



# Operations and Process Management

Principles and Practice for Strategic Impact  
Fourth Edition

**Nigel Slack**  
**Alistair Brandon-Jones**  
**Robert Johnston**  
**Alan Betts**

# **OPERATIONS AND PROCESS MANAGEMENT**

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# Guide to case studies

Chapter	Company name and description	Region	Manufacturing/ service	Company size	Topics/techniques
<b>Chapter 1</b> Operations and processes	Design House Partnerships at Concept Design Services	Europe	M, S	Medium	Role of operations, process objectives, types of operation and process
<b>Chapter 2</b> Operations strategy	McDonald's: half a century of growth	World	S	Large	Operations strategy, operations objectives, strategic fit
<b>Chapter 3</b> Supply network design	Disneyland Resort Paris (abridged)	France	S	Large	Location strategy, service design, capacity, job design
<b>Chapter 4</b> Process design 1 – positioning	McPherson Charles Solicitors	UK	S	Medium	Process design, job design. Process technology, process resourcing
<b>Chapter 5</b> Process design 2 – analysis	The Action Response Applications Processing Unit (ARAPU)	Africa, Asia, UK	S	Small	Process design, process mapping, balancing, Little's law
<b>Chapter 6</b> Designing the innovation process	Developing 'Savory Rosti-crisps' at Dreddo Dan's	World	M	Large	Product development, operations strategy, process performance
<b>Chapter 7</b> Supply chain management	Supplying fast fashion	World	S M	Large	Outsourcing, supply chain design, fast response
<b>Chapter 8</b> Capacity management	Blackberry Hill Farm	UK	S M	Small	Capacity management, forecasting, cumulative production and demand plotting
<b>Chapter 9</b> Inventory management	supplies4medics.com	Europe	S	Medium	Inventory management, Inventory information systems, ABC analysis
<b>Chapter 10</b> Resource planning and control	subText Studios Singapore	Singapore	S	Medium	Planning and control, Gantt charts, activity monitoring, controlling activities
<b>Chapter 11</b> Lean synchronisation	Lean implementation in the National Tax Service	World	S	Large	Improvement principles, lean philosophy, change management, public sector operations
<b>Chapter 12</b> Quality management	Turnround at the Preston plant	Canada	M	Medium	Improvement principles, statistical process control, process learning, operations capabilities
<b>Chapter 13</b> Improvement	GCR Insurance	World	S	Large	Improvement principles, Six Sigma, change management
<b>Chapter 14</b> Risk and resilience	Slagelse Industrial Services (SIS)	Denmark	S M	Large	Risk, failure prevention, supplier selection, relationship management
<b>Chapter 15</b> Project management	United Photonics Malaysia Sdn Bhd	Malaysia	S	Large	Project planning, project risk, project monitoring





# Preface

## **Why is operations and process management essential?**

Because it is about getting things done. Because without effective operations and processes there can be no long-term success for any organisation. Because it is at the heart of what all organisations do; they create value through their productive resources. Because it is the essential link that connects broad long-term strategy and day-to-day ongoing activities. This is why operations and process management has been changing. It has always been exciting, and it has always been challenging, but now it has acquired a much more prominent profile. The 4th edition of this book reflects this in a number of ways.

### **It stresses the importance of operations and process management**

Of course, it has always been important, but increasingly managers in all types of enterprise are accepting that operations management can make or break their businesses. Effective operations management can keep costs down, enhance the potential to improve revenue, promote an appropriate allocation of capital resources, and most important, develop the capabilities that provide for future competitive advantage.

### **It stresses the real strategic impact operations and process management**

Operations are not always operational. The operations function also has a vital strategic dimension, and operations management is now expected to play a part in shaping strategic direction, not just responding to it.

### **It stresses that operations and process management matters to all sectors of the economy**

At one time operations management was seen as being of most relevance to manufacturing and a few types of mass service businesses. Now the lessons are seen as applying to all types of enterprise; all types of service and manufacturing, large or small organisations, public or private, for-profit or not-for-profit.

### **It stresses that operations and process management is of interest to all managers**

Perhaps most importantly, because operations management is accepted as being founded on the idea of managing process, and because managers in all functions of the business are now accepting that they spend much of their time managing processes, it is clear that to some extent, all managers are operations managers. The principles and practice of operations management are relevant to every manager.

