

**Activity 16.1****What does 'operations and quality' mean in management?**

Before reading the chapter, write some notes on what you think 'operations and quality' means.

Choose the organisation or people who may be able to help you learn about the topic. You may find it helpful to discuss the topic with a manager you know, or reflect on an activity you have managed.

- Identify a situation in which someone was dealing with an operations or quality issue, and describe it briefly.
- Did it concern a physical product or an intangible service?
- Can you describe briefly how production was organised?
- How did they try to measure, and improve, the quality required?

Keep these notes as you will be able to use them later.

**16.1****Introduction**

Zara is a fashion company that relies heavily on good operational systems. It is an integrated business in that it does most of the work itself to design, manufacture, distribute and sell the products. It relies on quick turnaround times on most products, which it sells in relatively large quantities. Its garments must be available on time to catch the latest fashion trend and must also be of a consistent quality to ensure customers return to buy again. Two factors are critical to Zara's success – the creative ability to catch the mood of the customer with interesting and exciting designs; and the operational capability to design, manufacture and distribute goods quickly and efficiently. Neither factor can exist alone – it needs creative, novel design AND reliable operational processes.

Any organisation hoping to add value to resources depends on good operations to deliver what the customer expects, at the quality they expect. When Apple launched the iPad in 2010, and sold hundreds of thousands of them in the first few weeks, it was only able to do so because of the robust operational system which it has built. Many factors contribute to Ryanair's success – and one of these is the operations systems that enable the rapidly growing fleet to fly more flights each day than longer-established airlines are able to do. If you receive hospital treatment, the outcomes depend not only on skilled staff, but on processes that ensure that facilities, equipment, staff and supplies are available when required.

Good process and practice have always been important in production and manufacturing areas, but service organisation also use operations management. The chapter begins by introducing the basic concepts and language of operations management, which you can use in any sector of the economy. It will then explain what a 'product' is in manufacturing and services respectively. It will show what operations managers do, and concludes by exploring the meaning of quality and how to manage it.

**16.2****What is operations management?****System and process**

We live in a world of systems, which shape our personal lives, our transport, our security, our work. Our lives are continually 'managed' within the system that is our society. Such systems bring safety and economy by removing many random events and allowing better use of time

## Case study

Zara [www.zara.com](http://www.zara.com)

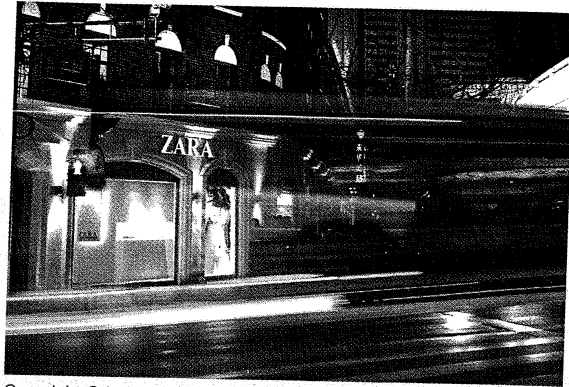
Zara had six stores by 1979 and established retail operations in all the major Spanish cities during the 1980s. In 1988 the first international Zara store opened in Porto, Portugal, followed shortly by New York in 1989 and Paris in 1990. But foreign expansion was rapid during the 1990s when Zara entered Europe, the Americas and Asia.

The company is now present across the world, with a network of over 1500 stores. Its international presence shows that national frontiers are no impediment to sharing a single fashion culture. Zara claims to move with society, dressing the ideas, trends and tastes that society itself creates. It is claimed that Zara needs just two weeks to develop a product and get it into stores in comparison to the industry average of nearly six months. Zara has a large design team and the design process is closely linked to the public. Information travels from the stores to the design teams, transmitting the demands and concerns of the market. The vertical integration of activities – design, production, logistics and sales in the company's own stores – means Zara is flexible and fast in adapting to the market. Its model is characterised by continuous product renovation. Zara pays special attention to the design of its stores, its shop windows and interior decor, and locates them in the best sites of major shopping districts.

