

CHAPTER 3

OVERVIEW AND ANALYSIS OF THE CURRENT SITUATION

In this chapter, author intends to give the readers a general overview and current situation of the company as an introduction to the chapter prior easing to a more complicating finding in the later chapter.

Author believes that by walking the reader through relevant information/details/analysis, within this chapter, about the company would help the reader gain an insight into the culture of ABC co., Ltd, which would help the reader to understand the overall situation of the company more clearly.

3.1 Company Background

ABC was established in 1978, aimed specifically to focus on supplying chemical substances to the existing swimming pool owners. A few years later the company began the pool-keeping business to look after and maintenance swimming pool for the customers. Around 1983 the board of management at ABC had foreseen further growth opportunity of leisure business so introduced new product and service among the present range so that the company would be recognised throughout the industry and customer. ABC successfully exposed their expertise and the company quickly became the first company to have had offered a complete all round system, which are: Design, Construction, Maintenance, and an official dealer to equipments and chemical substances.

ABC has been involved in swimming pool business for more than 20 years and as for this reason ABC is so recognised for its expertise in this field, high quality equipments, and especially for its premium pricing.

3.1.1 Company Profile

Below is a summary of ABC co., ltd profile:

Organisation:	<u>Family business; Hierarchical structure;</u> <u>Board of director or management team is made up of 4 brothers, and a sister from the same family (Top-down management style)</u>
Location:	<u>Bangkok</u>
No. Of employees:	<u>97 people (from all functions including management)</u>
Investment:	<u>30 millions bahts (family investment)</u>
Company turnover:	<u>On Ave. of 120 millions bahts per annual</u>
Nature of Business:	<u>Service provider; Swimming pool Subcontractor; and Authorised dealer of equipment and chemical product</u>
Product type:	<u>Swimming pool type: Vinyl lining and Concrete</u> <u>Service type: Pool-keeper; maintenance and technical support</u>

