

Contents

Preface

vii

SECTION 1 Strategy

Chapter 1 Introduction to the Field

3

How IKEA Designs Its Attractive Prices 3

Operations and Supply Management: A Critical Responsibility of Every Manager 4

What is Operations and Supply Management? 8

Supply Chain Transformation Processes 9

Differences Between Services and Goods 11

Careers in Operations and Supply Management 14

Historical Development of Operations and Supply Management 16

Current Issues in Operations and Supply Management 20

Key Terms 21

Review and Discussion Questions 21

Case: Fast-Food Feast 22

Selected Bibliography 22

Footnotes 22

Chapter 2 Operations and Supply Strategy

23

The Tao of Timbuk2 23

What is Operations and Supply Strategy? 24

Strategic Fit: Fitting Operational Activities to Strategy 30

A Framework for Operations and Supply Strategy 31

Productivity Measurement 32

How Does Wall Street Evaluate Operations Performance? 33

Conclusion 36

Key Terms 36

Solved Problem 36

Review and Discussion Questions 37

Problems 37
Internet Enrichment Exercise: Harley-Davidson Motorcycles 39
Case: Narayana Hrudayalaya: A Temple for All Who Need Heart Care 40
Case: Timbuk2 41
Selected Bibliography 42

Chapter 2A Linear Programming Using the Excel Solver 43

Introduction 43
The Linear Programming Model 44
Graphical Linear Programming 46
Linear Programming Using Microsoft Excel 48
Key Terms 52
Solved Problems 52
Problems 62
Selected Bibliography 65
Footnote 65

Chapter 3 Project Management 66

Delhi Metro: Marvel of Project Management 66
What Is Project Management? 68
Structuring Projects 69
Work Breakdown Structure 72
Project Control Charts 74
Network-planning Models 76
Managing Resources 87
Conclusion 89
Key Terms 89
Formula Review 90
Solved Problems 90
Review and Discussion Questions 94
Problems 94
Advanced Problem 101
Case: Cost Management in Phase-I of Delhi Metro Project 101
References 102
Case: The Campus Wedding (A) 103
Case: The Campus Wedding (B) 104
Case: Cell Phone Design Project 105
Selected Bibliography 106

Chapter 4 Product and Service Design 107

IDEO Product Development—Can You Learn Creativity? 107
The Product Design Process 108
The Product Development Process 110
Economic Analysis of Product Development Projects 115
Designing for the Customer 119
Designing Products for Manufacture and Assembly 122
Designing Service Products 125
Measuring Product Development Performance 127

<i>Conclusion</i>	127
<i>Key Terms</i>	128
<i>Solved Problem</i>	128
<i>Review and Discussion Questions</i>	131
<i>Internet Enrichment Exercise</i>	131
<i>Problems</i>	132
<i>Case: Tata Swach—An Innovation for Need is an Innovation Indeed</i>	134
<i>References</i>	135
<i>Case: IKEA: Design and Pricing</i>	136
<i>Case: Dental Spa</i>	139
<i>Selected Bibliography</i>	139
<i>Footnotes</i>	140

SECTION 2 Processes

Chapter 5 Strategic Capacity Management	143
Pharmaceuticals Have Challenging Capacity Decisions	143
Capacity Management in Operations	144
Capacity Planning Concepts	146
Capacity Planning	150
Planning Service Capacity	156
<i>Conclusion</i>	158
<i>Key Terms</i>	159
<i>Solved Problem</i>	159
<i>Review and Discussion Questions</i>	161
<i>Problems</i>	161
<i>Case: Shouldice Hospital—A Cut Above</i>	163
<i>Case: Strategic Capacity Management at Indian Railways</i>	166
<i>References</i>	167
<i>Selected Bibliography</i>	167
<i>Footnotes</i>	168
Chapter 5A Learning Curves	169
Application of Learning Curves	169
Plotting Learning Curves	170
General Guidelines for Learning	176
Learning Curves Applied to Heart Transplant Mortality	178
<i>Key Terms</i>	181
<i>Formula Review</i>	181
<i>Solved Problems</i>	181
<i>Review and Discussion Questions</i>	182
<i>Problems</i>	182
<i>Selected Bibliography</i>	186
<i>Footnotes</i>	186
Chapter 6 Process Analysis	187
Customer-driven Service for McDonald's	187
Process Analysis	188
Process Flowcharting	191

xviii Contents

Types of Processes 193
Measuring Process Performance 197
Process Analysis Examples 200
Process Throughput Time Reduction 205
Conclusion 207
Key Terms 209
Solved Problem 210
Review and Discussion Questions 211
Problems 212
Advanced Problem 215
Case: Service Design for Mobile Banking 215
Case: Analyzing Casino Money-Handling Processes 218
Case: Kristen's Cookie Company (A) 219
Problems for Further Thought 220
Selected Bibliography 221
Footnotes 221

