

OIDD 615: Operations Strategy

Spring 2016 Course Syllabus

[December 1, 2015. Tentative and Subject to Revision]

Course Instructor

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Office Hours: Mondays 3-5pm.

Course Teaching Assistants (TAs)

In addition to the office hours listed above, the TA and I will monitor and reply to questions and comments on Canvas discussion forum.

Course Website:

The course Canvas website is located at

Course Description

Pre-requisites: A genuine interest in operations/quantitative understanding of business decisions. Some exposure to Statistics (what is covered in the first year Q1 is sufficient).

Intended Audience: Students interested in (1) operations and supply chain management, (2) technology management, (3) general management, and (3) management consulting. In my view, the course concepts provide *ancillary learning* to students interested in private equity or entrepreneurship (e.g., how to enable value creation through better operational execution). Much of business redesign activities in the world involves operations, which typically employs the largest number of employees and requires the largest investment in assets.

Classroom Expectations:

- Please always attend the class session for which you are registered.
- Please sit in your assigned seat.
- Do use your name tent in each class.
- Please be ready to participate at the start of the class session.
- Please remain in the classroom during the entire session.
- Do not use electronic devices unless specifically asked by the instructor.
- Please bring up your questions to the entire class (i.e., no parallel discussions).

Course Grading

Each student's final numerical score for the course is based on the following items and weights:

- Class Attendance (10%)
- Class Participation (25%)
- Three Individual Assignments (30%)
- Final exam (35%)

Your grade is based on your ranking within the three sections of the class, subject to MBA grading requirements. I expect roughly according to the following distribution: 12% A and A+, 21% A-, 33% B+, 21% B, 10% B-, 3% C+ or lower. A failing grade is received when class performance on a class component is particularly poor (for example, 35% or less correct answers on the final exam).

Class Attendance Grades:

- To allow for exploration of classes, scheduled and unanticipated personal events outside of class: missing 1-2 classes do not result in any penalty.
- Attendance grade is cumulative and scheme is *non-linear* as follows:
 - Up to 7 sessions, no points;
 - 8-9 sessions, 5-6 points;
 - 10-12 sessions, 10 points.
- My expectation is that you will be at your seat when the class session begins and stay through the class. Hence, late arrivals will be registered as absences. (However, you may earn participation grades).
- Please use your name tent in each class.

Class Participation Grades:

- At the minimum, **classroom expectations** should be met.
- Class participation is scored based on the consistency in participation, your continued engagement in discussions, and finally to the degree to which your comments/questions contribute to learning in case discussions and lectures.
- Be a good listener to others' comments: 'More Airtime' ≠ High Participation.
- To improve participation opportunities, I will call on students, and hence, class preparation is necessary to do well in this class.

Individual Homework assignments:

- There are three graded homework assignments. All assignments are weighed equally.
- Assignments are due at 11:59pm EDT on the due date. Late assignments are not accepted; i.e., late assignments will receive zero credit.
- Submissions must be submitted electronically through the Canvas course website.

- Each student must complete his or her own assignment. However, to promote learning, students are allowed to discuss questions with other students. Use collaboration *judiciously*, and only for learning purposes.
- No partial credit will be given.
- The distribution of scores will announced or posted on Canvas website.

Final exam:

- The final exam is based on the complete contents of the course: analytical tools, lectures, in-class case discussions, etc.
- The final exam is open notes with some quantitative and qualitative questions.
- The administration (and your instructor) is very strict about ensuring all students take the exam on the assigned date. Please mark your calendars!
- Final exam is scheduled right after the class is over – Do not postpone learnings to the final day.

Classroom Device Policy:

- No electronic devices to be used in class, unless specifically requested by your instructor.

Readings and Handouts

I will distribute key handouts in class and also post them on Canvas. I have also linked to the supplemental reading material on Canvas.

When should one read the class material?

- Cases: Read *before* class as preparation. Cases define the *minimum* information necessary for class discussion.
- Articles: Recommended. Read them to maximize your classroom learning experience and improve your class participation. Any relevant class discussion can be on the exam.
- Text chapters: Read before or after the class session.

Recommended Text: Cachon, G. P. & Terwiesch, C. *Matching supply with demand: An introduction to operations management*. Third Edition. 2012. Boston, MA: McGraw Hill.

Notes:

- The text readings listed in the syllabus follow the third edition.
- If you are using the first or the second editions of the textbook, please note that there are many differences, including the chapter numbers. (For instance, Chapter 12 in the third edition appears as Chapter 9 in the first edition and Chapter 11 in the second edition, and so on).

