

# OPERATIONS MANAGEMENT

The background of the cover is a photograph of a building's entrance at night. The entrance is characterized by vibrant neon lighting in shades of red, orange, and yellow. A prominent vertical neon sign in the center of the entrance has a stylized 'T' or cross-like shape at its base. The building's facade is illuminated with blue neon lights along the top edge. The overall scene is a classic Art Deco style, suggesting a grand, modern building.

EIGHTH EDITION

NIGEL SLACK  
ALISTAIR BRANDON-JONES  
ROBERT JOHNSTON

# OPERATIONS MANAGEMENT

## PEARSON

At Pearson, we have a simple mission: to help people make more of their lives through learning.

We combine innovative learning technology with trusted content and educational expertise to provide engaging and effective learning experiences that serve people wherever and whenever they are learning.

From classroom to boardroom, our curriculum materials, digital learning tools and testing programmes help to educate millions of people worldwide - more than any other private enterprise.

Every day our work helps learning flourish, and wherever learning flourishes, so do people.

To learn more please visit us at [www.pearson.com/uk](http://www.pearson.com/uk)

# OPERATIONS MANAGEMENT

Eighth edition

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

**PEARSON**

Harlow, England • London • New York • Boston • San Francisco • Toronto • Sydney • Auckland • Singapore • Hong Kong  
Tokyo • Seoul • Taipei • New Delhi • Cape Town • São Paulo • Mexico City • Madrid • Amsterdam • Munich • Paris • Milan

**Pearson Education Limited**

Edinburgh Gate  
Harlow CM20 2JE  
United Kingdom  
Tel: +44 (0)1279 623623  
Web: www.pearson.com/uk

First published under the Pitman Publishing imprint 1995 (print)

Second edition (Pitman Publishing) 1998 (print)

Third edition 2001 (print)

Fourth edition 2004 (print)

Fifth edition 2007 (print)

Sixth edition 2010 (print)

Seventh edition 2013 (print and electronic)

**Eighth edition published 2016** (print and electronic)

© Nigel Slack, Stuart Chambers, Christine Harland, Alan Harrison, Robert Johnston 1995, 1998 (print)

© Nigel Slack, Stuart Chambers, Robert Johnston 2001, 2004, 2007, 2010 (print)

© Nigel Slack, Alistair Brandon-Jones, Robert Johnston 2013, 2016 (print and electronic)

The rights of Nigel Slack, Alistair Brandon-Jones and Robert Johnston to be identified as authors of this work have been asserted by them in accordance with the Copyright, Designs and Patents Act 1988.

The print publication is protected by copyright. Prior to any prohibited reproduction, storage in a retrieval system, distribution or transmission in any form or by any means, electronic, mechanical, recording or otherwise, permission should be obtained from the publisher or, where applicable, a licence permitting restricted copying in the United Kingdom should be obtained from the Copyright Licensing Agency Ltd, Barnard's Inn, 86 Fetter Lane, London EC4A 1EN.

The ePublication is protected by copyright and must not be copied, reproduced, transferred, distributed, leased, licensed or publicly performed or used in any way except as specifically permitted in writing by the publisher, as allowed under the terms and conditions under which it was purchased, or as strictly permitted by applicable copyright law. Any unauthorised distribution or use of this text may be a direct infringement of the authors' and the publisher's rights and those responsible may be liable in law accordingly.

All trademarks used herein are the property of their respective owners. The use of any trademark in this text does not vest in the author or publisher any trademark ownership rights in such trademarks, nor does the use of such trademarks imply any affiliation with or endorsement of this book by such owners.

Pearson Education is not responsible for the content of third-party internet sites.

ISBN: 978 1 292 09867 8 (print)

978 1 292 09871 5 (PDF)

978 1 292 17190 6 (ePub)

**British Library Cataloguing-in-Publication Data**

A catalogue record for the print edition is available from the British Library

**Library of Congress Cataloging-in-Publication Data**

A catalog record for the print edition is available from the Library of Congress

10 9 8 7 6 5 4 3 2 1

20 19 18 17 16

Cover image © Karin Hildebrand Lau / Alamy Stock Photo

Print edition typeset in 9.25/12 Charter ITC Std by 76

Printed in Slovakia by Neografia

NOTE THAT ANY PAGE CROSS REFERENCES REFER TO THE PRINT EDITION

# Brief contents

Guide to 'operations in practice', examples, short cases and case studies	xii		
Preface	xvi		
To the Instructor. . .	xviii		
To the Student. . .	xix		
Ten steps to getting a better grade in operations management	xx		
About the authors	xxi		
Acknowledgements	xxii		
Publisher's acknowledgements	xxiv		
<b>Part One</b>			
<b>DIRECTING THE OPERATION</b>	3		
1 Operations management	4		
2 Operations performance	38		
3 Operations strategy	74		
4 Product and service innovation	109		
5 The structure and scope of operations	140		
Supplement to Chapter 5 – Forecasting	170		
<b>Part Two</b>			
<b>DESIGNING THE OPERATION</b>	181		
6 Process design	182		
7 Layout and flow	216		
8 Process technology	246		
9 People in operations	276		
Supplement to Chapter 9 – Work study	306		
<b>Part Three</b>			
<b>DELIVER</b>			315
10 Planning and control			317
11 Capacity management			350
Supplement to Chapter 11 – Analytical queuing models			391
12 Supply chain management			398
13 Inventory management			432
14 Planning and control systems			468
Supplement to Chapter 14 – Materials requirements planning (MRP)			491
15 Lean operations			498
<b>Part Four</b>			
<b>DEVELOPMENT</b>			531
16 Operations improvement			532
17 Quality management			572
Supplement to Chapter 17 – Statistical process control			603
18 Managing risk and recovery			616
19 Project management			646
Notes on chapters			681
Useful websites			689
Glossary			691
Index			704

This page intentionally left blank

# Contents

Guide to 'operations in practice', examples, short cases and case studies	xii	How is operations performance judged at an operational level?	48
Preface	xvi	How can operations performance be measured?	63
To the Instructor. . .	xviii	How do performance objectives trade off against each other?	66
To the Student. . .	xix	<i>Summary answers to key questions</i>	68
Ten steps to getting a better grade in operations management	xx	<i>Case study: Operations objectives at the Penang Mutiara</i>	70
About the authors	xxi	<i>Problems and applications</i>	72
Acknowledgements	xxii	<i>Selected further reading</i>	73
Publisher's acknowledgements	xxiv		

## Part One

### DIRECTING THE OPERATION 3

#### Chapter 1: Operations management 4

<i>Introduction</i>	4
What is operations management?	5
Why is operations management important in all types of organization?	8
What is the input–transformation–output process?	13
What is the process hierarchy?	19
How do operations and processes differ?	22
What do operations managers do?	27
<i>Summary answers to key questions</i>	31
<i>Case study: Design house partnerships at Concept Design Services</i>	33
<i>Problems and applications</i>	36
<i>Selected further reading</i>	36

#### Chapter 2: Operations performance 38

<i>Introduction</i>	38
Why is operations performance vital in any organization?	39
How is operations performance judged at a societal level?	41
How is operations performance judged at a strategic level?	46

#### Chapter 3: Operations strategy 74

<i>Introduction</i>	74
What is strategy and what is operations strategy?	76
What is the difference between a 'top-down' and 'bottom-up' view of operations strategy?	80
What is the difference between a 'market requirements' and an 'operations resources' view of operations strategy?	84
How can operations strategy form the basis for operations improvement?	92
How can an operations strategy be put together? The process of operations strategy	98
<i>Summary answers to key questions</i>	102
<i>Case study: McDonald's: half a century of growth</i>	104
<i>Problems and applications</i>	107
<i>Selected further reading</i>	108

#### Chapter 4: Product and service innovation 109

<i>Introduction</i>	109
What is product and service innovation?	110
What is the strategic role of product and service innovation?	114
What are the stages of product and service innovation?	119
What are the benefits of interactive product and service innovation?	130
<i>Summary answers to key questions</i>	134



<i>Case study: Developing 'Savory Rosti-crisps' at Dreddo Dan's</i>	136
<i>Problems and applications</i>	138
<i>Selected further reading</i>	139

## Chapter 5: The structure and scope of operations 140

<i>Introduction</i>	140
What do we mean by the 'structure' and 'scope' of operations' supply networks?	141
What configuration should a supply network have?	145
How much capacity should operations plan to have?	149
Where should operations be located?	154
How vertically integrated should an operation's network be?	156
How do operations decide what to do in-house and what to outsource?	161
<i>Summary answers to key questions</i>	164
<i>Case study: Aarens Electronic</i>	166
<i>Problems and applications</i>	168
<i>Selected further reading</i>	169

## Supplement to Chapter 5: Forecasting 170

<i>Introduction</i>	170
Forecasting – knowing the options	170
In essence forecasting is simple	171
Approaches to forecasting	172
<i>Selected further reading</i>	178

