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Principles of Operations Management

Sustainability and Supply Chain Management

TENTH EDITION

Jay Heizer • Barry Render • Chuck Munson

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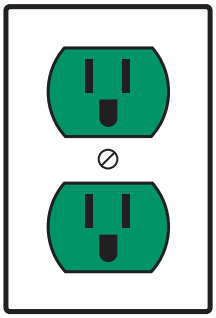

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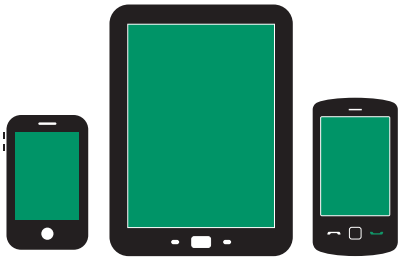

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Sustainability and Supply Chain Management

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PRINCIPLES OF OPERATIONS MANAGEMENT

Sustainability and Supply Chain Management

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To Karen Heizer Herrmann, all a sister could ever be

J.H.

To Donna, Charlie, and Jesse

B.R.

To Kim, Christopher, and Mark Munson for their unwavering support, and to Bentonville High School teachers Velma Reed and Cheryl Gregory, who instilled in me the importance of detail and a love of learning

C.M.

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Brief Table of Contents

PART ONE Introduction to Operations Management *39*

Chapter 1 Operations and Productivity 39
Chapter 2 Operations Strategy in a Global Environment 67
Chapter 3 Project Management 97
Chapter 4 Forecasting 144

PART TWO Designing Operations *197*

Chapter 5 Design of Goods and Services 197
- Supplement 5 Sustainability in the Supply Chain 231

Chapter 6 Managing Quality 251
- Supplement 6 Statistical Process Control 283

Chapter 7 Process Strategy 317
- Supplement 7 Capacity and Constraint Management 345

Chapter 8 Location Strategies 375
Chapter 9 Layout Strategies 405
Chapter 10 Human Resources, Job Design, and Work Measurement 445

PART THREE Managing Operations *479*

Chapter 11 Supply Chain Management 479
- Supplement 11 Supply Chain Management Analytics 509

Chapter 12 Inventory Management 525
Chapter 13 Aggregate Planning and S&OP 567
Chapter 14 Material Requirements Planning (MRP) and ERP 601
Chapter 15 Short-Term Scheduling 637
Chapter 16 Lean Operations 673
Chapter 17 Maintenance and Reliability 697

ONLINE TUTORIALS

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Table of Contents

About the Authors 8
Preface 23

PART ONE Introduction to Operations Management 39

Chapter 1 Operations and Productivity 39

GLOBAL COMPANY PROFILE: *HARD ROCK CAFE* 40
What Is Operations Management? 42
Organizing to Produce Goods and Services 42
The Supply Chain 44
Why Study OM? 44
What Operations Managers Do 45
The Heritage of Operations Management 46
Operations for Goods and Services 49
Growth of Services 49
Service Pay 50
The Productivity Challenge 51
Productivity Measurement 52
Productivity Variables 53
Productivity and the Service Sector 55
Current Challenges in Operations Management 56
Ethics, Social Responsibility, and Sustainability 57
Summary 58
Key Terms 58
Ethical Dilemma 58
Discussion Questions 58
Using Software for Productivity Analysis 59
Solved Problems 59
Problems 60
CASE STUDIES 62
Uber Technologies, Inc. 62
Frito-Lay: Operations Management in Manufacturing Video Case 63
Hard Rock Cafe: Operations Management in Services Video Case 63
Endnotes 64
Rapid Review 65
Self Test 66

Chapter 2 Operations Strategy in a Global Environment 67

GLOBAL COMPANY PROFILE: *BOEING* 68
A Global View of Operations and Supply Chains 70
Cultural and Ethical Issues 73
Developing Missions and Strategies 73
Mission 74
Strategy 74
Achieving Competitive Advantage Through Operations 74
Competing on Differentiation 75
Competing on Cost 76
Competing on Response 77
Issues in Operations Strategy 78
Strategy Development and Implementation 79
Key Success Factors and Core Competencies 79
Integrating OM with Other Activities 81
Building and Staffing the Organization 81
Implementing the 10 Strategic OM Decisions 82
Strategic Planning, Core Competencies, and Outsourcing 82
The Theory of Comparative Advantage 84
Risks of Outsourcing 84
Rating Outsource Providers 85
Global Operations Strategy Options 87
Summary 88
Key Terms 88
Ethical Dilemma 89
Discussion Questions 89
Using Software to Solve Outsourcing Problems 89
Solved Problems 90
Problems 91
CASE STUDIES 93
Rapid-Lube 93
Strategy at Regal Marine Video Case 93
Hard Rock Cafe's Global Strategy Video Case 93
Outsourcing Offshore at Darden Video Case 94
Endnotes 94
Rapid Review 95
Self Test 96

Chapter 3 Project Management 97

GLOBAL COMPANY PROFILE: *BECHTEL GROUP* 98
The Importance of Project Management 100

Project Planning 100
The Project Manager 101
Work Breakdown Structure 102
Project Scheduling 103
Project Controlling 104
Project Management Techniques: PERT and CPM 105
The Framework of PERT and CPM 105
Network Diagrams and Approaches 106
Activity-on-Node Example 107
Activity-on-Arrow Example 109
Determining the Project Schedule 109
Forward Pass 110
Backward Pass 112
Calculating Slack Time and Identifying the Critical Path(s) 113
Variability in Activity Times 115
Three Time Estimates in PERT 115
Probability of Project Completion 117
Cost-Time Trade-Offs and Project Crashing 120
A Critique of PERT and CPM 123
Using Microsoft Project to Manage Projects 124
Summary 126
Key Terms 126
Ethical Dilemma 127
Discussion Questions 127
Using Software to Solve Project Management Problems 127
Solved Problems 128
Problems 131
CASE STUDIES 136
Southwestern University: (A) 136
Project Management at Arnold Palmer Hospital Video Case 137
Managing Hard Rock's Rockfest Video Case 138
Endnotes 140
Rapid Review 141
Self Test 142

