Operational management and customer satisfaction

Business, Marketing

ABSTRACT

The ultimate objective of most business to customer (B2C) organizations today is to increase on their productivity and revenues through system simplification, organizational potential and incremental improvements. Customer satisfaction is key to achieving this objective. With the continuously tighter global market competition, it has become a necessity for most organizations to focus on their operations in order to increase on their profitability and gain marketleadership(Nice group, 2006). Customer service has thus become the main priority for these organizations to retain their market share and increase on their profitability. Operational management plays a key role in ensuring this customer satisfaction.

This analysis thus seeks to examine the effectiveness of operational management in ensuring customer satisfaction within a customer facing B2C organization. An in depthcase studyof Tesco will be used to obtain the relevant data for this analysis. A multi-method strategy will thus be employed involving a quantitative survey through mailed questionnaires to the subordinate employees and semi-structured interviewing of senior managers within Tesco PLC. Theinterviewscripts and survey questionnaires will then be analysed using thematic coding. Finally, conclusion will be drawn based on the findings obtained.

INTRODUCTION

In the recent years, globalization, informationtechnology, super highwaycommunicationand international trade have posed numerous

challenges and opportunities to business to customer (B2C) organizations which have resulted in the enhancement of the manufacturing capabilities through the introduction of new facilities, materials, procedures and techniques (Krajewski & Ritzman, 2002). Hence managing the production/service system has become a major challenge in the global competitiveenvironment. In order for business organizations to keep abreast with rapid technological changes and globalization impact, these leading edge organizations, both public and private, must have the ability to deal with the dynamic changes. Operational management leads the way for these business organizations to achieve theirgoalswith minimum efforts.

Operation management is that aspect of business the handles the production and service systems (Johnston et al, 2003). It is concerned with activities producing goods or involved in the delivery of services required by customers (Johnston et al, 2003). These activities are at the core of any organization and involve management of a vast majority of the organization’s assets, expenditure and its employees (Krajewski & Ritzman, 2002). A commonly held misconception is that operation management involves only the manufacturing activities. It should however be noted that services are increasingly important and their contribution to the national economy far outstrips that of the manufacturing.

Additionally, the overwhelming employment majority is provided by the service industry (Krajewski & Ritzman, 2002). Operations management can therefore be defined as the effective planning, organizing and controlling of an organization’s resources and activities necessary to provide the market

with tangible goods and services (Johnston et al, 2003). It thus applies to manufacturing industries, nonprofit organizations and service industries.

Often, the main activities of operations management are production, product development and distribution. Related activities include inventory control, managing purchases, logistics, supply chain management, quality control, storage and evaluation processes (Johnston et al, 2003). The focus is mainly on maximizing resources, increasing efficiency and most importantly, ensuring customer satisfaction. Therefore, OM often includes substantial measurement and analysis of the internal processes.

With the continuously tighter global market competition, it has become a necessity for most organizations to focus on their operations in order to increase on their profitability and gain market leadership (Nice group, 2006). Customer service has thus become the main priority for these organizations to retain their market share and increase on their profitability. Ultimately, successful operations management is the key to ensuring customer satisfaction by creating more value than the competition. This proposal thus seeks to examine the effectiveness of operational management in achieving better customer satisfaction within a customer facing B2C organisation.

PROBLEM STATEMENT

The ultimate objective of most business to customer (B2C) organizations today is to increase on their productivity and revenues through system simplification, organizational potential and incremental improvements (Nice group, 2006). Customer satisfaction is thus key to achieving this objectivity.

However, most B2C organizations are currently encountering a necessity to respond to the rapidly changing customer preference, needs, tastes and desires (Nice group, 2006).

Stiff competition coupled with increasingly changing customer needs has proven to be the endless driver of organizational performance improvement (Nice group, 2006). For these organizations to remain competitive and retain a larger market share in the global market, efficient management of the operating systems, including both the human resources and material management, must be made a priority.

