

You are the Operations Manager for a \$50,000,000 (sales) subsidiary of a \$750,000,000 corporation. You report to the Divisional Vice President. Your division produces industrial products that are used in the construction, maintenance, transportation, and equipment manufacturing industries. The other two divisions in your corporation serve the automotive and electronics industries. A few products are cross-marketed.

Your division is currently number three in your market place. The number one firm has about 60% of the market, the number two firm has about 25% of the market, and you have about 15% of the market.

Your products are often used in human safety applications, so product quality is paramount. Neither you nor your competitors have a competitive quality advantage, nor a distinct production cost advantage. Being number three in the market place has meant that your division must excel in customer service and delivery reliability.

Over 90% of your sales come through manufacturing representatives to regional distributors who hold inventory of your most popular products in limited quantities. To keep your distributors loyal, your company works very hard on customer service.

Your division currently has about 4,000 products in your catalog. About 1,200 items are "in-stock" (MTS, Make-to-Stock) items. The remaining 2,800 items are "non-stock" items that can be considered to be Make-To-Order (MTO). The MTO items are not stocked but are manufactured if, and only if, an order for them is received.

Your division promises to ship all "in-stock" items within 24 hours of receiving the order. If the order is received by noon, the order is shipped that day. Because most of your orders are small and are delivered to diverse addresses, UPS is the preferred shipping mode.

In contrast, your two sister divisions operate on a much longer lead-time and ship in comparatively larger quantities. They tend to operate much more in the MTO mode and do not offer the fast 24-hour shipping responses that your division does.

The corporate headquarters are in St. Louis, Missouri, where the company was founded in the 1910s. You are located in Cape Girardeau, Missouri, where manufacturing operations were moved in the 1950s to exploit the lower labor costs. The corporate North American Warehouse (NAW) is located in a western suburb of St. Louis to be near the St. Louis airport. Virtually all shipments to customers are made from the NAW. Several years ago, to stay competitive, production operations started to shift from the Cape Girardeau location to a plant in Mexico. The shift to Mexico has been successful overall, but the plant does not always deliver what is needed and is sometimes late in delivering parts to the NAW.

The corporation installed SAP several years ago. You have been far too busy to thoroughly investigate all of the details, but everyone in the organization seems to be satisfied at some level with the system.

Because you are the STO (Senior Technical Officer) of your division, you also manage the client support group (located near the St. Louis airport) which consults with clients on selecting which products to purchase and offers consulting/project management services for installing your products. Your direct reports include the Plant Manager in Cape Girardeau, the Plant Manager in Mexico, the Divisional Supply Chain Manager, the Manager of Product Quality Control, and the Divisional Customer Support Manager. Your chief peers are the Director of Marketing and the Manager of the Divisional Headquarters staff. Order entry reports to the Director of Marketing. Purchasing, Accounting, Finance, HR, and IT functions are handled at the corporate level. The manager of the NAW formally reports to the VP of the automotive division, but he is tasked to serve all three divisions equitably.

Several months ago, a new CEO took the reigns of your parent company. She is looking to improve profits, and is tasking all three divisions to reduce costs. For your division, she is particularly interested in reducing inventory while maintaining (improving) current customer service levels. She also questions whether having the Customer Support staff centrally located in St. Louis is really the best way (in terms of cost and service) to service your customers.

Your boss, the Divisional VP, has asked you to put together an analysis of your division's operations and to produce a plan to improve operations with an eye to reducing costs.