Chapter 4 Forecasting 143
GLOBAL COMPANY PROFILE: *WALT DISNEY PARKS & RESORTS* 144
What is Forecasting? 146
Forecasting Time Horizons 146
Types of Forecasts 147
The Strategic Importance of Forecasting 147
Supply-Chain Management 147
Human Resources 148
Capacity 148
Seven Steps in the Forecasting System 148
Forecasting Approaches 149
Overview of Qualitative Method 149
Overview of Quantitative Methods 150
Time-Series Forecasting 150
Decomposition of a Time Series 150
Naive Approach 151
Moving Averages 152
Exponential Smoothing 154
Measuring Forecast Error 155
Exponential Smoothing with Trend Adjustment 158
Trend Projections 162
Seasonal Variations in Data 164
Cyclical Variations in Data 169
Associative Forecasting Methods: Regression and Correlation Analysis 169
Using Regression Analysis for Forecasting 169
Standard Error of the Estimate 171
Correlation Coefficients for Regression Lines 172
Multiple-Regression Analysis 174
Monitoring and Controlling Forecasts 176
Adaptive Smoothing 177
Focus Forecasting 177
Forecasting in the Service Sector 178
Summary 179
Key Terms 179
Ethical Dilemma 179
Discussion Questions 180
Using Software in Forecasting 180
Solved Problems 182
Problems 184
CASE STUDIES 191
Southwestern University: (B) 191
Forecasting Ticket Revenue for Orlando Magic Basketball Games Video Case 192
Forecasting at Hard Rock Cafe Video Case 193
Endnotes 194
Rapid Review 195
Self Test 196

PART TWO Designing Operations *197*

Chapter 5 Design of Goods and Services 197
GLOBAL COMPANY PROFILE: *REGAL MARINE* 198
Goods and Services Selection 200
Product Strategy Options Support Competitive Advantage 201
Product Life Cycles 202
Life Cycle and Strategy 202

Product-by-Value Analysis 203
Generating New Products 203
Product Development 204
Product Development System 204
Quality Function Deployment (QFD) 204
Organizing for Product Development 207
Manufacturability and Value Engineering 208
Issues for Product Design 209
Robust Design 209
Modular Design 209
Computer-Aided Design (CAD) and Computer-Aided Manufacturing (CAM) 209
Virtual Reality Technology 210
Value Analysis 211
Sustainability and Life Cycle Assessment (LCA) 211
Product Development Continuum 211
Purchasing Technology by Acquiring a Firm 212
Joint Ventures 212
Alliances 213
Defining a Product 213
Make-or-Buy Decisions 214
Group Technology 215
Documents for Production 216
Product Life-Cycle Management (PLM) 216
Service Design 217
Process–Chain–Network (PCN) Analysis 217
Adding Service Efficiency 219
Documents for Services 219
Application of Decision Trees to Product Design 220
Transition to Production 222
Summary 222
Key Terms 223
Ethical Dilemma 223
Discussion Questions 223
Solved Problem 224
Problems 224
CASE STUDIES 227
De Mar's Product Strategy 227
Product Design at Regal Marine Video Case 227
Endnotes 228
Rapid Review 229
Self Test 230

Supplement 5 Sustainability in the Supply Chain 231

Corporate Social Responsibility 232
Sustainability 233
Systems View 233
Commons 233
Triple Bottom Line 233
Design and Production for Sustainability 236
Product Design 236
Production Process 238
Logistics 238
End-of-Life Phase 241
Regulations and Industry Standards 241
International Environmental Policies and Standards 242
Summary 243
Key Terms 243
Discussion Questions 243
Solved Problems 244
Problems 245
CASE STUDIES 246
Building Sustainability at the Orlando Magic's Amway Center Video Case 246
Green Manufacturing and Sustainability at Frito-Lay Video Case 247
Endnotes 248
Rapid Review 249
Self Test 250

Chapter 6 Managing Quality 251

GLOBAL COMPANY PROFILE: *ARNOLD PALMER HOSPITAL* 252
Quality and Strategy 254
Defining Quality 255
Implications of Quality 255
Malcolm Baldrige National Quality Award 256
ISO 9000 International Quality Standards 256
Cost of Quality (COQ) 256
Ethics and Quality Management 257
Total Quality Management 257
Continuous Improvement 258
Six Sigma 259
Employee Empowerment 260
Benchmarking 260
Just-in-Time (JIT) 262
Taguchi Concepts 262
Knowledge of TQM Tools 263
Tools of TQM 264
Check Sheets 264
Scatter Diagrams 265
Cause-and-Effect Diagrams 265
Pareto Charts 265
Flowcharts 266
Histograms 267
Statistical Process Control (SPC) 267
The Role of Inspection 268
When and Where to Inspect 268
Source Inspection 269

Service Industry Inspection 270
Inspection of Attributes versus Variables 271
TQM in Services 271
Summary 273
Key Terms 273
Ethical Dilemma 273
Discussion Questions 274
Solved Problems 274
Problems 275
CASE STUDIES 277
Southwestern University: (C) 277
The Culture of Quality at Arnold Palmer Hospital Video Case 278
Quality Counts at Alaska Airlines Video Case 278
Quality at the Ritz-Carlton Hotel Company Video Case 280
Endnotes 280
Rapid Review 281
Self Test 282

Supplement 6 Statistical Process Control 283

Statistical Process Control (SPC) 284
Control Charts for Variables 286
The Central Limit Theorem 286
Setting Mean Chart Limits ($\bar{x}$-Charts) 288
Setting Range Chart Limits (R-Charts) 291
Using Mean and Range Charts 292
Control Charts for Attributes 294
Managerial Issues and Control Charts 297
Process Capability 298
Process Capability Ratio (C_p) 298
Process Capability Index (C_{pk}) 299
Acceptance Sampling 300
Operating Characteristic Curve 301
Average Outgoing Quality 302
Summary 303
Key Terms 303
Discussion Questions 303
Using Software for SPC 304
Solved Problems 305
Problems 307
CASE STUDIES 312
Bayfield Mud Company 312
Frito-Lay's Quality-Controlled Potato Chips Video Case 313
Farm to Fork: Quality at Darden Restaurants Video Case 314
Endnotes 314
Rapid Review 315
Self Test 316

Chapter 7 Process Strategy 317

GLOBAL COMPANY PROFILE: *HARLEY-DAVIDSON* 318
Four Process Strategies 320
Process Focus 320
Repetitive Focus 321
Product Focus 322
Mass Customization Focus 322
Process Comparison 324
Selection of Equipment 326
Process Analysis and Design 326
Flowchart 327
Time-Function Mapping 327
Process Charts 327
Value-Stream Mapping 328
Service Blueprinting 330
Special Considerations for Service Process Design 331
Production Technology 332
Machine Technology 332
Automatic Identification Systems (AISs) and RFID 333
Process Control 333
Vision Systems 334
Robots 334
Automated Storage and Retrieval Systems (ASRSs) 334
Automated Guided Vehicles (AGVs) 334
Flexible Manufacturing Systems (FMSs) 335
Computer-Integrated Manufacturing (CIM) 335
Technology in Services 336
Process Redesign 336
Summary 337
Key Terms 337
Ethical Dilemma 338
Discussion Questions 338
Solved Problem 338
Problems 339
CASE STUDIES 340
Rochester Manufacturing's Process Decision 340
Process Strategy at Wheeled Coach Video Case 340
Alaska Airlines: 20-Minute Baggage Process—Guaranteed! Video Case 341
Process Analysis at Arnold Palmer Hospital Video Case 342
Endnotes 342
Rapid Review 343
Self Test 344

