

Ops presentation

[Business](#), [Marketing](#)



Executive Summary

The purpose of this report is to provide Rolf Danker and Danker's Furniture Ltd with some short-term and long-term suggestions on how to successfully implement their new business venture into timber framed conservatories.

This report offers advice on how to successfully incorporate this new venture into the existing processes within the company as well as recommendations on short-term establishment and long-term expansion. Some of the problems that were encountered at the onset of the venture included communication breakdowns between company departments, quality concerns in the two existing Strategic Business Units, and resource constraints. This report suggests that Danker's adopt a swim lane process map to help with the communications failures as well as improvements in the internal and external supply chains.

Overview of the organization

During the 1800's, a Danker family from Norway moved to County Meath, Ireland. The family was associated with a tradition of high quality furniture design, and high-class customary made furniture. The Danker family discovered that there was a market for their furniture in Meath, enclosed by rich middle class estates. During the next few generations, the Danker's family continued the family tradition of making furniture and at the end of the 20th Century, 'Danker' was renowned for its ability to produce customised hardwood design based on clients specific requirements and specifications.

The company became known as Danker's Furniture Ltd and was well established in the manufacturing markets. The company had been very profitable and had obtained a great reputation. But in the late 1990's the company experienced problems and the newly appointed Managing Director Rolf Danker appointed me as operations manager, which quickly resolved the underlying difficulties in the business at the time. Currently under the management of newly appointed Managing Director Rolf Danker, the business' strategic focus is to grow and expand through the production of new goods and services.

The massive economic growth in the 1990's resulted in a huge development in the construction area, Rolf Danker, successfully discovered an opportunity to enter into the standard cabinetry market. The company started making kitchen cabinets and wardrobes to exploit the rapid increase in the number of houses being built which required reasonable priced furniture. Danker's believed that their established reputation in the customised furniture making industry accompanying the standard cabinets would increase their market share.

Rolf believed that this would be a quick way to increase profits instead of continuing exclusively with the previous business model. But by the 2000's Rolf's new initiative caused problems in the company's business foundations. Fortunately, Rolf appointed me as Operations Manager at Danker's, which helped to quickly resolve the underlying difficulties in the business at the time. Now in 2002, the company has two independently operated strategic business units (SBUs), the craft purpose-made and the standard cabinet, the business is performing well again and enjoying good profit margins.

Description of the main issues in the case

The division was completely financed from the company's reserves, and in 2002, the company's balance sheet was very strong with no long-term loans or debt equity. Bankers to the company were very willing towards them and the company were constantly being encouraged by the bankers to take up the finance being offered to them and further expand their business. Following a new product concept generation process involving external consultants, a gap has been identified in the market and the Danker's Board has agreed to enter the timber conservatory market.

The Irish market for conservatories is constantly growing but there is not a huge demand in the home market for hardwood timber framed. But it has been recognised that the UK market is around 20 times the size of the Irish one with a 50% share being for timber framed conservatories. It has been explained that due to the foregoing and rising interest in 'sustainable construction', which has been evident in the growth of timber-framed windows, due to improvements in technology and conveniently meets revised Irish Building Regulations.

There is no dedicated manufacturer for timber conservatory in the Irish market and this is where Danker's have seen the opportunity, coupled with the attraction of the large, growing UK market. Rolf feels before focusing on the export opportunity, the company should focus on the home market first and gain experience, amend any defects in their product and then look to expand into the huge UK market. This will be Danker's third SBU. Rolf has asked me as Operations manager to plan this new business venture for the company.

Duty as operation manager is the planning, scheduling and control of the activities that transform inputs into finished goods and services. For the new venture to succeed it is important that there is close co-operation between marketing, operations and engineering. The company already has got expertise knowledge and skills in the marketing and operations areas; was short on engineering skills. Production Engineer, John Brady was appointed by Danker's. He is appointed to provide the initial engineering aspects for the conservatory line and then also provide production-engineering support to all the SBU's. The sales manager drew up a report on the market characteristics for hardwood conservatories to begin the process of conservatory design and to decide on product specifications for the new product line. The engineering manager drew up a Technical Specification Report (TSR) to develop a bill of materials (BOM) with a detailed analysis of dimensions and specifications for all the items on the BOM. TSR contained a great deal of Development costs Product costs Schedules Materials technical specifications. New product development planning schedule was also developed This plan was presented to the management team meeting and was approved. The plan approved is to have the third SBU first production lot produced in 11/12 months time. In order for the development plan to be a success, need to strictly adhere to the planning schedule, as any delay will result in extra costs. This is when some problems began to arise. Jack, the sales manager, did not see the need to have weekly product design meetings with John because he felt that the marketing and production teams already had enough to worry about with their existing products. In this report, we address this breakdown in communication as well as potential

problems that will arise within the short-term and long-term operations and supply chains of the company from implementing their new timber conservatory SBU.

The first problem identified was what could be done to clarify the organizational relationships between marketing, production, and engineering. The issue that arose with the introduction of the third SBU was the smooth functioning of the interdepartmental relationships within the company.