### **It extends the scope of operations and process management**

The obvious unit of analysis of operations management is the operations function itself – the collection of resources and processes that produce products and services. But, if managers from other functions are to be included, operations management must also address itself to process management at a more generic level. Also, no operation can consider itself in isolation from its customers, suppliers, collaborators and competitors. It must see itself as part of the extended



supply network. Operations management increasingly needs to work at all three levels of analysis – the individual process, the operation itself, and the supply network.

All this has implications for the way operations management is studied, especially at post experience and postgraduate levels, and the way operations management is practised. It has also very much shaped the way this book has been structured. In addition to covering all the important topics that make the subject so powerful, it places particular emphasis on the following:

- **Principles** – that is, the core ideas that describe how operations behave, how they can be managed, and how they can be improved. These are not immutable laws or prescriptions that dictate how operations *should* be managed, nor are they descriptions that simply explain or categorise issues. But they are indications of important underlying ideas.
- **Diagnosis** – an approach that questions and explores the fundamental drivers of operations performance. Aims to uncover or ‘diagnose’ the underlying trade-offs that operations need to overcome and the implications and consequences of the courses of action that could be taken.
- **Practice** – anyone with managerial experience, or who is approaching careers choices, understands the importance of developing practical knowledge and skills that can be applied in practice. This requires an approach, as well as frameworks and techniques, which can be adapted to take account of the complexity and ambiguity of operations, yet give guidance to identifying and implementing potential solutions.

## Who should use this book?

This book is intended to provide an introduction to operations and process management for everyone who wishes to understand the nature, principles and practice of the subject. It is aimed primarily at those who have some management experience (although no prior academic knowledge of the area is assumed), or who are about to embark on a career in management. For example:

- *MBA students* should find that its practical discussions of operations management activities enhance their own experience.
- *Postgraduate students* on other specialist masters degrees should find that it provides them with a well-grounded and, at times, critical approach to the subject.
- *Executives* should find its diagnostic structure helps to provide an understandable route through the subject.

## What makes this book distinctive?

### It has a clear structure

The book is structured on a model of operations management that distinguishes between activities that contribute to the direction, design, delivery and development of operations and processes.

### It uses diagnostic logic chains

Every chapter follows a series of questions that forms a ‘diagnostic logic’ for the topic. These are the questions that anyone can ask to reveal the underlying state of their, or any other, operations. The questions provide an aid to diagnosing where and how an operation can be improved.

**It is illustrations-based**

Operations management is a practical subject and cannot be taught satisfactorily in a purely theoretical manner. Because of this, each chapter starts with two real-life examples of how the topic is treated in practice and provides additional examples in relation to specific issues within each chapter.

**It identifies key operations principles**

Whenever a core idea of operations and process management is described in the text, a brief 'operations principle' summary is included in the margin. This helps to distil those essential points of the topic.

**It includes critical commentaries**

Not everyone agrees about what is the best approach to the various topics and issues within the subject. This is why we have, at the end of each chapter, included a 'critical commentary'. These are alternative views to the one being expressed in the main flow of the text. They do not necessarily represent our view, but they are worth debating.

**Each chapter includes summary checklists**

Each chapter is summarised in the form of a list of checklist questions. These cover the essential questions that anyone should ask if they wish to understand the way their own or any other operation works. More importantly, they can also act as prompts for operations and process improvement.

**Each chapter finishes with a case study**

Every chapter includes a case study, relating real or realistic situations that require analysis, decision, or both. The cases have sufficient content to serve as the basis of case sessions in class, but are short enough to serve as illustrations for the less formal reader.

**Each chapter includes an 'applying the principles' section**

Selected problems, short exercises and activities are included at the end of each chapter. These provide an opportunity to test out your understanding of the principles covered in the chapter.

**Each chapter includes a 'taking it further' section**

A short annotated list of further reading and useful websites is provided which takes the topics in the chapter further, or treats some important related issues.

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Visit [www.pearsoned.co.uk/slack](http://www.pearsoned.co.uk/slack) to find valuable online resources. A dedicated new Web-based instructor's manual is available to lecturers adopting this textbook. It includes teaching notes for all chapters, guided solutions for all case studies in the book, guided solutions for active cases and ideas for teaching with them. A set of PowerPoint slides featuring figures and illustrations from the main text is also available.