Supplement 7 Capacity and Constraint Management 345

Capacity 346
Design and Effective Capacity 347

Capacity and Strategy 349
Capacity Considerations 349
Managing Demand 350
Service-Sector Demand and Capacity Management 351
Bottleneck Analysis and the Theory of Constraints 352
Theory of Constraints 355
Bottleneck Management 355
Break-Even Analysis 356
Single-Product Case 357
Multiproduct Case 358
Reducing Risk with Incremental Changes 360
Applying Expected Monetary Value (EMV) to Capacity Decisions 361
Applying Investment Analysis to Strategy-Driven Investments 362
Investment, Variable Cost, and Cash Flow 362
Net Present Value 362
Summary 364
Key Terms 365
Discussion Questions 365
Using Software for Break-Even Analysis 365
Solved Problems 366
Problems 368
CASE STUDY 371
Capacity Planning at Arnold Palmer Hospital Video Case 371
Endnote 372
Rapid Review 373
Self Test 374

Chapter 8 Location Strategies 375

GLOBAL COMPANY PROFILE: *FEDEX* 376
The Strategic Importance of Location 378
Factors That Affect Location Decisions 379
Labor Productivity 380
Exchange Rates and Currency Risk 380
Costs 380
Political Risk, Values, and Culture 381
Proximity to Markets 381
Proximity to Suppliers 382
Proximity to Competitors (Clustering) 382
Methods of Evaluating Location Alternatives 382
The Factor-Rating Method 383
Locational Cost–Volume Analysis 384
Center-of-Gravity Method 386
Transportation Model 387
Service Location Strategy 388
Geographic Information Systems 389
Summary 391
Key Terms 391
Ethical Dilemma 392
Discussion Questions 392
Using Software to Solve Location Problems 392
Solved Problems 393
Problems 395
CASE STUDIES 400
Southern Recreational Vehicle Company 400
Locating the Next Red Lobster Restaurant Video Case 400
Where to Place the Hard Rock Cafe Video Case 401
Endnote 402
Rapid Review 403
Self Test 404

Chapter 9 Layout Strategies 405

GLOBAL COMPANY PROFILE: *McDONALD'S* 406
The Strategic Importance of Layout Decisions 408
Types of Layout 408
Office Layout 409
Retail Layout 410
Servicescapes 413
Warehouse and Storage Layouts 413
Cross-Docking 414
Random Stocking 415
Customizing 415
Fixed-Position Layout 415
Process-Oriented Layout 416
Computer Software for Process-Oriented Layouts 420
Work Cells 421
Requirements of Work Cells 421
Staffing and Balancing Work Cells 422
The Focused Work Center and the Focused Factory 424
Repetitive and Product-Oriented Layout 424
Assembly-Line Balancing 425
Summary 430
Key Terms 430
Ethical Dilemma 430
Discussion Questions 430
Using Software to Solve Layout Problems 431
Solved Problems 432
Problems 434
CASE STUDIES 440
State Automobile License Renewals 440
Laying Out Arnold Palmer Hospital's New Facility Video Case 440
Facility Layout at Wheeled Coach Video Case 442
Endnotes 442
Rapid Review 443
Self Test 444

Chapter 10 Human Resources, Job Design, and Work Measurement 445

GLOBAL COMPANY PROFILE: *RUSTY WALLACE'S NASCAR RACING TEAM* 446

Human Resource Strategy for Competitive Advantage 448

Constraints on Human Resource Strategy 448

Labor Planning 449

Employment-Stability Policies 449

Work Schedules 449

Job Classifications and Work Rules 450

Job Design 450

Labor Specialization 450

Job Expansion 451

Psychological Components of Job Design 451

Self-Directed Teams 452

Motivation and Incentive Systems 453

Ergonomics and the Work Environment 453

Methods Analysis 455

The Visual Workplace 458

Labor Standards 458

Historical Experience 459

Time Studies 459

Predetermined Time Standards 463

Work Sampling 465

Ethics 468

Summary 468

Key Terms 468

Ethical Dilemma 469

Discussion Questions 469

Solved Problems 470

Problems 472

CASE STUDIES 475

Jackson Manufacturing Company 475

The "People" Focus: Human Resources at Alaska Airlines Video Case 475

Hard Rock's Human Resource Strategy Video Case 476

Endnotes 476

Rapid Review 477

Self Test 478

PART THREE Managing Operations *479*

Chapter 11 Supply Chain Management 479

GLOBAL COMPANY PROFILE: *DARDEN RESTAURANTS* 480

The Supply Chain's Strategic Importance 482

Sourcing Issues: Make-or-Buy and Outsourcing 484

Make-or-Buy Decisions 485

Outsourcing 485

Six Sourcing Strategies 485

Many Suppliers 485

Few Suppliers 485

Vertical Integration 486

Joint Ventures 486

Keiretsu *Networks 486*

Virtual Companies 487

Supply Chain Risk 487

Risks and Mitigation Tactics 488

Security and JIT 489

Managing the Integrated Supply Chain 489

Issues in Managing the Integrated Supply Chain 489

Opportunities in Managing the Integrated Supply Chain 490

Building the Supply Base 492

Supplier Evaluation 492

Supplier Development 492

Negotiations 493

Contracting 493

Centralized Purchasing 493

E-Procurement 494

Logistics Management 494

Shipping Systems 494

Warehousing 495

Third-Party Logistics (3PL) 496

Distribution Management 497

Ethics and Sustainable Supply Chain Management 498

Supply Chain Management Ethics 498

Establishing Sustainability in Supply Chains 498

Measuring Supply Chain Performance 499

Assets Committed to Inventory 499

Benchmarking the Supply Chain 501

The SCOR Model 501

Summary 502

Key Terms 503

Ethical Dilemma 503

Discussion Questions 503

Solved Problems 503

Problems 504

CASE STUDIES 505

Darden's Global Supply Chains Video Case 505

Supply Chain Management at Regal Marine Video Case 505
Arnold Palmer Hospital's Supply Chain Video Case 506
Endnote 506
Rapid Review 507
Self Test 508

