

Strategic operation issues

Business



STRATEGIC OPERATIONS ISSUES ASSIGNMENT TABLE OF FIGURES

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LIST15 ABSTRACT Company A is a global company and within it has several different business units, Company A , is a specialised service provider for the oil, gas and petrochemical industries throughout the world, this report focuses on Company A Tower Field Service Pty Ltd, located in Australia.

Operations and process management are vital functions for the effective running of successful businesses, they need to be strategically planned and designed to prevent the loss of vital information, company standards as well as continually improve practises. These processes should be well documented and understood by all employees of the company.

The loss or relocation of individuals should not have significant impact on company functioning. This report shows how strategic operations functions can be used to improve processes and therefore increase business effectiveness.

Key concepts in strategic operations issues, such as process design and analysis, total quality management and resource planning and control need to be well documented for the system to remain effective and to meet long term strategic goals. PART A Describe the organisation and the problem briefly, but well enough for the assignment examiner to understand what the organisation does and its relevance to this assignment; Company A is a global company with many business units located around the world; Company A is itself a division of Company B.

Company A have extensive knowledge of all types of vessel and tower internals. Company A are a specialist service provider supporting customer's needs for all their internal equipment installation, shutdown, maintenance or revamp requirements in the petrochemical, and oil and gas industries all over the world.

It is Company A's strategy to strengthen its ability to supply installation and maintenance services to its customers geographically leading to recent acquisitions, Oceania merging with APA creating APAC.

This has resulted in the relocation of key personnel, within the company, to run new locations, consequentially losing experience and day to day operational knowledge. Due to an ill documented management system this knowledge and experience was not captured in processes & procedures resulting in a gap in the operations of the business. This assignment focuses on Company A Pty Ltd, Australian Operations. PART B Briefly explain the background to this issue or problem by describing how it fits into the operations of the business.

Its impact on the business could be demonstrated using a chart to show the functional relationships, and/or a process flow analysis to show how the operation or process that you are studying is integrated into the organisation; Company A's work is varied and unpredictable, resulting in fluctuations and depressions in work frequency and volume (Figure 2. 0). Speed, cost and dependability are the important operational factors driving Company A's market strategy in winning contracts. Whilst each project is different the process for quoting, receiving the contract and executing the job are essentially the same (Figure 3.).

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This process was held by a small number of experienced and long standing employees, when they were reallocated to run other locations, so was the knowledge of project, quoting requirements, Company A capabilities and experience. [pic] Figure 2. 0 – Shows the variation and volume in work load throughout any given year. Reference: Reporting Figures (2009, 2010, 2011) [pic] Figure 3. 0 – Process Flow chart of Company A enquiry through to Project Completion PART C Provide brief specific details of the operational issue, problem or process that needs to be addressed.

For example, this might includes: • Key objectives, success factors and performance of the issue in question • Opportunities or implications for changes to the process or techniques being used now • Resource implications or constraints • Technologies and/or manpower issues involved in the process etc.

Company A's core business revolves around winning contracts; these contracts are based upon man-hours that is, the time it would take to complete the scope of work provided by the client. Any deviation from the budgeted man-hours results in reduced profit margins, poor on time delivery, customer dissatisfaction and loss of reputation.

Therefore it is vital when quoting for a project all quality, costs, man-hours and materials are factored in. The relocation of personnel and subsequent lose of experience and personnel knowledge outlined a gap between assumed knowledge and documented procedures, as whilst the process to quote and win projects was essentially the same, it was not well documented and new employees were unable to successfully quote for a project. This not

only will affect Company A's bottom line but will result in inconsistent quotations and impact on employee job satisfaction.

This has brought forward the need for a documented, maintained and reviewed Quality Management System, whereby, procedures, standard documents and templates can be used which capture all associated costs, project, client and company requirements.

PART D Analyse the problem using concepts covered in the appropriate part of this subject (this should be the major part of your work and your report).

In analysing the problem, you should consider: the five main objectives of operations management; changes to performance or outcomes (such as quality, productivity etc. ; potential improvements relevant theory calculations where possible; and any information about the costs involved.

As speed, cost and on time delivery are the key to being awarded contracts, high importance needs to be placed on these factors and would be where strategic planning would be focused. Whilst quality and flexibility play a significant role in Company A's application, quality is usually fixed by the client as they know what they want achieved, as is flexibility, what they want and when they want it is usually not negotiable, especially as they are working to deadlines for their customers.

The quotes that are presented to the client not only need to meet the operations objectives of cost and speed, but also dependability that is, is what they have quoted an accurate reflection of what can be practically achieved, have they over estimated the man-hours or underestimated the man hours? This is vital to get right as an overestimation results in an

increased cost, making us less competitive, and therefore losing the contract.

An underestimate would result in insufficient time to complete the project and the extra cost would be worn by Company A.