## About the authors

**NIGEL SLACK** is Emeritus Professor of Operations Management and Strategy at Warwick University. Previously he was Professor of Service Engineering at Cambridge University, Professor of Manufacturing Strategy and Lucas Professor of Manufacturing System Engineering at Brunel University, University Lecturer in Management Studies at Oxford University and Fellow in Operations Management at Templeton College, Oxford. He worked initially as an industrial apprentice in the hand-tool industry and then as a production engineer and production manager in light engineering. He is a chartered engineer, and the author of numerous publications in the operations management area, including books, academic papers and chapters in books. Most recently, in 2013, *Operations Management*, 7th edition and 2011 *Essentials of Operations Management*, both with Alistair Brandon-Jones and Robert Johnston and published by Pearson. He is also the author and editor of other books including, *The Blackwell Encyclopaedic Dictionary of Operations Management*, 3rd edition, published by Blackwell in 2015; *Operations Strategy*, 4th edition, published by Pearson in 2015, and *Perspectives in Operations Management (Volumes I to IV)*, published by Routledge in 2003, all three with Michael Lewis of Bath University. He also acts as a consultant to many international companies around the world in many sectors, especially financial services, transport, leisure and manufacturing. His research is in the process management operations strategy areas.

**ALISTAIR BRANDON-JONES** is a Professor in Operations and Supply Management and Associate Dean for Post-Experience Education at the University of Bath School of Management. He formerly held academic positions at Manchester Business School (Reader), Bath School of Management (Assistant and Associate Professor), and Warwick Business School (Teaching Fellow), where he also completed his PhD. His other co-authored books include *Operations Management*, 7th edition (2013), *Essentials of Operations Management* (2011) and *Quantitative Analysis in Operations Management* (2008). Alistair is an active empirical researcher focusing on e-enabled operations and supply management, healthcare operations and professional services. This work, supported by a range of grants, has been published in leading management journals. Alistair has consulting and executive development experience with

organisations around the world, in various sectors including petrochemicals, health, financial services, manufacturing, defence and government. In addition, he has won several university, national and international awards for teaching excellence.

**ROBERT JOHNSTON** was Professor of Operations Management at Warwick Business School and its Deputy Dean. He was the founding editor of the *International Journal of Service Industry Management* and he also served on the editorial board of the *Journal of Operations Management* and the *International Journal of Tourism and Hospitality Research*. He was the author of the market-leading text *Service Operations Management* (with Graham Clark), now in its 4th edition (2012), published by Financial Times Prentice Hall. Before moving to academia, Professor Johnston held several line management and senior management posts in a number of service organisations in both the public and private sectors. As a specialist in service operations, his research interests included service design, service recovery, performance measurement and service quality. He was the author or co-author of many books, as well as chapters in other texts, numerous papers and case studies.

We very much regret that our friend and colleague Bob Johnston passed away shortly before the preparation of this edition. He is greatly missed by all his many friends, colleagues and students.

**ALAN BETTS** is a freelance consultant and trainer working, primarily, with executives of service organisations to apply the principles of operations and process management. Following a career in financial services, Alan completed Institute of Personnel and Development qualifications and an MA in Human Resource Management and moved to the Operations Management group at Warwick Business School as a Senior Research Fellow. His chief interests are the development of innovative approaches to e-learning and m-learning, together with the coaching and development of managers and executives. Alan is a director of Bedford Falls Learning Limited, HT2 Limited and Capability Development Limited. He is a visiting Professor at the University of San Diego and is a Fellow of the Royal Society of Arts.





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Baris Yalabik

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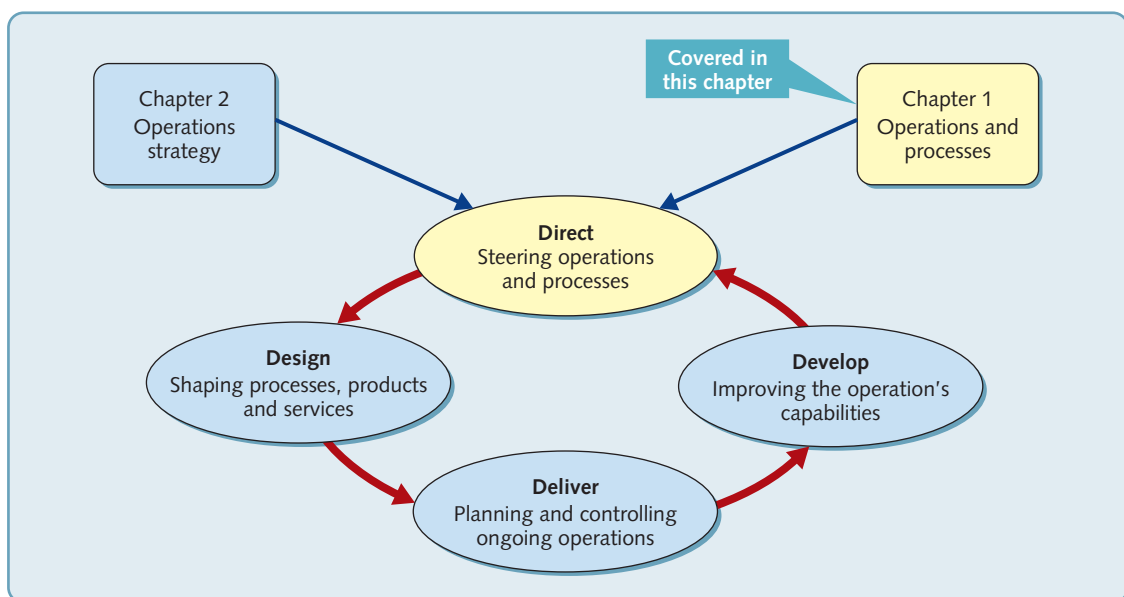
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# 1