Supplement 11 Supply Chain Management Analytics 509

Techniques for Evaluating Supply Chains 510
Evaluating Disaster Risk in the Supply Chain 510
Managing the Bullwhip Effect 512
A Bullwhip Effect Measure 513
Supplier Selection Analysis 514
Transportation Mode Analysis 515
Warehouse Storage 516
Summary 517
Discussion Questions 518
Solved Problems 518
Problems 520
Rapid Review 523
Self Test 524

Chapter 12 Inventory Management 525

GLOBAL COMPANY PROFILE: *AMAZON.COM* 526
The Importance of Inventory 528
Functions of Inventory 528
Types of Inventory 528
Managing Inventory 529
ABC Analysis 529
Record Accuracy 531
Cycle Counting 531
Control of Service Inventories 532
Inventory Models 533
Independent vs. Dependent Demand 533
Holding, Ordering, and Setup Costs 533
Inventory Models for Independent Demand 534
The Basic Economic Order Quantity (EOQ) Model 534
Minimizing Costs 535
Reorder Points 539
Production Order Quantity Model 540
Quantity Discount Models 543
Probabilistic Models and Safety Stock 546
Other Probabilistic Models 549
Single-Period Model 551
Fixed-Period (*P*) Systems 552
Summary 553
Key Terms 553
Ethical Dilemma 553
Discussion Questions 553
Using Software to Solve Inventory Problems 554
Solved Problems 555
Problems 558
CASE STUDIES 562
Zhou Bicycle Company 562
Parker Hi-Fi Systems 563
Managing Inventory at Frito-Lay Video Case 563
Inventory Control at Wheeled Coach Video Case 564
Endnotes 564
Rapid Review 565
Self Test 566

Chapter 13 Aggregate Planning and S&OP 567

GLOBAL COMPANY PROFILE: *FRITO-LAY* 568
The Planning Process 570
Sales and Operations Planning 571
The Nature of Aggregate Planning 572
Aggregate Planning Strategies 573
Capacity Options 573
Demand Options 574
Mixing Options to Develop a Plan 575
Methods for Aggregate Planning 576
Graphical Methods 576
Mathematical Approaches 581
Aggregate Planning in Services 583
Restaurants 584
Hospitals 584
National Chains of Small Service Firms 584
Miscellaneous Services 584
Airline Industry 585
Revenue Management 585
Summary 588
Key Terms 588
Ethical Dilemma 589
Discussion Questions 589
Using Software for Aggregate Planning 590
Solved Problems 592
Problems 593
CASE STUDIES 597
Andrew-Carter, Inc. 597
Using Revenue Management to Set Orlando Magic Ticket Prices Video Case 598
Endnote 598
Rapid Review 599
Self Test 600

Chapter 14 Material Requirements Planning (MRP) and ERP 601

GLOBAL COMPANY PROFILE: *WHEELED COACH* 602
Dependent Demand 604

Dependent Inventory Model Requirements 604
Master Production Schedule 605
Bills of Material 606
Accurate Inventory Records 608
Purchase Orders Outstanding 608
Lead Times for Components 608
MRP Structure 609
MRP Management 613
MRP Dynamics 613
MRP Limitations 613
Lot-Sizing Techniques 614
Extensions of MRP 618
Material Requirements Planning II (MRP II) 618
Closed-Loop MRP 619
Capacity Planning 619
MRP in Services 621
Distribution Resource Planning (DRP) 622
Enterprise Resource Planning (ERP) 622
ERP in the Service Sector 625
Summary 625
Key Terms 625
Ethical Dilemma 625
Discussion Questions 626
Using Software to Solve MRP Problems 626
Solved Problems 627
Problems 630
CASE STUDIES 633
When 18,500 Orlando Magic Fans Come to Dinner Video Case 633
MRP at Wheeled Coach Video Case 634
Endnotes 634
Rapid Review 635
Self Test 636

Chapter 15 Short-Term Scheduling 637

GLOBAL COMPANY PROFILE: *ALASKA AIRLINES* 638
The Importance of Short-Term Scheduling 640
Scheduling Issues 640
Forward and Backward Scheduling 641
Finite and Infinite Loading 642
Scheduling Criteria 642
Scheduling Process-Focused Facilities 643
Loading Jobs 643
Input–Output Control 644
Gantt Charts 645
Assignment Method 646
Sequencing Jobs 649
Priority Rules for Sequencing Jobs 649
Critical Ratio 652
Sequencing N *Jobs on Two Machines: Johnson's Rule 653*
Limitations of Rule-Based Sequencing Systems 654
Finite Capacity Scheduling (FCS) 655
Scheduling Services 656
Scheduling Service Employees with Cyclical Scheduling 658
Summary 659
Key Terms 659
Ethical Dilemma 659
Discussion Questions 660
Using Software for Short-Term Scheduling 660
Solved Problems 662
Problems 665
CASE STUDIES 668
Old Oregon Wood Store 668
From the Eagles to the Magic: Converting the Amway Center Video Case 669
Scheduling at Hard Rock Cafe Video Case 670
Endnotes 670
Rapid Review 671
Self Test 672

Chapter 16 Lean Operations 673

GLOBAL COMPANY PROFILE: *TOYOTA MOTOR CORPORATION* 674
Lean Operations 676
Eliminate Waste 676
Remove Variability 677
Improve Throughput 678
Lean and Just-in-Time 678
Supplier Partnerships 678
Lean Layout 680
Lean Inventory 681
Lean Scheduling 684
Lean Quality 687
Lean and the Toyota Production System 687
Continuous Improvement 687
Respect for People 687
Processes and Standard Work Practice 688
Lean Organizations 688
Building a Lean Organization 688
Lean Sustainability 690
Lean in Services 690
Summary 691
Key Terms 691
Ethical Dilemma 691
Discussion Questions 691
Solved Problem 691
Problems 692

CASE STUDIES 693
Lean Operations at Alaska Airlines Video Case 693
JIT at Arnold Palmer Hospital Video Case 694
Endnote 694
Rapid Review 695
Self Test 696

Chapter 17 Maintenance and Reliability 697
GLOBAL COMPANY PROFILE: *ORLANDO UTILITIES COMMISSION* 698
The Strategic Importance of Maintenance and Reliability 700
Reliability 701
System Reliability 701
Providing Redundancy 703
Maintenance 705
Implementing Preventive Maintenance 705
Increasing Repair Capabilities 708
Autonomous Maintenance 708
Total Productive Maintenance 709
Summary 709
Key Terms 709
Ethical Dilemma 709
Discussion Questions 709
Using Software to Solve Reliability Problems 710
Solved Problems 710
Problems 710
CASE STUDY 712
Maintenance Drives Profits at Frito-Lay Video Case 712
Rapid Review 713
Self Test 714

