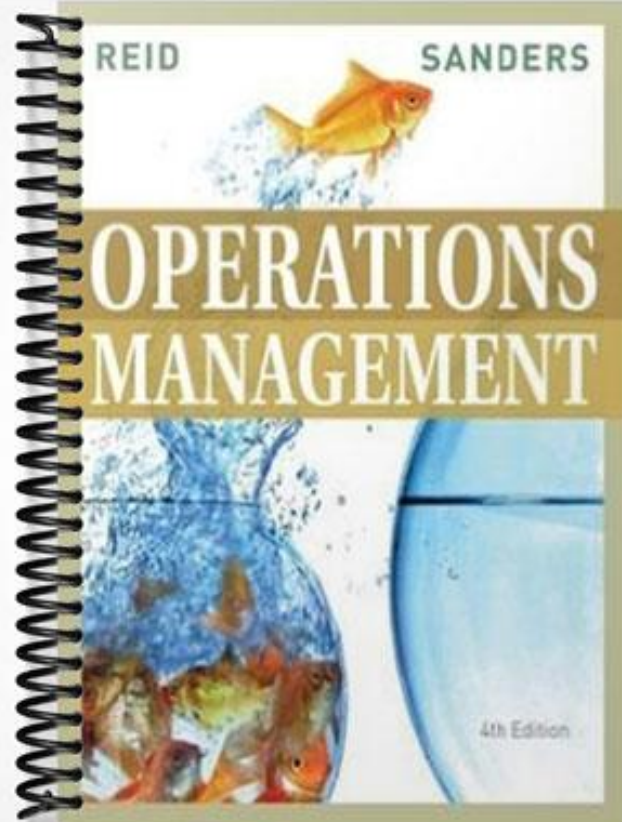


**SOLUTIONS MANUAL**



## CASE: Prime Bank of Massachusetts

Prime Bank of Massachusetts was started in 1964 with James Rogers as CEO, who is now chairman of the board. Prime Bank had been growing steadily since its beginning and has developed a loyal customer following. Today there are 45 bank locations throughout Massachusetts, with corporate headquarters in Newbury, Massachusetts. The bank offers a wide array of banking services to commercial and noncommercial customers.

Prime Bank has considered itself to be a conservative, yet innovative, organization. Its locations are open Monday–Friday 9–4 and Saturday 9–12. Most of the facilities are located adjacent to well-established shopping centers, with multiple ATM machines and at least three drive-through windows. However, Prime Bank's growth has brought on certain problems. Having the right amount of tellers available in the bank as well as in the drive-through window has been a challenge. Some commercial customers had recently expressed frustration due to long waiting time. Also, the parking lot has often become crowded during peak periods.

While Prime Bank was going through a growth period, the general banking industry had been experiencing tougher competition. Competitors were increasingly offering lower interest rates on loans and higher yields on savings accounts and certificates of deposit. Also, Prime Bank was experiencing growing pains, and something needed to be done soon or it would begin losing customers to competition.

The board, headed by James Rogers, decided to develop a more aggressive strategy for Prime Bank. While many of its competitors were competing on *cost*, the board decided that Prime Bank should focus on *customer service* in order to differentiate itself from the competition. The bank had already begun moving in that direction by offering a 24-hour customer service department to answer customers' banking questions. Yet, there were difficulties with this effort, such as poor staffing and not

enough telephone lines. James Rogers wanted Prime Bank to aggressively solve all customer service issues, such as staffing, layout, and facilities. He also wanted greater creativity in adding improvements in customer service, such as on-line banking, and special services for large customers. He believed that improving most aspects of the bank's operation would give Prime Bank a competitive advantage.

The board presented their new strategy to Victoria Chen, vice president of operations. Victoria had recently been promoted to the V.P. level and understood the importance of operations management. She was asked to identify all changes that should be made in the operation function that would support this new strategy and present them at the next board meeting. Victoria had been hoping for an opportunity to prove herself since she began with the bank. This was her chance.

### Case Questions

1. Why is the operations function important in implementing the strategy of an organization? Explain why the changes put in place by Victoria Chen and her team could either hurt or help the bank.

2. Develop a list of changes for the operations function that should be considered by the bank. Begin by identifying operations management decisions that would be involved in operating a bank, for example, layout of facility, staff, drive-through service. Then identify ways that they can be improved at Prime Bank in order to support the strategy focused on customer service.

3. Think of the improvements identified in answering question 2. How different would these improvements be if the bank had a strategy of cutting cost rather than supporting customer service?

