

Critical evaluation of the operations management



The essay is about to critical evaluate the operations management strategy of Hard Rock Café as described in the case materials, and discuss the operations management challenges as well as the opportunities when Hard Rock Café considering expand their business in Hanoi-Vietnam. In the essay, textbook, internet, academic researches will be mentioned to support the critical evaluates operations management, challenges and opportunities issues.

According to Heizer et al., (2011), " Operations management is defined as any activities that relate to the creation of goods and services through the transformation of inputs and outputs", while operation managers play an important role in the management process. " The management process contains planning, organizing, staffing, leading, and controlling". (Heizer et al., 2011).

In the case materials provided, we will evaluate 10 critical decisions of Operations managements which are goods and service design, managing quality, process and capacity design, location strategy, layout strategy, HR and job design, supply-chain management, inventory, scheduling and last decision is maintenance to see whether how well Hard Rock café applied these decisions in their operation management (Heizer et al., 2011). We will evaluate few decisions amongst those 10 decisions to let people have a broad view of how Hard Rock Café applies these decisions to operate their business.

For goods and service design, what services/products should Café give to customers? That is very important issue to Hard Rock Management. As we've

known, Hard Rock is in hospitality industry. If they provide products/services wrongly, it would lead the company to bankrupt. Follow the Hard Rock case study, due to the global economic changes, differences in business law, a lot of risk factors that make Hard Rock Café changes from global Strategy into multi-domestic strategy. Multi-domestic strategy is “ a strategy that companies in each market makes their operating decisions independently of others oversea markets” (<http://tutor2u.net>).

In here, company decided to franchise a large number of their cafes by joining with opened café such as in Manchester and Birmingham, which try to attract local residents involve in their business due to this place is not a common place for tourist, where people in here are quite conservative. This decision would make them to redesign their goods and services to meet with the local taste. Differences country would have different cultural, languages, business practices. For example: Hard Rock café in Kuwait would need to change their menus because they can't eat pork. All products are related to pork are prohibited as well as alcohol while in US where people can eat pork, drink alcohol with no restriction due to difference religions and law as well (Muslim in Kuwait and mainly Catholic, Protestant, Buddhism in US).

(<http://www.hardrock.com>)

Another issue is managing quality. Base on Rose el at., (2005), “ management quality is looked at 4 issues: quality planning, quality control, quality assurance and quality improvement”. Hard Rock Café has been focused on quality control and improvement by survey. It has been done regularly with rate from 1 to 7. If the score is not reached score 7 that mean the foods and services will be reviewed. The company has changed their <https://assignbuster.com/critical-evaluation-of-the-operations-management/>

menus to match with local taste as well as upgrade their menu. They are not only focus on their traditional food such as hamburgers and beefs but also look for high class of food like fishes, lobsters. Although customers go to Hard Rock Café because they love music, atmosphere, environment, that is the main reason but high quality of food which show in menus would be value-added to Hard Rock Café reputation and make customers come again. Cianfrani et al., (2009) told that: “ Quality management could change some of the management principles. This can help top level management to increase the company’s performance as well as satisfy the customer’s need”. This issue is very important for the company which they are strongly focused on customer because most of the Hard Rock Café’ customers are tourists while a minority is a local resident (Heizer et al., 2011).

When the company changes their services/products, they also need to think of their existing supply chain management. Mentzer et al., (2001) stated that: “ Supply chain management is seen as a mechanism to maintain competition in domestic markets, in light of increasing global competition”. The company chooses to upgrade their menu that would restructure their supply chain management because they will need new suppliers as well as maybe eliminate some old suppliers. Hard Rock Café does not want too much on beefs and hamburgers; they want to add more expensive stuff such as fishes and lobsters which would attract a wider range of customers as well as lift the level of Hard Rock Café one step higher.

Top level managements also need to consider on the distribution network of new suppliers. Where are their warehouses, distribution centers, number of networking, who are their customers? What are payment terms? Can they

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deliver goods then we pay later or we need to pay upfront before they deliver goods? All those things need to be considered very carefully because it will affect the cost of the meal later on. If the warehouse of the new supplier is too far, it would create a big problem when we run out of food to prepare meals for customers. Moreover, if the company has to make full payment before they deliver goods, it would be an issue at the management level to consider because if we can pay them later in a certain day after we receive goods, that is so much better, we can use that money to do something else to make more money and pay the supplier later.