Appendix 715
Bibliography 737
Name Index 743
General Index 747

ONLINE TUTORIALS

1. Statistical Tools for Managers T1-1

Discrete Probability Distributions T1-2

Expected Value of a Discrete Probability Distribution T1-3

Variance of a Discrete Probability Distribution T1-3

Continuous Probability Distributions T1-4

The Normal Distribution T1-4

Summary T1-7

Key Terms T1-7

Discussion Questions T1-7

Problems T1-7

Bibliography T1-7

2. Acceptance Sampling T2-1

Sampling Plans T2-2

Single Sampling T2-2

Double Sampling T2-2

Sequential Sampling T2-2

Operating Characteristic (OC) Curves T2-2

Producer's and Consumer's Risk T2-3

Average Outgoing Quality T2-5

Summary T2-6

Key Terms T2-6

Solved Problem T2-7

Discussion Questions T2-7

Problems T2-7

3. The Simplex Method of Linear Programming T3-1

Converting the Constraints to Equations T3-2

Setting Up the First Simplex Tableau T3-2

Simplex Solution Procedures T3-4

Summary of Simplex Steps for Maximization Problems T3-6

Artificial and Surplus Variables T3-7

Solving Minimization Problems T3-7

Summary T3-8

Key Terms T3-8

Solved Problem T3-8

Discussion Questions T3-8

Problems T3-9

4. The MODI and VAM Methods of Solving Transportation Problems T4-1

MODI Method T4-2

How to Use the MODI Method T4-2

Solving the Arizona Plumbing Problem with MODI T4-2

Vogel's Approximation Method: Another Way to Find an Initial Solution T4-4

Discussion Questions T4-8

Problems T4-8

5. Vehicle Routing and Scheduling T5-1

Introduction T5-2

Service Delivery Example: Meals-for-ME T5-2

Objectives of Routing and Scheduling Problems T5-2

Characteristics of Routing and Scheduling Problems T5-3

Classifying Routing and Scheduling Problems T5-3

Solving Routing and Scheduling Problems T5-4

Routing Service Vehicles T5-5

The Traveling Salesman Problem T5-5

Multiple Traveling Salesman Problem T5-8

The Vehicle Routing Problem T5-9

Cluster First, Route Second Approach T5-10

Scheduling Service Vehicles T5-11

The Concurrent Scheduler Approach T5-13

Other Routing and Scheduling Problems T5-13

Summary T5-14

Key Terms T5-15

Discussion Questions T5-15

Problems T5-15

Case Study: Routing and Scheduling of Phlebotomists T5-17

Bibliography T5-17

Preface

Welcome to your operations management (OM) course. In this book, we present a state-of-the-art view of the operations function. Operations is an exciting area of management that has a profound effect on productivity. Indeed, few other activities have as much impact on the quality of our lives. The goal of this text is to present a broad introduction to the field of operations in a realistic, practical manner. Even if you are not planning on a career in the operations area, you will likely be working with people in operations. Therefore, having a solid understanding of the role of operations in an organization will be of substantial benefit to you. This book will also help you understand how OM affects society and your life. Certainly, you will better understand what goes on behind the scenes when you attend a concert or major sports event; purchase a bag of Frito-Lay potato chips; buy a meal at an Olive Garden or a Hard Rock Cafe; place an order through Amazon.com; board a flight on Alaska Airlines; or enter a hospital for medical care. More than one and a half million readers of our earlier editions seem to have endorsed this premise.

We welcome comments by email from our North American readers and from students using the International edition, the Indian edition, the Arabic edition, and our editions in Portuguese, Spanish, Turkish, Indonesian, and Chinese. Hopefully, you will find this material useful, interesting, and even exciting.

New to This Edition

We've made significant revisions to this edition, and want to share some of the changes with you.

Four New *Video Case Studies* Featuring Alaska Airlines

In this edition, we take you behind the scenes of Alaska Airlines, consistently rated as one of the top carriers in the country. This fascinating organization opened its doors—and planes—so we could examine leading edge OM in the airlines industry. We observe: the quality program at Alaska Air (Chapter 6); the process analysis behind the airline's 20-minute baggage retrieval guarantee (Chapter 7); how Alaska empowers its employees (Chapter 10); and the airline's use of Lean, 5s, kaizen, and Gemba walks (Chapter 16).

Our prior editions focused on integrated *Video Case Studies* for the Orlando Magic basketball team, Frito-Lay, Darden Restaurants, Hard Rock Cafe, Arnold Palmer Hospital, Wheeled Coach Ambulances, and Regal Marine. These *Video Case Studies* appear in this edition as well, along with the five new ones for Alaska Airlines. All of our videos are created by the authors, with the outstanding coauthorship of Beverly Amer at Northern Arizona University, to explicitly match with text content and terminology.

Alaska Airlines: 20-Minute Baggage Process—Guaranteed! Video Case

Alaska Airlines is unique among the nine major U.S. carriers not only for its extensive flight coverage of remote towns throughout Alaska (it also covers the U.S., Hawaii, and Mexico from its primary hub in Seattle). It is also one of the smallest independent airlines, with 10,300 employees, including 3,000 flight attendants and 1,500 pilots. What makes it really unique, though, is its ability to build state-of-the-art processes, using the latest technology, that yield high customer satisfaction. Indeed, J. D. Power and Associates has ranked Alaska Airlines highest in North America for seven years in a row for customer satisfaction.

Alaska Airlines was the first to sell tickets via the Internet, first to offer Web check-in and print boarding passes online, and first with kiosk check-in. As Wayne Newton, Director of System Operation Control, states, "We are passionate about our processes. If it's not measured, it's not managed."

One of the processes Alaska is most proud of is its baggage handling system. Passengers can check in at kiosks, tag their own bags with bar code stickers, and deliver them to a customer service agent at the carousel, which carries the bags through the vast underground system that eventually delivers the bags to a baggage handler. En route, each bag passes through TSA automated screening and is manually opened or inspected if it appears suspicious. With the help of bar code readers, conveyer belts automatically sort and transfer bags to their location (called a "pier") at the tarmac level. A baggage handler then loads the bags onto a cart and takes it to

Alaska Airlines

Creating Your Own Excel Spreadsheets

We continue to provide two free decision support software programs, Excel OM for Windows and Mac and POM for Windows, to help you and your students solve homework problems and case studies. These excellent packages are found in MyOMLab and at our text's Student Download Page.