## Part Two

## DESIGNING THE OPERATION 181

### Chapter 6: Process design 182

<i>Introduction</i>	182
What is process design?	183
What should be the objectives of process design?	185
How do volume and variety affect process design?	189
How are processes designed in detail?	195

<i>Summary answers to key questions</i>	211
<i>Case study: The Action Response Applications Processing Unit (ARAPU)</i>	212
<i>Problems and applications</i>	214
<i>Selected further reading</i>	214

### Chapter 7: Layout and flow 216

<i>Introduction</i>	216
What is layout and how can it influence performance?	217
What are the basic layout types used in operations?	220
How does the appearance of an operation affect its performance?	231
How should each basic layout type be designed in detail?	234
<i>Summary answers to key questions</i>	240
<i>Case study: The event hub</i>	241
<i>Problems and applications</i>	244
<i>Selected further reading</i>	244

### Chapter 8: Process technology 246

<i>Introduction</i>	246
What is process technology?	247
What do operations managers need to know about process technology?	251
How are process technologies evaluated?	258
How are process technologies implemented?	264
<i>Summary answers to key questions</i>	271
<i>Case study: Rochem Ltd</i>	272
<i>Problems and applications</i>	274
<i>Selected further reading</i>	274

### Chapter 9: People in operations 276

<i>Introduction</i>	276
Why are people so important in operations management?	277
How do operations managers contribute to human resource strategy?	279
How can the operations function be organized?	281
How do we go about designing jobs?	286
How are work times allocated?	300
<i>Summary answers to key questions</i>	301
<i>Case study: Grace faces (three) problems</i>	302

<i>Problems and applications</i>	304
<i>Selected further reading</i>	305
<b>Supplement to Chapter 9: Work study</b>	<b>306</b>
<i>Introduction</i>	306
<i>Method study in job design</i>	306
<i>Work measurement in job design</i>	309

## Part Three

### DELIVER 315

#### Chapter 10: Planning and control 317

<i>Introduction</i>	317
What is planning and control?	318
What is the difference between planning and control?	319
How do supply and demand affect planning and control?	321
What are the activities of planning and control?	327
<i>Summary answers to key questions</i>	345
<i>Case study: subText Studios Singapore</i>	346
<i>Problems and applications</i>	348
<i>Selected further reading</i>	349

#### Chapter 11: Capacity management 350

<i>Introduction</i>	350
What is capacity management?	351
How are demand and capacity measured?	354
How should the operation's base capacity be set?	364
What are the ways of coping with mismatches between demand and capacity?	366
How can operations understand the consequences of their capacity decisions?	373
<i>Summary answers to key questions</i>	382
<i>Case study: Blackberry Hill Farm</i>	384
<i>Problems and applications</i>	388
<i>Selected further reading</i>	389

#### Supplement to Chapter 11: Analytical queuing models 391

<i>Introduction</i>	391
Notation	391
Variability	391
Incorporating Little's law	393
Types of queuing system	393

#### Chapter 12: Supply chain management 398

<i>Introduction</i>	398
What is supply chain management?	399
How should supply chains compete?	402
How should relationships in supply chains be managed?	407
How is the supply side managed?	412
How is the demand side managed?	419
What are the dynamics of supply chains?	423
<i>Summary answers to key questions</i>	426
<i>Case study: Supplying fast fashion</i>	428
<i>Problems and applications</i>	430
<i>Selected further reading</i>	431

#### Chapter 13: Inventory management 432

<i>Introduction</i>	432
What is inventory?	434
Why should there be any inventory?	437
How much to order? The volume decision	442
When to place an order? The timing decision	452
How can inventory be controlled?	458
<i>Summary answers to key questions</i>	463
<i>Case study: supplies4medics.com</i>	465
<i>Problems and applications</i>	466
<i>Selected further reading</i>	467

#### Chapter 14: Planning and control systems 468

<i>Introduction</i>	468
What are planning and control systems?	469
What is enterprise resource planning and how did it develop into the most common planning and control system?	475
How should planning and control systems be implemented?	483
<i>Summary answers to key questions</i>	486

<i>Case study: Psycho Sports Ltd</i>	487	<i>Summary answers to key questions</i>	566
<i>Problems and applications</i>	489	<i>Case study: Reinventing Singapore's libraries</i>	568
<i>Selected further reading</i>	490	<i>Problems and applications</i>	569
		<i>Selected further reading</i>	570
<b>Supplement to Chapter 14: Materials requirements planning (MRP)</b>	<b>491</b>	<b>Chapter 17: Quality management</b>	<b>572</b>
<i>Introduction</i>	491	<i>Introduction</i>	572
Master production schedule	491	What is quality and why is it so important?	573
The bill of materials (BOM)	492	What steps lead towards conformance to specification?	580
Inventory records	494	What is total quality management (TQM)?	587
The MRP netting process	494	<i>Summary answers to key questions</i>	597
MRP capacity checks	497	<i>Case study: Turnaround at the Preston plant</i>	599
Summary	497	<i>Problems and applications</i>	601
		<i>Selected further reading</i>	602
<b>Chapter 15: Lean operations</b>	<b>498</b>	<b>Supplement to Chapter 17: Statistical process control</b>	<b>603</b>
<i>Introduction</i>	498	<i>Introduction</i>	603
What is lean?	499	Control charts	603
How does lean eliminate waste?	506	Variation in process quality	604
How does lean apply throughout the supply network?	519	Control charts for attributes	608
How does lean compare with other approaches?	521	Control chart for variables	610
<i>Summary answers to key questions</i>	524	Summary of supplement	615
<i>Case study: Saint Bridget's Hospital</i>	525	<i>Selected further reading</i>	615
<i>Problems and applications</i>	527		
<i>Selected further reading</i>	528	<b>Chapter 18: Managing risk and recovery</b>	<b>616</b>
		<i>Introduction</i>	616
<b>Part Four</b>		What is risk management?	617
<b>DEVELOPMENT</b>	<b>531</b>	How can operations assess the potential causes and consequences of failure?	619
<b>Chapter 16: Operations improvement</b>	<b>532</b>	How can failures be prevented?	632
<i>Introduction</i>	532	How can operations mitigate the effects of failure?	637
Why is improvement so important in operations management?	533	How can operations recover from the effects of failure?	639
What are the key elements of operations improvement?	540	<i>Summary answers to key questions</i>	642
What are the broad approaches to improvement?	545	<i>Case study: Slagelse Industrial Services (SIS)</i>	643
What techniques can be used for improvement?	554	<i>Problems and applications</i>	645
How can the improvement process be managed?	559	<i>Selected further reading</i>	645

<b>Chapter 19:</b>			
<b>Project management</b>	<b>646</b>		
<i>Introduction</i>	646	<i>Problems and applications</i>	679
What is project management?	647	<i>Selected further reading</i>	680
How are projects planned?	653	Notes on chapters	681
How are projects controlled?	669	Useful websites	689
<i>Summary answers to key questions</i>	674	Glossary	691
<i>Case study: United Photonics Malaysia Sdn Bhd</i>	675	Index	704

# Guide to 'operations in practice', examples, short cases and case studies

Chapter	Location	Company/example	Region	Sector/activity	Company size
1 Operations management		Lego	Europe	Manufacturing	Large
		Torchbox	UK	Web design	Small
		MSF	Global	Charity	Large
		Pret a Manger	Global	Hospitality	Medium
		Formule 1	Europe	Hospitality	Large
		Ski Verbier Exclusive	Europe	Hospitality	Small
		Hewlet Packard		Manufacturing	Large
		To be a great operations manager... Concept design services	Global General	N/A Design/manufacturing/distribution	N/A Medium
2 Operations performance		Novozymes	Europe	Pharmaceutical	Large
		Patagonia	Global	Garments	Large
		Holcim	Global	Cement/aggregates	Large
		Quality Street	Global	Confectionary	Large
		The Golden Hour	General	Healthcare	N/A
		UPS	Global	Distribution	Large
		Mymusli	German	Web retail	Small
		Aldi	Europe	Retail	Large
		Foxconn	Taiwan	Manufacturing	Large
		The Penang Mutiara	Malaysia	Hospitality	Medium
3 Operations strategy		SSTL	UK/ Space	Aerospace	Medium
		Apple retail	Global	Retail	Large
		Amazon	Global	Web retail	Large
		Apple supply operations	Global	Manufacturing	Large
		Nokia	Global	Telecomm	Large
		Sometimes any plan is better than no plan	Europe	Military	Large
		McDonalds	Global	Hospitality	Large
4 Product and service innovation		Apple iPhone	Global	Design	Large
		Kodak	Global	Manufacturing	Smaller
		Square watermelons	Global	Agriculture	Various
		IKEA	Global	Design/ Retail	Large
		Dyson	Global	Manufacturing	Large
		The circular economy	Global	Sustainability	Various
		Dreddo Dan's	Global	Snack food	Large