To create a successful new product it involved more work than the primary sourcing of materials and construction of the conservatories. There needs to be a cohesive and common effort made by all departments to achieve success for this new product. We see this problem arising with Jack, sales manager who was slow to hand in the report on the market characteristics of hardwood conservatoires and declined to attend the weekly product design meetings, claiming the marketing department had too much on its plate.

A problem is created in the intrinsic makeup of the product, as now market research is not being contributed to the production of the new product. This could be a fatal flaw for Danker's as they could be producing something that is not exactly what the customer wants. This increases the riskiness of this new venture. As well as this problem the breakdown in the relationships can result in delays and process breakdown as well as distracting from the two other S. B. U's of the business.

The approach management took to address the issues raised was to focus on improving the relationship between the departments. This was done with a

focus being placed on department approval. This system was going to be implemented at the weekly product meetings. Here the department heads could input on resources available, capacity and ability of their department to input on the production process. Jack would be able to have an input into important feedback in relation to aiming and promoting the product to the right customers.

A recommendation that could effectively deal with the issue is to implement swim lane process maps. The implementation of swim-lane process maps by the management at Danker's will help to clarify the organisational relationships between marketing, production and engineering and combat the breakdown in their relationships. The swim lane process maps allowed each department to determine exactly what was required of them throughout the new product design process and prevented situations occurring where marketing refused to attend weekly product design meetings because they felt they were being overworked.

Each department was required to attend the weekly product design meetings; this was the first stage of the swim-lane process maps, the second stage involved finalising the product design and this was successfully carried out by the three departments and the third strategic business unit is now ready for launch into the Irish market. There was no ambiguity in relation to what was required from each department and if they were unsure of their role in the development process they re-analysed the swim-lane process map and took corrective action.

The second problem that we focused on was to look at what short-term actions could be done to improve the new product development process. For

the new venture to succeed it is important that there is close cooperation between marketing, operations and engineering. The company already has got expertise knowledge and skills in the marketing and operations areas; was short on engineering skills. Production Engineer, John Brady was appointed by Danker's. He is appointed to provide the initial engineering aspects for the conservatory line and then also provide production-engineering support to all SBU's. The sales manager drew up a report on the market characteristics for hardwood conservatories to begin the process of conservatory design and to decide on product specifications for the new product line. *The engineering manager drew up a Technical Specification Report (TSR) to develop a bill of materials (BOM) with a detailed analysis of dimensions and specifications for all the items on the BOM.

This approach adopted by management could be successful, but they need to strictly adhere to the planning schedule, as any delay will result in extra costs. The hiring of an engineering production manager was very valuable as he created a TSR which would aid the BOM ensuring the correct materials would be ordered, avoiding a potential loss of earnings. Recommendations which could provide additional help to Danker's would be for each individual sector to improve their own areas which would impact on the overall development process in the short term. For engineering department important aspects they could focus on would be concept development and design. In the marketing area, it is critical that planning improves as well as commercial preparation.

By encouraging Jack attendance at the weekly meetings, he will have detailed knowledge of the other two departments, which will aid him in

designing the marketing strategy for the SBU. In the production sector, it is vital that process for the supply chain is efficient. By implementing a detailed process map, this will ensure that there is an efficient process layout selected. The layout can then be measured using takt time, theoretical minimum and line balancing so that the amount of time idle at the workstation is minimised and the Danker's can maximise their capacity. This process can then be evaluated at the end of the first year to identify any areas for improvement and opportunity to improve efficiency. The operations manager also needs to ensure that there is good, quality control.

All products produced need to adhere to the ISO 9000 and ensure that all products are inspected before they leave the production's premises. In order to gain a competitive share of the Irish timber conservatory market, Danker's must develop a competitive strategy. A business strategy can be defined as the identification of the market(s) in which the business will participate and how the business will gain a competitive advantage in those markets. A strategy is a pattern that integrates an organisation's major goals, policies and actions into a cohesive goal in order to gain a competitive advantage. There are two main types of strategy;

1. Cost Leadership Focus This strategy involves company managing their costs better than their competitors, so that they can offer a lower cost to their consumers.
2. Differentiation focus The product produced is unique.

Customers are willing to pay premium price for it. Having seen already by the work done by the operations manager, Danker's imposes two different strategies for its two SBU's;

1. Cost leadership focus implemented for the standard cabinet
2. Differentiate focus for the custom made furniture.

Now that Danker's are producing their third SBU, it is important they distinguish what strategy they are going to implement with it. As operations manager, we recommend that we implement a cost leadership strategy with the production of timber conservatory market.

If we succeed in managing our costs better than other competitors in the fragmented home industry, this will enable us to offer a lower price to our consumers and enable us to gain a competitive advantage in the market and contribute towards the goal of becoming the market leader in the Irish Market. As operations Manager, my job is to make sure that The business strategy gets translated into operational terms. * Assure the co-ordination with marketing and engineering. Provide direction and guidance for operation decisions. The operations strategy is a pattern of structural and infrastructural operations decisions that configure the shape and design of the operations function and constitutes the operations strategy.