3.1.2 Organisational structure

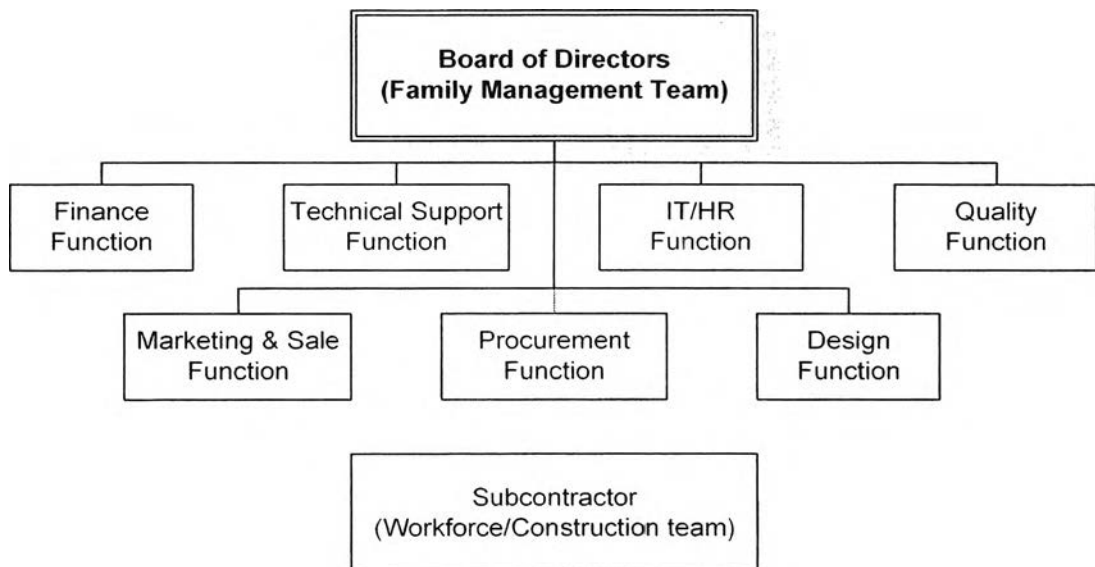


Figure 3.1 - ABC Organisation Chart

The present management team (the 2nd generation - sons) had inherited ABC co., Ltd in 1980 from the founder (the 1st generation - father). The board of directors consists of five management person (2nd generation – sons), where each director is made responsible for one individual function that they are best at. Despite the change in management team, the structure of the company remains unchanged being a Vertical structure. The fact that ABC is a vertical structure made it a highly centralised organisation that has top management making decisions and issuing directives to the lower levels. Apart from each of the director is the leader of one particular function there are a few other levels that make up a full vertical hierarchy. Within each function the vertical hierarchy continues, the line of authority between the director and the member of staffs (subordinates) is strong, meaning that directors are in the position to give orders and expect them to be obeyed, and on the other hand the staff authority, which is the power to support, assist, advise or even express feeling to the directors is low, in other word staffs are not encouraged to empower.

There is only one word ‘culture’ that can be used to explain in to the way ABC had been structured and the way management continue to run the business the way it has been ran for two decades. ABC has together two cultures: the Chinese culture, and the Thai culture. The former culture is dedicated to the management team; all the directors were raised from Chinese family background where hard working and spend money thoughtfully were the two main principals of the family. Furthermore, the Chinese culture believes that there is no one but themselves and the family can only be trusted, which unfold the way company is structured, the way that there is no one but the family to be responsible for each function. Secondly, the Thai culture, the span of wealth among the Thai people in the past was large. Majority of the Thai people were not wealthy enough to get themselves educated (insufficient formal education) unlike the wealthier and fortunate some. Due to the following reasons employees or the line staffs were given very little to none empowerment, which is the ability to make decision base on the level of their work and very little authority and responsibility.

3.1.3 Nature of the Company

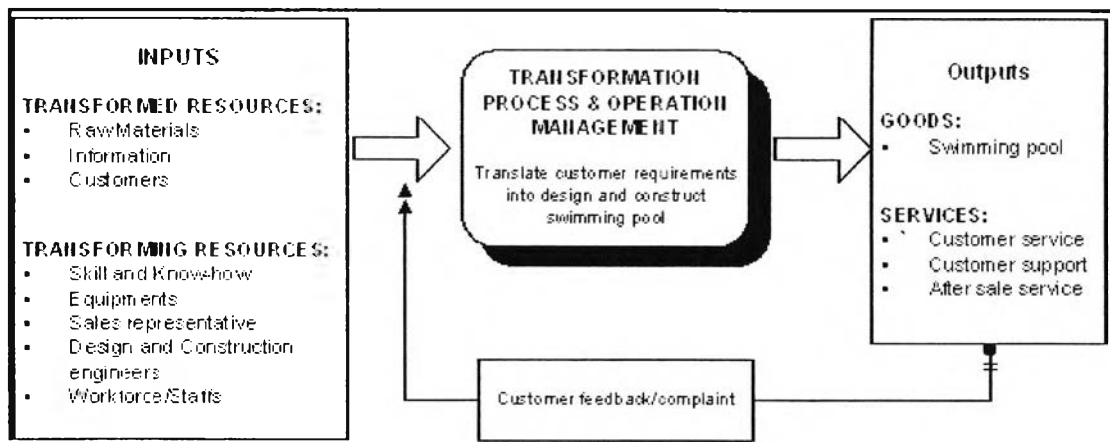


Figure 3.2 - Reproduction of Input-Transformation-Output Model for ABC co., Ltd

Reproduction of Theory 2.8 Operation Management in Chapter 2

The input-transformation-output model above encapsulates ABC as a whole. From the bigger picture above the nature of the business can be summarised by these three major functions (activities):

1. First, is the **SALE** function – this activity involves great negotiation skill of sales representative to initiate the sale through customers in order to be able to sell the products (customer hunt) or even to win bid for a project.
2. Second, is the **DESIGN-PRODUCTION** function – often the engineers are more familiar with the term “design-to-manufacture” this stage is exact that. The designing and building process of the swimming pool.
3. Third, is the **SUPPORT** function – other words this is after sale service function that involves the support from technician to maintenance, cleaning, fixing equipments, which also includes routine programme to look after swimming pool for the customers who required the service.