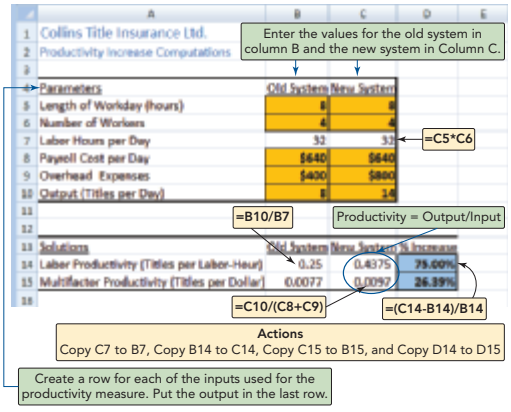
Many instructors also encourage students to develop their own Excel spreadsheet models to tackle OM issues. With this edition, we provide numerous examples at chapter end on how to do so. "Creating Your Own Excel Spreadsheets" examples now appear in Chapters 1, 2, 4, 8, 12 (2 examples), and 13, Supplement 6, and Supplement 7. We hope these nine samples will help expand students' spreadsheet capabilities.

Using Software for Productivity Analysis

This section presents three ways to solve productivity problems with computer software. First, you can create your own Excel spreadsheets to conduct productivity analysis. Second, you can use the Excel OM software that comes with this text. Third, POM for Windows is another program that is available with this text.

CREATING YOUR OWN EXCEL SPREADSHEETS

Program 1.1 illustrates how to build an Excel spreadsheet for the data in Example 2.



Program 1.1

USING EXCEL OM

Excel OM is an Excel "add-in" with 24 Operations Management decision support "Templates." To access the templates, double-click on the *Excel OM* tab at the top of the page, then in the menu bar choose the appropriate chapter (in this case Chapter 1), from either the "Chapter" or "Alphabetic" tab on the left. Each of Excel OM's 24 modules includes instructions for that particular module. The instructions can be turned on or off via the "instruction" tab in the menu bar.

USING POM FOR WINDOWS

POM for Windows is decision support software that includes 24 Operations Management modules. The modules are accessed by double-clicking on *Module* in the menu bar, and then double-clicking on the appropriate (in this case *Productivity*) item. Instructions are provided for each module just below the menu bar.

Expanding and Reordering Our Set of Homework Problems

We believe that a vast selection of quality homework problems, ranging from easy to challenging (denoted by one to four dots), is critical for both instructors and students. Instructors need a broad selection of problems to choose from for homework, quizzes, and exams—without reusing the same set from semester to semester. We take pride in having more problems—by far, with 618—than any other OM text. We added dozens of new problems this edition. The following table illustrates the selection by chapter.

Chapter	Number of Problems	Chapter	Number of Problems	Chapter	Number of Problems
1	18	Supplement 6	55	Supplement 11	20
2	12	7	17	12	53
3	33	Supplement 7	45	13	26
4	59	8	34	14	32
5	28	9	27	15	27
Supplement 5	19	10	46	16	12
6	21	11	8	17	24

Further, with the majority of our adopters now using the MyOMLab learning system in their classes, we have reorganized all the homework problems—both those appearing in the printed text, as well as the Additional Homework Problems that are available in MyOMLab—by topic heading. We are identifying all problems by topic (see the following example).

The list of all problems by topic also appears at the end of each boxed example, as well as in the Rapid Review that closes each chapter. These handy references should make it easier to assign problems for homework, quizzes, and exams. A rich set of assignable problems and cases makes the learning experience more complete and pedagogically sound.

Problem **5.3** *is available in* MyOMLab.

Problems 5.4–5.8 relate to Product Development

•• **5.4** Construct a house of quality matrix for a wristwatch. Be sure to indicate specific customer wants that you think the general public desires. Then complete the matrix to show how an operations manager might identify specific attributes that can be measured and controlled to meet those customer desires.

•• **5.5** Using the house of quality, pick a real product (a good or service) and analyze how an existing organization satisfies customer requirements.

•• **5.6** Prepare a house of quality for a mousetrap.

•• **5.7** Conduct an interview with a prospective purchaser of a new bicycle and translate the customer's *wants* into the specific *hows* of the firm.

•••• **5.8** Using the house of quality sequence, as described in Figure 5.4 on page 169, determine how you might deploy resources to achieve the desired quality for a product or service whose production process you understand.

Problems 5.9–5.17 relate to Defining a Product

•• **5.9** Prepare a bill of material for (a) a pair of eyeglasses and its case or (b) a fast-food sandwich (visit a local sandwich

Problems 5.21–5.28 relate to the Application of Decision Trees to Product Design

•• **5.21** The product design group of Iyengar Electric Supplies, Inc., has determined that it needs to design a new series of switches. It must decide on one of three design strategies. The market forecast is for 200,000 units. The better and more sophisticated the design strategy and the more time spent on value engineering, the less will be the variable cost. The chief of engineering design, Dr. W. L. Berry, has decided that the following costs are a good estimate of the initial and variable costs connected with each of the three strategies:

a) *Low-tech:* A low-technology, low-cost process consisting of hiring several new junior engineers. This option has a fixed cost of $45,000 and variable-cost probabilities of .3 for $.55 each, .4 for $.50, and .3 for $.45.
b) *Subcontract:* A medium-cost approach using a good outside design staff. This approach would have a fixed cost of $65,000 and variable-cost probabilities of .7 of $.45, .2 of $.40, and .1 of $.35.
c) *High-tech:* A high-technology approach using the very best of the inside staff and the latest computer-aided design technology. This approach has a fixed cost of $75,000 and variable-cost probabilities of .9 of $.40 and .1 of $.35.

What is the best decision based on an expected monetary value (EMV) criterion? (*Note:* We want the lowest EMV, as we are dealing with costs in this problem.) PX

•• **5.22** MacDonald Products, Inc., of Clarkson, New York, has the option of (a) proceeding immediately with production of

Jay, Barry, and Chuck's OM Blog

As a complement to this text, we have created a companion blog, with coordinated features to help teach the OM course. There are teaching tips, highlights of OM items in the news (along with class discussion questions and links), video tips, guest posts by instructors using our text, sample OM syllabi from dozens of colleges, and much more—all arranged by chapter. To learn more about any chapter topics, visit *www.heizerrenderOM.wordpress.com*. As you prepare your lectures and syllabus, scan our blog for discussion ideas, teaching tips, and classroom exercises.

Lean Operations

In previous editions, we sought to explicitly differentiate the concepts of just-in-time, Lean, and Toyota Production System in Chapter 16. However, there is significant overlap and interchangeability among those three concepts, so we have revised Chapter 16 to incorporate the three concepts into an overall concept of "Lean." The chapter suggests that students view Lean as a comprehensive integrated operations strategy that sustains competitive advantage and results in increased returns to all stakeholders.

Chapter-by-Chapter Changes

To highlight the extent of the revisions in this edition, here are a few of the changes, on a chapter-by-chapter basis.