Location for Hard Rock Café would be a big issue to consider when selecting the location. A lot of things would affect such as political risk, currency risk, social norms, brand fit, and business practices (Heizer et al., 2011). Political risk is defined as “Probability of loss due to political instability in the buyer’s country that may result in cancellation of a license or otherwise affect the buyer’s ability to make payments. Political risks are insurable risks, and overlap with the political component of force majeure risks” (<http://www.businessdictionary.com>). It is the main concern when choosing location. Thailand will be a good example. Recently, Thailand has a lot of strikes which would make investors worry. It will also affect the tourist industry due to a lot of cancellations of tours to Thailand during strikes (<http://www.thaiopro.com>). While business practice is another issue Hard Rock Café needs to concern. “The regulatory framework in Thailand is quite good but whether it is put into practice is a different issue” (<http://www.reuters.com>). The business environment in Thailand recently is going down. Corruption is increasing badly. If a company wants to expand business in Thailand, this issue would be

considering carefully while most of the businesses try to avoid bribing, they want to do clean business especially some companies come from developed countries such as United State, Australia. Maintenance would get involve as the strategy of Hard Rock Café has changed to franchise with opened restaurant or café. This mean they need to redesign the current café/restaurant so that will fit local cultural but it will not lose the Hard Rock's visual appearance.

Securrency Company is an example for bribing. Securrency is a joint company between Reserve Bank Australia and British company call Innovia Films. “ Several former and serving Securrency executives engaged in bribery to win deals in Vietnam, Nigeria, Malaysia and Indonesia.” Securrency Company has been investigated and bribery for some middle-men in order to win the deals oversea has been probed. If Hard Rock Café gets involve in this kind of bribery, this will destroy all the reputation that Hard Rock Café has tried to build up decades ago as well as it will lead to closing down a lot of business if the bribery is proved.

Human resource management is also an important matter for company. Armstrong (2006) stated that: “ Human resource management is the strategic and coherent approach to the management of an organization's most valued assets: the people working there who individually and collectively contribute to the achievement of the objectives”. Nowadays, most of the company is really pay attention about human resource. It can help the company win over their competitors. For restaurant industry, products are important but services could be an extra point to attract customer come back. How Hard Rock could do it? The company needs to

provide the “ better services, cheaper price and faster response” to compete with their competitors (Blackwell et al., 2001).

Staff turnover is another issue especially in restaurant industry due to very high turnover of employees, around 80% to 100% per year (Heizer et al., 2011). Hard Rock Café is successfully in keep very low percentage of staff turnover by let employees fill in each day schedule what day/shift they would like to work base on their level and how important they are at each shift. The purpose is to balance work and normal life of staff as well as will not let over-employee between two shifts. This method works very well as Hard Rock staffs love that method and it helps to reduce the staff turnover which is percentage of staff turnover in restaurant industry is very high.

Although staffs at Hard Rock Café are music lover, happy with the working environment but for normal living life, they cannot live without money. So company should have reasonable salary system in order to help their staffs afford to normal living cost. There is an accusing of an anonymous waiter staff in of the Hard Rock Café in United Kingdom that he/she was getting paid under the national minimum wages which is 2.06 pound per hour while national minimum wages is around 5.73 pound per hour (<http://news.bbc.co.uk>). Employees in Hard Rock Café in London are relying on tips of customer to push their wages to national minimum wages. These tips could come from cash, credit card tips but we do not know all those tip will be distributed fairly to staffs or the company will keep them and give part of it staffs only. This matter is very important. Salary would a tool to stimulus the performance of employees which could make them work harder, dynamic

and enthusiasm. If this matter is proven, the company will be fined and leads to competitors get gain more market share which is belong to company.

In order to expand business in Ha Noi, Vietnam, Hard Rock needs to look at challenges and opportunities before make final decision. These challenges and opportunities are mention below:

Based on General Statistics Office of Vietnam, Ha noi is about 3345 km² with more than 6. 5 millions of people which is around 1935 person/km² (<http://www.gso.gov.vn>). We can see in here, will small area with a lot of people live in, so it is very hard to find location to open a new business in here. Location is a main concern of company which is easy to access; locate around Central Business District where a lot of traveler and people can see their logo. Moreover, real estate price in Ha Noi is very high compare to other cities so that company would need to consider lease or buy it out (<http://vietbao.vn>). That would be added to the cost of meal which would be an issue in competitive with other competitors.

