

# Cds case study – operations management

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



An understanding of these strategies is important in ensuring that organizations are well aware of the requirements needed to meet the corporate objectives set about by management. The report looks at a case study of Concept Design Services (CDC); a product based manufacturing company looking to break into service operations. It seeks to identify current strategy types evidenced in the organization and the role operations play in the implementation of these strategies. Also considered is the relationship between the core functions highlighting possible conflicts, current practices and perceived strengths and weaknesses.

Issues such as serialization and growth strategies are considered in relation to the company's push for development in line with its desire to become a service provider. An analysis of the impact it will have on the company's manufacturing and service departments is also considered. Finally, recommendations that will ensure operations develop with the new growth plan are presented to management.

## 2.0 STRATEGIES IN CONCEPT DESIGN

Within CDC, there is evidence of an amalgamation of strategies.

With a diversification of the company portfolio, the corporate strategy of the organization had to be flexible to the changing scenario of the business environment. To identify the different strategy types within CDC, there is first a need to understand what strategy is. Strategy can be defined as "the total pattern of decisions and actions that position the organization in its environment and that are intended to achieve its long-term goals" (Slack et al. 2010). Strategy has also been described as the long term direction an organization intends to go (Monsoons et al. 2011).

In achieving an over arching strategy, three levels of strategies have to be considered; corporate level, business level and operational level. The formulation of these strategies will determine how the different organizational strategies will interact with one another scope of an organization such as where to locate the business, what type of business to engage in; business level strategy is more concerned with the various ways the business can compete successfully against other competitors in its segment. Functional strategy looks at ways in which individual functions can contribute to the overall objective of the organization.

Operations strategy is concerned with the strategic decision and actions that set roles, objectives and activities of the operations (Slack et al. 2010). It focuses more on how the different parts of the organization can deliver on set strategies through the management of resources, processes and people. Operations strategy's primary role is to implement strategy, but with continuous business growth, operations is expected to support and drive the organizations strategy. This will see it contributing to the competitive advantage of the firm (Slack et al. 2010).

This is aptly captured in Hayes and wheelwrights four stage model of operations contribution. Figure 1 . Hayes and Wheelwrights four-stage model of operations contribution. Adapted from Slack et al. 2010 Slack et al. (2010), identified four different perspective to operations strategy; Top- down, bottom up, market requirement perspective and resource based perspective. He noted though that all four perspectives are required for proper understanding of operations strategy. Although the strategies employed by

organizations may differ, it remains important to reconcile the needs of the market with operational resources (Slack and Lewis 2008).

Hence, it is important to analyse the process through which market needs are aligned with operational realities, thereby ensuring that operation can deliver what it is being asked of them and that this alignment will endure over time (Canon et al. 2013). Evidenced in CDC operations is the implementation of two of the identified perspectives; Market requirement and Operations resource perspective.

**2. 1 MARKET REQUIREMENT PERSPECTIVE ANALYSIS** A market requirement perspective focuses on what market position requires of operations (Slack et al. 2010).

Its focus is not just on the industry, but it considers where the organization intends to compete as well as the nature of competition (Lawson 2002). Hill (1985), suggested that to win orders in the market place, organizations operations strategy and the marketing strategy need to be in sync. CDC Marketing function identified a trend that seems to have worked for retailers in the decorative product industry. They realized the importance of fashion trends and its appeal to people. This market requirement led to the creation of a whole new the many different color range became a market qualifying criteria that drove marketing strategy.

This strategy was in line with the overall organizations strategy that saw a shift in the focus of its production of industrial injection-mould plastics to popular household items. In a bid to meet markets demand, supply services had to upscale its machineries by procuring additional large injection molding machines to cater for the rapidly growing volume of products. Also,

the design team had to be one step ahead of the competition by ensuring that they had a range of products that will keep customers engaged.

Hence, the case study has shown that CDC have been able to develop its operations strategy by allowing operations meet the performance criteria required by the market (Slack et al. 2004).

## 2. 2 OPERATIONS RESOURCE PERSPECTIVE ANALYSIS

In the case of operation resource perspective or resource based view (RIB), focus is on the organizations operation resources, competencies and capabilities (Lawson 2002). It focuses on the key strengths of the organization, looking at internal resources that cannot be purchased externally, thus providing the firm with competitive advantage through superior performance (Callow et al. 007; Fay and Smithies 1999; Barney 1991). With operations-led, strategy is developed through sound understanding of current operational capabilities and an analysis of how it can be developed in the future (Slack et al. 004). An understanding of the organizations strength will then influence the decision as to which markets should be considered for the deployment of current or future capabilities, and which competitors can pose a threat or can be taken advantage of (Hayes et al. 2005). CDC have clearly shown the strength of their operations over the years.

Early experience gained from the manufacturing of industrial products have set them miles ahead of competition. This is evidenced in the quality of their product which drove sales to record highs and resulted in retail outlets signing up for the organizations product. The company prides itself on its technical abilities which has been achieved not just from years of experience

but by investing in machineries. CDC have acquired latest precision equipment's with the best quality moulds available.