Chapter	Location	Company/example	Region	Sector/activity	Company size
5 The structure and scope of operations		ARM and Intel	Global	Design and Design/ manufacturing	Large
		Hollywood studios	USA	Creative	Large
		Surgery and shipping	India/Global	Healthcare/transportation	Large
		Counting clusters	Various	Various	Various
		HTC	Taiwan	Design/manufacturing	Large
		Samsun Aarens Electronic	Korea Netherlands	Manufacturing Manufacturing	Large Medium
6 Process design		Changi airport	Singapore	Air travel	Large
		Fast food	Global	Hospitality	Large
		Ecover	Europe	Manufacturing	Large
		Sands Film Studio	UK	Creative	Small
		Space4 housing	UK	Construction	Medium
		Sainsbury's	UK	Retail	Large
		Shouldice hospital	Canada	Healthcare	Small
Action response	UK	Charity	Small		
7 Layout and flow		Volkswagen	Germany	Manufacturing	Large
		Google	USA	Technology	Large
		Factory flow helps surgery	UK	Healthcare	Medium
		Apple's shop	UK	Retail	Large
		Cadbury's	UK	Manufacturing/ entertainment	Large
		Nestlé	Global	Manufacturing	Large
		Office cubicles	Various	Design	Various
Zodiac	France / Global	Manufacturing	Medium		
The Event Hub	UK	Policing	Medium		
8 Process technology		I Robot	Global	Various	Various
		Technology or people?	Various	Various	Various
		QB house	Asia	Hairdressing	Medium
		Marmite	UK	Food	Large
		Technology failures	UK	Technology	Large
		Who's in the cockpit?	Global	Various Airlines	Various
Rochem	UK	Food processing	Medium		
9 People in operations		W L Gore	Global	Manufacturing	Large
		High customer contact jobs	USA	Air travel	Large
		McDonald's	Global	Hospitality	Large
		Yahoo	USA	Technology	Large
		Music while you work	Global	Various	Various
Grace faces (three) problems	UK	Legal	Medium		
10 Planning and control		Joanne manages the schedule	UK	Retail	Medium
		Operations control at Air France	Global	Airline	Large
		Uber	Global	Technology platform	Large
		Can airline passengers be sequenced?	General	Airports	Various
		The hospital triage system	Global	Healthcare	Various
		The life and times of a chicken sandwich (part 1)	UK	Food processing	Medium

<i>Chapter</i>	<i>Location</i>	<i>Company/example</i>	<i>Region</i>	<i>Sector/activity</i>	<i>Company size</i>
<b>11 Capacity management</b>		Heathrow	UK	Airports	Large
		Panettone	Italy	Food processing	Large
		Amazon	Global	Retail	Large
		Lowers	UK	Horticulture	Medium
		Demand management	USA	Public	Large
		Baseball games	USA	Leisure	Medium
		Blackberry hill farm	UK	Leisure	Small
<b>12 Supply chain management</b>		Ocado	UK	Retail	Large
		The North Face	Global	Garment manufacture	Large
		Apple	Global	Technology	Large
		The tsunami effect	Asia	Various	Various
		Levi Strauss	Global	Garment manufacture	Large
		Seven-Eleven Japan	Japan	Retail	Large
		Supplying fast fashion	Global	Garment design/ manufacture/ retail	Large
<b>13 Inventory management</b>		National Health Service	UK	Public sector	Large
		Blood and Transplant service			
		Energy inventory	Global	Power generation	Large
		Treasury wines	Australia	Wine production	Large
		Gritting roads	Europe	Public sector	Large
		Flame electrical	South Africa	Wholesale	Small
		Amazon	Global	Retail	Large
	Supplies4medics	Europe	Retail	Medium	
<b>14 Planning and control systems</b>		Butchers pet care	UK	(Dog) food production	Medium
		SAP and its partners	Global	Systems developers	
		The life and times of a chicken salad sandwich (part 2)	UK	Food production	Medium
		What a waste	USA	Recycling	Large
		Psycho sports	N/A	Manufacturing	Small
<b>15 Lean operations</b>		Jamie's lean meals	UK	Domestic food preparation	N/A
		Pixar adopts lean	USA	Creative	Large
		Toyota	Global	Auto production	Large
		Waste reduction in airline maintenance	N/A	Air transport	N/A
		Andon's in Amazon	Global	Retail	Large
		Torchbox	UK	Web design	Small
		St Bridget's Hospital	Sweden	Healthcare	Medium
<b>16 Improvement</b>		Sonae Corporation	Portugal	Retail	Large
		The checklist manifesto	N/A	Healthcare	Various
		6Wonderkinder	Germany	App developer	Small
		Improvement at Heineken	Netherlands	Brewer	Large
		6Sigma at Wipro	India	Outsourcers	Large
		Learning from Formula 1	UK	Transport	Various
		Reinventing Singapore's libraries	Singapore	Public sector	Medium

<i>Chapter</i>	<i>Location</i>	<i>Company/example</i>	<i>Region</i>	<i>Sector/activity</i>	<i>Company size</i>
<b>17 Quality management</b>		TNT Express Victorinox Four Seasons Magic moments Ryanair's Millbrook Proving Ground Quick Food Products Fat finger syndrome Deliberate defectives Preston plant	Global Switzerland Global UK Europe UK UK Global Canada Canada	Transport Manufacturing Hospitality Photography Airline Auto testing Food production Finance Manufacturing Manufacturing	Large Large Large Small Large Medium Small Various Large Medium
<b>18 Managing risk and recovery</b>		Tesco Findus G4S The rise of the micromort Is failure designed-in to airline operations? General motors Slagelse Industrial Services	UK Europe UK N/A Netherlands  USA Denmark	Retail Food production Outsourcer Various Airline  Auto manufacture Manufacturing	Large Large Large Various Large  Large Medium
<b>19 Project management</b>		Disney Vasa's first voyage Halting the growth of malaria The Scottish Parliament Building United Photonics	Global Sweden Global  UK  Malaysia	Leisure Military Healthcare  Construction  Development	Large N/A Large  Large  Large



# Preface

## Introduction - Operations may not run the World, but it makes the World run

Operations management is *important*. It is concerned with creating the services and products upon which we all depend. And all organizations produce some mixture of services and products, whether that organization is large or small, manufacturing or service, for profit or not for profit, public or private. Thankfully, most companies have now come to understand the importance of operations. This is because they have realized that effective operations management gives the potential to improve both efficiency and customer service simultaneously. But more than this, operations management is *everywhere*, it is not confined to the operations function. All managers, whether they are called Operations or Marketing or Human Resources or Finance, or whatever, manage processes and serve customers (internal or external). This makes, at least part of their activities 'operations'.

Operations management is also *exciting*. It is at the centre of so many of the changes affecting the business world – changes in customer preference, changes in supply networks brought about by internet-based technologies, changes in what we want to do at work, how we want to work, where we want to work, and so on. There has rarely been a time when operations management was more topical or more at the heart of business and cultural shifts.

Operations management is also *challenging*. Promoting the creativity that will allow organizations to respond to so many changes is becoming the prime task of operations managers. It is they who must find the solutions to technological and environmental challenges, the pressures to be socially responsible, the increasing globalization of markets and the difficult-to-define areas of knowledge management.

## The aim of this book

This book provides a clear, authoritative, well-structured and interesting treatment of operations management as it applies to a variety of businesses and organizations. The text provides both a logical path through the activities of operations management and an understanding of their strategic context.

More specifically, this text is:

- *Strategic* in its perspective. It is unambiguous in treating the operations function as being central to competitiveness.
- *Conceptual* in the way it explains the reasons why operations managers need to take decisions.
- *Comprehensive* in its coverage of the significant ideas and issues which are relevant to most types of operation.
- *Practical* in that the issues and challenges of making operations management decisions *in practice* are discussed. The 'Operations in practice' feature, which starts every chapter, the short cases that appear through the chapters, and the case studies at the end of each chapter, all explore the approaches taken by operations managers in practice.
- *International* in the examples that are used. There are over 110 descriptions of operations practice from all over the world.
- *Balanced* in its treatment. This means we reflect the balance of economic activity between service and manufacturing operations. Around seventy-five per cent of examples are from organizations that deal primarily in services and twenty-five per cent from those that are primarily manufacturing.

## Who should use this book?

This book is for anyone who is interested in how services and products are created.

- *Undergraduates* on business studies, technical or joint degrees should find it sufficiently structured to provide an understandable route through the subject (no prior knowledge of the area is assumed).
- *MBA students* should find that its practical discussions of operations management activities enhance their own experience.
- *Postgraduate students* on other specialist Master's degrees should find that it provides them with a well-grounded and, at times, critical approach to the subject.

## Distinctive features

### Clear structure

The structure of the book uses the '4Ds' model of operations management that distinguishes between the strategic decisions that govern the *direction* of the operation, the *design* of the processes and operations that create products and services, planning and control of the *delivery* of products and services, and the *development*, or improvement of operations.