## Operations and processes

### Introduction

Operations and process management is about how organisations produce goods and services. Everything you wear, eat, use, or read comes to you courtesy of the operations managers who organised its production, as does every bank transaction, hospital visit, and hotel stay. The people who produced them may not always be called operations managers, but that is what they really are. Within the operations function of any enterprise, operations managers look after the processes that produce services and products. But operations and process management is even wider than this. Managers in other functions, such as Marketing, Sales and Finance, also manage processes. These processes often supply internal 'customers' with services such as marketing plans, sales forecasts, budgets, and so on. In fact all parts of all organisations are made up of processes. That is why operations and process management is of direct relevance to all managers, irrespective of which function they work in. And that is what this book is about – the tasks, issues and decisions that are necessary to manage processes effectively, both within the operations function, and in other parts of the business where effective process management is equally important. This is an introductory chapter, so we will examine some of the basic principles of operations and process management. The model that is developed to explain the subject is shown in Figure 1.1.

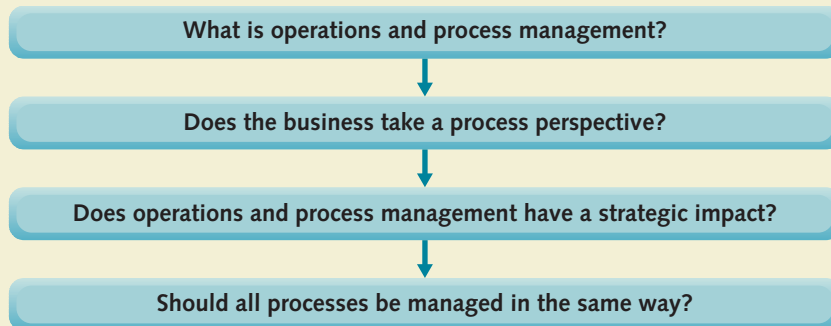


**Figure 1.1** Operations and process management is about how organisations produce goods and services



## EXECUTIVE SUMMARY

### Decision logic chain for operations and processes



*Each chapter has a short executive summary structured around the diagnostic questions used in the chapter. These diagnostic questions represent the basic line of enquiry that can reveal the nature and relevance of the topic covered in each chapter.*

### What is operations and process management?

The operations function is the part of the organisation that produces products or services. Every organisation has an operations function because every organisation produces some mixture of products and services. 'Operations' is not always called by that name, but whatever its name, it is always concerned with managing the core purpose of the business – producing some mix of products and services. Processes also produces products and services, but on a smaller scale. They are the component parts of operations. But, other functions also have processes that need managing. In fact every part of any business is concerned with managing processes. All managers have something to learn from studying operations and process management, because the subject encompasses the management of all types of operation, no matter in what sector or industry, and all processes, no matter in which function.

### Does the business take a process perspective?

A 'process perspective' means understanding businesses in terms of all their individual processes. It is only one way of modelling organisations, but it is a particularly useful one. Operations and process management uses the process perspective to analyse businesses at three levels: the operations function of the business, the higher and more strategic level of the supply network, and at a lower more operational level of individual processes. Within the business, processes are only what they are defined as being. The boundaries of each process can be drawn as thought appropriate. Sometimes this involves radically reshaping the way processes are organised, for example, to form end-to-end processes that fulfil customer needs.