Chapter 6A Job Design and Work Measurement 222

Job Design Decisions 222
Behavioral Considerations in Job Design 224
Work Measurement and Standards 226
Conclusion 237
Key Terms 237
Formula Review 238
Solved Problems 238
Review and Discussion Questions 239
Problems 239
Selected Bibliography 241
Footnotes 242

Chapter 7 Manufacturing Processes 243

Toshiba: Producer of The First Notebook Computer 243
How Production Processes are Organized 244
Break-even Analysis 245
Manufacturing Process Flow Design 247
Conclusion 252
Key Terms 253
Solved Problems 253
Review and Discussion Questions 255
Problems 255
Case: Circuit Board Fabricators, Inc. 258
Assignment 260
Selected Bibliography 260
Footnotes 260

Chapter 7A Facility Layout 261

Basic Production Layout Formats 262
Workcenters 263

Assembly Lines	268
Cells	277
Project Layouts	277
Retail Service Layout	279
Office Layout	282
<i>Conclusion</i>	283
<i>Key Terms</i>	283
<i>Solved Problems</i>	284
<i>Review and Discussion Questions</i>	288
<i>Problems</i>	289
<i>Advanced Problem</i>	295
<i>Case: Soteriou's Souvlaki</i>	295
<i>Case: State Automobile License Renewals</i>	296
<i>Selected Bibliography</i>	297
<i>Footnotes</i>	298

Chapter 8 Service Processes

299

My Week as a Room-service Waiter at the Ritz	299
The Nature of Services	300
An Operational Classification of Services	301
Designing Service Organizations	303
Structuring the Service Encounter: Service-system Design Matrix	304
Service Blueprinting and Fail-safing	306
Three Contrasting Service Designs	307
Managing Customer-introduced Variability	312
Applying Behavioral Science to Service Encounters	314
Service Guarantees as Design Drivers	316
<i>Conclusion</i>	317
<i>Key Terms</i>	317
<i>Review and Discussion Questions</i>	317
<i>Problems</i>	318
<i>Case: Pizza USA: An Exercise in Translating Customer Requirements into Process Design Requirements</i>	319
<i>Assignment</i>	319
<i>Case: Contact Centers Should Take a Lesson from Local Businesses</i>	320
<i>Selected Bibliography</i>	320
<i>Footnotes</i>	321

Chapter 8A Waiting Line Analysis

322

Economics of the Waiting Line Problem	323
The Queuing System	324
Waiting Line Models	332
Approximating Customers Waiting Time	341
Computer Simulation of Waiting Lines	344
<i>Conclusion</i>	344
<i>Key Terms</i>	344
<i>Formula Review</i>	345

Solved Problems 346
Review and Discussion Questions 348
Problems 349
Case Community Hospital Evening Operating Room 353
Selected Bibliography 354
Footnotes 354

Chapter 9 Six-Sigma Quality

355

Total Quality Management 357
Quality Specification and Quality Costs 358
Six-sigma Quality 365
The Shingo System: Fail-safe Design 372
ISO 9000 and ISO 14000 373
External Benchmarking for Quality Improvement 374
Conclusion 375
Key Terms 375
Review and Discussion Questions 376
Problems 377
Internet Enrichment Exercises 377
Case: Quality Journey of Sundaram Clayton 378
Case: Hank Kolb, Director of Quality Assurance 379
Case: Appreciative Inquiry—A Different Kind of Fishbone 381
Selected Bibliography 383
Footnotes 383

Chapter 9A Process Capability and SPC

384

Variation Around Us 386
Process Capability 387
Process Control Procedures 392
Acceptance Sampling 400
Conclusion 403
Key Terms 404
Formula Review 404
Solved Problems 405
Review and Discussion Questions 406
Problems 407
Advanced Problem 412
Case: Hot Shot Plastics Company 412
Selected Bibliography 414
Footnotes 414