### Illustrations-based

Operations management is a practical subject and cannot be taught satisfactorily in a purely theoretical manner. Because of this we have used examples and short 'operations in practice' cases that explain some of the issues faced by real operations.

### Worked examples

Operations management is a subject that blends qualitative and quantitative perspectives; 'worked examples' are used to demonstrate how both types of technique can be used.

### Critical commentaries

Not everyone agrees about what is the best approach to the various topics and issues with operations management. This is why we have included 'critical commentaries' that pose alternative views to the one being expressed in the main flow of the text.

## Summary answers to key questions

Each chapter is summarized in the form of a list of bullet points. These extract the essential points that answer the key questions posed at the beginning of each chapter.

### Case studies

Every chapter includes a case study suitable for class discussion. The cases are usually short enough to serve as illustrations, but have sufficient content also to serve as the basis of case sessions.

### Problems and applications

Every chapter includes a set of problem-type exercises. These can be used to check out your understanding of the concepts illustrated in the worked examples. There are also activities that support the learning objectives of the chapter that can be done individually or in groups.

### Selected further reading

Every chapter ends with a short list of further reading that takes the topics covered in the chapter further, or treats some important related issues. The nature of each further reading is also explained.

## To the Instructor . . .

### Teaching and learning resources for the 8th edition

#### New for the eighth edition

This 8th Edition is different. In fact, it's the biggest set of changes that we have made between editions. We have been consulting widely with our users, who have very kindly contributed to advising us on how we should further improve both the structure and content of the book. First the structure – we have retained the '4Ds' structure (direct, design, delivery and development) that has proved to be exceptionally popular, but we have shifted two chapters that were in the 'design' section into the 'direct' section. Our users, quite rightly, pointed out that 'design innovation' and 'the structure and scope of operations' (what was called 'Supply network design' in previous editions) were both fundamental and strategic, and so therefore should be included in the first part of the book. We have done this and made both chapters more strategic. We have also moved two chapters (Quality management and Project management) into the 'Development' section on the grounds that they are both increasingly seen as part of operations improvement. In terms of the content, we have included various aspects of sustainability and Corporate Social Responsibility in each chapter rather than separating the issue out at the end of the book. The issues covered are just too important to be segregated in that way. Needless to say, as usual, we have tried to keep up to date with the (increasingly) rapid changes taking place in the (wonderful) world of operations.

Specifically, the 8th edition includes the following key changes:

- There are now more than 110 of the popular 'Operations in Practice' examples throughout the book, over 40 per cent of which are new.

- The importance of sustainability and Corporate Social Responsibility (CSR) has been emphasised further, and included throughout the book.
- We have even further strengthened the emphasis on the idea that 'operations management' is relevant to every type of business and all functional areas of the organization.
- Many new ideas in operations management have been incorporated, including the 'three level' approach to performance, the relationship between innovation, creativity and design, crowdsourcing, ideas management, business ecosystems, triadic relationships, office layout, telecommuting and organisational 'ambidexterity'. However, we have retained the emphasis on the foundations of the subject.
- Six of the 19 cases at the end of the chapter are new (but the old ones are still available on the website), and provide an up-to-date selection of operations issues.
- The book has been visually redesigned to aid learning. Instructor's resources A completely new instructor's manual is available to lecturers adopting this textbook, together with PowerPoint presentations for each chapter and a Testbank of assessment questions. Visit [www.pearsoned.co.uk/slack](http://www.pearsoned.co.uk/slack) to access these. Most importantly, a new set of online resources to enable students to check their understanding, practise key techniques and improve their problem-solving skills now accompanies the book.

## To the Student . . .

### Making the most of this book

All academic textbooks in business management are, to some extent, simplifications of the messy reality that is actual organizational life. Any book has to separate topics, in order to study them, which in reality are closely related. For example, technology choice impacts on job design that in turn impacts on quality management; yet, for simplicity, we are obliged to treat these topics individually. The first hint therefore in using this book effectively is to look out for all the links between the individual topics. Similarly with the sequence of topics: although the chapters follow a logical structure, they need not be studied in this order. Every chapter is, more or less, self-contained. Therefore study the chapters in whatever sequence is appropriate to your course or your individual interests. But because each part has an introductory chapter, those students who wish to start with a brief 'overview' of the subject may wish first to study Chapters 1, 6, 10 and 16 and the chapter summaries of selected chapters. The same applies to revision – study the introductory chapters and summary answers to key questions.

The book makes full use of the many practical examples and illustrations that can be found in all operations. Many of these were provided by our contacts in companies, but many also come from journals, magazines and newspapers. So if you want to understand the importance of operations management in every-day business life look for examples and illustrations of operations

management decisions and activities in newspapers and magazines. There are also examples which you can observe every day. Whenever you use a shop, eat a meal in a restaurant, borrow a book from the library or ride on public transport, consider the operations management issues of all the operations for which you are a customer.

The case exercises and study activities are there to provide an opportunity for you to think further about the ideas discussed in the chapters. Study activities can be used to test out your understanding of the specific points and issues discussed in the chapter and discuss them as a group, if you choose. If you cannot answer these you should revisit the relevant parts of the chapter. The case exercises at the end of each chapter will require some more thought. Use the questions at the end of each case exercise to guide you through the logic of analysing the issue treated in the case. When you have done this individually try to discuss your analysis with other course members. Most important of all, every time you analyse one of the case exercises (or any other case or example in operations management) start off your analysis with the two fundamental questions:

- How is this organization trying to compete (or satisfy its strategic objectives if a not-for-profit organization)?
- What can the operation do to help the organization compete more effectively?

## Ten steps to getting a better grade in operations management

I could say that the best rule for getting a better grade is to be good. I mean really, really good! But, there are plenty of us who, while fairly good, don't get as good a grade as we really deserve. So, if you are studying operations management, and you want a really good grade, try following these simple steps:

**Step 1 Practise, practise, practise.** Use the Key questions and the Problems and applications to check your understanding.

**Step 2** Remember a few **key models**, and apply them wherever you can. Use the diagrams and models to describe some of the examples that are contained within the chapter.

**Step 3** Remember to use both **quantitative and qualitative analysis**. You'll get more credit for appropriately mixing your methods: use a quantitative model to answer a quantitative question and vice versa, but qualify this with a few well-chosen sentences.

**Step 4** There's always a **strategic objective** behind any operational issue. Ask yourself, 'Would a similar operation with a different strategy do things differently?' Look at the 'Operations in practice' pieces in the book.

**Step 5 Research** widely around the topic. Use websites that you trust – we've listed some good websites at the end of the book. You'll get more credit for using references that come from genuine academic sources.

**Step 6** Use **your own experience**. Every day, you're experiencing an opportunity to apply the principles of operations management. Why is the queue at the airport check-in desk so long? What goes on behind the 'hole in the wall' of your bank's ATM machines?

**Step 7** **Always answer the question**. Think 'what is really being asked here? What topic or topics does this

question cover?' Find the relevant chapter or chapters, and search the Key questions at the beginning of each chapter and the Summary at the end of each chapter to get you started.

**Step 8** Take account of the three tiers of accumulating marks for your answers.

- (a) First, demonstrate your knowledge and understanding. Make full use of the text to find out where you need to improve.
- (b) Second, show that you know how to illustrate and apply the topic. The Case studies and 'Operations in practice' sections give you hundreds of different examples.
- (c) Third, show that you can discuss and analyse the issues critically. Use the Critical commentaries within the text to understand some of the alternative viewpoints.

Generally, if you can do (a) you will pass; if you can do (a) and (b) you will pass well, and if you can do all three, you will pass with flying colours!

**Step 9** Remember **what** the issue is about, but also **understand why!** Read the text until you really understand why the concepts and techniques of operations management are important, and what they contribute to an organization's success. Your new-found knowledge will stick in your memory, allow you to develop ideas, and enable you to get better grades.

**Step 10 Start now!** Don't wait until two weeks before an assignment is due. GOOD LUCK!

*Nigel Slack*

## About the authors

**Nigel Slack** is an Emeritus Professor of Operations Management and Strategy at Warwick University, an Honorary Professor at Bath University and an Associate Fellow of Said Business School, Oxford University. Previously he has been Professor of Service Engineering at Cambridge University, Professor of Manufacturing Strategy at Brunel University, a 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 holds a Bachelor's degree in Engineering and Master's and Doctor's degrees in Management, and is a Chartered Engineer. He is the author of many books and papers in the operations management area, including *The Manufacturing Advantage*, published by Mercury BusinessBooks, 1991, and *Making Management Decisions* (with Steve Cooke), 1991, published by Prentice Hall, *Service Superiority* (with Robert Johnston), published in 1993 by EUROMA, *The Blackwell Encyclopedic Dictionary of Operations Management* (with Michael Lewis) published by Blackwell, *Operations Strategy* together with Michael Lewis, the fourth edition published by Pearson in 2014 and *Perspectives in Operations Management (Volumes I to IV)* also with Michael Lewis, published by Routledge in 2003, *Operations and Process Management*, with Alistair Brandon-Jones, Robert Johnston and Alan Betts, now in its 4th Edition 2015. He has authored

numerous academic papers and chapters in books. 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 operations and manufacturing flexibility and 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 was formerly a Reader at Manchester Business School, an Assistant and Associate Professor at Bath School of Management and a Teaching Fellow Warwick Business School, where he also completed his PhD. His other books include *Operations and Process Management*, *Essentials of Operations Management*, and *Quantitative Analysis in Operations Management*. 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 many leading management journals. Alistair has consulting and executive development experience with organizations 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.