There are altogether four scenarios to ABC current transformation process (Product Development Process):

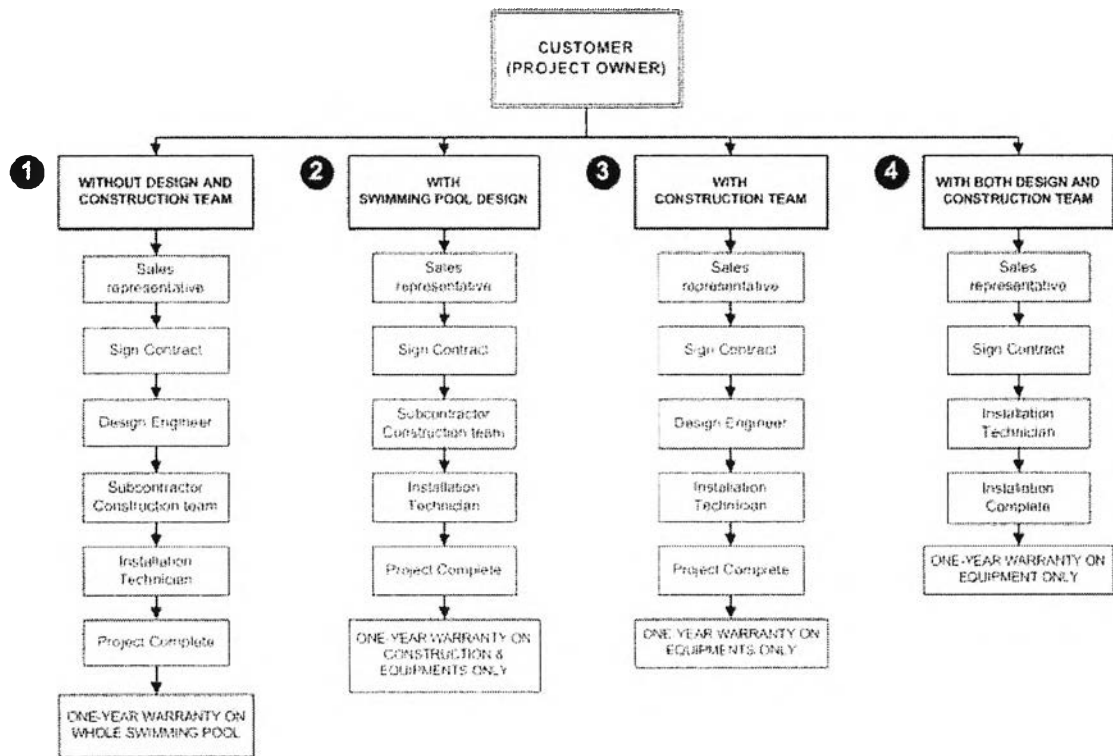


Figure 3.3 - Four scenarios

1. First scenario is when the customers comes without having any solution to their perception of a swimming pool and thus usually rely on company's experience to recommend suitable type, size, specification of a swimming pool to suit ones needs. Some customers often come to the company knowing nothing but a glimpse idea of their dream pool and where they wanting it, but apart from that it is all company's work. The company send in engineers to inspect to see whether or not the area is suitable for a swimming pool there. Customers in this scenario is entitle to one year warranty period against the whole swimming pool system concerning design, construction and equipment.

2. Second scenario is when the customers come to ABC having in hand the blue print of the swimming pool but needed expert in construction team and installation technician. In this case the company provide the customer necessary construction team together with technician to design, handling and install water pipeline and equipments. However, customers are entitled to one-year warranty for construction and equipments only.
3. Third scenario is very much similar to scenario 2. where the customer has their own construction engineers but short of experienced design engineer to design the swimming pool and system. At the end of the day customers are entitled to only one-year warranty on equipments.
4. Four scenario is when the customers come complete with both the blue print of the design and construction team, in this case all the customers needed is necessary swimming pool equipments such as water pump, filter, lighting, and other accessories, which they also needed professional system engineer to install those equipments for. Again customers are entitled to one-year warranty made against fault equipments.