Another challenge is cultural differences. Cultural differences could cause a lot of problem which Hard Rock needs to find out when planning to do business in Vietnam. Eye contact is an important to tell whether we respect opposite person or not. For Western cultural, when people are talking, it is impolite if we do not look at each other's eyes. But in many Asian countries such as Japan and Vietnam, they cannot look at their superior's eyes otherwise it means you have no respect for them. If you do that so, that mean you show your respect to them (Moran el at., 2007).

Posture/Gesture can make misunderstanding as well if two business men from different countries with different cultural. In Vietnam, it would be friendly if two people stand close, remain little gap between two people but in western way, it should be a gap (at least one meter) when they are talking to each other, it is considered polite. On the other hand, handshake would be differences between Asian cultural and Western cultural. Western people prefer firm handshake, that show their respect to business partner as well as trustworthy while in Asia, especially in Vietnam, firm handshake should be avoided while people think it is rude, un-educated, not being friendly to guess. Those things are very important because if they do not understand Vietnamese cultural, it might create problems between level management of Hard Rock towards their employees. This is not good for business as it will create the gap between level management and employees, poor performances, people might want to quit due to disappointed, do not like working environment.

Currency risk is another risk factor. At the moment, the exchange rate between US dollar and Vietnamese dong is very high which is 1 US dollar can change to 19500 VND ([www. eximbank. com](http://www.eximbank.com)). If Hard Rock would like to bring their goods over from US to keep original taste, it would make the price of each meal increase due to value of VND is decrease plus no shipping cost from US to Hanoi if they buy those products in Vietnam. The rise and fall of exchange rate could make company have more competitive advantage to competitor but it would be a disaster later on so that advantage would turn to disadvantage as Hard Rock Café strategy wants local residents get involve along with tourists.

In Vietnam legal framework is quite good but it is not applied. Intellectual property right is an example. It is not protected even Vietnam has signed a lot agreement which promised to protect the copyright but it does not put it in practice (<http://www.vietnam-ustrade.org>). The percentage of copyright infringement is still high at 85%, same at year 2007, 2008 (<http://phapluattp.vn>). Hard Rock Café can be set up today but next few weeks, another Café might be open and all the meals, layout, styles, music would be similar or slightly differences. It will affect the brand name of Hard Rock if customers come in, still though that is Hard Rock Café and they have bad serves or food poisoning.

Disregard those challenges above, Ha Noi is still a potential place for investor to consider when open business in here. Firstly, Hanoi is capital of Vietnam with labor force 1.6 million of people while 43% of them are under age of 35; it means 400.000 people enter the market every day (<http://industrialzone.vn>). Moreover, GDP per capital of Vietnam is around \$1156 USD/year which is very low compares to US. It means, company has more option in selecting staffs but pay less money than in US market (<http://www.dfat.gov.au>). That would save a lot money for company while in US huge money has been paid off for HR and singers. This is an advantage when open business in Hanoi.

Secondly, supply chain management would not be a problem because people can come to Hanoi by three main ways: railway, roadway and airway. Hanoi is also a starting point of a lot national highway such as Number 1A national highway, Number 3, 5 national road and NoiBai airport is around 40km away only as well as close to 5 big industry zones which they can supply most of

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the needs for Hard Rock (<http://industrialzone.vn>). It is easy to deliver goods for company regularly and on time so company will not be run out of stock even in peak period.

Thirdly, since 1990, economics of Vietnam is growing very fast. GDP of Vietnam is around 7% growing continuously while GDP per capital is at \$725 USD in 2006 goes up to \$1156 USD in 2010 which is nearly double in 4 years time. We can see bright economy, growing very fast which is a potential market with around 90 millions of people (<http://www.dfat.gov.au>). That could open for Hard Rock a lot of chances while invest in Vietnam as a lot of US companies did it long time ago such as IBM, Intel and many more US companies. Intel is good example in investment. They just announced to decided to make the \$1 billion investment in a relative newcomer to the high-tech game – Vietnam (<http://www.usatoday.com>). This decision is good news for Vietnam which could create a hundred thousand jobs in Hanoi and Ho Chi Minh City as well as could bring back huge profits for Intel in the future as labor cost in Vietnam is quite cheap but highly educated.

In conclusion, ten operation management decisions play an important role in doing business of company. Those decisions mentioned above are not all of ten decisions but it would show out how important ten operation management decisions in managing quality, improve performance of employees, create new goods/services in order to adapt to the fast changing of global economic. If Hard Rock Café can continue to perform as they are doing right now, it would be the strength and a competitive edge toward their competitors.