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आभास - 049

**406 - SPECIALIZATION - VII (MAJOR) 446 D**  
**Operation Management**  
**(Case Studies in Operation Management)**

**P. Pages : 4**

**Time : Three Hours**

**Max. Marks : 60**

Instructions to Candidates :

1. Do not write anything on question paper except Seat No.
2. Answersheet should be written with blue ink only. Graph or diagram should be drawn with the same pen being used for writing paper or black HB pencil.
3. Students should note, no supplement will be provided.
4. All questions carry equal marks.
5. Write **any three** cases out of five.

1..

**Case- 1**

Mr. Prasad from Kerala is working with ABC a multinational company as a Production Engineer 2001 in Mumbai branch. He gets married in Sept 2009 with Mrs. Pooja from Punjab, who is working with a Computek company Mumbai, as a Software Engineer. Both are having no assistance from their parents as they are not agree to their marriage. Mrs. Pooja was pregnant and applied for maternity leave in Sept 2010. Her employer granted a leave and provides her all benefits to be provided legally and sanctioned her additional amount of Rs. 10,000 for medical care. She faced various health problems two weeks before and one week after the delivery.

Mr. Prasad also applied for paternity leave in Oct 2010 for three weeks and requested his employer to grant leave as he ought to help and vender physical and psychological support to his wife. Branch Manager of ABC Company forwarded this letter to the Head Office with adverse comments. The letter was sent to the Chief Personnel Manager and to the Legal Advisor of the company. However the General Manager of the company has to settle this issue.

Analyse the case.

2.

**Case Study 2**

Advanced Management University is a large private university teaching a slew of courses and boasting of a distinguished faculty. The university believed in Quality Education at any cost. Recently, Ms Julie Joy took over as Head of Purchasing and was informed that she would be responsible for the entire procurement activity in the university, including its storing, inspection etc.

On the first day, she began a tour of the campus. She found a sweeper putting used x-rays, printed stationery, bits of metal and banana peels into a huge dustbin. She was perplexed and wanted to find out what happens to the garbage thereafter. She was informed that such garbage bags were kept in one place and then taken away by the municipality trucks whenever they came.

It did not take Ms Julie Joy to realise that there was no salvage program in the university. But she also realised that being new, it would be tricky for her to introduce new practices, given that the faculty were highly egoistic, though learned. She also had to show clear financial benefits to be accrued from a program of garbage recycling/salvage, for approval of any new process by the management.

- Q1. What arguments are there in favour of a formal salvage program at Advanced Management University?
- Q2. What arguments would be expected against the program?
- Q3. What organisational structure should Julie Joy install?
- Q4. Develop a salvage program for Advanced Management University.

3.

**Case Study - 3**

M/s Jyoti Textiles, with four spinning mills, eighteen cloth cutting centres, sixteen processing departments and more than 200 machine centres has installed an information system.

The operations are characterised by a nationwide distribution network. The finished goods moves through 38 branch offices and 312 authorised distributors all of whom maintain some inventory. Authorised distributors generate 37% of the orders but account for only 24% of the sales. Most of the business is done through the branch offices.

The product line is large; products are classified into 175 family groups, representing 12000 finished goods. Approximately 1,500 new items enter the product line annually, and a similar number are discontinued.

The 12,000 finished goods require 25,000 component parts of which 6,600 are carried in inventory and 18,400 are made to order. The newly implemented information system already has paid off substantially and refinements continue to increase benefits. In the preceding year, M/s Jyoti Textiles achieved a 60% customer service level (i.e. 60% of the orders were delivered according to original customer request, with no delays or adjustment of dates). Clerical expenses were 36% of the sales.

The company felt this was not good enough and wanted to improve the customer service. The company therefore is thinking of a highly integrated system.

1. Keeping in mind the objectives, do you think the company should go in for a highly integrated system? Support your answer with reasons.
2. Discuss the relevant inventory management strategies for the company.

4.

## Case Study 4

ABC company is a young growing organization with a turnover of over Rs 200 crores. The company has a central warehouse near the factory, 7 regional warehouses at important locations and 27 depots or storage points from where supply is made to the stockists who sell the company's products. Its current stock holding is:

18 days All India sales at Central warehouse

37 days All India sales at 7 regional warehouses

50 days All India sales at its 27 depots

The company was making very good profit on its sales and the marketing manager who was in charge of the entire distribution system was least concerned about the huge inventory.

The top management was, however, not very happy with the situation and hired a professional materials manager to conduct a diagnostic study. The study revealed that out of the total stock held, a considerable volume, representing about 25 days annual sales was slow moving and 72 non-moving items valuing more than Rs 4.1 crores had not moved for over two years. 354 items that were slow moving valued at Rs 6.1 crores could last for about 5 years based on the present rate of consumption.

The area salesman attached to the depots indented for the new stocks and not the depot incharge. As a professional materials manager, you are asked to:

1. Comment on the shortcomings of the present state of affairs.
2. Comment on the current system of controlling finished goods inventories.
3. Suggest area of improvement in the present system.

5.

**Case Study 5**

M/s Indiana Electronics is a small firm located at Bhiwadi near Gurgaon. Its major product line is the electronic system for automobiles and M/s Maruti Udyog Ltd. Gurgaon is its major customer.

With competition getting tougher for M/s Maruti Udyog Ltd., they are forced to contain the prices of all their raw materials. So, M/s Indiana Electronics too cannot escape and have to give a cost reduction consistently to M/s Maruti Udyog Ltd.

The top management of M/s Indiana Electronics decided that the firm is ideally suited to implement MRP in its planning and controls. Several organisation changes were brought about. A Materials Management Department was created to include Purchasing, Production control, Traffic, Inventory Management and Warehousing operations. The implementation and effective operation of an MRP system came within its purview.

Another change brought about was the Buyer-Planner concept, i.e. an MM executive would be responsible for both buying and planning functions. The number of materials handled by each executive had been reduced but the scope of work of each executive had become large and more integrated. For a given group of materials, a single executive would prepare the production schedule and work directly with suppliers to make it function properly.

All the systems in M/s Indiana Electronics are computerised. Whenever a new executive is hired, he or she is required to develop and manage the plan for one or two items, MANUALLY. The idea is to teach the newcomer how the system works.

Mr Singh is the latest newcomer to the company. On the second day, he was given the Master Production Schedule for Component A as follows-

Order Quantity – 120 units, Lead time – 3 weeks, Safety Stock – 50 units

	Time period in weeks							
	1	2	3	4	5	6	7	8
Requirement FIRM	30	40	35	45	55	40		
Requirement TENTATIVE							45	45
Expected receipt		120				120		

Help Mr Singh in calculating the planned order releases to be commensurate with requirements.

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