3.2 Nature of the Product

ABC defines the term 'product' in twofold:

1. **1st Definition** – ABC's main good is the actual swimming pool, and along with other tangible equipment such as filtration machine, water pump, as well as chemical substances e.g. chlorine, and anti-algae.
2. **2nd Definition** – this type is referred to as intangible and is dedicated to service, ABC provides service to the customer by mean of pool keeping, maintenance, and technical support e.g. water treatment service.

3.2.1 Type of Swimming Pool

There are two types of swimming pool:

1. **Concrete type** – custom made swimming pool to specific design, size, shape and characteristic base entirely on customer demand. In spite of high price the concrete type is more popular than the fabricated pool because it is more durable. However, this is not to say that concrete swimming pool is perfectly flawless, although it should be but unfortunately the statistic has shown otherwise.
2. **Vinyl lining type** – fabricated swimming pool is more like a ready made swimming pool. however, the only constraint is the standard size and shape available by the company. Despite shorter installation time the vinyl lining swimming pool is by far more fragile than the concrete type, because vinyl although thick and has elastic property but it is sensitive to sharp objects.

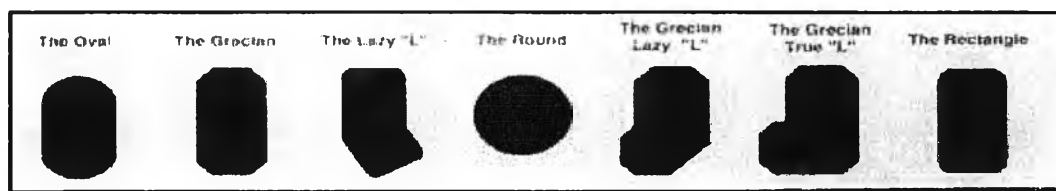


Figure 3.4 - Choice of seven platforms on Vinyl pool type



3.2.2 Product Detailing

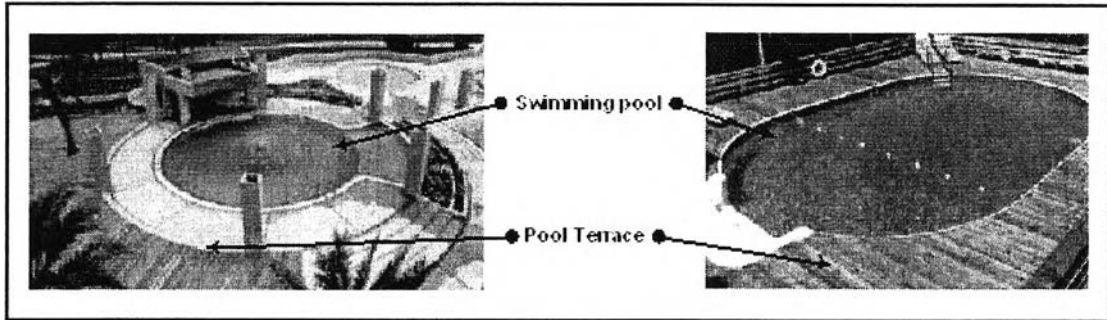


Figure 3.5 – Elements of swimming pools structure

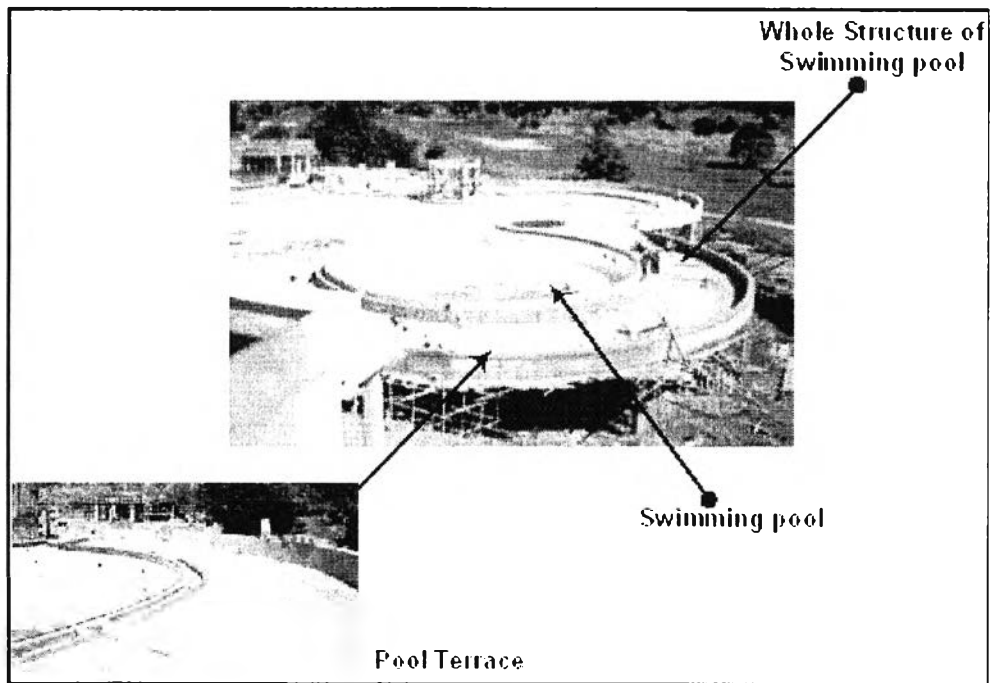


Figure 3.6 - Whole structure of a swimming pool and terrace, while under construction