The technical knowledge of the employees also provides the company a unique advantage. Another area of operations that provides competitive advantage for the organization is its design expertise. CDC have in its employ professionally respected designers with the know-how of translating difficult technical designs into manufacture sellable products. This has provided the organization leverage when dealing with design houses. The company is clearly leveraging on its operations resources, competencies and capabilities to obtain competitive advantage.

**AN ANALYSIS OF THE RELATIONSHIP BETWEEN THE CORE FUNCTIONS** Within the context of any organization, there are 3 functions that must exist for the organization to realize its goals of meeting customers need. They are; 1) The 2) The product/service development function 3) The operations function The marketing function which also comprises of the sales unit is primarily expansible for communicating what product/services the organization has to offer to consumers in a bid to generate customers' requests for the service.

The product development functions' responsibility is to create new and modified products and services in order to generate future customer request for services. And lastly, the operations function is responsible for fulfilling customers request for service through the production and delivery of products and services (Slack et al. 2010). The ability to effectively work with other functions in the organization is a key responsibility for the operation function (Slack et al. 2010; Canon et al. 2013).

Research as shown that in most organizations, different functions within the organization usually employ their own strategies to assist them in realizing their functional objectives. This unfortunately is a basis for corporate misunderstanding, inter-functional differences and rivalry (Hill 2005). While the objective of the operations function remains the production of goods and services whilst managing resources, it has to also manage its relationship with other functions of the organization.

Due to the nature of its strategic importance, the operations function usually has conflicts with other functions. **MARKETING** In determining an organizations strategic objective, operations and marketing usually adopt different approaches. While marketing tends to emphasis improved service features that appeal to customers, operations focus more on efficiency and cost control (Nine and Young 1997). Erickson (2010), stated that the main reason operations and marketing functions in an organization have conflict is due to their perceived differing objectives.

Largely, trade-offs are responsible for the conflicts between these functions as they attempt to balance competing priorities (Tang 2010). It is therefore important that organizations manage trade-offs in a manner that will ensure that they don't compromise the over-arching organizational strategy for gaining competitive advantage. Canon et al. (2013) in their research identified certain paradigm that organizations needed to implement for the successful collaboration of the two functions. They argued that there is a need for alignment between market needs and operational realities.

The objective here is to satisfy market needs while using appropriate operational resources and jointly developing those resources so that the operations department can acquire new capabilities and provide the firm with sustainable competitive advantage. The marketing function at CDC have been able to effectively market/communicate the value of their products to the market, this is evidenced in the phenomenal growth of the company. Through innovation, extensive advertisement- both on TV and in illustrated magazines, they have been able to drive sales of CDC products.

The portrayal of its products has been "classy" and for the upwardly mobile individual. Product differentiation, design partnership and extensive research, combined with a marketing manager with lots of experience and autonomy working with an experienced, technically astute manufacturing department has resulted in the success of the CDC products. The function has also been able to market itself and the value it can give to design houses in Europe. Through its marketing activities, CDC is moving from being just a manufacturer of commodities to a provider of services.

Despite the progress that have been recorded by CDC, there still seems to be a misalignment between the marketing and operation functions. With the success of CDC products and the continuous innovation drive of the organization, it would seem that the marketing function is failing to acknowledge the limitations of the company's capacity. CDC have a problem with the storage of finished goods and this has impacted on the delivery of product availability from supply services. They are currently struggling to ensure that they meet SKU stocking levels.



Another problem has been the issue of proper planning and effective forecasting by the marketing team. The seasonal nature of CDC products requires that the marketing function carries out comprehensive forecasting to try and anticipate demand. Currently, poor forecasting by the function is costing the organization. Supply services have to deal constantly with issues of utilization, efficiency and growing scarp rates; this is as a result of ad-hoc requests for urgent production to meet with UN-planned demand.

To minimize wastage and ensure proper alignment, marketing and operations will have to network and collaborate better Enhances and Iris 2005) to ensure that the over corporate objectives are met. NEW PRODUCT DEVELOPMENT (NYPD) " NYPD is defined as the transformation of a market opportunity into a product available for sale, through a set of activities executed in a logical way, sequentially ND concurrently' (Alameda and Miguel 2007). It allows organizations to gain competitive advantage, attract new customers, retain existing customers, and strengthen their ties with the distribution networks (Kettle and Keller 2006).

Organizations that successfully introduce new products do so through a well-developed process that leads from creative designs to a successful launch of the product by focusing on satisfying specific customer needs (Chancre and Inalienable 2008). The attainment of this task will require NYPD to collaborate closely with both operations and marketing. NYPD, in comparison to other functions is usually characterized by a high degree of uncertainty, risk and high cost to make changes to initial decisions made (Slack et al. 2010).

For CDC, NYPD is responsible for transforming designs from marketing into workable design moulds. Operations then ensure that the products from the mould are standardized and tested appropriately and efficiently. The moulds then have to be tested on the production machines. A great deal of inter-functional collaboration is required to ensure that proper scheduling is in place to enable AND carry out testing without disrupting production. Getting this from the suppliers in South Korea. This will then result in a need for an urgent test of the moulds. That said, Cads' NYPD function are technically sound.