## Does operations and process management have a strategic impact?

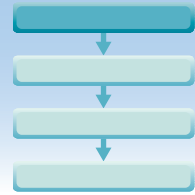
Operations and process management can make or break a business. When they are well managed, operations and processes can contribute to the strategic impact of the business in four ways: cost, revenue, investment and capabilities. Because the operations function has responsibility for much of a business's cost base, its first imperative is to keep costs under control. But also, through the way it provides service and quality it should be looking to enhance the business's ability to generate revenue. Furthermore, all failures are ultimately process failures, well-designed processes should have less chance of failing and more chance of recovering quickly from failure. Also, because operations are often the source of much investment, it should be aiming to get the best possible return on that investment. Finally, the operations function should be laying down the capabilities that will form the long-term basis for future competitiveness.

## Should all processes be managed in the same way?

Not necessarily. Processes differ, particularly in what are known as the four Vs: volume, variety, variation and visibility. High-volume processes can exploit economies of scale and be systematised. High-variety processes require enough inbuilt flexibility to cope with the wide variety of activities expected of them. High-variation processes must be able to change their output levels to cope with highly variable and/or unpredictable levels of demand. High-visibility processes add value while the customer is 'present' in some way and therefore must be able to manage customers' perceptions of their activities. Generally, high volume together with low variety, variation and visibility facilitate low-cost processes, while low volume together with high levels of variety, variation and visibility all increase process costs. Yet in spite of these differences, operations managers use a common set of decisions and activities to manage them. These activities can be clustered under four groupings: directing the overall strategy of the operation; designing the operation's products, services and processes; planning and controlling process delivery; and developing process performance.

## DIAGNOSTIC QUESTION

## What is operations and process management?



Operations and process management is the activity of managing the resources and processes that produce products and services. The core body of knowledge for the subject comes from 'operations management', which examines how the 'operations function' of a business produces products and services for external customers. We also use the shorter terms 'the operation' or 'operations', interchangeably with the 'operations function'. In some organisations an operations manager could be called by some other name, for example, a 'fleet manager' in a logistics company, an 'administrative manager' in a hospital, or a 'store manager' in a supermarket.

All business have 'operations', because all businesses produce products, services, or some mixture of both. If you think that you don't have an operations function, you are wrong. If you think that your operations function is not important, you are also wrong. Look at the six businesses illustrated in Figure 1.2. There are two financial service companies, two manufacturing companies, and two hotels. All of them have *operations functions* that produce the things that their customers are willing to pay for. Hotels produce accommodation services; financial services invest, store, move, or sell us money and investment opportunities; and manufacturing businesses physically change the shape and the nature of materials to produce products. These businesses are from different sectors (banking, hospitality and manufacturing), but the main difference between their operations activities are not necessarily what one expects. There are often bigger differences *within* economic sectors than *between* them. All the three operations in the left-hand column provide value-for-money products and services and compete largely on cost. The three in the right-hand column provide more 'up-market' products and services that are more expensive to produce and compete on some combination of high specification and customisation. The implication of this is important. It means that the surface appearance of a business and its economic sector are less important to the way its operations should be managed than its intrinsic characteristics, such as the volume of its output, the variety of different products and services it needs to produce, and, above all, how it is trying to compete in its market.

**OPERATIONS PRINCIPLE**

*All organisations have 'operations' that produce some mix of products and services.*

**OPERATIONS PRINCIPLE**

*The economic sector of an operation is less important in determining how it should be managed than its intrinsic characteristics.*

## Operations and process management

Within the operations shown in Figure 1.2, resources such as people, information systems, buildings and equipment will be organised into several individual 'processes'. A 'process' is an arrangement of resources and activities that transform inputs into outputs that satisfy (internal or external) customer needs. So, amongst other processes, banking operations contain

**OPERATIONS PRINCIPLE**

*All operations are composed of processes. A process is an arrangement of resources and activities that transform inputs into outputs that satisfy (internal or external) customer needs.*

account management processes, hotel operations contain room cleaning processes, furniture manufacturing operations contain assembly processes, and so on. The difference between *operations* and *processes* is one of scale, and therefore complexity. Both transform inputs into outputs, but processes are the smaller version. They are the component parts of operations, so the total operations function is made up of individual processes. But, within any business, the production of products and services is not confined to the operations function. For example, the marketing function 'produces'