# Acknowledgements

During the preparation of the eighth edition of this book (and previous editions) we have received an immense amount of help from friends and colleagues in the Operations Management community. In particular everybody who has attended one of the regular 'faculty work-shops' deserves thanks for the many useful comments. The generous sharing of ideas from these sessions has influenced this and all the other OM books that we prepare. Our thanks go to everyone who attended these sessions and other colleagues. It is, to some extent, invidious to single out individuals – but we are going to. We thank Pär Åhlström of Stockholm School of Economics, James Aitken of University Of Surrey, Yongmei Bentley of the University Of Bedfordshire, Helen Benton of Anglia Ruskin University, Ran Bhamra, Loughborough University, Tony Birch of Birmingham City University, Abhijeet Ghadge of Heriot Watt University, Professor Sven Åke Hörte of Lulea University of Technology, Eamonn Ambrose of University College, Andrea Benn of University of Brighton, Dublin, Mattia Bianchi of the Stockholm School of Economics John K Christiansen of Copenhagen Business School, Philippa Collins of Heriot-Watt University, Henrique Correa of Rollins College, Florida, Paul Coughlan of Trinity College Dublin, Simon Croom of the University of San Diego, Stephen Disney of Cardiff University, Doug Davies of University of Technology, Sydney, Tony Dromgoole of the Irish Management Institute, J.A.C. de Haan of Tilburg University, Carsten Dittrich of the University of Southern Denmark, David Evans of Middlesex University, Ian Evans of Sunderland University, Paul Forrester of Keele University, Ian Graham of Edinburgh University, Ian Fouweather of Bradford University, Alan Harle of Sunderland University, Norma Harrison of Macquarie University, Catherine Hart of Loughborough Business School, Steve Hickman of University Of Exeter, Chris Hillam of Sunderland University, Ian Holden of Bristol Business School, Matthias Holweg, Oxford University, Mickey Howard of Exeter University, Kim Hua Tan of the University Of Nottingham, Stavros Karamperidis of Heriot Watt University, Tom Kegan of Bell College of Technology, Hamilton, Denis Kehoe of Liverpool University, Mike Lewis of Bath University, Xiaohong Li of Sheffield Hallam University, John Maguire of the University of Sunderland, Charles Marais of the University of Pretoria, Peter McCullen of

University Of Brighton, Roger Maull, Exeter University, Bart McCarthy, Nottingham University, Harvey Maylor of Cranfield University, John Meredith Smith of EAP, Oxford, Michael Milgate of Macquarie University, Keith Moreton of Staffordshire University, Chris Morgan of Cranfield University, Adrian Morris of Sunderland University, Andy Neely of Cambridge University, Steve New of Oxford University, John Pal of Manchester Business School, Antony Potter of Manchester Business School, Gary Priddis of University of Brighton, Sofia Salgado Pinto of the Católica Porto Business School, Peter Race of Henley College, Reading University, Gary Ramsden of University Of Lincoln, Steve Robinson of Southampton Solent University, James Rowell of University Of Buckingham, Frank Rowbotham of University Of Birmingham, Ian Sadler of Victoria University, Hamid Salimian of University of Brighton, Sarah Schiffing of University of Lincoln, Andi Smart, Exeter University, Amrik Sohal of Monash University, Nigel Spinks of the University Of Reading, Rui Soucasaux Sousa of the Católica Porto Business School, Alex Skedd of Northumbria Business School, Martin Spring of Lancaster University, Dr Ebrahim Soltani of the University of Kent, R. Stratton of Nottingham Trent University, James Stone, Aston University, Dr. Nelson Tang of the University of Leicester, David Twigg of Sussex University, Helen Valentine of the University of the West of England, Professor Roland van Dierdonck of the University of Ghent, Dirk Pieter van Donk of the University of Groningen, Arvind Upadhyay of University of Brighton, Vessela Warren of University Of Worcester, Bill Wright of Bpp Professional, Ying Xie of Anglia Ruskin University, Maggie Zeng of Gloucestershire University and Li Zhou of University Of Greenwich University.

Our academic colleagues at both Warwick Business School, Bath School of Management have also helped, both by contributing ideas and by creating a lively and stimulating work environment. At Warwick, thanks go to, Nicola Burgess, Mehmet Chakkol, Max Finne, Emily Jamieson, Mark Johnson, Pietro Micheli, Rhian Silvestro, and Chris Voss. At Bath, thanks go to Brian Squire, Chris Archer-Brown, Maria Battarra, Emma Brandon-Jones, Günes Erdogan, Marco Formentini, Emmanuel Fragniere, Andrew Graves, Jooyoung Jeon, Richard Kamm, Mike Lewis, Sheik Meeran, Dimitris

Paraskevopoulos, Tony Roath, Jens Roehrich, Christos Vasilakis, and Baris Yalabik.

Our late friend and colleague, Bob Johnston contributed both expertise and wisdom to earlier editions of this book. We still miss his intelligence, insight and support.

We were lucky to receive continuing professional and friendly assistance from a great publishing team. Especial thanks to Kate Brewin, Caitlin Lisle, Tim

Parker, Kelly Miller, Kay Holman, Neville Hankins, Lucy Chantler, Isobel McLean, Frances Topp and Sasmita Sinha.

Finally, to our families, who both supported and tolerated our nerdish obsession, thanks are inadequate, but thanks anyway to Angela and Kathy, and Emma and Noah.

*Nigel Slack  
Alistair Brandon-Jones*



## Publisher's acknowledgements

We are grateful to the following for permission to reproduce copyright material:

### Figures

Figure 2.11b from Spidergram to check on police forces, *The Times*, 10/07/2002 (Miles, A. and Bladwin, T.) reproduced with permission; Figure 3.15 adapted from *Operations Strategy*, 4 ed., Pearson Education (Slack N. and Lewis M.A. 2015) reproduced with permission; Figure 5.6 from *Operations and Process Management: Principles and Practice for Strategic Impact*, Pearson Education (Slack, Nigel, Brandon-Jones, A., Johnston, R. and Betts, A. 2012) reproduced with permission; Figure 7.6 from For Toyota, patriotism and profits may not mix, *Wall Street Journal*, 29/11/2011 (Dawson, C.) reprinted with permission of Wall Street Journal, Copyright © 2011 Dow Jones & Company, Inc. All Rights Reserved Worldwide. License numbers 3841860034292 and 3841860323322; Figure 8.4 from Unilever UK, Reproduced with kind permission of Unilever PLC and group companies; Figure 9.7 adapted from A new strategy for job enrichment, *California Management Review*, Vol. 17 (3) (Hackman, J.R., Oldham, G., Janson, R. and Purdy, K. 1975) republished with permission of University of California Press, permission conveyed through Copyright Clearance Center, Inc.; Figure 12.6 adapted from What is the right supply chain for your product?, *Harvard Business Review*, March-April, pp. 105–116 (Fisher, M.C. 1997), reprinted by permission of Harvard Business Review. Copyright ©1997 by Harvard Business Publishing; all rights reserved; Figure 12.10 adapted from Purchasing must become supply management, *Harvard Business Review*, September (Kraljic, Peter 1983), reprinted by permission of Harvard Business Review. Copyright ©1983 by Harvard Business Publishing; all rights reserved; Figure 15.7 from *Applying Lean in Offices, Hospitals, Planes and Trains*, Presentation at The Lean Services Summit, Amsterdam, June 24 (2004) p. 30, McKinsey & Company, www.mckinsey.com. Copyright © 2004 McKinsey & Company. All rights reserved. Reprinted by permission; Figure 15.12 adapted from C.A. Voss and A. Harrison, Strategies for implementing JIT, in, *Just-in-Time Manufacture*, IFS/Springer-Verlag (Voss, C.A. (ed.) 1987) Copyright © 1987 Springer; Figure 17.4 adapted from A conceptual model of service

quality and implications for future research, *Journal of Marketing*, Vol. 49, Fall, pp. 41-50 (Parasuraman, A., Zeithaml, V.A. and Berry, L.B. 1985), American Marketing Association; Figure 19.4 from *Reinventing Project Management: The Diamond Approach to Successful Growth and Innovation*, Harvard Business School Press (Shenhar, A.J. and Dvir, D. 2007) reprinted by permission of Harvard Business Review Press. Copyright © 2007 by the Harvard Business Publishing Corporation; all rights reserved.; Figure 19.6 adapted from *Managing Sensitive Projects: A Lateral Approach*, English version by Cutrin, T. and Etcheber, P. Routledge, NY (D'Herbement, O. and César B 1998) republished with permission of Routledge Publishing Inc. Permission conveyed through Copyright Clearance Center, Inc.; Figure 19.19 adapted from *Collaboration, Integrated Information, and the Project Life Cycle in Building Design and Construction and Operation*, Construction Users Roundtables (CURT).