They have managed to build for themselves a reputation of being able to overcome problems with designs regardless of its nature. The NYPD function contributes to the organizations unique operations resource. 4. 0 AN EVALUATION OF THE IMPACT OF DEVELOPMENT ON THE OPERATION OF THE MANUFACTURING AND SERVICE DEPARTMENTS CDC like most manufacturing organizations are starting to appreciate the intrinsic alee of adopting serialization as a practice. Serialization have been described as the process of transforming manufacturers to compete through product-service systems rather than products alone (Beanies et al. 007). The rationale for this transition from 'purely product' to 'product- service' or 'purely service' can be viewed from three perspectives (Olivia and Goldenberg 2003). They identified the reasons as; First, economic. Research has shown that substantial revenue can be generated from products with a long life cycle; also services in general have higher margins than reduces and services also provides a more stable source of revenue as they are resistant to the

economic cycles that drive investment and equipment purchases. Secondly, there is pressure on organizations from customers demanding more services.

This has led to firms adopting a narrow definition of core competencies while increasing their dependence on technology to help in their bid to specialize.

Lastly, it is viewed as providing competitive advantage. The less visible a service is, and the more labor dependent it gets, the more the probability of imitation reduces (Olivia and Goldenberg 2003). Manufacturing has long

moved beyond production alone and a combination of both products and service business model are now generally accepted as playing a key role in the success of any modern business (Beanies et al. 014). Companies that

have adopted the concept of serialization will probably not follow the

product-service classification, but will instead seek to distinguish on the

basis of the value proposition with their customers (Beanies and Lightproof

2013). This is the case in CDC, where the company have had to adopt

differing service model while dealing with the design houses and retailer

service arrest. While the design houses have adopted a proposition that sees

both companies working together - that is the customer wants the company

to work with them (Beanies et al. 014), the retailers on the other hand, are

happy to leave the management of the entire operation to CDC. Beanies et

al. (2014) have identified this differing forms of proposition has been 'base',

'intermediate' and 'advanced services'. Advanced. This categorization of

product-service offering is centered on the idea that due to the

competencies of the company, maintenance and workability of the

operations should be managed by the provider of the service. A feature of

this type of offering includes customer support agreements, risk and reward

sharing contract, and revenue through use contact (Beanies and Lightproof 2013).

To meet with demand, and ensure that customer's needs are met in terms of product availability, CDC will have to increase its production lines and increase holding capacity. Storage facilities will have to be located closer to the location of their customers. Localized facilities will ensure that store replenishment lead times are reduced. CDC will also have to invest in 'CT. Setting up an enterprise resource planning (ERP) system will help connect the stores database with that of CDC. That way, they can easily track inventory levels and are able to respond in a proactive manner.

Also, Olivia and Goldenberg (2003) argued that a good practice will be to set up a new service department whose focus will be to drive and improve performance objectives. The consolidation of the service offered is usually accompanied by a strong initiative to improve the efficiency, quality and delivery time of the services provided, and the creation of additional services to supplement the service offering. The consolidation of services also comes with the development of a monitoring system to assess the effectiveness and efficiency of the service delivery.

This monitoring system allows managers realize the size of the service market and account for services' contribution to the firm's operations (Olivia and Goldenberg 2003). Internally, these changes create the transparency of numbers needed to get a clear sense of direction and to monitor the success or failure of executed changes (Olivia and Goldenberg 2003). Externally, the

improvement of quality will establish CDC as a reputable service provider among TTS clients.

CDC has seen steady and continuous growth over the years, albeit its focus had been centered on a single product type. With the recent direction of the organization, there are real concerns surrounding its rapid growth and its diversification into services. Southward and Swankest (2003) identified certain issues that evolving organizations encounter due to rapid growth, they include bottle-necks, back-orders, and decreased profits despite increased sales. Some of these issues are evidenced in CDC. The rapid growth of the organization has resulted in capacity related issues.

There is one in every twelve chances of a product not being available, continuous scheduling disruption due to demand surpassing supply and the popularity of its product and wide acceptance usually leads to stock outs. The manufacturing function seems to be stretched to the limit with support services equally struggling. It would seem that the organization is currently unprepared for the changes. In line with the company's objective for growth, it has become imperative to address the operational issues that can hinder the organization's growth strategy.

Using the reduce/service lifestyle to analyse the organization's current operations, it is obvious that the transition from being a purely product based manufacturing company to a product-service based organization is still in the infancy state. This is characterized by uncertainty as customer's needs are not well understood. Hence, operations management will be required to develop flexibility to cope with any changes and be able to give

the product/service performance that will ensure quality is maintained (Slack et al. 2010). Other issues to be considered by management includes; the issue of capacity management.

To meet with the demand of the market and its growth strategy, CDC will be required to get more warehouses and hold more inventories. The plastic business is clearly one of volume; hence CDC has to ensure that it maintains its status of been a reliable supplier. It also has to effectively operational it marketing strategy. The company is currently plagued by poor forecasting and planning. There is a need to upscale the competencies of the sales representatives. This will enable them gather appropriate data that can then be fed into the organizations planning to help reduce scheduling related issues, stock outs ND disruptions.