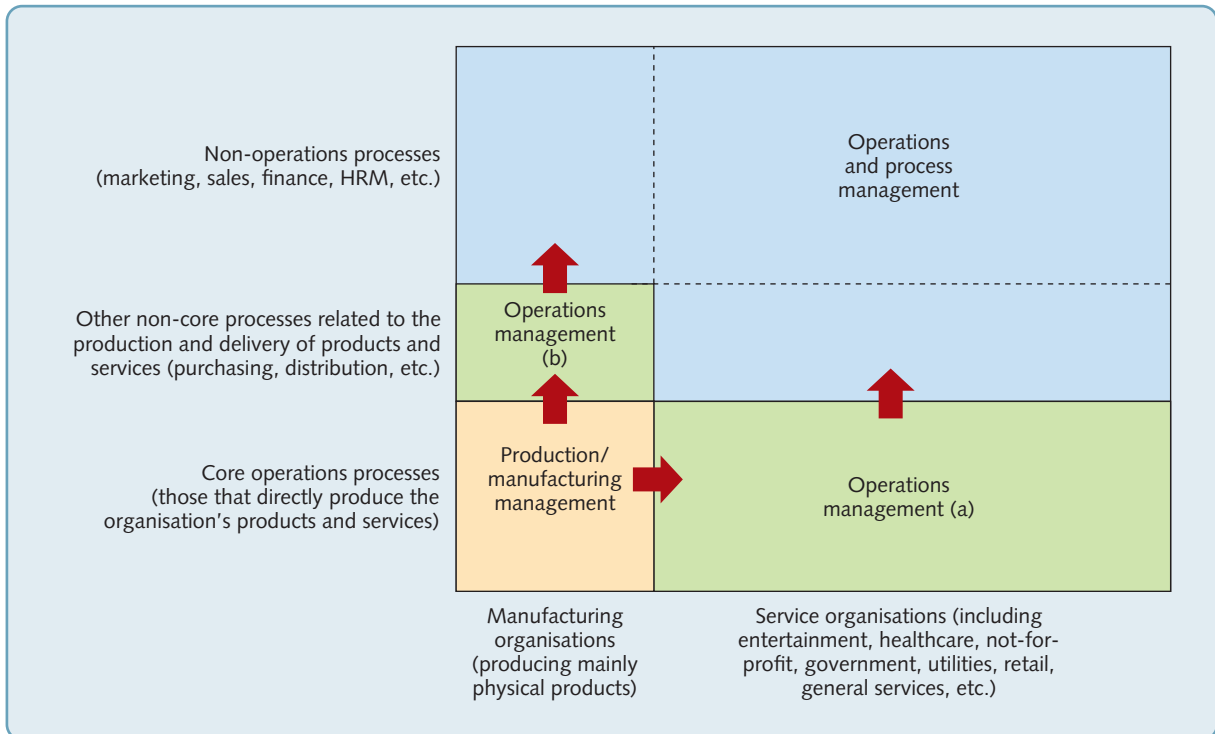


**Figure 1.2** All types of business have 'operations' because all businesses produce some mix of products and services. The differences in the operations *within* a category of business are often greater than the differences *between* businesses sectors

marketing plans and sales forecasts, the accounting function 'produces' budgets, the human resources function 'produces' development and recruitment plans, and so on. In fact every part of *any* business is concerned with managing processes. So, 'operations and process management', is the term we use to encompass the management of all types of operation, no matter in what sector or industry, and all processes, no matter in which function of the business. The general truth is that processes are everywhere, and all types of manager have something to learn from studying operations and process management.

## From 'production', to 'operations', to 'operations and process' management

Figure 1.3 illustrates how the scope of this subject has expanded. Originally, operations management was seen as very much associated with the manufacturing sector. In fact it would have been called 'production' or 'manufacturing' management, and was concerned exclusively with the core business of producing physical products. Starting in the 1970s and 1980s the term *operations management* became more common. It was used to reflect two trends. First, and most importantly, it was used to imply that many of the ideas, approaches and techniques traditionally used in the manufacturing sector could be equally applicable in the production of



**Figure 1.3** Operations management has expanded from treating only the core production processes in manufacturing organisations to include service organisations, non-core operations processes and processes in other functions such as marketing, finance and HRM

services. The second use of the term was to expand the scope of 'production' in manufacturing companies to include, not just the core processes that directly produce products, but also the non-core production-related processes that contribute to the production and delivery of product. This would include such processes as purchasing, physical distribution, after sales service, and so on. More recently the term *operations and process management* (or sometimes just process management) has been used to denote the shift in the scope of the subject to include the whole organisation. It is a far wider term than operations management because it applies to all parts of the organisation. This is very much how we treat the subject in this book. That is why it is called 'Operations and Process Management'. It includes the examination of the operations function in both manufacturing and service sectors and also the management of processes in non-operations functions.