RATIONALE FOR SELECTING TESCO AS CASE STUDY

The main purpose of this analysis is to examine the efficiency of operational management in ensuring customer satisfaction within a customer facing a B2C organisation. For this purpose, we selected a case study of Tesco PLC to obtain the relevant data for this analysis. Tesco PLC belongs to the retail industry and their principal products mainly include groceries, Consumer goods, telecoms and financial services (Datamonitor Europe, 2004). Tesco is one of the largest British retailers in terms of the global sales and domestic market share. It has over 923 stores and employs more than 240, 000 people (Datamonitor Europe, 2004).

Operational management plays a key role to attaining the primary objectives of Tesco. Whether the current operation objective is to increase on profitability or to improve on customer service, the way in which Tesco utilises its resources have significant impact. As a consequence, there have

been an increasing number of innovative developments in operations management in Tesco. Tesco recognizes the human elements as a value adding factor; hence the company has heavily invested in continuous professional development of its workforce (Austin, 2004). The plausibility of its operation strategies is also evident through its localizing and multi-formatting efforts to reach the global market (Austin, 2004). The discounter approach has also been useful in establishing strong customer relationships (Nice group, 2006).

For its inbound logistics, Tesco has maintained a healthy relationships with its suppliers by importing own and unique systems (Nice group, 2006). Also, for the outbound logistics, the company treats its each market as unique and implements a different approach in order to leverage on customer intelligence on its clubcard (Datamonitor Europe, 2004). The procurement and distribution of produce are closely monitored and deliveries made through truck fleets (Nice group, 2006). Further, the company keeps track on goods purchased and products likely to be bought in future hence making Tesco as one of the largest databases worldwide.

For its supply chain management, Tesco introduced lean management solutions. The company adopted path breaking techniques and systems like point of sales data, continuous replenishment, primary distribution and the RFID technology in order to increase on the efficiency of its supply chain (Austin, 2004). Through its effective supply chain management, Tesco has emerged as a market leader in the retailing industry in UK (Austin, 2004).

Clearly, Tesco represents a successful organisation with efficient operational management.

It should however be noted that the current expansion of its retail market into Europe and Asian markets have direct implications on operational management (Nice group, 2006). Nonetheless, employing an in depth case study of Tesco, in examining the effectiveness of operational management in ensuring customer satisfaction, meets the objectives of this analysis.

RESEARCH AIMS AND OBJECTIVES

The primary goal of this analysis is to examine the effectiveness of operational management in achieving better customer satisfaction within a customer facing B2C organization. Specifically, the research would like to accomplish the following objectives:

To examine and analyze the operational management of Tesco PLC
Understand the role of operational management in the retail industry
To infer the correlation between operational management and better customer satisfaction
LITERATURE REVIEW

INTRODUCTION TO LITERATURE

Over the past decade the focus of most prior research has shifted significantly but has concentrated predominantly on operations management within B2C organizations. A number of key studies are cited repeatedly in extant literature. Reference to these studies shall be made in this section as most of their contributions still apply to organizational practices today. Also

supporting literature review, information for this research will be drawn from various publications andacademicjournals such as Academy of Management Review and Journal of Operations Management.

A REVIEW OF EXTANT LITERATURE

Research into operational management has long been a subject of debate in the public discourse (Flynn et al, 1990). Scholars and practitioners have in the past decades complained about the inconsistencies between applications and research into operations management and stressed the need for a field based research (McCutcheon & Meredith, 1993). While Cox & Ledbetter (1977) found a vast majority of firms in the UK utilizing operations research in operation management, Robey & Smith (1973) observed that application of the research findings to real world situations was constrained by the lack of an integrative research.

Bufa (1980) noted that we had become experts at defining problems of narrow scope, evaluating the results using a single criterion and building models to represent them. He noted that attention was rarely given to the problems facing practitioners; hence Bufa (1980) called for an operation management research agenda related to the real world. He suggested that results from research into operations management be made understandable and acceptable to practitioners. Buffa further called for continued research in strategic issues such as planning and control, technology, and location analysis among others. Subsequently, Buffa identified capacity planning, positioning and quality control as critical issues that must be addressed by service systems.

While surveying four periodicals namely: ManagementScience, Decision Sciences, International Journal of Production Research and AIIE Transactions; Chase (1980) developed a framework with two dimensions, research orientation and research emphasis, to classify operation management research. He observed that most research in operational management (OM) was not integrative and focused on micro problems. His survey of published articles on OM showed that among the most popular areas for research were work measurement and inventory control. Research in service systems dealt exclusively with micro issues of staff scheduling.