Currently Danker's had two production lines, one for craft purpose-made and one for the standard cabinetry. We propose as operations manager that Danker's changes its operations to three production lines, which would incorporate its new business products production process. In the short-term, we would advise Danker's to use its retained earnings to fund the creation of the third product, as unknown whether its going to be a success, so should start out small to minimise costs. If Danker's were having difficulties with three production processes or were struggling to fulfil capacity requirement, we recommend that Danker's could subcontract out the work.

There would be no production costs involved. They would have to pay the company but if successful they could expand and develop the company. We propose that Danker's outsource their distribution costs which are not close to their production premises and engage in distribution contracts with company's in the North, South, West and deliver to companies in the East of Ireland. The third point recognised was the long-term developments of the new product development at Danker's. Apart from this new product development opportunity on the home market, Rolf and the Danker's Board were also attracted towards the larger, growing market for timber framed conservatories in the UK.

However Rolf felt that before focusing on this export opportunity, the company should first gain experience in the market / industry sector on the home market first, modify any shortcomings in the product-offer, and then look at how he might make in-roads in the UK. Rolf reckoned that the introduction phase of timber conservatories in the Irish market would need to have 2/3 years experience in Ireland to confirm its viability, before entering the UK market. The UK market is 20 times the size of the home market and up until now it has been described as a fragmented joinery industry. There is great potential to break into the UK market and establish as a leader in the market. This would generate huge profits for Danker's. It is important to note that Danker's Balance Sheet has been very strong, with no debt equity, long-term loans, or overdraft.

Bankers to the company were very favourably disposed towards them. Rolf Danker and his accountant brother Erik were constantly being encouraged by their bankers to take up the finance being offered to them and expand

their business further. This approach taken by management to gain experience in the Irish market first, evaluate the product, and adjust any shortcomings they may experience before attempting to break into the UK market is crucial. 2-3 year's experience in the home market would be essential before expanding. Before expansion of the product it is vital that our strategy in the short term is achieved and we successfully become a market leader in the home market first.

This will enable us to establish a reputation while creating a loyal customer base giving us a competitive advantage against competitors in the market. Furthermore, this would provide Danker's with experience of the market before attempting to make in-roads in the UK. Provided we are successful in the home market, there are a number of tasks that would need to be in place for expanding our product. We would need to expand the business by purchasing a larger warehouse to produce the goods in order to facilitate production in the wider UK market as well as maintaining production in the home market and our other SBU's. To aid expansion, we recommend on taking up on the Bank's offer providing us with a loan.

By increasing capacity this will enable Danker's to avail of a number of capacity considerations. There include economies of scale, technology/labour mix, and learning curves. With economies of scale the average unit cost decreases as output increases. It is essential that Danker's are able to obtain lower costs by expanding their business. The technology/labour mix means that Danker's can improve capacity by introducing new technologies, which will increase fixed costs but reduce their variable labour costs. The phenomenon of learning curves results in increasing output overtime,

without an increase in resources. The external supply chain would also need to be developed to penetrate the UK market.

The existing supply chain used in the home market would be a template and then extend and adopt it to make it suitable for the UK market. An effective recommendation could be to design a detailed process map. This would allow all staff to ascertain what was required at each stage and the time constraints that would need to be adhered to. As operation manager, it is imperative to ensure that the process is efficient. However, if Danker's are finding it difficult to break into the UK market, they could create Strategic Alliance with suppliers from the UK. Distribution costs and warehouse costs will be a major contribution to costs as the firm breaks into the UK market. There needs to be smart decisions made by the operations manager in regards to logistics management.

This involves the planning, implementation, and control of the effective flow and storage of goods from the point of origin to the point of consumption. An effective recommendation for Danker's would be to outsource their transport requirements, this will provide more control, improve customer service, and would be less expensive for the business. With the money from the loan, Danker's could look to develop a production center in the UK to cut costs. They should then set up distribution centers close to the market in the UK, which would reduce transportation costs. Danker's then should evaluate their performance on their third SBU to ensure that they are achieving their goals. A method of performance, which could be used is benchmarking.

This involves comparing the business to others in the industry to gauge where they stand and steps they may need to identify in order to become more successful.

Conclusion

Once Danker's have their third SBU up and running, they will be able to develop sales and operations plans and forecast for the business by looking at previous sales, which will help them to determine the levels of capacity required, both strategically and tactically. They will also be able to plan for future materials required and gauge what inventory levels are required for their business. This will facilitate them to be able to develop a master production schedule. This will drive the supply chain and set precise production levels.

We believe that once Danker's follows the short-term objectives and implements our recommendations, they will generate profits from their new product development and facilitate them in becoming a market leader in the home market. As a result, this will enable them to penetrate the wider UK market in the long run and alongside our advice compete with their product on a large scale. By expanding their business and creating a third SBU we believe that they can generate massive profits and become a leader in the timber conservatory market.

References

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