SECTION 3 Supply Chain Design

Chapter 10 Supply Chain Strategy

417

The World is Flat 417
Supply Chain Strategy 418
Measuring Supply Chain Performance 419
Supply Chain Design Strategy 421

Service Supply Chains	425
Outsourcing	427
Design for Logistics	432
Value Density (Value Per Unit Of Weight)	433
Global Sourcing	434
Sourcing/Purchasing–System Design Matrix	437
Mass Customization	439
<i>Conclusion</i>	441
<i>Key Terms</i>	441
<i>Formula Review</i>	442
<i>Review and Discussion Questions</i>	442
<i>Problems</i>	443
<i>Internet Enrichment Exercises</i>	445
<i>Case: E-Choupal—Transforming Rural India</i>	445
<i>Case: Pepe Jeans</i>	446
<i>Selected Bibliography</i>	448
<i>Footnotes</i>	448

Chapter 11 Logistics and Facility Location

449

FedEx: A Leading Global Logistics Company	449
Logistics	450
Decisions Related to Logistics	451
Issues in Facility Location	453
Plant Location Methods	456
Locating Service Facilities	462
<i>Conclusion</i>	465
<i>Key Terms</i>	465
<i>Formula Review</i>	466
<i>Solved Problem</i>	466
<i>Review and Discussion Questions</i>	467
<i>Problems</i>	467
<i>Case: Relocation of ‘Tata Nano’ Manufacturing Plant</i>	469
<i>Case: Applichem—The Transportation Problem</i>	470
<i>Selected Bibliography</i>	472
<i>Footnote</i>	472

Chapter 12 Lean Manufacturing

473

Lean Six Sigma at Solectron	473
Lean Logic	474
The Toyota Production System	475
Lean Implementation Requirements	483
Lean Services	488
<i>Conclusion</i>	490
<i>Key Terms</i>	490
<i>Formula Review</i>	491
<i>Solved Problem</i>	491
<i>Review and Discussion Questions</i>	491

xxii Contents

Problems 492

Case: Best Practices at LG Electronics India Ltd 492

Case: Quality Parts Company 493

Case: Value Chain Mapping Approach 495

Selected Bibliography 497

Footnotes 497

Chapter 13 Operations Consulting and Reengineering

498

Pittiglio Rabin Todd & McGrath (PRTM)—A Leading Operations Consulting Company 498