Graham & Miller (1981), proposed a comprehensive agenda for OM research. Unlike Buffa (1980), this agenda was based on opinions drawn from a panel of practitioners and researchers. Graham and Miller called for OM research in four main areas: service systems, operations control, operations policy and productivity and technology. Graham and Miller recommended the use of case studies and empirical methods to augment traditional methodologies of simulation and modeling.

More recently, there has been an increased interest in process design, quality and strategy (Meredith & Samson, 2001). The increase is due to improved frequency among journal articles. The current research in quality has taken a more organizational focus unlike the statistical focus noted by Chase (1980). Further, the concept of operational management has revolutionized beyond just the internal production and manufacturing. It now encompasses activities such as product and process design, purchasing, and distribution (Prasad & Babbar, 2000).

According to Nernesian (2000), operations management is a process that deals with the transformation of raw inputs- materials, labour or capital- into useful goods and services. While this may be true, there is a whole lot dimensions to the operation management arena. However, the main objective of operational management in any organization remains to maximize on resources and improve on customer satisfaction. Customer service is therefore, key to operational management.

Slack et al (2004) defines operation strategy as the total pattern of decisions which shape the long term capabilities of any operation and their contribution to the overall strategy. Slack et al (2004) asserts that the objectives of operation management relate to stakeholders interest. In this regard, customer satisfaction is of particular importance to Tesco PLC. In order to ensure customer satisfaction through operational management, Tesco’s operation performance objectives mainly reflect on five aspects namely: quality, speed, cost, dependability and flexibility.

As Slack et al (2004) points out, quality is vital for every operation within a B2C organization since it is an important aspect of customer satisfaction. Hence for a grocery retailer like Tesco, quality could mean that stores are clean and tidy, stores are in good condition, staff is friendly, courteous and helpful, and decor is appropriate and attractive. In this regard, Tesco hired staff to be placed into the stores and distribution centers so as to improve on availability and services hence increasing customer satisfaction (Austin, 2004). Additionally, Tesco launched a clubcard which contains customer

information hence enabling it to better understand its customers (Austin, 2004).

LITERATURE REVIEW SUMMARY

There has been a proliferation of empirical research in the area of operations management. Renowned operation management scholars have attempted to focus and direct OM research towards areas of importance and relevance to industry (Wacker, 1998). Clearly, this review has identified that whilst there is an extensive body of publications into operational management, relatively few rigorous and systematic studies have examined the effect of operational management in customer satisfaction.

RESEARCH QUESTIONS

To develop an efficient operation management, emphasis should be placed on systems approach which stresses on the techniques, concepts and policies essential for effective and economical design, control of manpower, materials, facilities, capital and informational inputs of an organization (Johnston et al, 2003). To guide our research on operational management we will develop the following preposition:

To identify the effectiveness of operational management, one should focus on productivity tools such as Manufacturing Resource Planning, Total Quality Control, Simulation and Animation of Production Operations, Just in Time Techniques, Optimized Production Techniques and Decision Support Systems (Johnston et al, 2003).

Based on this proposition we develop three research questions:

How do these productivity tools increase the efficiency of operational management in Tesco

How can operational management be assessed with regard individual performance and productivity of Tesco PLC

What is the potential effect of efficient operational management on customer satisfaction

METHODOLOGY

RESEARCH PHILOSOPHY

The study will adapt an intepretivist researchphilosophywhich is characterized by high degree of subjectivity. Intepretivism takes an ideographic approach to the study and requires a more detailed and rigorous analysis (Swamidass, 1991). This particular philosophical approach has been chosen as it allows the researcher to not only observe and learn, but to also actively engage in the discussion on the effectiveness of operational management in ensuring customer satisfaction. Hence the researcher's knowledge will be closely aligned to that of the participants. Through this particular philosophical approach, the researcher will be able to explore on the subjective meanings that motivate people's actions and how effective operational management can improve on customer satisfaction.