Syllabus Outline

Session #	Date	Topic and Readings	Assignment Due
1	Mon, 1/11	Intro: What is Operations Strategy? Thinking about Uncertainty.	
2	Wed, 1/13	Straw in the Wind: Betting on the Unknown - Newsvendor Model.	
3	Wed, 1/20	Case: Le Club Français du Vin. Biases in Operational Decisions.	#1
4	Mon, 2/1	Second Chances: Speculative and Reactive Strategies. Case: Sport Obermeyer.	
5	Wed, 2/3	More of Less or Less of More: Make to Stock vs. Make to Order Strategies.	
6	Mon, 2/8	Sourcing Strategies: Off-Shoring and In-sourcing. Case: Timbuk2. Discussion: Boeing, Supply disruptions.	
7	Wed, 2/10	Operational Risk Management Strategies Discussion: Lego	#2
8	Mon, 2/15	Technology: Product Design, Clock speed and Operations Design. Case: HP	
9	Wed, 2/17	Operations on the Internet Case: Amazon	
10	Mon, 2/22	Revenue management: Pricing and Demand Management Strategies.	
11	Wed, 2/24	Coordination and Information Sharing Case: Supply Chain Management at W'Up Bottlery (A) and (B).	#3
12	Mon, 2/29	Operational Innovation and Consumer Behavior Case: Zara	
	March 1, Tue 6-8pm	Final Exam (Location TBA) <u>Not</u> Subject to Change (No alternate times). Please Mark Your Calendars.	

Course Ethics / Code of Conduct Summary

	Materials							People				
OPIM 615: Operations Strategy	Approved calculator	Laptop / other electronics	Summary sheet	Book / class notes/ Canvas materials	Past notes / summaries	Past exams / assignments	Outside materials	Learning team / approved work team	Other student(s) in same section	Student(s) in other sections (same term)	Wharton student not taking the class this term	Person outside of Wharton
Readings & Cases	A	A	A	A	A	A	A	W	W	W		
Assignments	A	A	A	A	A	A	A	W	W	W		
Final Exam Prep	A	A	A	A	A	A	A	W	W	W		
Final Exam	A		A	A	A	A	A					
In-Class	A		A	A	NA	NA	A					
	A = Allowed material Shaded Cell = Not allowed NA = Not Applicable							W = Allowed to work together D = Discussion of general concepts and procedures is allowed but no sharing of specific answers. Shaded Cell = Not allowed				
The information above covers many common situations but will not cover every circumstance. Remember: The Wharton MBA Code of Ethics that you accepted requires, among other things, that you represent yourself and your work honestly, don't try to gain unfair advantage over other students, follow the instructor's guidelines and respect confidentiality of your work and the work of others. Should you have questions, please contact your ethics liaison or professor.												

Operations Strategy: Detailed Course Description

Session 615.1 What is Operations Strategy? Thinking about Uncertainty. Mon; Jan 11

I will set up the course motivation and discuss perspective we will take on Operations Strategy. We will then cover course expectations, and syllabus. We conclude with a framework of quantifying uncertainty for new and innovative products.

Readings:

Text: Appendix A. Chapter 12 (sections 0 to 3).

Session 615.2 Betting on the Unknown: Newsvendor Model Wed; Jan 13

In this session, I will introduce a framework to quantify Operational Risk. Specifically I will discuss the newsvendor model. We discuss how it can be used to calibrate operational performance.

Readings:

Text, Chapter 12: sections 4-8.

Assignment: Assignment #1 is due.

Wed; Jan 20

Due by 11:59 p.m., EST. Submit your assignment electronically via Canvas.

Session 615.3 Newsvendor Applications; Managing Decision Biases.

Wed; Jan 20

In this session, I explore the applications of the Newsvendor framework. The first part of the session explores the challenges of procurement for a wine catalog retailer. In the second part, I will explore decision-making biases and how managers can use optimal decisions to correct for the biases. We conclude with discussion about applying such models to managing talent and resources.

Case: Forecasting and Procurement at Le Club Français du Vin

Article: 'Talent on Demand': Applying Supply Chain Management to People. Peter Cappelli.

<http://knowledge.wharton.upenn.edu/article.cfm?articleid=1899>

Note: Assignment #1 due by 11:59am.

Case preparation:

- What are the costs to Le Club for ordering too many or too few bottles of a €10 wine?
- How should Le Club forecast demand for each wine? (Would you forecast differently than they do?)
- How would you choose an order quantity for each bottle of wine? Would it differ from the profit maximizing quantity recommended by the newsvendor model? If so, how would it differ and why?

Session 615.4 Second Chances: Speculative and Reactive Capacities

Mon; Feb 1

This session studies how one fashion apparel supplier used early sales information to increase its supply flexibility.

Reading: Text, Chapter 13: sections 0-4.

Case: Sport Obermeyer (HBS, 9-695-022)

Case preparation:

- Contrast Sport Obermeyer's forecasting process with Le Club's forecasting process. Does their approach make sense for their market? Why or why not?
- What is the value of having two opportunities to make a production decision?
- Look at Exhibit 10. Which styles should be produced in the first production run and where should they be produced (Hong Kong or China)? (Give qualitative arguments.)
- How would you modify their current system to better match supply to demand?

Session 615.5 Operational Strategy: More of Few or Few of more?

Wed; Feb 3

This session we discuss two operational approaches: Make to stock and Make to Order. We will introduce a *framework* to understand which business process to choose based on how operational parameters align with market demand.

