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Question 1,

What types of decisions must Chad Thomas make daily for his company's operation to run effectively? Over the long run?

In operation managements, there are basically ten critical decisions. Those are; Service and product design, Quality management, Process and capacity design, Location, Layout design, Human resources and job design, Supply-chain management, Inventory management, Scheduling, and finally Maintenance decision. Based on Chad's Creative Concepts case study, I can conclude that Chad Thomas is now need to make those decisions to make sure the operation of his company flows effectively without stopping at any stage up to the current situation. The situation that Chad is facing is between the manufacturing and turn over. There is no problem with his existing staffs according to the case text. Therefore, Chad now needs to focus on inventory, scheduling, and maintenance to make the right decisions for each of it. Based on text, his manufacturing of standard line has many raw materials in manufacturing as work in process. This makes the progress is slow and caused Chad's company unable to make a good turn over. They came across a critical situation as their finance status is not promising and not satisfying. Now, he need to make scheduling decision to make sure there is not many raw materials in the work in progress status. The standard line manufacturing need to be scheduled properly to avoid this problem. Secondly, the text had mentioned that standard product's warehouse is costly to keep the inventory for long as space assuming. To solve out this problem, Chad need to make inventory and supply-chain decision. He must decide a good supply-chain and implement it before it's too late. The third decision type is the maintenance decision. Chad's company is now facing problem in term of finance and insufficient of capacity. There is no problem with the business nature as it is growing for both standard line and custom line. He now need to carefully maintain both of the manufacturing line without dropping any of them. This is because both of that manufacturing line is not declining in term of demand and it is seems to be increasing. If Chad happen to close down any of the manufacturing line, then he will be facing problem as losing his opportunity for the business and its growth. By making a good maintenance decision, Chad can actually maintain the both line systematically without any loss or

waste from both line. By making these decisions, Chad's business will be operating effectively and will enable long run for the business and promises a good return on investment and profits.

Question 2,

How did sales and marketing affect operations when they began to sell standard pieces to retail outlets?

The sales and marketing activity affects operation based on its turn over factor. When the company invests into the standard furniture manufacturing, they had scope for earn a profit with a limited amount of investment. But this statement can only be truth if the sales and marketing works effectively. When the product is manufactured, it will be stored in warehouse and then delivered to sellers, this step is where the sales and marketing playing their important role to succeed the sales. If the operation is very efficient until can make 1000 pieces a day but the sales and marketing is not efficient to sell 1000 pieces per day, then definitely there will be inventory stored in warehouse and slowly full the warehouse and giving problem of storage. Based on my opinion, sales and marketing plays their role in-front of all products where the product is transacted to customer for certain amount. The operation is behind of each of the product whereas they will be producing the product from raw materials and then push it to front team where is the sales and marketing process takes place. If the sales and marketing is running slow at front, then no matter how fast we operate at behind to produce the product, it will be moving to market slow. Thus this will overload our warehouse with the product. Based on Chad's case, they have included in their statement that the sales is growing slowly for the standard pieces. This means, the front team is working good, but the back team, the operation is not effective to produce that much of pieces to meet the demand and it is being waste in their warehouse or still under work in progress. I can say that this happens because the Chad's company is focusing on custom line and gives it higher priority comparing to standard line. The is not the problem of sales and marketing but just a less effective operation which Chad should be aware of and work to solve it.

Question 3,

How has the move to producing standard furniture affected the company's financial structure?

A company's investment will be flowing smooth as long as the turn over is moving fast. Turn over means investment for the product manufacturing is return together with profit for it. The business can continue investing for the new product's manufacturing as the old one got sold and we get back our investment. This is just a progress of cycling the cash or investment. In this Chad's case, the business had invested to standard line manufacturing but the product was not actively sold as many of it kept in the warehouse. This caused the cash were unable to be cycled and was blocked or hold in term of inventory or stocks. The business's investment will not be returned until the product is sold. This means, the higher inventory level you have without sales, the high amount of investment is stuck as inventory. For example, when the business invest RM 100,000 to produce 100 furniture as one of it cost RM 100. But only 50 units were sold. This means only RM 50,000 of our investment was returned to us and can be cycled for further manufacturing while our another RM 50,000 is stuck in term of inventory in our warehouse. Other than inventory, the work in progress also caused the finance status to be weak. Work in progress means the raw materials are being used for the manufacturing and waiting in some stage of it and not completed yet. For example, if the business invest RM 90,000 to produce 90 furniture, and only 60 units were completed while the balance 30 units is not yet complete and pausing in some stage of manufacturing. And when they had sold the 60 completed units means they had returned the investment for those units which was RM 60,000. At the same time, we should notice that RM 30,000 is still stuck in term of work in progress. Therefore, the finance will be limited as the turn over is weak or not smooth while many investment hold as work in progress. For this Chad's company, the standard furniture manufacturing had affected the finance status as the investment is stuck in term of inventory and work in progress. When the finance status is low, the investment for product cycle will also be low and even cannot be investing on the standard furniture manufacturing if these situation continues.

Question 4,

What might Thomas have done differently to avoid some of the problems he now faces?

Chad Thomas is facing problem in term of finance and slow manufacturing process. To solve the finance problem, there are few ways to do it. One of it is by relocating the warehouse. Mentioned in the case their current public warehouse for standard product is getting costly. Therefore, Chad need to cut down the cost by operating much effectively, he can be reallocating their warehouse to some where else at the location which is cheapest and cost saving. Else than this, low finance is caused by the manufacturing delay as raw materials still under work in progress. The finance can be rolled back normal if the warehouse cost is cut down or reduce raw materials from stopping under work in progress. To ensure a systematic operating and decrease work in process stocks, Chad can implement a new scheduling. Currently, the manufacturing line done by same staff and therefore the custom furniture given higher priority rather than standard line causing their raw materials for standard line stop in the progress of manufacturing. This priority must be analyzed again and the standard and custom manufacturing should be given same priority. By this, the standard raw materials for standard product won't be stuck much under work in process. The cycle of the both product will be promising as the accounting term says 'first in – first out' means which manufacturing we started first will finish first and continued by the next. Thus they won't put the standard manufacturing on hold beside work it on the same time as scheduled by the operation manager. By the way, finance is not the only problem that the business is facing, but there also in a situation of delayed manufacturing line which can turn out to be disadvantage for the firm and may cause to loss the future businesses. Time is worth of money. If a firm is delaying a work that means they are about of losing money because the product not moved out for sales as it suppose to be. To over come this situation, Chad need to make decision on enlarging his business capacity by enabling more facilities. This is the fact. Chad's business had a very good demand and promises a well future. He should be courage to go a step ahead by recruiting more staffs to complete the orders on time as it should be. But recruiting more staff can be hard for the business as their finance level to not well. As an alternative idea to recruit new staffs, Chad can push the operation

to move much smooth by encouraging over time work for his existing staffs. By this, Chad only need to invest much smaller amount comparing to recruiting new staff. By giving over time option to his existing staffs, more furniture can be manufactured with a good scheduling and task arrangement which is a part of operation management. By considering all the points which was mentioned in, Chad Thomas can avoid the problems and over come this hard situation and avoid it from repeating in future.

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