



SOUTH EASTERN KENYA UNIVERSITY

UNIVERSITY EXAMINATIONS 2016/2017

FIRST SEMESTER EXAMINATION FOR THE MASTER OF BUSINESS ADMINISTRATION

DOM 511: OPERATIONS MANAGEMENT PRACTICE

DATE: 13TH DECEMBER, 2016

TIME: 9.00-12.00PM

INSTRUCTIONS

1. The paper contains 5 Questions
2. Question ONE is compulsory
3. Answer Any other TWO questions

Question One

(Read the excerpt below and answer the questions that follow)

In the early 1980s the Swiss watch industry was nearly dead. Competition from cheap but often high-quality products from Far Eastern manufacturers such as Seiko and Casio had almost obliterated the traditional Swiss industry. Trying to protect their investments, the Swiss banks organized a merger of the two largest companies on the advice of Nicolas Hayek, now boss of Swatch's parent company SMH, formed from the merger. He saw the potential of a new plastic-cased watch which was already being developed inside one of the companies. One of its major advantages was that it could be made in high volume at very low cost. The quartz mechanism was built directly into the all-plastic case using very few components, less than half the number in most other watches. Fewer components also meant that the manufacture of the watch could be fully automated. This made Swatches cheap to produce even in Switzerland, which has one of the highest labour costs in the world.

The innovative design, some creative marketing, but above all else the operation's success at producing the watch cheaper than anyone else brought the company significant rewards. In the early 1980s the total market share for all Swiss watches was around 25 per cent; ten years later it had more than doubled. The ability to offer a good watch at a low price had released the potential of the watch to become a fashion accessory. Swatch's operations reaped the benefits of high volume but had to cope with an ever-increasing variety of product designs. Through automation and rigid standardization of the internal mechanism of the watch, the company managed this

increase in variety without it crippling its costs. It is the success of the company's operations managers in keeping their costs low (direct labour cost is less than 7 per cent of the total cost of production) that has allowed Swatch to succeed. Not that everything the company has done has been successful. Some designs never caught the public imagination and some distribution and marketing mistakes were made, especially in the United States. However, continuing innovation, high quality and low cost make it much easier to overcome such problems.

Required

- i. What do you think has been the contribution of the marketing function, the product design function and the operations function to the success of Swatch? **(9 Marks)**
- ii. How do you think Swatch compares with most watch manufacturers? **(3 Marks)**
- iii. Discuss the principles of operations management being applied by Swatch. **(4 Marks)**
- iv. Discuss the competitive priorities clearly applied in this excerpt **(6 Marks)**
- v. "Competition from cheap but often high-quality products from Far Eastern manufacturers such as Seiko and Casio had almost obliterated the traditional Swiss industry" Discuss the characteristics of an industry where competition is intense and the consequences of intense competition. **(8 Marks)**

Question Two

- a) Using examples, distinguish between continuous process flow and Batch flow. What are the advantages and disadvantages of each flow **(7 marks)**
- b) Susan runs a flower selling business in Kitui town. Last Christmas, she did not sell a lot of flowers like her competitors. She has given you a task as a consultant to identify the order winners and qualifiers of her flower business. Go ahead. **(6 marks)**
- c) Why would you recommend use of batch process flow rather than use of assembly line? **(7 marks)**

Question Three

Kitui county Government wants to locate a new Dispensary in any one of the following locations: - Kwavonza, Mwingi and Mulutu. The County Government has the following factors to consider: Accessibility by the public, Land cost & availability, Population Density, Infection rates in the area, Construction cost.

Required

- i) Advise the county government on where to locate the new Dispensary. **(20Marks)**

Question Four

- a) Explain why use of supply chain management knowledge is necessary for the success of any business enterprise? **(5 marks)**
- b) Using SEKU as an example, discuss long term and short term capacity strategies **(5 Marks)**
- c) Use of priority rules in Job sequencing allow an organization to deliver intended production objectives. Briefly choose any two priority rules and explain the objectives they help to deliver. **(5 marks)**
- d) What characterizes continuous flow processes? **(7 marks)**

QUESTION FIVE

- a) Write brief notes on scheduling performance measures. **(5 marks)**
- b) Discuss any two external inputs required during the preparation of operation/Production planning system. **(6 Marks)**
- c) Some principles of operations management if well applied deliver some of the key competitive priorities in operations management. Identify these principles and match them with three competitive priorities **(9 marks)**