### Tables

Table S9.2 adapted from *Principles of Motion Economy: Revisited, Reviewed and Restored*, Proceedings of the Southern Management Association Annual Meeting (Atlanta, GA 1983) (Barnes, F.C. 1983) p. 298; Tables 9.3 and 9.4 from J.L. Kobrick and B.J. Fine, Climate and human performance, in, *The Physical Environment and Work* John Wiley (Osborne, D.J. and Gruneberg, M.M. (eds.) 1983) reproduced with permission of Wiley in the format Book via Copyright Clearance Center; Table 15.1 adapted from *What is the Theory of Constraints, and How Does it Compare to Lean Thinking?* The Lean Enterprise Institute (Rattner, S. 2009) Copyright © 1999 Sergio Rattner. All rights reserved.

### Text

Case Study on pages 346–49 adapted from *Operations and Process Management*, 3rd ed., Pearson Education (Slack, N., Brandon-Jones, A., Johnston, R. and Betts, A. 2012) © Pearson Education Limited 2006, 2009, 2012; Box on page 470 adapted from My way - IT at Butcher's Pet Care, *Engineering and Technology Magazine*, Vol. 4 (13) (Allan K.); Box on pages 499–500 written and supplied by Janina Aarts and Mattia Bianchi, Department of Management and Organization, Stockholm School of

Economics, reproduced with permission; Box on page 534 adapted from Case study by Professors Rui Sousa and Sofia Salgado Pinto, Católica Porto Business School, Portugal; Case Study on pages 568-69 from Professors Robert Johnson, Warwick Business School, Chai Kah Hin and Jochen Wirtz, National University of Singapore, and Christopher Lovelock, Yale University.

## Photos

The publisher would like to thank the following for their kind permission to reproduce their photographs:

(Key: b-bottom; c-centre; l-left; r-right; t-top)

**123RF.com:** Andrew Mayovskyy 628br, Igor Zakharevich 634; **Alamy Images:** 360b 539cr, AF Archive 501tr, Agencja Fotograficzna Caro 218tr, Arcaid Images 663tr, Asif's Photography 218br, Roger Bamber 352tr, David Burton 584br, Chih-Chung Johnny Chang 132tr, Clivestock 188cr, Cultura Creative 60br, David J. Green 457br, Karin Hildebrand Lau 180c, 314c, Matthew Horwood 89b, Bstar Images 25tr, Justin Kase 401tr, Lucia Lanpur 258cr, Mediablitzimages 136tr, Trevor Mogg 83b, Numb 479cr, Helen Sessions 419tr, Adrian Sherratt 9bl, Tetra Images 29b, Mikhail Tolstoy 33t, Peter Treanor 582tr, Urbanmyth 184tr, Mark Waugh 586tr, Julie Woodhouse 51tr, Andrew Woodley 71tr, Zoonar GmbH 512; **Alistair Brandon-Jones:** 370tr, 470tr; **Andy Maluche/Photographers Direct:** 252tr; **Bridgeman Art Library Ltd:** Look and Learn 648br; **Corbis:** Nur Photo / Zakir Hossain Chowdury 405, Monty Rakusen 510br, Michael Spooner 639tr; **Courtesy of Cadbury plc:** 227; **Digital Vision:** 443tr; **Fotolia.com:** Maridav 159br, Tan Kian Khoo 100cr; **Getty Images:** AFP / Lee Celano 12c, AFP / Roberto Schmidt 54br, AFP / Romeo Gacad 9bc, Bloomberg / Chris Ratcliffe 18c, Bloomberg / Jason Alden 59tr, Bloomberg / Junko Kimura-Matsumoto 326tr, Bloomberg / Philipp Schmidli 45br, Caiaimage / Robert Daly 525tr, Look / Hendrik Holler 371tr, Ian McNichol 621, Tetra Images 180b, 314b, 530c, 530b, Ron Vesely 372cr, Paul Zimmerman 499br; **Imagemore**

**Co., Ltd:** 465tr; **Reproduced with the kind permission of Société des Produits Nestlé S.A.:** 229tr; **Newlife Paints Ltd:** 129tr; **PhotoDisc:** 433tr, 484br; **Press Association Images:** AP / Eckehard Schulz 272tr; **Rex Shutterstock:** Amer Ghazzal 53tr; **Sands Films Studio:** 193cr; **Shutterstock.com:** Haider Y. Abdulla 346tr, Alphaspirit 287, 514br, Aaron Amat 676c, Andres 575br, Anyunov 644tl, ArchMan 196br, Anna Baburkina 617tr, Blend Images 232br, Anna Bogush 441tr, Buruhthan 50br, 51br, 54cr, 56cr, 58br, Vladimir Caplinskij 166tr, Roberto Caucino 43br, Chen WS 487tr, Ant Clausen 190tl, Creations 505tr, Digital Storm 250tr, T P Feller 5r, Iakov Filimonov 234tr, Gabriel12 186br, Karel Gallas 384tr, Angelo Giampiccolo 322tr, Arina P Habich 436tr, Hadrian 50tl, 51cl, 54tl, 56tl, 58cl, Indianstockimages 9c, Stuart Jenner 9cl, 551br, Jezper 357tr, JHDT Productions 296tr, Jimmi 248tr, Justasc 416tr, Matej Kastelic 97c, Robert Kneschke 590cr, Ktsdesign 115c, Blaz Kure 50tr, 51cr, 54tr, 56tr, 58cr, Lamarinx 190bl, Lightspring 150, Liunian 191bl, Dmitry Lobanov 56, Luchunyu 192bl, Ludinko 451br, SV Luma 333tr, Robyn Mackenzie 537tr, Marques 278, Michaeljung 192c, Stuart Monk 224br, Monkey Business Images 163tr, 478tr, Natursports 564br, 650tr, Sergey Nivens 40tr, Nucleartist 156tr, Ollyy 201tr, 298tr, Pathdoc 267br, Sean Pavone 425tr, Phovoir 212tr, Potstock 192cl, Raimundas 142tr, Rido 111tr, Michael Rolands 50bl, 51bl, 54cl, 56cl, 58bc, Shadow216 647, StockLite 146cr, Stockphoto mania 151tr, Stokkete 534tr, Supergenijalac 9tl, 191cl, Jordan Tan 318br, Graham Taylor 241tr, Cappi Thompson 403br, Anatoly Tipliyashin 104br, Toria 11tr, TravnikovStudio 330br, VectorLifestylepic 568tr, Vipubadee 578tr, Valentyn Volkov 122tr, 543, Tatyana Vyc 191tl, Ingrid W 221tr, Wavebreakmedia 302cr, www.BillionPhotos.com 575tr, Yeko Photo Studio 337cr, Zurijeta 293br; **Ski Verbier Exclusive Ltd:** 25br; **The Kobal Collection:** Paramount Pictures 269cr

**Cover images:** *Front:* **Alamy Images:** Karin Hildebrand Lau c; **Getty Images:** Tetra Images

All other images © Pearson Education



# INTRODUCTION

1 Operations management

2 Operations performance

3 Operations strategy

4 Product and service innovation

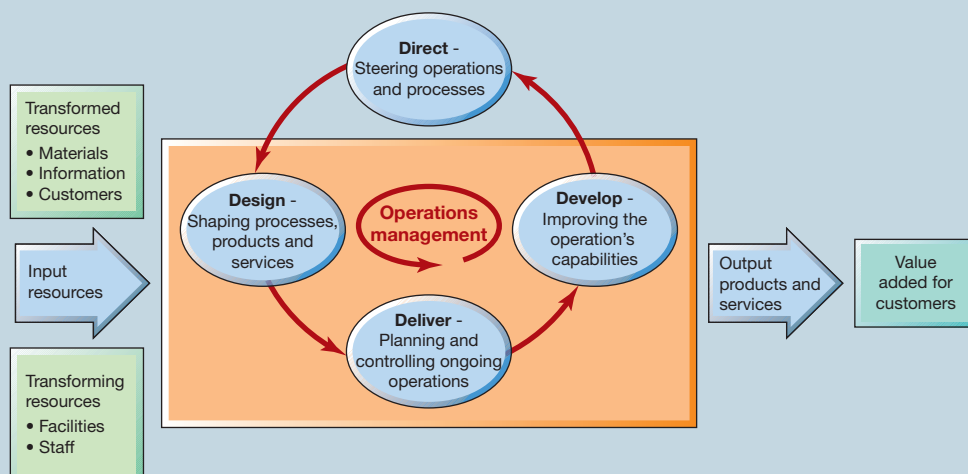
5 The structure and scope of operations

# Part One

## DIRECTING THE OPERATION

This part of the book introduces the idea of 'operations' and the operations function. It also examines the fundamental activities and decisions that shape the overall direction and strategy of the operations function. The chapters in this part are:

- Chapter 1 Operations management – This introduces the common ideas that describe the nature and role of operations and processes in all types of organization.
- Chapter 2 Operations performance – This identifies how the performance of the operations function can be judged.
- Chapter 3 Operations strategy – This examines how the activities of the operations function can have an important strategic impact.
- Chapter 4 Product and service innovation – This looks at how innovation can be built into the product and service design process.
- Chapter 5 The structure and scope of operations – This describes the major decisions that determine how and the extent to which an operation adds value through its own activities.