Reading: Skim Text, Chapter 14.

Session 615.6 Sourcing Strategies: Off-Shoring and In-sourcing

Mon; Feb 8

This session explores the pros and cons of this strategy and also discusses issues involved in outsourcing of manufacturing operations to low-cost countries.

Case: Where in the World is Timbuk2? Outsourcing, Offshoring, and Mass Customization. Wharton Case.

Articles: Boeing Dreamliner Delays.

Case Preparation Questions:

- What channels does Timbuk2 sell through and which one is the most profitable?
- How should Timbuk2 go about deciding which mass-customization options to offer customers? Brennan talks about a very vague process based on management intuition. For instance, discuss the analysis for different buckle vs. changing the dimensions of panels?
- What are the costs and benefits of moving production to China? If so, what are the issues? Also, think about the need for San Francisco factory and its utilization, based on outsourcing decision and inventory needs.

Session 615.7 Managing Risk in Operations

Wed; Feb 10.

Note: Assignment #2 is due by 11:59pm

This session explores several operations strategic tools for reducing and hedging uncertainty.

Reading: Text, Chapter 15

Article: Predicting Holiday Sales Poses Issues for Lego, Wall Street Journal, Dec 13, 2013.

Assignment: Assignment #2 is due.

Wed; Feb 10

Due by 11:59 p.m. EST. Submit your assignment electronically via Canvas.

We discuss how Operational Strategies interact with Product Design and Industry Clock Speed. We focus on the challenges in adopting new strategies in evolving markets, particularly for Technology firms, focusing on HP and Dell as examples.

Case: Hewlett-Packard: DeskJet Printer Supply Chain A and B

Article: The Economist - Dell Goes Private. Feb 2013.

Case preparation:

- Discuss what HP's Operational Strategy should be? Should HP consider air shipments to Europe instead of ocean shipping? Should HP consider a "localize remotely" strategy as discussed in the "B" case.
- Discuss the operational implementation issues. What could change the final decision?
- Explore reasons for Dell's performance in the recent decade.
- What are Dell's options for operational strategies going forward? Specifically explore Dell's future in tablet markets and Enterprise support.

Note: In your quantitative analysis make the following assumptions:

HP seeks a 99% in-stock probability, order weekly and their lead times are 5 weeks by sea and 1 week by air from Vancouver to Europe. The marginal cost of the product is \$250 and their inventory holding cost is 25% per year. Shipping via sea costs \$5 per printer, whereas air freight costs \$15 per printer.

Session 615.9 Operations Strategy on the Internet

Wed; Feb 17

Case: Amazon. Online Retailing: Operational Strategies (Wharton Case).

Article: TBA

Case Preparation:

Use the case facts as background reading, and think about following questions, focusing on the exhibits and the excel sheet on the course Canvas.

- What are the operational advantages and disadvantages of Amazon's business model?
- Discuss the complexity associated with Amazon's fulfillment costs? How does Amazon tackle product variety?
- Think about back end technology costs of selling on the internet. Are there savings from scale? How has Amazon gone about scaling their size of their business?
- What are Amazon's prospects going forward?

Session 615.1 Pricing and Demand Management

Mon; Feb 22

In this session, I will introduce and discuss Operational Strategies in markets with expensive fixed capacities and volatile demand. We will cover Revenue Management concepts and implementation challenges, and consider operational strategies using (dynamic) pricing. In particular, we will focus on how to integrate consumer behavior into operational decisions, so that pricing products and planning capacities can be done optimally.

Reading: Text, Chapter 16

Article: TBA

Session 615.11 Operational Strategies for Coordination and Info-Sharing**Wed; Feb 24**

In this session, we will discuss operational coordination issues in developing economies focusing on a Bottling plant in India. To conclude, will discuss the Bullwhip Problem and solutions to coordination issues.

Reading: Text, Chapter 17.

Case: Supply Chain Management at W'Up Bottlery (A) and (B). Darden Case.

- Why does Rajat Mehra want to implement a VMI system in the W'Up supply chain?
- What are the biggest obstacles in implementing a VMI system?
- What should Mehra's team do next? What suggestions do you have for an implementation of VMI throughout Coca-Cola's Indian supply chain?

Assignment: Assignment #3 is due.

Wed; Feb 24.

Due by 11:59 p.m., EST.

Submit your assignment electronically via Canvas.

Session 615.12 Operational Innovation; Consumer Behavior.**Mon; Feb 29**

In this session, we discuss how changing tastes and technologies can create drastic operational strategy changes which can have ripple effects even in mature industries. We will conclude the class by discussing operational challenges involved in handling evolving markets where consumer tastes and technologies change rapidly.

Reading: Text, Chapter 19

Article: Will be posted on Canvas.

Case: Zara: Staying Fast and Fresh (UCLA Case).

Case preparation:

- How are Zara's Operations distinct from other retailers? Why is the model profitable?
- Is there a connection between how Zara produces and how they sell (i.e., between their operations and their marketing)?
- Can the Zara model be extended beyond Europe?