

# Albatross unit 3 assignment



**ASSIGN  
BUSTER**

## **Introduction**

This case mainly deals with the varying types of operational challenges that Albatross Anchor is currently facing. The pricing is not a major issue for the organization and it is able to sell its products at a consistent market rate; however, it is unable to realize its full profit potential due to the presence of a lot of operational inefficiencies. It is evident that if the firm is able to overcome all of these challenges, it can make the same level of profits as that of its competitors and can also facilitate their future growth exponentially. We have also analyzed two possible options that can be implemented and have assessed which may be the most viable option for the company. We have also reached a conclusion regarding the benefits the company can reap by implementing the strategies in its operational management plan.

Question One Based on the information presented in the scenario/case study discuss Albatross Anchor's competitiveness in relation to please address all items in the below list and provide support for your conclusions:

### 1. Cost

- a) Cost of Production: Due to the presence of operational inefficiencies, Albatross Anchor is unable to reduce their costs as a result of which they have a lower profit margin. Therefore, they have a cost of production disadvantage as compared to their competitors.
- b) Economies of Scale in material purchasing: They can enjoy Economies of Scale when it comes to purchasing materials. Buying in bulk means they can get discounts from the suppliers on their purchase.

- c) Cost of Raw Materials Sitting Idle in the Warehouse: The increased amount of goods stored in the warehouse means that Albatross Anchor also needs to incur higher amounts of holding costs of storing the large amounts of inventory. Holding costs refer to the cost of carrying an inventory and may include costs such as depreciation, deterioration, spoilage, taxes, and insurance to name a few.
- d) Cost of Finished Goods Sitting Idle in the Warehouse: For the international orders, the inventory of finished goods stays in the inventory along with the raw materials since the production is only done in small batches. This ultimately increases the holding cost for both the finished goods as well as the raw materials.

2. Speed of manufacturing process from order to finished product. Since the products are produced in limited quantities all the raw materials can be used more effectively. This also reduces the number of complexities during the manufacturing process. Currently, their production is strictly dependent on the amount of demand for their products.

3. Flexibility in filling order(s) The manufacturing process is very constrained and is not flexible enough to house the smooth production of two different types of products. Each individual type of anchor requires their exclusive set of manufacturing lines and therefore the time required to switch from one mode to another manufacturing mode requires 36 hours; which is quite a long time.

4. Technology The manufacturing process is deprived of new technology, making the process even more painstakingly slow. They are still using the traditional methods of making anchors.

5. Capacity and facilities The current plan of their facilities is clearly insufficient for managing their operations smoothly. The space for storing the finished goods and the raw materials is located towards the far south of the entire facility and it takes a considerable amount of time and effort to ship the finish goods from there. If the manufacturing area is moved closer to the shipping area; it will save a considerable amount of time in shipping these finished products. The foundry is not a part of the manufacturing department which further impairs the smooth flow of work in the production process. If the foundry is moved towards the manufacturing process it may increase the firm's ability to cater to international orders more quickly. For having a mixed model of the manufacturing process the Focused Factory process can be used. The Focused Factory aims for a narrow range of products and processes; as a result, these factories are also small and quite simple and focus on only one or two products.

6. Service to customers Currently Albatross Anchors only sell their products through OEM customers and to the distributors. Apart from this, their products are of superior quality and are available to the customers in two varied forms. This not only gives Albatross Anchors greater choice but also ensures that it leads to greater customer satisfaction. However, due to its current operational management procedures, it is unable to reap the benefits of it as compared to its competitors. Question Two There are many ways that mushroom/bell anchors may be manufactured. Albatross Anchor is considering two new manufacturing processes (Process A and Process B) to reduce costs. Analysis of the information below will help determine which process has the lowest breakeven point (this validates the process is more

cost-effective). For each process the following fixed costs and variable costs are identified below:

Anchor and Process	Process A	Process B
Sale price per anchor	\$45. 00	\$45. 00
Total Fixed cost	\$ 650, 000. 00	\$950, 000. 00
Variable cost per anchor	\$ 36. 00	\$ 29. 99

Based on the information in the table above complete the table below:

Anchor and Process	Process A	Process B
Fixed costs per anchor	\$9	\$15, 01
The total number of anchors to attain break-even point	72, 222 units	63, 291 units

Based on your calculations which Process (A or B) that you would recommend for adoption (you can select only one). Please make sure to explain how you arrived at your conclusion.

Although Albatross Anchors produces only two types of products; it has huge growth potential which still remains untapped. They can surely achieve more than their current growth rate. They can also undertake other important initiatives that can significantly increase their competitiveness. For instance, product diversification, improved operational processes, and greater

employee satisfaction may all contribute to increasing their success in the marketplace and further fuel their productivity. As clearly evident from the calculations, implementation of process B in the company can prove to be quite fruitful.