

# Good example of essay on strategic operational management: fast food 4u

[Business](#), [Company](#)



## **Question 1: Operational Layout Change Analysis**

There are various Service Process Layout (SPL) types that companies widely use, based on their core product and scale of operations. Such layouts include the following models:

- Product layout – type of production, focused on repetitive manufacturing procedures, often seen in automobile production line, where resources have to be organized in sequence to eliminate time waste and increase visibility of the end-to-end process.
- Fixed-position layout is the process set-up that allows lean operation in production of out-of-gauge products, such as ship manufacturing seen on shipyards or aircraft production.
- Process layout is the production set-up that allows meeting the needs of variety and customization, often required for IT companies or job shops.
- Cell layout is used in cases when company requires flexibility, but to a certain level can standardize its production process. In this case processes are literally organized into cells with similar design characteristics. This layout is often used by mobile phone producers.

## **Recommendation for Fast Food 4 U**

As it is seen from the case, operation of Fast Food 4 U is based on satisfying several groups of customers, including vegetarians and people with different tastes in general. At the moment, overall proposition of the restaurant is to maintain high variety with lean operation. It is possible to argue that with such business model it is difficult to avoid waste as the food is prepared in advance and demand forecasting accuracy is very low due to the process

layout.

Major issue for the restaurant is capacity utilization and customer rotation. These targets can on a general level be met by implementation a-la-carte menu that will reduce end-to-end process of eating-out experience from the customer and elimination conveyor belt that will increase space availability in the saloon.

At the same time it is critical to take into consideration the competitive advantage that the restaurant has at the moment over its neighboring fast-food competitors, which is believed to be based on:

- Choice of meal options
- Cost control by the customers
- Time management, which is critical for business lunch customers.

With that in mind it is believed that one of the possible solutions could be hybrid layout, incorporating cell and process layouts that will allow Fast Food 4 U to restructure the customer proposal as follows:

- Build combo menu that will direct the choice of the customer to vegetarian or standard menu.
- Create a system: “ build your dish”.
- Differentiated pricing for combos.

In reality this set up will bring a number of changes in the back operations of the restaurant as well. First of all, the above layout will mean potentially reduced variety with lean operation due to the limitations of the menu and fixed combo options. Kitchen will be able to work in cell setting with process customization only on dish-building stage. Secondly, a-la-carte menu with fast service allows for significantly higher table rotation, given efficiency of

kitchen operation in delivering customer order.

With correct planning and given the success in implementing of the given layout it is believed that Fast Food 4 U would be able not only to maintain its customer base but also increase net result by reducing variable costs and increasing restaurant turnover. Additional benefit can come from implementation of lean upstream relations, by supplier consolidation and increase in volume of purchases (reduced variety, increased volume for single purchase). Kitchen will be able to work in cell setting with process customization only on dish-building stage. Secondly, a-la-carte menu with fast service allows for significantly higher table rotation, given efficiency of kitchen operation in delivering customer order.

### **Volume and Variety in New Layout**

The proposed layout will affect volume/variety ratio. It is believed that with a-la-carte options the restaurant will be able to reduce its variety offering smaller range of dishes, as variety is not as critical in a-la-carte as it is in conveyer structure. Volume at the same time is expected to increase due to the expectation of higher table turnover. Traditional a-la-carte menu also can potentially increase sales by bringing customers with more traditional dining expectations that previously would avoid Fast Food 4 U.

### **Question 3: Definition of Lean Operational Structure in a Restaurant**

Lean Structure

Lean operational structure is focused on low variety and high volume that in turns brings the benefits of low fixed and reduced variable costs. This is

achieved through elimination of the non-value-adding activities and “waste”. As such, for complex manufacturing companies, such as car manufacturers, the focus of the shift from agile to lean production will most likely lie on scope side, as these companies can reduce their product range and continue growing on the volume, based on specific target customer. In the majority of the cases it is evidenced that lean operational structure is chosen by the company, which have chosen cost leadership as the primary strategic goal.

Some of the recent examples of the lean operation on a large scale is Toyota Company, whose production line was one of the pioneers in lean manufacturing. Apple Corporation is another bright example of lean operation, based on low variety of 4-6 products and extremely high volume. One of the core characteristics of lean operations often is short life-cycle of the products and both companies serve as evidence to this argument. On the other side of the operations are smaller companies, where lean operation is the only possible competitive advantage. Starbucks Coffee shops operate on a very lean operational structure with reasonably low variety (core product is always coffee) and lean in-store operations with self-service.

The reality shows that lean production has a number of issues that its opponents outline as major drawbacks. Main areas of attention of lean operation is the overuse of just-in-time (JIT) methodology, as while it reduces the cost, its excessive use makes companies very vulnerable to addressing systematic bottlenecks takes out its agility to respond to change. Often it also can be seen that lean operational structures give significantly bigger return in a short run, while in a long term strategy lean practices often have

to lead with human factor issues, such as employee frustration and job routine that reduces efficiency and effectiveness of operations.

## **Restaurant Operations and Lean Structure**

Looking deeper into the restaurant operations it is critical to understand the pillars of restaurant costs. According to the general statistics 30% of the fixed costs for this business is attributed to the labor, another 30% is the material costs and only 40% are other costs that include third party service providers, such as equipment, leasing, maintenance etc. With that in mind to understand what practices can be used in a restaurant, management has to identify the following:

- Major bottlenecks of the operations.
- Understand the cost split and effect of variable costs on production.
- Understand the waste in the operations
- Properly forecast demand of a restaurant and its flexibility and stability.

In general, some of the critical lean practices that bring competitive advantage to the restaurant are JIT and pull system, where the food is finalized based on customer actual demand, rather than expectation of it, total-quality-management (TQM) to eliminate the waste by improving the quality and 5S practices aimed at standardizing the procedures. Kaizen practices, such as 5S are probably the most critical for the restaurants due to time and direct pressure based on capacity utilization issues. Restaurant as an example of operation is interesting from the perspective of the difference of kitchen and saloon layouts that present in the majority of the situations and often, while kitchen works on process layout, operation in the saloon will

vary, based on the type of service: buffet, a-la-carte, rodizio or combined proposals.