

# Operational management cases flashcard



1) Operations management is critical to the success of a business because it is the business function that plans, organizes, coordinates, and controls the resources needed to produce a company's products and services. It is the central core of the entire company and major business functions feed off of operations management. The role of operations management is to transform a company's inputs into the finished goods or services. Operations management is also responsible for organizing all the resources needed to produce the final product.

If operations management is not functioning properly, or have the right team in place, the business will not be a success. Developing an Internet-based business would require different operations consideration for HEI because it is literally changing the way they are doing business. That means they are changing how their business is run. The transformation process of company's inputs to finished goods would change. Their tactical and strategic decisions would be revised. Here are some different operations consideration that HEI would have to consider with new addition of internet based company:

- How does HEI continue reputation of high quality and high service •What are HEI's unique features that make it competitive amongst other internet based companies
- What is the expected demand of product now that it can be ordered over internet
- Will HEI need new facility/additional space in facility in order to keep up with expected demand

- What additional jobs will be needed throughout HEI in order to accommodate new orders
- Will an extra shift need to be added in order to keep up with new orders
- Will there need to be a new department added to maintain new website and new technology
- Will catalog orders be phased out?

George Gonzales was correct in his assessment that it will not be business as usual at HEI with new Internet-based division of HEI. 2) In order for HEI to continue its reputation of high quality and service, there are key operations management decisions that need to be considered. HEI will now be global and be able to reach customers all over the world – much more so than with their catalog department. In order to keep their reputation of high quality and service, how will they deal with customers all over the world? Will HEI be able to ship out products and reach their customers in 48 hours globally? They will also be dealing with different businesses and customers.

Meaning there will be business-to-business and business-to-customer. Will businesses receive different warranties than individuals receive? Will there have to be a new department in place to order customer calls 24 hours because of there being customers all over the world now? What if someone accidentally orders a high amount of the wrong item on the internet? In order to continue the high quality of customer service, would you allow customer to return custom made parts? This would be something that most likely would not happen before. What about payment? Do people have to pay

as soon as order is placed online? Or, would businesses that were COD still be allowed to be COD? These are just some operations management decisions that need to be considered and reconsidered for the new internet-based business.

### Boseman Oil and Petroleum (BOP)

#### 1) Potential strategic advantages to outsource boat logistics service:

- Cost- reduce cost of operations if it is less expensive to pay different company for boat service
- Efficiency- if another company can more efficiently operate boat service it is better for environment and BOP
- Core competencies – BOP realizes the boat logistics services is not one of their strengths or their core business and is willing to outsource

#### Potential Strategic disadvantages to outsource boat logistics:

- Control- no longer in complete control of boat logistics service
  - Efficiency- in order for new company to be efficient and cost effective in boat logistics service, they could tell BOP that they will fill up boat and utilize all storage compartments, resulting in one delivery per day to each platform.
  - Time- new scheduling of boat deliveries could result in flexibility and change in day to day operations of all services on platforms and land
- 2) Jeff Kessinger needs to gather and evaluate a lot of information in order to make his decision.

- Cost- How much is BOP spending on boat logistics every day and per trip
- Cost- How much will Logistics-Offshore charge for same service
- How would BOP's costs change if BOP still ran their own boat logistics but reengineered

their service by making only one trip per day to each platform; filling up and completely utilizing all compartments and storage space on boat before making delivery • Why are multiple trips made per day to each platform but the boats are not used at full capacity and are often idle (Jeff really needs to find out the answer to this question) Chapter 3 – Biddy’s Bakery (BB)

1) The challenge Elizabeth faced in meeting her capacity needs was that she did get as many new orders as she had expected by the end of 2000.

However, I do not feel she gave it enough time. Biddy’s Bakery moved into new facility in May 2000. 7 months later, Elizabeth was disappointed they had not met sales expectations and were not using the new space at full capacity. I would not have expected her business to be at full capacity 7 months after a move.

2) The proposal made by the business students is incorrect because what they are suggesting completely changes how Biddy’s Bakery does business. They want to change Biddy’s from a project or batch process business, to a line process type of business. Their proposal would fix the capacity issue, but it would cause BB to no longer be able to fulfill orders for other pies.

Currently, all of BB’s business is special requests and advanced orders. If BB’s accepted the order from the grocery store, they would only be making their McDoogle pie in large volumes, and no longer be able to fulfill any other orders.

If they grocery store decided to cancel their order with BB, then BB would not have any orders. Strategically, this would be an awful decision. If BB’s could provide the grocery store with a variety of pies, and a smaller amount

then suggested by business students that would be ideal. Then BB could keep the orders/customers they currently have, and fill the capacity they are not currently using.

3) BB's currently has an intermittent operation in place. In order to meet the proposal made by the team of business students, BB would need to have a repetitive operation in place. There are many differences between the two different operations. In an intermittent operation, product design is done in early stage of product life cycle; the competitive priorities are delivery, flexibility and quality; the facility layout has resources grouped by function; and the product strategy is made-to-order. In a repetitive operation, product design is done at a later stage of product life cycle; the competitive priorities are cost and quality; the facility layout has resources arranged in a line; and the product strategy is make-to-stock. In addition to all of these differences, the management styles between the two operations are very different.

4) Elizabeth's business would be different because she would be changing from an intermittent operation to a repetitive business. Instead of making customer specific orders on a daily basis, she would be making her McDoogle pie every day. Her product design would be different, how her resources are laid out and used would be different, her management style would change, the product strategy would change, she would have very little customer contact, and their mission would no longer be accurate.

5) If I were to advise Elizabeth, it would be to not accept the current proposal from the grocery store. It would be a terrible strategic move. Instead, I would request the grocery store to revise their proposal. Start out on a much

smaller scale and with a variety of pies and cakes. That way BB could keep their current customers and business, and then make a variety of pies and cakes for the grocery store. If the grocery store will not revise their proposal, I would advise Elizabeth to decline order and keep her operation as it is. She needs to give her new location some more time. In a few years, she will most likely be at capacity.