

Operations management in south western university



**ASSIGN
BUSTER**

About the Case: An Introduction

This is a case about the South Western University, where basketball is a very popular game and the number of people attending the games every year is constantly increasing. But the problem is that the stadium has only a seat capacity of 54000 people at one time. The administration of the University, which includes the President of the University as well as his vice president of development, have been following the trend in the growth of the craze for the game in the people of Stephenville as well as the growing reputation of the organization. , On the basis of analyzing these trends, they have forecasted that in the coming years there will be nearly 75000 people who would be interested in watching the game and hence there is a need to somehow cater to the growing need. This problem forms the basis of the case. However, this is not the only problem. There is also a constant pressure on the university administration from the loyal fans of the games as well as other big-money athletic club boosters who thinks that the stadium that the games are currently played in were made in 1950s era when certain amenities such as premium class seating were not available, but now they should be there. So the university was in a double pressure to somehow address the stadium problem. After having a lot of discussions and considerations, the administration came up with three possible courses of actions:

1. Upgrade the existing stadium to a seating capacity of 75000 people and also address the issue of premium class seating by adding luxury boxes.

2. Build a brand new stadium 3 miles away from the existing stadium, on land donated by one of the boosters.
3. Sign a 10-year contract with the Dallas Cowboys football team to rent their stadium at the rate of \$200000 per game.

However, every decision that is made requires some basis for its justification. Hence, to make the process easier and for the greater good, it was thought that a survey should be conducted with the three stakeholders in the game, which included students, boosters and the college faculty. This was done in order to know about the reaction of the stakeholders and thus take a decision which could be supported by all. The survey required these stakeholders to grade the following factors as A, B, C, or D:

- Convenience,
- Guaranteed Availability for the next season,
- Comfort,
- Cost, and
- National Image

The results of the survey are as follows:

In the above table, the value for the rating is as follows: A = 5, B = 4, C = 3, D = 1.

Following are the questions that need to be answered for the case study.

Q1. Prepare at least two other factors may be important in evaluating each option.

In order to give an effective answer to this solution, it would be better to take all the possible factors that affect the games, the stadium and the

stakeholders into consideration. However, the given set of factors may not be complete. There are a few more factors that might be considered. For instance, the availability of labor for each of the possible options is an important factor to be considered which might help to evaluate the options. If the labor is not available in the particular area where the stadium is being built or revamped, then the labor needs to be brought from far areas, which would substantially increase the expected cost structure for the options. Also, the productivity of the labor which is always dependent on human limitation, can hugely affect the estimated costs. Hence, it would affect the final choice greatly.

Also, the case clearly describes that the fans of the games face commute problems on game days and they have to pass through heavy traffic, which possibly reduces the excitement among the fans. Hence, it would be wise to play the games as close to fans as much as possible. So, the closeness of the stadium to the fans is one more factor that might prove to be important in evaluating the possible options.

So, we can infer that two more factors than can be considered include are the availability & productivity of labor and the closeness of the stadium to the fans.

Q2: Prepare a crossover chart based on the information provided.

All the data that is required for the preparation of the crossover chart is clearly available in the case study details. We can extract the information about the fixed costs and the variable costs which are the only data needed when a crossover chart is to be prepared. The data extracted is shown below

In the above table, all the costs that are shown are shown for a year. The fixed costs and variable costs for the option “ existing stadium” and the “ new stadium 3 miles from the campus” have been given directly in the case. For the last option, it’s an assumption that there will be no variable costs that have to be borne by the administration of Southwestern University themselves. As far as the fixed costs are considered, we take into consideration the \$200000 for 5 games an year. Hence the fixed costs come out to be:

$$\text{Rental} = \$200000 * 5 = \$ 1 \text{ million}$$

$$\text{Transport Charges} = \$10*15000*5 = \$ 0. 75 \text{ million}$$

$$\text{Hence, total fixed costs} = \$1. 75 \text{ million}$$

Based on the above data and assuming that all the games in the year will have the expected number of attendees, i. e. 75000, turning up for the games, we can prepare the crossover chart. The crossover chart is shown below:

Q3: a) If each factor is weighed equally which option is best for SWU? b) If the weights allocated by the administration are used what is the best option? (Administration weights are: 1/6, 1/3, 1/3, 1/12, and 1/12, respectively.)

a) If each factor is weighed equally, the ratings for the grades can be shown as below:

Since, we know that if all the five factors are weighed equally, it means that every factor has a weightage of 20%. On this basis, we can find out the total rating for each option on the basis of each factor by using the formula.

Total Rating=[Rating of Convenience+Rating of Guaranteed Availability of Next season + Rating of Comfort+Rating of Cost+Rating of National Image*0. 2]

As we can see from the above table that the Dallas cowboy facility has the highest rating, we can say that it would be best for the Southwestern University administration to sign a 10-year contract with the Dallas Cowboys football team to rent their stadium.

b) If the administration weights are chosen, the ratings for the grades can be shown as below:

In this scenario, since the weighage is not the same for every factor, we shall use the following formula:

Total Rating= Rating of Convenience*16+Rating of Guaranteed Availability of Next season*13+ Rating of Comfort*13+Rating of Cost*112+Rating of National Image*112

	Convenience	Guaranteed Availability for Next Season	Comfort	Cost	National Image	Total
Existing Site	10	12	10	15	8	109

New

site 3

miles	8	7	14	5	11	9.
from						67

Campu

s

Dallas

Cowbo	6	15	14	13	13	12.
ys						83

Facility

In this case also, since the best rating is again for Dallas Cowboys Facility, it will still be the best option that can be chosen.

Q4: Which location do you recommend and why?

Based on the findings of the rating I would recommend that the University administration should opt for renting the stadium of Dallas Cowboys team for the games. Beside the reason that the major stakeholders of the decision have an inclination towards going for that option, there are other advantages of the same. As discussed in the case, the Dallas is easier to commute. Apart from this, renting the stadium will negate the huge maintenance costs for the stadium. This would also enable to administration to raise the required capital which would be required to revamp the existing stadium or to build a totally new one. They would also get the time so that they can ensure that the stadium is ready and any game is not mixed. Since missing of games because of unprepared stadium would be bad for their reputation. Also, it is

possible that they will have ample time and resources to change the existing stadium to be state of the art and ensure that all the luxury amenities as expected by the boosters groups and loyal fans are also fulfilled keeping them happy. So, it seems to be a win-win situation for the university.