

Discussion questions about companies finance

[Business](#), [Management](#)



Final Exam - Fall 2011 Name __Caroline Herring__ Part One - Discussion Questions. Answer the questions in sufficient detail. For these discussion questions, find at least two online references of examples for each of the questions. In other words, what companies are using these topics in their operations? Explain process variation and process capability as it relates to the 6-sigma quality methodology. What companies are touting the use of 6-Sigma (other than Pocono Medical)? How are they using it? Give references.

Companies with Six-Sigma processes insist that a process making a part be capable of operating so that the design specification limits are six standard deviations away from the process mean. Companies use small samples to periodically check that the process is in statistical control. A process is capable when the mean and standard deviation of the process are operating such that the upper and lower control limits are acceptable relative to the upper and lower specification limits. Processes can be improved by reducing the standard deviation associated with products so that probability will be reduced.

A capability index is used to measure how well processes are capable of producing relative to the design tolerances. Process variation is the main cause of quality problems, whether in business (transactional) or production processes. The main task of statistical process improvement methods such as Statistical Process Control, Six Sigma and Measurement Systems Analysis and the Taguchi approach to Experimental Design is to control and reduce process variation. General Electric, the first company to use Six Sigma, is a good example of a company who is using Six Sigma as it relates to process variation and process capability.

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According to GE's website: "... Six Sigma is a highly disciplined process that helps us focus on developing and delivering near-perfect products and services. Why 'Sigma'? The word is a statistical term that measures how far a given process deviates from perfection. The central idea behind Six Sigma is that if you can measure how many 'defects' you have in a process, you can systematically figure out how to eliminate them and get as close to 'zero defects' as possible. To achieve Six Sigma Quality, a process must produce no more than 3.4 defects per million opportunities.

An 'opportunity' is defined as a chance for nonconformance, or not meeting the required specifications. This means we need to be nearly flawless in executing our key processes. " What are the different types of qualitative techniques in forecasting? What companies are utilizing qualitative techniques for forecasting their sales? Why are qualitative forecasting techniques being used instead of quantitative techniques? Qualitative forecasting techniques generally take advantage of the knowledge of experts and require much judgment.

These techniques typically involve processes that are well defined to those participating in the forecasting exercise. These techniques are most useful when the product is new or there is little experience with selling into a new region. There are several different types of qualitative techniques in forecasting: market research, panel consensus, historical analogy, and Delphi method. Market research occurs when firms hire outside companies that specialize in market research to conduct forecasting. This is used mostly

for product research and the data collection method for this technique is primarily surveys and interviews.

In a panel consensus, a panel of people from a variety of positions develop a more reliable forecast than a narrower group. Panel forecasts are developed through open meetings with free exchange of ideas from all levels of management and individuals. Historical analogies are used when trying to forecast demand and a similar product or service is used as a model. Finally, the Delphi method is similar to a panel consensus in that a panel of people is questioned. However, it differs from panel consensus in that the statements of higher-level people are weighted more heavily than a lower level person.

Automotive companies use market research to test the market and understand consumers wants. Companies like Ford and Toyota are constantly surveying customers to see what the consumer wants as far as usability and likeability.

Contrast the different types of inventory costs. What companies have cut back their inventories during this recession? Are inventories on the rise or are they declining? There are several different types of inventory costs. Types of inventory costs include holding (or carrying costs), setup or production change costs, ordering costs, and shortage costs.

Holding costs are a broad category of costs that include the costs for storage facilities, handling, insurance, pilferage, breakage, obsolescence, depreciation, taxes, and the opportunity cost of capital. High holding costs tend to favor low inventory levels and frequent replenishment. Setup costs

are the costs to make each different product by obtaining the necessary materials, arranging specific equipment setups, filling out the required papers, appropriately charging time and materials, and moving out the previous stock of material. Ordering costs are managerial and clerical costs to prepare the purchase or production order.

Ordering costs include all the details, such as counting items and calculating order quantities. The costs associated with maintaining the system needed to track orders are also included in ordering costs. Finally, shortage costs are when the stock of an item is depleted, an order for that item must either wait until stock is replenished or be canceled. The balance between carrying stock to satisfy demand and the costs of resulting from stock out is difficult to obtain because it may not be possible to estimate lost profits, the effects of lost customers, or lateness penalties.

BMW is a good example of a business that has cut back on inventories by implementing just in time inventory system. With this system, BMW cuts back on holding costs by eliminating the need for long term storage while also reducing the risk of shortage costs by relying on other companies to feed the demand for parts. Because of the recession, inventory levels have been declining due to the high holding costs and the reduction in sales.

Parts e-f) NOTE: The workday is shortened in this problem to an 8-hour workday. [pic][pic] | Students arrive at the Administrative Services Office at an average of one every 2.5 minutes and their requests take on average 2 minutes to be processed. The service counter is staffed by only one clerk, Judy Gumshoes, who works 8 hours per day.