KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2020/2021

FIRST SEMESTER EXAMINATION FOR DEGREE OF MASTER OF BUSINESS ADMINISTRATION

BMS 849: OPERATIONS MANAGEMENT

DATE: Tuesday, 15th June 2021 **TIME: 5.30 p.m. - 8.30 p.m.**

INSTRUCTIONS: **Answer question ONE and any other THREE Questions**

QUESTION ONE (40 MARKS)

Read the case below and answer the questions that follow;

WIZZAIR

Wizzair is Europe's largest low-cost airline (LCA). Operating its low-fare, no-frills formula, has over 1,700 employees and a growing fleet of around 50 Boeing 737 aircraft to provide services over 70 routes to 13 countries throughout Europe. Operating from its Dublin headquarters, it carries around 12 million passengers every year. But Wizzair was not always so successful. Entering the market in early 1985, its early aim was to provide an alternative low-cost service between Ireland and London to the two market leaders, British Airways and Aer Lingus. Wizzair chose this route because it was expanding in both the business and leisure sectors. However, the airline business is marked by economies of scale and Wizzair, then with a small fleet of old-fashioned aircraft, was no match for its larger competitors. The first six years of Wizzair's operation resulted in an IR£20 million loss. In 1991, Wizzair decided to rework its strategy. '*We patterned Wizzair after Southwest Airlines, the most consistently profitable airline in the US,*' says Michael O'Leary, Wizzair's Chief Executive. '*Southwest founder Herb Kelleher created a formula for success that works by flying only one type of airplane – the 737 – using smaller airports, providing no-frills service on-board, selling tickets directly to customers and offering passengers the lowest fares in the market. We have adapted his model for our marketplace and are now setting the low-fare standard for Europe.*'

Whatever else can be said about Wizzair's strategy, it does not suffer from any lack of clarity. It has grown by offering low-cost basic services and has devised an operations strategy which is in line with its market position. The efficiency of the airline's operations supports its low-cost market position. Turnaround time at airports is kept to a minimum. This is achieved partly because there are no meals to be loaded onto the aircraft and partly through improved employee productivity. All the aircraft in the fleet are identical, giving savings through standardization of parts, maintenance and servicing. It also means large orders to a single aircraft supplier and therefore the opportunity to negotiate prices down. Also, because the company often uses secondary airports, landing and service fees are much lower. Finally, the cost of selling its services is reduced where possible. Wizzair has developed its own low-cost internet booking service.

In addition, the day-to-day experiences of the company's operations managers can modify and refine these strategic decisions. For example, Wizzair changed its baggage-handling contractors at Stansted airport in the UK after problems with misdirecting customers' luggage. The company's policy on customer service is also clear. '*Our customer service*,' says Michael O'Leary, '*is about the most well defined in the world. We guarantee to give you the lowest air fare. You get a safe flight. You get a normally on-time flight. That's the package. We don't, and won't, give you anything more. Are we going to say sorry for our lack of customer service? Absolutely not. If a plane is cancelled, will we put you up in a hotel overnight? Absolutely not. If a plane is delayed, will we give you a voucher for a restaurant? Absolutely not.*

Answer the following questions from the case

(a) Identify the main issues facing Wizzair operations Managers [5 marks]

(b) Distinguish between Wizzair's operations from any operations of a 'full-service' airline such as KQ [5 marks]

(c) Identify and explain the qualifying and order-winning factors for Wizzair company [5 marks]

(d) How can effective operations management at Wizzair contribute significantly to its success and competitiveness? [5 marks]

(e) What would be the consequences of poor operations management in this kind of an operation [5 marks]

(f) Explain the threats to success Wizzair is likely face in the future? [5 marks]

(g) What questions might you ask to judge whether this operation is a stage 1, stage 2, and stage 3 or stage 4 operations on Hayes and Wheelwright's scale? [5 marks]

(h) How will Wizzair Develop the operation strategy so that it drives the long-term strategy of the company [5 marks]

QUESTION TWO (20 marks)

Product or service design has typically had strategic implications for the success and prosperity of an organization. Consequently, decisions in this area are some of the most fundamental that managers must make. Required:-

(a) Briefly explain the factors to be Considered in Product and Service Design [10 Marks]

(b) Using a product of your choice, describe the Product Design Process [10 Marks]

QUESTION THREE (20 marks)

(a) A supply chain is the sequence of organizations; their facilities, functions, and activities that are involved in producing and delivering a product or service. Discuss the need for supply chain management to a business organization [10 Marks]

(b) The last two decades have seen the evolution of the global manufacturing environment. Majority of the manufacturers have global presence through exports, strategic alliances, joint ventures or as a part of a committed strategy to sell and produce in foreign markets. Discuss the driving forces of globalization [10 marks]

QUESTION FOUR (20 marks)

Process selection refers to deciding on the way production of goods or services will be organized. It has major implications for capacity planning, layout of facilities, equipment, and design of work systems. Required:-

(a) Briefly explain three factors that influence the type of process selected by an organization [6 Marks]

(b) Discuss the four process types that an organization can adopt to manage it operations highlighting the advantages of each [14 Marks]

QUESTION FIVE (20 marks)

A successful quality strategy begins with an organizational environment that fosters quality, followed by an understanding of the principles of quality, and then an effort to engage employees in the necessary activities to implement quality. The operations manager's objective is to build a total quality management system that identifies and satisfies customer needs. Required:-

(a) Briefly explain the FOUR costs of quality [8 Marks]

(b) Using a relevant example, discuss the various dimensions of service quality [12 Marks]