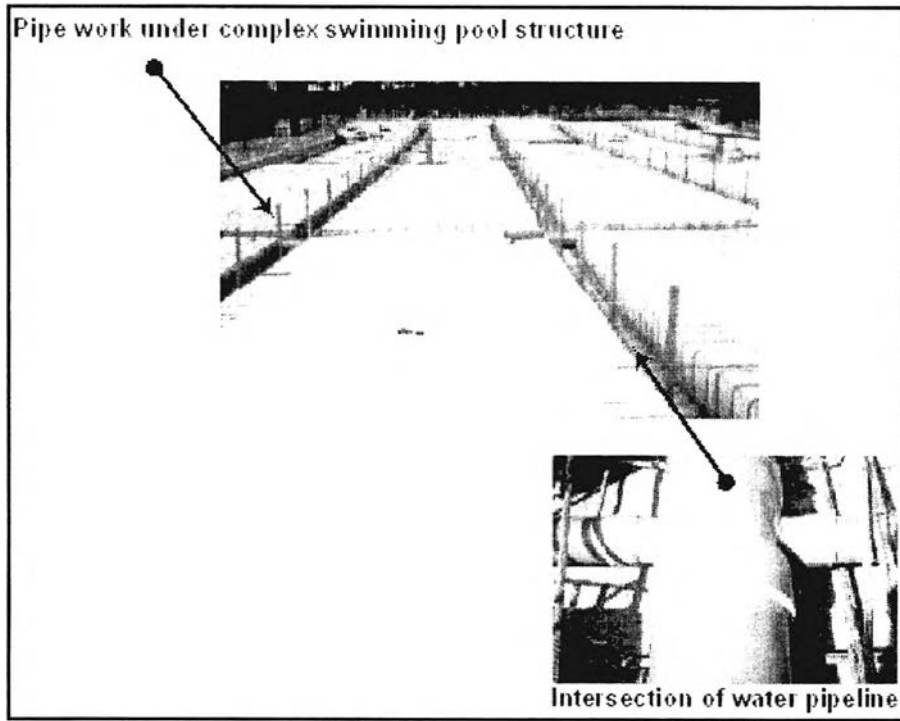


Figure 3.7 - Pipe work of a swimming pool structure

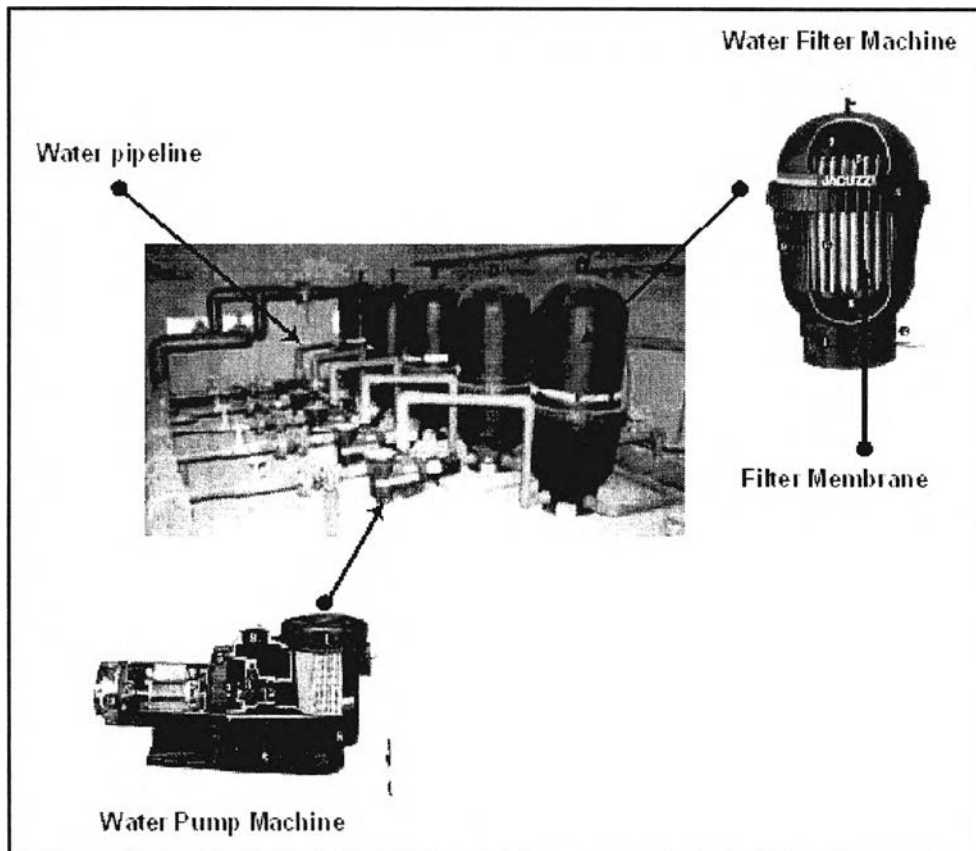


Figure 3.8 – Equipments: Machine system

3.2.3 Product Warranty

It would be necessary for every customer to sign a contract in acknowledgement to specific terms and conditions before proceeding to the next stages as shown in Figure 3.3 above. Terms and conditions relating to warranty period are specified in the contract at clause 5.

Clause 5: ABC is made responsible against the construction and equipments (except for filter membranes, light bulbs, and any