What Is Operations Consulting? 499

The Nature of the Management Consulting Industry 500

Economics of Consulting Firms 502

When Operations Consulting Is Needed 503

The Operations Consulting Process 504

Operations Consulting Tool Kit 506

Business Process Reengineering (BPR) 515

Principles of Reengineering 516

Guidelines for Implementation 520

Conclusion 521

Key Terms 521

Review and Discussion Questions 521

Problems 521

Case: A California Auto Club Reengineers Customer Service 522

Selected Bibliography 524

Footnotes 525

Appendix A: Systems Thinking 525

Appendix B: RPA Questionnaire and Rating Sheet 531

SECTION 4 Planning and Controlling the Supply Chain

Chapter 14 Enterprise Resource Planning Systems

535

Information Crisis—The Missing Desk 535

SAP 537

SAP Application Modules 538

mySAP.com and SAP Netweaver—Integrated E-business Applications 545

Implementing ERP Systems 547

Conclusion 547

Key Term 548

Review and Discussion Questions 549

Selected Bibliography 549

Footnote 549

Chapter 15 Demand Management and Forecasting

550

Wal-Mart's Data Warehouse 550

Demand Management 551

Types of Forecasting 552

Components of Demand 554

Qualitative Techniques in Forecasting 555

Time Series Analysis	557	
Causal Relationship Forecasting	580	
Focus Forecasting	583	
Web-based Forecasting: Collaborative Planning, Forecasting, and Replenishment (CPFR)	585	
<i>Conclusion</i>	587	
<i>Key Terms</i>	587	
<i>Formula Review</i>	588	
<i>Solved Problems</i>	589	
<i>Review and Discussion Questions</i>	594	
<i>Problems</i>	594	
<i>Case: Altavox Electronics</i>	603	
<i>Selected Bibliography</i>	605	
<i>Footnotes</i>	605	
Chapter 16 Aggregate Sales and Operations Planning		606
What Is Sales and Operations Planning?	607	
Overview of Sales and Operations Planning Activities	607	
The Aggregate Operations Plan	610	
Aggregate Planning Techniques	614	
Yield Management	625	
<i>Conclusion</i>	628	
<i>Key Terms</i>	628	
<i>Solved Problem</i>	629	
<i>Review and Discussion Questions</i>	632	
<i>Problems</i>	632	
<i>Case: Bradford Manufacturing—Planning Plant Production</i>	636	
<i>Selected Bibliography</i>	637	
<i>Footnotes</i>	638	
Chapter 17 Inventory Control		639
Hospitals Hope to Save by Supply Management	639	
Definition of Inventory	641	
Purposes of Inventory	642	
Inventory Costs	643	
Independent Versus Dependent Demand	643	
Inventory Systems	645	
Fixed-order Quantity Models	650	
Fixed-time Period Models	657	
Inventory Control and Supply Chain Management	659	
Price-break Models	661	
Miscellaneous Systems and Issues	663	
<i>Conclusion</i>	670	
<i>Key Terms</i>	670	
<i>Formula Review</i>	671	
<i>Solved Problems</i>	672	
<i>Review and Discussion Questions</i>	674	
<i>Problems</i>	675	

Case: Inventory Management at the Onset of Economic Depression in India 682
Case: Hewlett-Packard—Supplying the DeskJet Printer in Europe 683
Selected Bibliography 685
Footnotes 686

Chapter 18 Material Requirements Planning

687

From Push to Pull 687
Master Production Scheduling 689
Where MRP Can be Used 691
Material Requirements Planning System Structure 692
An Example Using MRP 696
Improvements in the MRP System 702
Flow Manufacturing: Embedding JIT into MRP 705
Lot Sizing in MRP Systems 707
Conclusion 711
Key Terms 711
Solved Problems 712
Review and Discussion Questions 714
Problems 714
Case: Brunswick Motors, Inc.—An Introductory Case for MRP 720
Selected Bibliography 722
Footnotes 722

SECTION 5 Scheduling

Chapter 19 Scheduling

725

Hospitals Cut ER Waits—New “Fast Track” Units, High-tech IDs Speed Visits;
See A Doctor in 17 Minutes 725
Manufacturing Execution Systems 726
The Nature and Importance of Work Centers 726
Priority Rules and Techniques 730
Shop-floor Control 737
Personnel Scheduling in Services 742
Conclusion 748
Key Terms 748
Solved Problem 748
Review and Discussion Questions 749
Problems 750
Case: Keep Patients Waiting? Not in My Office 756
Selected Bibliography 758
Footnotes 759

Chapter 19A Simulation

760

Definition of Simulation 760
Simulation Methodology 760
Simulating Waiting Lines 766
Spreadsheet Simulation 769
Simulation Programs and Languages 772

Advantages and Disadvantages of Simulation	775
Conclusion	776
Key Terms	776
Solved Problems	776
Review and Discussion Questions	778
Problems	779
Advanced Case: Understanding the Impact of Variability on the Capacity of a Production System	787
Selected Bibliography	788
Footnotes	788
Chapter 20 Constraint Management	789
Goal of the Firm	792
Performance Measurements	792
Unbalanced Capacity	796
Bottlenecks and Capacity-constrained Resources	797
Basic Manufacturing Building Blocks	798
Methods for Control	800
Comparing Synchronous Manufacturing to MRP and JIT	810
Relationship with Other Functional Areas	810
Conclusion	819
Key Terms	819
Solved Problem	820
Review and Discussion Questions	821
Problems	822
Case: Tata Group Rides on “Theory of Constraints”	826
Case: Solve the OPT Quiz—A Challenge in Scheduling	828
Selected Bibliography	829
Footnotes	829
Supplement A Financial Analysis	830
Supplement B Operations Technology	849
Appendix A Answers to Selected Problems	858
Appendix B Learning Curve Tables	865
Appendix C Present Value Table	868
Appendix D Negative Exponential Distribution: Values of e^{-x}	870
Appendix E Areas of the Cumulative Standard Normal Distribution	872
Appendix F Uniformly Distributed Random Digit	874
Appendix G Interest Tables	876
Photo Credits	881
Name Index	883
Subject Index	886