# 1

# Operations management

## Key questions

- › What is operations management?
- › Why is operations management important in *all* types of organization?
- › What is the input-transformation-output process?
- › What is the process hierarchy?
- › How do operations and processes differ?
- › What do operations managers do?

## INTRODUCTION

Operations management is about how organizations create and deliver services and products. Everything you wear, eat, sit on, use, read or knock about on the sports field comes to you courtesy of the operations managers who organized its creation and delivery. Every book you borrow from the library, every treatment you receive at the hospital, every service you expect in the shops and every lecture you attend at university – all have been created by operations. While the people who supervised their creation and delivery may not always be called operations managers, that is what they really are. And that is what this book is concerned with – the tasks, issues and decisions of those operations managers who have made the services and products on which we all depend. This is an introductory chapter, so we will examine what we mean by ‘operations management’, how operations processes can be found everywhere, how they are all similar yet different, and what it is that operations managers do (see Fig. 1.1).

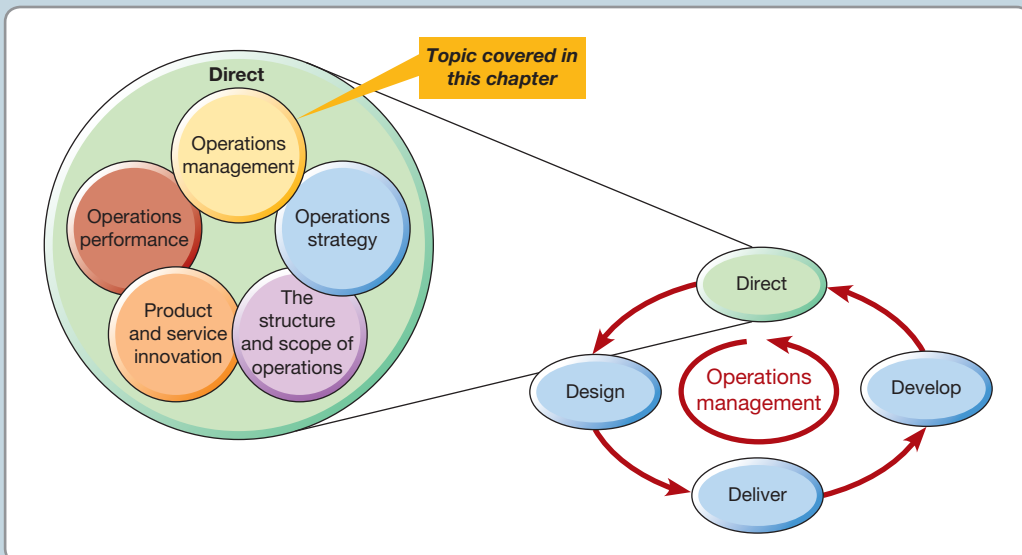


Figure 1.1 This chapter examines operations management

## WHAT IS OPERATIONS MANAGEMENT?

Operations management is the activity of managing the resources that create and deliver services and products. The operations function is the part of the organization that is responsible for this activity. Every organization has an operations function because every organization creates some types of services and/or products. However, not all types of organization will necessarily call the operations function by this name. (Note in addition that we also use the shorter terms 'the operation' or 'operations' interchangeably with the 'operations function'.) Operations managers are the people who have particular responsibility for managing some, or all, of the resources that make up the operations function. Again in some organizations, the operations manager could be called by some other name. For example, he or she might be called the 'fleet manager' in a distribution company, the 'administrative manager' in a hospital, or the 'store manager' in a supermarket.

### \* Operations principle

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

### OPERATIONS IN PRACTICE

## Lego: building a creative experience<sup>1</sup>

*'We want any child playing with LEGO® bricks to have a high quality play experience, and in addition we also want to make a positive impact through the way we operate – from our focus on business ethics to reducing our impact on the environment,'* says Jørgen Vig Knudstorp, CEO of the LEGO Group.

Of all businesses, the toy business is one of the world's trickiest. Difficult to forecast, unfailingly subject to fickle kids' latest fads and subject to constant technological innovation. Yet The LEGO Group, a privately held, family-owned company with headquarters in Billund, Denmark, has, in recent years, thrived in the business, becoming one of the most reputable companies in the world, according to the Reputation Institute, and one of the leading manufacturers of play materials. It is a success founded on a deceptively simple idea. One LEGO brick is unremarkable, but put one or two together and possibilities start to emerge. With another few bricks the number of things you can create rises exponentially. For example, there are more than 915 million possible ways of arranging six standard four-by-two bricks, and with the approximately 4,200 different elements in the LEGO range and 58 different colours together with various decorations, the total number of active combinations is many more. And, however many bricks you assemble, irrespective of what colour or set they are from, your pieces will always fit together perfectly. All of the basic LEGO elements use the same method to stick together. They have studs on top that are slightly bigger than and tubes on the inside. Pressing the bricks together produces an 'interference fit' that provides a temporary joint without the use of an additional fastener. But this



Source: Shutterstock.com: T P Feller

principle does depend on the elements being made to very high levels of precision and quality, which explains the company's motto, 'Only the best is good enough'.

Ole Kirk Kristiansen, a Danish carpenter, who started selling wooden toys as a way of earning extra money, founded the company in 1932. These included wooden toy bricks, the forerunners of the plastic bricks, which are now so successful that it is estimated that there are now 86 bits of LEGO for every person on the planet. Bricks, and other LEGO 'elements', are manufactured at the group's factories in Denmark, Hungary, The Czech Republic and Mexico, locations that have been chosen to be near their key markets in Europe and the USA. These sites have been expanded to cope with increased demand, together with new factories built in Nyiregyhaza in Hungary and Jiaxing in China. Products made in these factories serve a global market. The aim, according to Bali Padda, Executive Vice President and

Chief Operations Officer of the LEGO Group, is to *'build a stable manufacturing base around the world, ultimately making sure that LEGO products are available to children and their parents when and where they want them'*. And it is the company's operations processes that are central to maintaining its reputation for quality, and its ability to produce millions of elements profitably and sustainably.

The process starts at the main warehouse that contains the silos holding raw plastic granulates. At the Billund operation, 60 tonnes of plastic is processed every 24 hours. The silos are linked to the moulding machines by a complex arrangement of tubes. The moulding stage is particularly important, because every LEGO piece must be made to a demanding level of precision, with tolerances as small as 10 micrometres. At each machine, the plastic is heated and pumped into the mould through a main channel, which divides into a number of narrower channels, each corresponding to a single brick. Water is used to cool the moulds, which can produce up to 32 bricks, and, when the plastic has solidified (only a couple of seconds), they release the bricks into containers. These moulds are expensive, and each element requires its own mould. The average cost of a mould is around €80,000 with some costing more than €360,000. A sensor detects when a container is full and a robot trolley is automatically sent. The robots travel between the machines, picking up boxes and leaving empty ones so production can be continued. The automation means that few people are required for the process. The robots transport the boxes to conveyors, which move them into the storage area where robotic cranes stack them until they are

needed. From there some pieces go to the 'decoration' stage where they are individually painted. Decoration is the most expensive part of the LEGO process. Other pieces go straight to packing, where the LEGO sets take their final form. In the packaging process the pieces go into a machine that separates them individually, counts them using optical sensors, and places them in their box. The automatic movement system knows exactly how much a box should weigh at any stage and as the packing process continues, high-precision scales monitor the weight of the box. Any deviation, even of a few micrograms, sets off an alarm. At the end of the process the boxes are sealed shut, automatically weighed to ensure there are no missing components, checked by a worker trained to look for things like plastic bags sticking out of the box, packed by a robot six to a case, and finally sent off for distribution.

Quality assurance staff perform frequent inspections and tests on the various LEGO elements, such as drop, torque, tension, compression, bite and impact tests to make sure the toys are robust and safe. Only about 18 of every million LEGO elements produced, (that is 0.00002 per cent) fail to pass the tests. In addition, throughout the process, the company tries to achieve high levels of environmental sustainability. Plastic is extensively recycled in the factory. All scrap, for example the plastic that fills the channels that take the hot plastic into moulds, or faulty pieces that escape from automated handling, are ground up and used back into the production process. Similarly, the transparent plastic that is used to clean the channels when the production colour is changed in a moulding machine are also ground up and sold to other companies that produce other plastic products.