Towards the beginning of all chapters we present two examples of individual businesses, or types of business, that illustrate the topic being examined in the chapter. Here we look at two businesses, one service company, and one manufacturing company, which have succeeded in large part because of their effective use of operations and process management principles.

#### EXAMPLE

#### IKEA<sup>1</sup>

It's the school holidays in an IKEA superstore in London, and parents with children in tow are crowding the isles and café area. Families push their way past the 'Anniversary Edition' of the 'Billy' bookcase (one of the firm's most popular products) proudly displayed by the entrance. Looking at the crowds it is easy to believe that IKEA is the most successful furniture retailer ever. With stores all over the world, they have managed to develop their own special way of selling furniture. Their stores' layout means customers often spend two hours in the store – far longer than in rival furniture retailers. IKEA's philosophy goes back to the original business,

Source: Shutterstock.com/Diego Cervio



started in the 1950s in Sweden by Ingvar Kamrad. He built a showroom on the outskirts of Stockholm where land was cheap and simply set the furniture out as it would be in a domestic setting. Also, instead of moving the furniture from the warehouse to the showroom area, he asked customers themselves to pick the furniture up from the warehouse – still the basis of IKEA's process today.

The stores are all designed to facilitate the smooth flow of customers, from parking, moving through the store itself, to ordering and picking up goods. At the entrance to each store large notice-boards provide advice to shoppers who have not used the store before. For young children, there is a supervised children's play area, a small cinema, a parent and baby room, and toilets, so parents can leave their children in the supervised play area for a time. Parents are recalled via the loudspeaker system if the child has any problems. IKEA 'allow customers to make up their minds in their own time' but 'information points' have staff who can help. All furniture carries a ticket with a code number which indicates its location in the warehouse. (For larger items customers go to the information desks for assistance.)

There is also an area where smaller items are displayed, and can be picked directly. Customers then pass through the warehouse where they pick up the items viewed in the showroom. Finally, customers pay at the checkouts, where a ramped conveyor belt moves purchases up to the checkout staff. The exit area has service points, and a loading area that allows customers to bring their cars from the car park and load their purchases.

IKEA's success is founded on 'listening to its customers' and a disciplined (some would say, obsessive) elimination of waste in its processes; not just its retail processes, but also its design, distribution and administrative processes. Yet success brings its own problems and some customers became increasingly frustrated with overcrowding and long waiting times. In response, IKEA in the UK launched a programme to 'design out' the bottlenecks. The changes included:

- clearly marked in-store short cuts allowing customers who just want to visit one area to avoid having to go through all the preceding areas
- express checkout tills for customers with a bag only rather than a trolley
- extra 'help staff' at key points to help customers
- redesigned car parks, making them easier to navigate
- dropping the ban on taking trolleys out to the car parks for loading (originally implemented to stop vehicles being damaged)
- a new warehouse system to stop popular product lines running out during the day
- more children's play areas.

IKEA spokeswoman Nicki Craddock said: *'We know people love our products but hate our shopping experience. We are being told that by customers every day, so we can't afford not to make changes. We realised a lot of people took offence at being herded like sheep on the long route around stores. Now if you know what you are looking for and just want to get in, grab it and get out, you can.'*

And the future? Martin Hansson, who runs the UK arm of IKEA, wants to see more emphasis on promoting their environmental agenda. *'We can be better at that. We're not good at showing how we handle waste and energy – it's a lost opportunity.'*

## EXAMPLE

**Torchbox: award winning web designers<sup>1</sup>**

We may take it for granted, yet browsing websites, as part of your studies, job or leisure, is an activity that we all do; probably every day, probably many times each day. So it's important. All organisations need to have a web presence if they want to sell products and services, interact with their customers or promote their cause. Not surprisingly, there is a whole industry devoted to designing websites so that they have the right type of impact. In fact, taken over the years, web development has been one of the fastest growing industries in the world. But it's also a tough industry. Not every

web design company thrives, or even survives beyond a couple of years. To succeed, web designers need technology skills, design capabilities, business awareness and operational professionalism. One that has succeeded is Torchbox, an independently owned web design and development company based in Oxfordshire. Founded back in 2000, it now employs 30 people, providing 'high-quality, cost-effective, and ethical solutions for clients who come primarily, but not exclusively, from the charity, non-governmental organisations and public sectors.'



