OPERATIONS MANAGEMENT

CHAPTER 10

TEXTBOOK QUESTIONS

P283 - Ideas in Action

**1. What is the advantage to Andrew of forming J2 Productions as a limited liability corporation?** Creating Jx2 Productions as a limited liability corporation (LLC) has many benefits for Andrew, including separating the business's legal and financial obligations from his personal obligations, allowing for more management and taxation flexibility, and giving the company a certain level of credibility and professionalism.

**2. Do you think the image of a company is important?** Yes, a company's reputation or brand matters since it can affect client loyalty and purchasing choices. A positive image can increase a company's reputation and draw in new clients, while a negative image can erode client confidence and have a detrimental effect on profits. An organization can gain a competitive edge in the cutthroat business world of today by building a strong brand image.

**3. What do you think of Andrew's teamwork approach to running his business?** The way Andrew approaches teamwork among his employees encourages collaboration, boosts employee engagement, and enhances customer service. Better customer service and satisfaction can arise from team members being involved in the marketing strategy. Overall, it can be a good approach for developing a solid team and improving the client experience.

P287 - Checkpoint

**What are the functions of management?** Planning, organizing, staffing, implementing, and controlling are the duties of management. Setting goals and objectives and figuring out the steps necessary to attain them are all part of planning. Organizing entails determining and setting up the tasks and resources required to meet the objectives. Finding, educating, and compensating employees are all parts of staffing. Implementation entails leading and guiding others to achieve the objectives. Setting rules for how a business should operate and ensuring they are met is the process of controlling.

P289 - 10.1 Assessment

**1. Why do you think it might be difﬁcult for some entrepreneurs to become managers?** It could be challenging for entrepreneurs to transition into management because their skill sets, and goals are different. While managers are required to maintain stability, enforce policies and procedures, and make decisions based on available resources and constraints, entrepreneurs are frequently focused on discovering and inventing new ideas, taking risks, and fast responding to changes. Entrepreneurs may also find it difficult to delegate and micromanage, which can make it difficult for them to lead a team efficiently. Finally, it may be challenging for entrepreneurs to switch from being the only one who makes decisions to relying on feedback and collaboration from others.

**2. Why do you think it is important to develop an operations manual for a business?** A business should create an operations handbook since it offers a thorough overview of the regulations, guidelines, and practices it should adhere to. This makes it possible to guarantee that the company runs successfully and effectively and that all personnel are knowledgeable about how to do their duties. Additionally, it ensures operational uniformity, lowers the chance of mistakes and misunderstandings, and aids in shielding the company from liabilities. An operations manual can also be helpful when training new employees and can be used as a reference by all staff members.

**3.** To lead the department and boost revenue, I'll combine situational and transformational management approaches. Situational leadership adjusts to the unique circumstances and requirements of each person, whereas transformational leadership concentrates on inspiring and encouraging staff to provide their optimum performance. I will train and mentor the new hires while giving the more seasoned workers additional responsibility. For the department, I will also lay out clear objectives and benchmarks, and I'll offer criticism and praise when employees perform well. In order to establish a productive and encouraging work atmosphere, I will lastly encourage teamwork and collaboration among the staff.

P292 - Be Your Own Boss

In order to keep up with the demand for storm preparedness products, as the owner of a small hardware business in a hurricane-prone area, you must carefully manage your inventory. You can achieve this by keeping track of previous sales data and making forecasts based on the predicted hurricane activity. You can also reduce less important stuff while increasing storage space and budget for the essentials. You can also build partnerships with suppliers to ensure prompt replenishment and change prices in response to demand. Overall, a flexible and data-driven strategy can help you efficiently manage your inventory requirements.

P295 - Famous Entrepreneurs – Ganz Family

Ganz had inventory issues as a result of the popularity of Webkinz since they had to keep up with consumer demand for the plush animals and make sure they had enough special secret codes for each animal to allow access to the Webkinz website's virtual world. To prevent running out of stock while avoiding overstocking and the risk of unsold inventory, they had to carefully manage their inventory. They also had to make sure that the creation of the secret codes and stuffed animals was of a high caliber and was consistent, as any problems may harm the brand's image and sales.