## CASE: Boseman Oil and Petroleum (BOP)

Boseman Oil and Petroleum (BOP) is one of many oil companies operating offshore petroleum platforms in the Gulf of Mexico. The company identifies offshore sites for exploration drilling and constructs drilling platforms. Once exploration activities are successful, the platforms are converted to a production platform to extract crude oil and natural gas. BOP operates multiple platforms and an onshore facility that serves as the primary interface between the platforms. Boats with specialized crews provide logistics services between the platforms and the onshore facility. The boats deliver fuel, water, equipment, and other needed supplies multiple times a day to the platforms. Accurate and timely delivery of materials is absolutely necessary for successful platform operations.

BOP had traditionally focused on exploration and production activities, paying little attention to operating costs. However, operating costs had been increasing rapidly. A particularly significant cost was the operating of boats and crews needed to provide logistics services between platforms and the onshore facility. The boats are highly specialized, with built-in storage tanks and unique cargo space designs. The boat crews are spe-

cially trained, and operating the boats and crews is highly expensive. Although BOP is dependent on the boat deliveries, it does not use the boats at full capacity and they are often idle.

Jeff Kessinger, director of offshore operations for BOP, is now faced with the decision of how to reduce operating costs. One option is to outsource the logistics service to a company specializing in providing offshore logistics services. Logistics-Offshore Inc. is such a company, owning and maintaining its own fleet of boats and crews. Logistics-Offshore could be hired to perform this function. BOP could sell its boats and focus on oil exploration. Jeff is aware that outsourcing is an important strategic decision and there is much to consider. He is not sure where to begin.

### Case Questions

1. Identify the potential strategic advantages and disadvantages for BOP in outsourcing the boat logistics service to Logistics-Offshore. Explain the strategic implications of each.
2. Identify the type of information Jeff Kessinger needs to gather and evaluate in order to make his decision.

## INTERACTIVE CASE

### Virtual Company



[www.wiley.com/go/global/reid](http://www.wiley.com/go/global/reid)

#### On-line Case: Cruise International, Inc.

**Assignment:** *Getting Acquainted with Cruise International, Inc.* After a few minutes on hold, you hear Bob Bristol begin speaking on the phone. “Hello,” he begins. “I understand that you wanted to let me know about your progress and needed some additional guidelines. My assistant, Shontelle, gave me the details of your work on the first assignment. I am pleased that you are beginning to learn about CII and the cruising industry. Since you still have some time before starting at CII, I think it would be a good idea for you to get some broad insights into the industry and its competitive environment.

“You must look at the big picture and try to understand the company’s vision and its mission. I want to identify the core

values that CII emphasizes and explain how a specific emphasis dictates its business practices.” This assignment will enhance your knowledge of the material in Chapter 2 of your textbook while preparing you for future assignments.

To access the Web site:

- Go to [www.wiley.com/go/global/reid](http://www.wiley.com/go/global/reid)
- Click **Student Companion Site**
- Click **Virtual Company**
- Click **Consulting Assignments**
- Click **Getting Acquainted with Cruise International, Inc.**

## INTERNET CHALLENGE Understanding Strategic Differences

Select two companies in the same industry, either in service or in manufacturing. You can select industries such as fast-food, banking, healthcare, computer manufacturing, or auto manufacturing. Use the Internet to visit the selected companies' Web sites and collect the following information: their mission statement, target market, and specifics of their product and service offerings. Explain the differences between the companies' business strategies and target markets. How do their product and service offerings differ relative to their target markets and their

overall strategies? Finally, how does their operations function support their business strategies? Try to explain how operations utilizes specific organizational resources to support the business strategy.

Web sites to consider:

[www.lhcargo.com](http://www.lhcargo.com) (Lufthansa Cargo)

[www.ualcargo.com](http://www.ualcargo.com) (United Airlines, United Cargo)

### On-line Resources



**Companion Website** [www.wiley.com/go/global/reid](http://www.wiley.com/go/global/reid):

- Take interactive *practice quizzes* to assess your knowledge and help you study in a dynamic way
- Review *PowerPoint slides* or print slides for notetaking
- Access cases on the Prime Bank of Massachusetts and Boseman Oil and Petroleum (BOP) as well as the *Virtual Company: Cruise International, Inc.*

- Find links to *Company Tours* for this chapter  
The Boeing Company  
Sensenich Propeller Manufacturing Company
- Find links for *Additional Web Resources* for this chapter  
The Association for Manufacturing Excellence, [www.ame.org](http://www.ame.org)