (Turner, 2011).

Finance

The cash position of a business influences the overall operations of a business. If a business has weak cash flow, it risks shortage of cash to make payments to suppliers or spending on operational expenses of the business.

<https://assignbuster.com/the-history-of-operations-and-performance-business-essay/>

This shortage of cash may lead to long-term or short-term borrowings with interest that may affect operational profits of the business. A strong cash position enables businesses to make payments to suppliers before receiving payments from customers. It also enables an organization to take advantage of sudden opportunities. For instance, if a machine part essential to the business is at a half-price discount. Moreover, with the challenging external environment, customers expect to delivery of goods or service before payment. Thus, it is important that business forecast their cash flow and maintain a strong cash position enabling payment of wages/salaries, loan repayments, supplier payments and taxes. While forecasting cash flow, it is important that business take into account changes in external environment like change in trading situations, interest rates and supplier agreements. Although cash flow forecasting is essential for every business, it is usually a difficult and time-consuming activity because it is difficult to realistically predict sales inflows (Benedict et al, 2008). The term marginal costing ascertains the cost behaviour of a product. It is useful for making short term decisions because it refers to the extra cost suffered due to the production and sale of one extra unit of the product. This elaborates the effect of volume changes on profit gained. Likewise, Cost-Volume-Profit Analysis also considers the effect of business decisions on cost, volume and profit. This is also useful to make short-term decisions. Break-even analysis, on the other hand, determines the revenue required from selling a product to cover the cost of manufacturing the product. The break-even point is the point at which the product makes no profit and no loss (Drury, 2009). Capital investment usually means investing a large sum of cash into one investment

or asset. Such a decision usually means that once the cash is invested, that cash cannot be used for any other investment. Therefore, it is important that investors carefully appraise their investment decisions before making any long-term commitment. Management scholars have come up with various investment appraisal techniques to determine whether or not the rate of return achieved by the investment tallies with the standard rate of return of the company. It is important to note here that business should only make capital investment decisions if they have strong cash position. Investment during weak cash positions can disrupt operations and lead to bankruptcy.

The most common investment appraisal techniques are discussed below (Drury, 2009): Accounting Rate of Return (ARR) – The ARR takes the average of the annual cash flow from the investment and states it as a percentage of the outflow. Payback Period – The payback period determines the time taken to recover the value of the investment. It is most commonly used for initial screening of the investment and is very easy to use. Nevertheless, it ignores the time value of money. Discounted Cash Flow Techniques – The two discounted cash flow techniques are Net Present Value (NPV) and Internal Rate of Return (IRR). These consider the time value of money and interest rate changes on the present value of future revenues. Based on the analysis of Castle Nursing Home PLC, the following discussion is drawn: The year 2011 has weakened financial position in comparison to the year 2010.

Turnover has decreased by £30, 000 while the cost of sales has gone up by £10, 000 from 2010. This has result in a decrease in the gross profit margin by 5. 6%. In terms of company expenses, there shows an improvement in efforts of eliminating unnecessary expenses (decrease of £17, 000). Despite

this, there has been no improvement in the net profit margin. Instead, it shows a decrease of net profit margin from 9.1% to 5.6% (decrease by 3.5%). The fixed assets have also decreased by £70,000. Although this decrease in fixed assets does not influence the cash position, it definitely affects the profits of Castle Nursing Home because profits depend on efficiency of efficiency of fixed assets. The organization is also holding lesser inventory in the year 2011 than in 2010 which is good for the cash position of the business. The current ratio of the business in 2010 is 3.35 times whereas in 2011, it has decreased to 1.64 times. The acid test ratio in 2010 shows a liquidity position of 2.29 whereas in 2011, it shows a 1.14 times. These ratios show a great improvement in the liquidity position of Castle Nursing Home. However, there has been an increase in current liabilities by £20,000 and decrease in current assets by £127,000 which result in a weaker cash position for Castle Nursing Home. The working capital of this business has thereby decreased from £169,000 to as little as £22,500. The management at Castle Nursing Home should strive towards improving its working capital as this may affect the operational performance of the organization and cause difficulty in meeting wage payments, loan repayments, and supplier payments and so on. Nevertheless, Castle Nursing Home currently shows enough cash position to meet its operational expenses in the year 2011.

References

- Finlay, P (2000) Strategic Management: An introduction to business and corporate strategy. FT Prentice Hall
- Greasley, A (2009) Operations Management. 2nd Edition, John Wiley & Sons
- Swift, L (2001), " Quantitative
- <https://assignbuster.com/the-history-of-operations-and-performance-business-essay/>

Methods for business management and finance" PalgraveSlack, N Johnston, R Chambers, S (2010), Operations Management, Sixth Edition, Harlow, FT Prentice HallDenvir, Pat (2011), Operations Management, 2011 Edition, IAMTurner, Mike (2011), Information for Strategic Decision Making, 2011 Edition, IAMBenedict A and Elliot B (2008) Financial Accounting: An Introduction. Harlow FT Prentice HallDrury (2009), Management and Cost Accounting, 7th edition, South Western Cengage LearningJohnston R & Clark G (2008), " Service Operations Management" Third Edition, Harlow, FT Prentice HallWard, J & Peppard, J (2002), Strategic Planning for Information Systems, England, John Wiley & Sons