The LEGO example illustrates how important the operations function is for any company whose reputation depends on producing safe, high-quality, sustainable and profitable products or services. Its operations, like its market, are globally located, it is meticulous about ensuring that its processes operate to precise quality standards, and it has invested heavily in process technology that reduces the environmental impact of its operations and the cost of its products. Of course, exactly what is involved in producing products and services will depend to some extent on the type of organization of which the operations function is a part. Table 1.1 shows some of the activities of the operations function for various types of organization.

## Operations in the organization

The operations function is central to the organization because it creates and delivers services and products, which is its reason for existing. The operations function is one of the three core functions of any organization. These are:

**Table 1.1** Some activities of the operations function in various organizations

Internet service provider 	Fast food chain 	International aid charity 	Furniture manufacturer 
Maintain and update hardware Update software and content Respond to customer queries Implement new services Ensure security of customer data	Locate potential sites for restaurants Provide processes and equipment to produce burgers etc. Maintain service quality Develop, install and maintain equipment Reduce impact on local area, and packaging waste	Provide aid and development projects for recipients Provide fast emergency response when needed Procure and store emergency supplies Be sensitive to local cultural norms	Procure appropriate raw materials and components Make sub-assemblies Assemble finished products Deliver products to customers Reduce environmental impact of products and processes

- the marketing (including sales) function – which is responsible for communicating the organization’s services and products to its markets in order to generate customer requests;
- the product/service development function – which is responsible for coming up with new and modified services and products in order to generate future customer requests;
- the operations function – which is responsible for the creation and delivery of services and products based on customer requests.

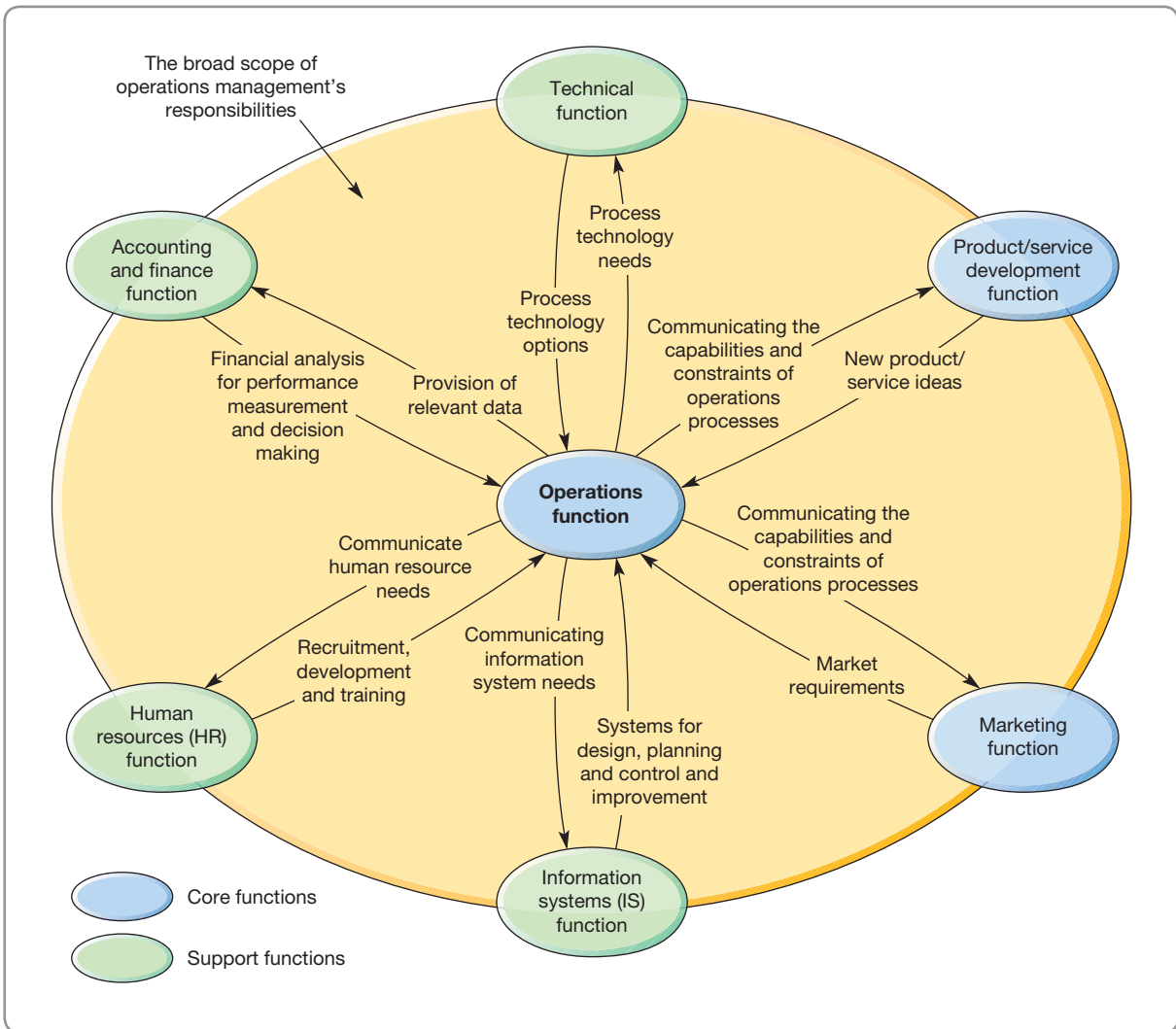
In addition, there are the support functions which enable the core functions to operate effectively. These include, for example, the accounting and finance function, the technical function, the human resources function and the information systems function. Remember that different organizations will call their various functions by different names and will have a different set of support functions. Almost all organizations, however, will have the three core functions, because all organizations have a fundamental need to sell their products and services, meet customer requests for services and products, and come up with new services and products to satisfy customers in the future.

In practice, there is not always a clear division between the three core functions or between core and support functions. This leads to some confusion over where the boundaries of the operations function should be drawn. In this book we use a relatively broad definition of operations. We treat much of the product/service development, technical and information systems activities and some of the human resources, marketing, and accounting and finance activities as coming within the sphere of operations management. We view the operations function as comprising all the activities necessary for the day-to-day fulfilment of customer requests within the constraints of environmental and social sustainability. This includes sourcing services and products from suppliers and delivering services and products to customers.

It is fundamental to modern management that functional boundaries should not hinder efficient internal processes. Figure 1.2 illustrates some of the relationships between operations and other functions in terms of the flow of information between them. Although it is not comprehensive, it gives an idea of the nature of each relationship. However, note that the support functions have a different relationship with operations than the other core functions. Operations management’s responsibility to support functions is primarily to make sure that they understand operations’ needs and help them to satisfy these needs. The relationship with the other two core functions is more equal – less of ‘*this is what we want*’ and more ‘*this is what we can do currently – how do we reconcile this with broader business needs?*’

**\* Operations principle**  
 Operations managers need to co-operate with other functions to ensure effective organizational performance.





**Figure 1.2** The relationship between the operations function and other core and support functions of the organization

## WHY IS OPERATIONS MANAGEMENT IMPORTANT IN ALL TYPES OF ORGANIZATION?

In some types of organization it is relatively easy to visualize the operations function and what it does, even if we have never seen it. For example, most people have seen images of an automobile assembly. But what about an advertising agency? We know vaguely what these agencies do – they create the advertisements that we see in magazines and on television – but what is their operations function? The clue lies in the word ‘create’. Any business that creates something must use resources to do so, and so must have an operations activity. Also the automobile plant and the advertising agency do have one important element in common: both have a higher objective – to make a profit from creating and delivering their products or services.

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

Yet not-for-profit organizations also use their resources to create and deliver services, not to make a profit, but to serve society in some way. Look at the following examples of what operations management does in five very different organizations and some common themes emerge.

Source: Shutterstock.com: Supergenijalac



Automobile assembly factory – *Operations management uses machines to efficiently assemble products that satisfy current customer demands*

Source: Shutterstock.com: Stuart Jenner



Physician (general practitioner) – *Operations management uses knowledge to effectively diagnose conditions in order to treat real and perceived patient concerns*

Source: Shutterstock.com: Indianstockimages



Management consultant – *Operations management uses people to effectively create the services that will address current and potential client needs*

Source: Getty Images: AFP / Romeo Gacad



Disaster relief charity – *Operations management uses ours and our partners' resources to speedily provide the supplies and services that relieve community suffering*

Source: Alamy Images: Adrian Sherratt



Advertising agency – *Operations management uses our staff's knowledge and experience to creatively present ideas that delight clients and address their real needs*

Start with the statement from the 'easy to visualize' automobile plant. Its summary of what operations management does is: *'Operations management uses machines to efficiently assemble products that satisfy current customer demands.'* The statements from the other