RESEARCH APPROACHES

There are generally two major research paradigms often employed in data collection and analysis namely: qualitative and quantitative approaches. Quantitative methods are formal and objective and they involve systematic processes that generate numerical data (Scudder & Hill, 1998). Quantitative

research is “ used to answer questions about the complex nature of phenomena, often with the purpose of describing and understanding the phenomena from the participants’ point of view” (Scudder & Hill, 1998). With quantitative methods the researcher is able to infer the conclusion through assessing participants’ perceptions and views.

On the contrary, qualitative approaches are non-numerical and focus on gathering mainly verbal data (Stuart et al, 2002). The qualitative paradigm is based on a constructivist principle: the belief that reality is socially and subjectively constructed (Stuart et al, 2002). When looking at qualitative versus quantitative methods of data collection, it is obvious that there are advantages and disadvantages associated with each methodology.

RESEARCH STRATEGY

In order to capitalize on the strengths of both approaches and offset on their limitations, a multi method strategy will be employed by the researcher in collecting primary data. A multi-method strategy uses different data collection methods within a single research paradigm (Tashakkori & Teddlie, 2003). It involves using more than one method but restricted to the methods selected from one world view. According to Tashakkori & Teddlie (2003), a multi-method approach is important as it allows for the triangulation on an issue by employing different data sources in order to approach the research problem from the different viewpoints. A multi-method strategy will thus be employed involving a quantitative survey through mailed questionnaires to the subordinate employees and semi-structured interviewing of senior managers within Tesco PLC.

DATA COLLECTION

There is need for an integration of the original individual study through primary research with an existing knowledge and previous research. Therefore bothprimary and secondarydata will be employed in data collection. Primary data will be based on questionnaire survey and semi-structured interviewing of retail managers at Tesco. Secondary research will be used alongside with primary research. Secondary data will be drawn from independent sources such as academic journals, published articles, textbooks, and internet sources. A review of the secondary publications will help in defining the agenda for subsequent primary research by suggesting the relevant questions to be asked. Secondary data will be useful in ascertaining, comparing and integrating with primary data for the purpose of comprehensive and logical analysis.

DATA ANALYSIS

Thematic analysis (Saunders et al, 2009) would be adopted in the analysis of data obtained through primary and secondary sources. The interview scripts and questionnaires will be analyzed using thematic coding. Contemporary research themes in operation management (such as the operation strategy, supply chain management, service operations, performance management and lean methods), which are based on the research objectives, will be adopted in analyzing the results obtained from the interview and questionnaires as well as the relevant data obtained from secondary publications.

RELIABILITY, VALIDITY AND GENERALIZABILITY

Due to the fact that semi structured interviews with one or several individuals would be involved in the data gathering process, the study may be prone to interview bias or error and respondent bias or error (Saunders et al, 2009). Moreover, Questionnaires are less likely to be valid as some respondents may answer superficially while others may not be willing to answer certain questions. Furthermore, survey as an instrument has been criticized with some researchers citing potential difficulties of survey administration. According to Meredith et al (1989), the efficient and effective implementation and administration of survey significantly influences the achievement of satisfactory responses and the overall success of data generation. In order to improve reliability, validity and generalizability, this study will adopt the following standards

To increase the validity of the research findings and evaluation of responses the researcher will triangulate the responses with articles from independent sources such as published articles, academic journals, textbooks, and the internet and operation management reports.

In order to improve on the response rate and content validity, the survey will be designed, formulated and implemented in a manner that follows recommendations from various authors. In particular, the recommendations on survey piloting, layout and questionnaire design by Churchill (1991), Dillman (1978) and Conant et al (1990) will be adopted.

Questionnaires will also be issued on two separate occasions, and the two

sets of responses compared statistically using spearman's rank correlation for continuous data hence ensuring consistency of the responses.

RESEARCH LIMITATIONS

Some of the limitations that might be encountered by the researcher are discussed in this section and these include:

Time constraints in conducting the research, analysis and interpreting results.

Lack of enough resources for completing the research.

CONCLUSION

With the above taken into account, it can be concluded that this research proposal is of paramount importance. This research will contribute to the profound analysis on the effectiveness of operational management in achieving better customer satisfaction within a customer facing B2C organization. Conclusion will be drawn based on the findings obtained from the study.

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