What sets Zara apart from many of its competitors is what it has done with its business information and operations processes. Rather than trying to forecast demand and producing to meet that (possible) demand, it concentrates on reacting swiftly to (actual) demand. A typical clothes supplier may take three months to develop the styles for a season's range and the same again to set up the supply chain and manufacturing processes: six months pass before the garments are in the stores. Zara does this in weeks by:

- making decisions faster with better information;
- running design and production processes concurrently;
- holding stocks of fabric that can be used in several lines;
- distributing products more efficiently.

Zara designs all its products in-house – about 40,000 items per year from which 10,000 are selected for production. The firm encourages a collegial atmosphere among its designers, who seek inspiration



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from many sources such as trade fairs, discotheques, catwalks and magazines. Extensive feedback from the stores also contributes to the design process.

The designers for women's, men's and children's wear sit in different halls in a modern building attached to the headquarters. In each of these open spaces the designers occupy one side, the market specialists the middle, and the buyers (procurement and production planners) occupy the other side. Designers first draw out design sketches by hand and then discuss them with colleagues – not just other designers but also the market specialists and planning and procurement staff. This process is crucial in retaining an overall 'Zara style'.

The sketches are then redrawn where further changes and adjustments, for better matching of weaves, textures and colours are made. Critical decisions are made at this stage, especially regarding selection of the fabric. Before moving further through the process, it is necessary to determine whether the new design could be produced and sold at a profit. The next step is to make a sample, a step often completed manually by skilled tailors located in the small pattern and sample-making shops co-located with the designers. If there are any questions or problems, the tailors can just walk over to the designers and discuss and resolve them on the spot.

The final decision on what, when and how much to produce is normally made by agreement between the relevant designer, market specialist and procurement and production planner.

Zara manufactures approximately 50 per cent of its products in its own network of Spanish factories and uses subcontractors for all sewing operations. The other half of its products are procured from outside

suppliers. With its relatively large and stable orders, Zara is a preferred customer for almost all its suppliers, this is important as suppliers will give priority to Zara orders and generally be more responsive.

The purchased fabric is then cut by machine. A typical factory has 3 or 4 cutting machines with long tables where typically 30 to 50 layers of fabric are laid out under a top paper layer. The cutting pattern is generated by the Computer Aided Design system (which automatically minimises fabric waste), checked by skilled operators, and then drawn by the machine onto the top layer (so that cut pieces can be identified later). After a final visual check by the operator, the machine then cuts the multiple layers into hundreds of different small pieces. Operators pack each piece into a separate clear plastic bag to be sent to one of some 500 sewing sub-contractors. They bring back the sewn items to the same factory, where each piece is inspected. Finished products are then placed in plastic bags, labelled and sent to the distribution centre.

Completed products procured from outside suppliers are also sent directly to the distribution centre and Zara control their quality by sampling batches of these. The middle-aged mother buys clothes at Zara because they are cheap while her teenage daughter buys there because they are in fashion. The matching of both low cost and acceptable quality is a winning combination. Like any other industry, low cost in the clothing industry is obtained by having efficient and

streamlined operational processes. Quality is more subjective; with garments, quality is defined more by the design or 'look' that the customer wants to be seen wearing rather than the quality of the construction. Most of these garments are destined to have a short life as they will be discarded or relegated to the back of the cupboard when fashion changes. This means aspects of manufacturing quality such as durability and robustness will be of little importance to the customer so long as a certain standard is reached.

### Questions

- 1 What do you think are the major managerial challenges in setting up an operations system to serve a fast-moving and fickle market such as fashion? (Refer to Section 16.2.)
- 2 Is Zara a craft or a factory system? (Refer to Section 16.3.)
- 3 Which operations systems do they use in the company? (Refer to Section 16.4.)
- 4 Which aspects of quality does the company emphasise? (Refer to Section 16.6.)
- 5 What features of the quality management can you observe in the case? (Refer to Section 16.7.)