P296 - 10.2 Assessment

**1. Why do you think a purchasing plan is essential to good inventory management?** Effective inventory management requires a purchasing plan since it aids in deciding from which suppliers and when to order how much inventory. Without a purchasing strategy, businesses risk having too much or too little inventory, which could result in higher carrying costs or lost revenues.

**2. What do you think are the beneﬁts of using the periodic inventory method? The perpetual method?** For small enterprises with low sales volumes and straightforward inventory systems, the periodic inventory technique is advantageous since it involves less record-keeping and is less expensive. The perpetual inventory approach, on the other hand, allows for better inventory control and fewer stockouts because it gives real-time inventory data, making it appropriate for companies with high sales volumes and complicated inventory systems.

P299 - Too Big Too Fast

**1. What are some of the problems Webvan faced during its short-lived operation?** During its operation, Webvan had a number of challenges, including a dearth of sign-ups from customers, quickly declining cash reserves, an overly ambitious expansion plan, and inexperienced management. Despite providing a promising service, Webvan was forced to close less than two years after going public because customers were not drawn to the online food store.

**2. Webvan started with a large amount of cash reserves. What caused Webvan to end up with cash ﬂow problems?** Due to their excessive investment in cutting-edge warehouses, a fleet of delivery vans, and cutting-edge computer systems as well as their ambitious expansion goals, Webvan experienced cash flow issues. The business lacked expertise in the grocery industry and struggled to maintain a sufficient consumer base.

**3. What changes in operations do you think Webvan could have made that might have helped it be successful?** There were a number of operational adjustments Webvan might have done to improve its chances of success. It could have, for instance, begun in a smaller area, employed executives with prior knowledge of the grocery business, prioritized profitability above growth, and streamlined its operations to decrease costs. Additionally, it could have provided greater inducements to use its service, such cheaper costs or more accommodating delivery schedules. Last but not least, Webvan may have looked into new sources of income, such collaborating with nearby companies or selling advertising space on its website.

P300 - Checkpoint

Ways to improve cash flow include reducing expenses such as inventory and payroll, taking advantage of credit terms offered by suppliers, delaying payments with credit cards, and reducing variable expenses such as advertising.

P304 - 10.3 Assessment

**3. Which goals do you think are more important to meet: sales goals or proﬁt goals? Explain your answer.** While achieving both sales and profit objectives is critical for a company's success, profit goals are ultimately more important since they have a direct impact on the company's financial stability and long-term viability. Although focusing on profitability is crucial, a corporation may end up with high sales and low profits, which is not sustainable in the long run. Sales targets are important to drive revenue. Therefore, in order to secure long-term success, firms should emphasize profitability while attempting to balance both sales and profit goals.

**4.** I would utilize the six-step problem-solving methodology to solve a negative cash flow in my company by first identifying the issue, gathering pertinent data, identifying potential solutions, assessing each option, selecting the best one, and finally putting the solution into practice and monitoring it. This would enable me to comprehend the underlying reasons of the cash flow issue, investigate potential solutions, and choose the best one to enhance the financial health of my company.

P308 - Apply What You Learned

**22.** To learn more about the returned check and to make attempts to fix the situation, you should first speak with your customer. You could request that they write you a fresh check or use another payment option. You should look into other options to pay your rent in the interim, like utilizing your personal resources or obtaining a short-term loan. To avoid such problems in the future, it's crucial to assess your company's policies and practices for receiving payments.

P309 - What Would You Do

Asking the staff what happened to the lost plasma television set would be how you would handle the problem. Instead of confronting them right away, you should ask them if they have any theories about what might have happened or if they saw anything odd when conducting the inventory. It's crucial to enter the conversation without making any accusations and to pay close attention to their comments. You can decide whether or not more action has to be taken based on their responses.