Chapter 1: Operations and Productivity

We updated Table 1.4 to reflect employment in various sectors and expanded our discussion of Lean operations. Our new case, Uber Technologies, introduces productivity by discussing the disruptive nature of the Uber business model. In addition, there is a new "Creating Your Own Excel Spreadsheets" example for both labor productivity and multifactor productivity.

Chapter 2: Operations Strategy in a Global Environment

We have updated Figure 2.1 to better reflect changes in the growth of world trade and Figure 2.5 to reflect product life cycle changes. The Minute Lube case has been revised as Rapid Lube. Example 1 (National Architects) has been expanded to clarify factor rating calculations and is also demonstrated with a "Creating Your Own Excel Spreadsheets" presentation.

Chapter 3: Project Management

We rewrote and updated the Bechtel Global Company Profile and added a new section on well-defined projects with the "agile" and "waterfall" approaches. There are two new OM in Action boxes: "Agile Project Management at Mastek," and "Behind the Tour de France."

Chapter 4: Forecasting

We created a new table comparing the MAD, MSE, and MAPE forecasting error measures. There is also a new OM in Action box called "NYC's Potholes and Regression Analysis."

Chapter 5: Design of Goods and Services

We expanded our treatment of *concurrent engineering* and added two new discussion questions. Solved Problem 5.1 has been revised.

Supplement 5: Sustainability in the Supply Chain

We wrote a new introductory section on Corporate Social Responsibility. There is also a new OM in Action box called "Blue Jeans and Sustainability" and 10 new homework problems.

Chapter 6: Managing Quality

We added new material to expand our discussion of Taguchi's quality loss function. There is a new section on SERVQUAL, and a new video case study, "Quality Counts at Alaska Airlines," appears here.

Supplement 6: Statistical Process Control

We added a figure on the relationship between sample size and sampling distribution. We also added raw data to Examples S2 and S3 to illustrate how ranges are computed. There is a new Excel spreadsheet to show students how to make their own *c*-chart, and we have added three new homework problems.

Chapter 7: Process Strategy

We wrote a new section on machine technology and additive manufacturing. There are two new discussion questions and three new homework problems. Our second new video case study is called "Alaska Airlines: 20-Minute Baggage Process—Guaranteed!"

Supplement 7: Capacity and Constraint Management

We added a new Table S7.1, which compares and clarifies three capacity measurements, with an example of each. There is a new treatment of expected output and actual output in Example S2. The discussion of bottleneck time versus throughput time has also been expanded. Example S3, capacity analysis with parallel processes, has been revised. We have also added a new "Creating Your Own Excel Spreadsheets" example for a break-even model. Finally, we updated the Arnold Palmer Hospital capacity planning case with recent data.

Chapter 8: Location Strategies

We added two new OM in Action boxes: "Iowa—Home of Corn and Facebook" and "Denmark's Meat Cluster." We changed the notation for the center-of-gravity model to simplify the equation and provided a new "Creating Your Own Excel Spreadsheets" presentation for the center-of-gravity example.

Chapter 9: Layout Strategies

We created a new Muther grid for office relationship charting and added a spread of five layouts showing how offices have evolved over time. There is a new OM in Action box called "Amazon Lets Loose the Robots," and there is a new graphic example of Proplanner's Flow Path Calculator. We have included a formula for idle time as a second measure of balance assignment efficiency and added new technology issues to the Arnold Palmer Hospital video case.

Chapter 10: Human Resources, Job Design, and Work Measurement

We added a new OM in Action box, "The Missing Perfect Chair," and revised the Operations Chart as a service example. Our third new video case study is "The 'People' Focus: Human Resources at Alaska Airlines."

Chapter 11: Supply Chain Management

We added "outsourcing" as a supply chain risk in Table 11.3.

Supplement 11: Supply Chain Management Analytics

We added a major section on the topic of Warehouse Storage, with a new model for allocating inventory to storage locations. There is a new discussion question and three new homework problems.

Chapter 12: Inventory Management

New Programs 12.1 and 12.2 illustrate "Creating Your Own Excel Spreadsheets" for both the production run model and the single-period inventory model. The Excel function NORMSINV is introduced throughout the chapter. The Quantity Discount Model section is totally rewritten to illustrate the *feasible solution* shortcut. Solved Problem 12.5 is likewise redone with the new approach.

Chapter 13: Aggregate Planning and S&OP

We added a new OM in Action box, "Revenue Management Makes Disney the 'King' of the Broadway Jungle." We also provided a new "Creating Your Own Excel Spreadsheets" example for the transportation method for aggregate planning, using the Solver approach.

Chapter 14: Material Requirements Planning (MRP) and ERP

The MRP II example now includes greenhouse gasses.

Chapter 15: Short-Term Scheduling

We begin this chapter with a new Global Company Profile featuring Alaska Airlines and the scheduling issues it faces in its northern climate. We have added two new graphics to help illustrate Forward and Backward Scheduling. There is also a new section called Performance Criteria, detailing how the choice of priority rule depends on four quantifiable criteria. We now explicitly define the performance criteria for sequencing jobs as separate numbered equations. Also, we provide an explicit formula for job lateness. There is a new OM in Action box called "Starbucks' Controversial Scheduling Software."

Chapter 16: Lean Operations

This chapter saw a major reorganization and rewrite with an enhanced focus on Lean operations. There is more material on supplier partnerships and building lean organizations. A new OM in Action box describes the use of kaizen at San Francisco General Hospital, and we have added a new video case study called "Lean Operations at Alaska Airlines."

Chapter 17: Maintenance and Reliability

There are no major changes in this chapter.

Student Resources

To liven up the course and help students learn the content material, we have made available the following resources:

- *Forty-one exciting Video Case Studies (videos located at MyOMLab):* These *Video Case Studies* feature real companies (Alaska Airlines, The Orlando Magic, Frito-Lay, Darden Restaurants, Regal Marine, Hard Rock Cafe, Ritz-Carlton, Wheeled Coach, and Arnold Palmer Hospital) and allow students to watch short videos, read about the key topics, and answer questions. These case studies can also be assigned without using class time to show the videos. Each of them was developed and written by the text authors to specifically supplement the book's content. Instructors who wish to use these in class, and who don't have access to MyOMLab, should contact their Pearson Publishing Representative for access to the MyOMLab materials.
- *POM for Windows software (located at MyOMLab and at the Student Download Page, www.pearsonglobaleditions.com/heizer):* POM for Windows is a powerful tool for easily solving OM problems. Its 24 modules can be used to solve most of the homework problems in the text.
- *Excel OM problem-solving software (located at MyOMLab and at the Student Download Page, www.pearsonglobaleditions.com/heizer):* Excel OM is our exclusive user-friendly Excel add-in. Excel OM automatically creates worksheets to model and solve problems. Users select a topic from the pull-down menu and fill in the data, and then Excel will display and graph (where appropriate) the results. This software is great for student homework, what-if analysis, and classroom demonstrations. This edition includes a new version of Excel OM that is compatible with Microsoft Excel 2013 for Windows, Excel 2011 and 2016 for Mac, and earlier versions of Excel. Professor Howard Weiss, Temple University, developed both Excel OM for Windows and Mac, and POM for Windows to accompany our text and its problem set.
- *Excel OM data files (located at MyOMLab and at the Student Download Page, www.pearsonglobaleditions.com/heizer):* These data files are prepared for specific examples and allow users to solve all the marked text examples without reentering any data.
- *Active Models (located at MyOMLab and at the Student Download Page, www.pearsonglobaleditions.com/heizer):* These 28 Active Models are Excel-based OM simulations, designed to help students understand the quantitative methods shown in the textbook examples. Students may change the data in order to see how the changes affect the answers.

- *Virtual tours (located at MyOMLab):* These company tours provide direct links to companies—ranging from a hospital to an auto manufacturer—that practice key OM concepts. After touring each Web site, students are asked questions directly related to the concepts discussed in the chapter.
- *Online Tutorial Chapters (located at MyOMLab and at the Student Download Page, www.pearsonglobaleditions.com/heizer):* "Statistical Tools for Managers," "Acceptance Sampling," "The Simplex Method of Linear Programming," "The MODI and VAM Methods of Solving Transportation Problems," and "Vehicle Routing and Scheduling" are provided as additional material.
- *Additional practice problems (located at MyOMLab):* These problems provide problem-solving experience. They supplement the examples and solved problems found in each chapter.
- *Additional case studies (located at MyOMLab and at the Student Download Page, www.pearsonglobaleditions.com/heizer):* Over two dozen additional case studies supplement the ones in the text. Detailed solutions appear in the Solutions Manual.
- *Virtual office hours (located at MyOMLab):* Professors Heizer, Render, and Munson walk students through all 73 Solved Problems in a series of 5- to 20-minute explanations. These have been updated with this new edition.

Instructor Resources

At the Instructor Resource Center, *www.pearsonglobaleditions.com/heizer*, instructors can easily register to gain access to a variety of instructor resources available with this text in downloadable format. If assistance is needed, our dedicated technical support team is ready to help with the media supplements that accompany this text. Visit *http://247.pearsoned.com* for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available with this text:

Instructor's Resource Manual

The Instructor's Resource Manual, updated by co-author Chuck Munson, contains many useful resources for instructors—PowerPoint presentations with annotated notes, course outlines, video notes, blog highlights, learning techniques, Internet exercises and sample answers, case analysis ideas, additional teaching resources, and faculty notes.

Instructor's Solutions Manual

The Instructor's Solutions Manual, written by the authors, contains the answers to all of the discussion questions, *Ethical Dilemmas*, Active Models, and cases in the text, as well as worked-out solutions to all the end-of-chapter problems, additional homework problems, and additional case studies.

PowerPoint Presentations

An extensive set of PowerPoint presentations, created by Professor Jeff Heyl of Lincoln University, is available for each chapter. With well over 2,000 slides, this set has excellent color and clarity.

Test Bank/TestGen® Computerized Test Bank

The test bank, updated by James Roh, contains a variety of true/false, multiple-choice, short-answer, and essay questions, along with a selection of written problems, for each chapter. Test questions are annotated with the following information:

- Difficulty level
- Type: multiple-choice, true/false, short-answer, essay, problem
- Learning objective
- AACSB (see the description that follows)

TestGen®, Pearson Education's test-generating software, is PC/MAC compatible and preloaded with all the test bank questions. The test program permits instructors to edit, add, and delete questions from the test bank to create customized tests.

AACSB

The Association to Advance Collegiate Schools of Business (AACSB)

The test bank has connected select questions to the general knowledge and skill guidelines found in the AACSB Assurance of Learning standards.

AACSB is a not-for-profit corporation of educational institutions, corporations, and other organizations devoted to the promotion and improvement of higher education in business administration and accounting. A collegiate institution offering degrees in business administration or accounting may volunteer for AACSB accreditation review. The AACSB makes initial accreditation decisions and conducts periodic reviews to promote continuous quality improvement in management education. Pearson Education is a proud member of the AACSB and is pleased to provide advice to help you apply AACSB assurance of learning standards.

What are AACSB assurance of learning standards? One of the criteria for AACSB accreditation is quality of the curricula. Although no specific courses are required, the AACSB expects a curriculum to include learning experiences in the following areas:

- Written and oral communication
- Ethical understanding and reasoning
- Analytical thinking
- Information technology
- Interpersonal relations and teamwork
- Diverse and multicultural work environments
- Reflective thinking
- Application of knowledge

Questions that test skills relevant to these guidelines are appropriately tagged. For example, a question regarding clothing manufactured for U.S. firms by 10-year olds in Asia would receive the Ethical understanding and reasoning tag.

Tagged questions help you measure whether students are grasping the course content that aligns with the AACSB guidelines noted. In addition, the tagged questions may help instructors identify potential applications of these skills. This in turn may suggest enrichment activities or other educational experiences to help students achieve these skills.

Video Package

Designed and created by the authors specifically for their Heizer/Render/Munson texts, the video package contains the following 41 videos:

- Frito-Lay: Operations Management in Manufacturing (Chapter 1)
- Hard Rock Cafe: Operations Management in Services (Chapter 1)
- Strategy at Regal Marine (Chapter 2)
- Hard Rock Cafe's Global Strategy (Chapter 2)
- Outsourcing Offshore at Darden (Chapter 2)
- Project Management at Arnold Palmer Hospital (Chapter 3)
- Managing Hard Rock's Rockfest (Chapter 3)
- Forecasting Ticket Revenue for Orlando Magic Basketball Games (Chapter 4)
- Forecasting at Hard Rock Cafe (Chapter 4)
- Product Design at Regal Marine (Chapter 5)
- Building Sustainability at the Orlando Magic's Amway Center (Supplement 5)
- Green Manufacturing and Sustainability at Frito-Lay (Supplement 5)
- Quality Counts at Alaska Airlines (Chapter 6)
- The Culture of Quality at Arnold Palmer Hospital (Chapter 6)
- Quality at the Ritz-Carlton Hotel Company (Chapter 6)
- Frito-Lay's Quality-Controlled Potato Chips (Supplement 6)