electrical appliances) for the period of one-year starts from the day customer complete the payment terms and sign for receiving the swimming pool. Furthermore, the company is not liable to warranty for the fault of the construction and/or equipments that were caused of wrong act; treatment; mistreated; inappropriate handling; and etc by the buyers.

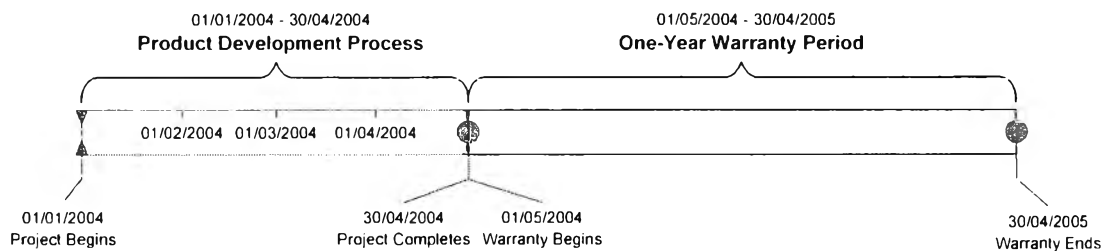


Figure 3.9 - Product Development Process and Product Warranty sample Time Frame

3.3 Analysis on Current Situation

Author employs Kano model in helping analyse and determine company's current situation.