Source: Shutterstock.com/Torria

Co-founder and Technical Director Tom Dyson has been responsible for the technical direction of all major developments. 'There are a number of advantages about being a relatively small operation,' he said. 'We can be hugely flexible and agile, in what is still a dynamic market. But at the same time we have the resources and skills to provide a creative and professional service. Any senior manager in a firm of our size cannot afford to be too specialised. All of us here have their own specific responsibilities; however every one of us shares the overall responsibility for the firm's general development. We can also be clear and focused on what type of work we want to do. Our ethos is important to us. We set out to work with clients who share our commitment to environmental sustainability and responsible, ethical business practice; we take our work, and that of our clients, seriously. If you're an arms dealer, you can safely assume that we're not going to be interested.'

Nevertheless, straightforward operational effectiveness is also essential to Torchbox's business. 'We know how to make sure that our projects run not only on time and to budget,' said Olly Willans, also a co-founder and the firm's Creative Director, 'but we also like to think that we provide an enjoyable and stimulating experience – both for our customers' development teams and for our staff too. High standards of product and service are important to us: our clients want accessibility, usability, performance and security embedded in their web designs, and of course, they want things delivered on-time and on-budget. We are in a creative industry that depends on fast-moving technologies, but that doesn't mean that we can't also be efficient. We back everything we do with a robust feature-driven development process using a kanban project management methodology which helps us manage our obligations to our clients.'

The 'kanban' approach used by the Torchbox web development teams originated from car manufacturers like Toyota (it is fully explained in Chapter 11). 'Using sound operations management techniques helps us constantly to deliver value to our clients,' said Tom Dyson, 'we like to think that our measured and controlled approach to handling and controlling work helps ensure that every hour we work produces an hour's worth of value for our clients and for us.'

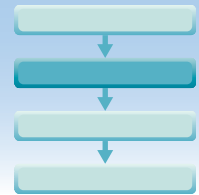
### What do these two examples have in common?

These two operations are very different. One is the largest (and most successful) home wears companies in the world, the other is a small (but also successful) company working in an industry that did not exist when IKEA was founded. Yet the operations of both these companies share

the same basic objective – managing the processes that produce their products and services in a manner that satisfies their customers while making enough profit to thrive in the long term. And many, if not most, of the managers in each company who are called by some other title, will also be concerned with managing their own processes that contribute to the success of their business. Of course, there will be differences between each company's operations and processes, such as the type of services they provide, the resources they use, and so on. But the managers in each company will be making the same *type* of decisions, even if *what* they actually decide is different. The fact that both companies are successful because of their innovative and effective operations and processes also implies further commonality. First, it means that they both understand the importance of taking a 'process perspective' in understanding their supply networks, running their operations, and managing all their individual processes. Without this they could not have sustained their strategic impact in the face of stiff market competition. Second, both businesses will expect their operations to make a contribution to their overall competitive strategy. Third, in achieving a strategic impact, they both will have come to understand the importance of managing *all* their individual processes throughout the business so that they too can all contribute to the businesses success.

## DIAGNOSTIC QUESTION

### Does the business take a process perspective?



If a business takes a process perspective, it understands that all parts of the business can be seen as processes, and that all processes can be managed using operations management principles. But it is also important to understand that a process perspective is not the only way of describing businesses, or any type of organisation. One could represent an organisation as a conventional 'organisational structure' that shows the reporting relationships between various departments or groups of resources. But even a little experience in any organisation shows that rarely, if ever, does this fully represent the way the organisation actually works. Alternatively, one could describe an organisation through the way it makes decisions. How it balances conflicting criteria, weighs up risks, decides on actions and learns from its mistakes. On the other hand, one could describe the organisation's culture – its shared values, ideology, pattern of thinking and day-to-day rituals, or its power relationships – how it is governed, seeks consensus (or at least reconciliation), and so on. Or, and this is the significant point, one can represent the organisation as a collection of processes, interconnecting and (hopefully) all contributing to fulfilling its strategic aims. This is the perspective that we emphasise throughout this book.

#### OPERATIONS PRINCIPLE

*There are many valid approaches to describing organisations. The process perspective is a particularly valuable one.*

As we define it here, the process perspective analyses businesses as a collection of interrelated processes. Some of these processes will be within the operations function, and will contribute directly to the production of its products and services. Other processes will be in the other functions of the business, but will still need managing using similar principles to those within the operations function.

None of these various perspectives on organisations gives a total picture. Each perspective adds something to our ability to understand, and therefore more effectively manage a business. Nor are they mutually exclusive. A process perspective does not preclude understanding the influence of power relationships on how processes work, and so on. We use the process perspective here, not because it is the *only* useful and informative way of understanding businesses, but because it is the perspective that directly links the way we manage resources in a business with its strategic impact. Without effective process management, the