Not only would cost be an issue, but that would affect our reputation as a specialist provider, decrease customer satisfaction and therefore be less considered by the client when submitting a quote next time. The number and variety of different manpower needed is based on specification of output as well as aggregated capacity that is the number of man hours is then used to calculate how many men/days it would take to complete the job based on a ten hour day. The data for estimating an enquiry has been developed over time, using past experience, company expectations and feedback from the contractors required to do the work.

The man-hours required to complete standardised services have been established using the top down and bottom up approach, this knowledge however has not been transcribed to a standard document, in order for consistency in quotations, this should be developed.

This will increase productivity, the time taken to complete the quotes and would also facilitate improvement. The structure of Company A having high variation in the demand for services, along with the volume and variety of when and where these services are executed makes capacity management and scheduling difficult, thus reducing capacity (Slack et al, 2010).

Being a highly variable business according to Slack et al, 2010, process variability results in simultaneous waiting and resource underutilisations, <https://assignbuster.com/strategic-operation-issues/>

Company A has managed this capacity demand in off peak times of the year with only hiring a core set of permanent employees, responsible for key operational issues, such as planning, customer liaison and information integration. When a job is awarded short term contracts are issued to trades personnel to complete the core mechanics of the project, once the project is completed the personnel are terminated, thus preventing underutilisation of resources.

This however brings with it another problem that is the availability of obtaining the competent personnel for that project and also the lack of consistency with staff working for Company A .

The availability of staff, location of the project and type of work, needs to be factored into the resource planning and quoting for the client. As stated in Slack et al, 2010, resource planning, is concerned with managing allocation of resources and activities for process efficiency and effectiveness in satisfying customer demand. The implications are seen in the three main operations objectives that is quality, speed and cost.

If there is insufficient man power available to complete the work, the job will run over time, resulting in cost of poor quality, and reputation with the client. This can also affect the quality of work conducted, as personnel could be stretched, or there may be insufficient trades to complete the job to quality requirements.

The variety of different staff used, results again in loss of experience and knowledge in the work that we do, being a highly specialised service, it is important to maintain highly skilled individuals.

This variety could impact on the man hours budgeted as you would have to account for learning new skills, other variables such as a work ethic, availability of resources etc... The use of detailed work instructions, inductions or retention periods could be a viable solution. PART E Provide brief recommendations for improving the process including comparisons of your recommendations against the current system, and details of changes needed to correct the problem or improve the situation.

You should include a rudimentary action plan or relevant time frame for implementation of your recommendations.

Bear in mind that your recommendations should be potentially cost effective i. e. you must argue the changes from the point of view of their potential to improve cost, quality, output, productivity etc. In order to overcome the operational issue of loss of resources and valuable information, a well implemented quality management system, based on ISO 9001: 2008 should be implemented, with detailed work instructions, procedures and processes. The current system as it stands is inconsistent, highly variable and not well documented.

Creating documented processes and procedures, consistency, application and ease of use will be beneficial to new/old employees with all assumed knowledge being captured and enable with succession planning. The implementation of a quality system would be a time consuming process involving a number of resources as the time to collate, document, review and approve procedures and processes would be lengthy. The application of designated individual would cut down the time needed to complete this project.

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The impacts of introducing a recognised Quality Management System such as ISO9001: 2008 would be far more beneficial than the initial cost/time taken to implement it. Not only would quality of projects be increased, due to standardisation of the processes, but costs would be seen in the reduction of double handling and waste. As all facets of the company would be documented the knowledge of what is presented to the client would increase and therefore cost, time to complete projects, quality of quotations and time to complete these would be reduced.

The continuous review process would also enable consistent improvements and company growth. (Figure 5. 0) Having an externally certified system, which is not a prerequisite for winning contracts with clients, would see us as a better candidate against other competitors without certification and could increase our chances of winning contracts. [pic] Figure 5. 0 – Integration of Quality Management System into Business operations. Reference.

Company A IMS REFERENCE LIST Slack, N. , Chambers, S. , Johnston, R. and Betts, A. , 2009, Operations and

Process Management, 2nd ed, Prentice Hall Company A (2011), <http://ctnet.com/desktopdefault.aspx>, International Direct Contact Resources Business

Unit Power Point, , April 2011

————— OFFER REJECTED – LOSS OF

WORK PROJECT PLANNED PROJECT EXECUTED NO QUOTATION? SIGN

CONTRACT CONTRACT REVIEW GENERATE PROPOSAL REVIEW OFFER

RETURN TO CLIENT WITH A SUITABLE LETTER DECLINING QUOTATION

ACCEPTANCE OF OFFER (CONTRACT) ACCEPTED ISSUE TO CLIENT REGISTER

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ENQUIRY AND QUOTE FOR JOB RECEIVED REQUEST TO BID FOR CONTRACT
FROM CLIENT