

## **Practice Problems: Chapter 2, Operations Strategy in a Global Environment**

### **Problem 1:**

Identify how changes in the external environment may affect the OM strategy for a company. For example, what impact are the following factors likely to have on OM strategy?

- a. The occurrence of a major storm or hurricane.
- b. Terrorist attacks of 9/11/01.
- c. The much discussed decrease in the quality of American primary and secondary school systems.
- d. Trade Legislation such as WTO and NAFTA and changes in tariffs and quotas.
- e. The rapid rate at which the cost of health insurance is increasing.
- f. The Internet.

### **Problem 2:**

Identify how the changes in the internal environment affect the OM strategy for a company. For example, what impact are the following factors likely to have on OM strategy?

- a. The increased use of Local and Wide Area Networks (LANs and WANs)
- b. An increased emphasis on service
- c. The increased role of women in the workplace
- d. The seemingly increasing rate at which both internal and external environments change.

### **Problem 3:**

Operations managers are called upon to support the organization's strategy. OM does this with some combination of one of three strategies. What are these three strategies?

## **ANSWERS:**

### **Problem 1:**

- a. A major storm or hurricane may have considerable impact on a company's facilities and scheduling. Flooding and wind damage can make a facility unusable or significantly reduce its capacity. Stocks of raw materials, especially agricultural products, might be damaged or in short supply. The long-term availability of some materials might be significantly reduced. There may be a shortage of important services during the recovery. For example, the demand for roofers and builders is high after a major storm and they would like to be able to rapidly increase their capacity to handle the higher demand.
- b. Terrorist activity has forced organizations to rethink, and in many cases expand, their security systems. Firms have also had to reevaluate their supply networks and consider increasing their inventory safety stock. They may also reassess the risks of foreign locations and expansion.
- c. A decrease in the skill levels of Americans entering the labor market requires that organizations place more emphasis on training, turn to automation to obviate the need for human labor, and hire from outside the United States.
- d. WTO and NAFTA changed the rules for trading, opened new markets, and in some instances, changed the role of labor versus capital (where labor is especially low cost, emphasis often shifts from the use of capital to the use of labor).
- e. The increasing cost of health insurance adds significantly to the cost of labor. Some large US organizations are passing on this increased cost to the employees or reducing other parts of the benefit package in response to these pressures.
- f. The Internet has promoted globalization of markets, and eliminated barriers of geography and time.

### **Problem 2:**

- a. The increased use of LANs and WANs has, among other things, enabled new organizational structures, the movement of the locus of responsibility further down the organizational hierarchy (elimination of middle management), and the increasing practicality of JIT operations, mass customization, etc..
- b. The increased emphasis on service has, among other things, fostered an increased information or information technology content of many products. Firms are also increasing training because so much of the service economy is dependent upon individual competence.
- c. The increased role of women in the workplace is requiring an increased emphasis on the creation and communication of appropriate human resource policies. It may also be fostering the creation of flexible work schedules and, to a lesser degree, telecommuting.

- d. Some companies seem to be adopting the perspective that their main problem is now the “management of change” as opposed to the management of a specific process or product. If nothing else, the management of change is becoming a formal part of the manager’s responsibility.

**Problem 3:**

OM managers support the firm's strategy by achieving a competitive advantage through some combination of differentiation, low-cost leadership, and response.