3.3.1 Kano Model Analysis

Purchasing is very much a process rather like an investment because whenever the buyers spend money on a particular product or service they have the right to expect all its primary functions to work perfectly or to be served for a task. The expectation and interpretation of this kind can be categorised into three different perspectives exactly like the Kano's model.

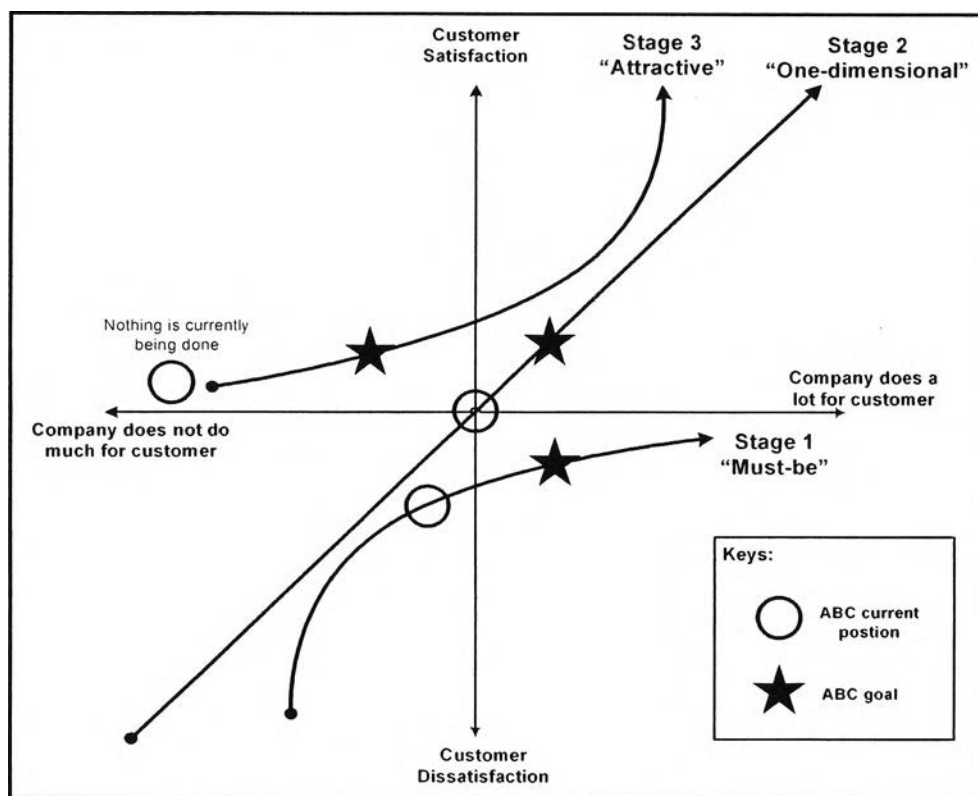


Figure 3.10 - Reproduction of Kano model representing ABC's current situation

1. “Must-be” Attribute

Author chooses to deal with “Must-be” attribute before the rest because of its priority among other attribute. This attribute is as straight forward as it reads, must be. All of the customers in the back of their mind required, with or without realising, something in return from the product or service that was paid for. Such requirement can be nothing more than to expect for the entire product’s features to fully function according to its specification and in case of service scenario customers expect to be served. If the product or service is unable to perform its entire primary function that customers bought it for, customers would most certainly dissatisfied because they are not getting their money’s worth.

Take ABC for example. prior any users became customer of ABC co., ltd, each of which would have done much thinking and gone through several comparisons against other companies’ base on price, quality, reliability and service issues. Of all the customers who have done enough price comparison will know that ABC is nowhere near as price competitive as other companies. Author wonders, why it is that customers choose ABC as the solution for swimming pool despite premium pricing. As is already mentioned, customers do not usually make decision base on the price issue, in fact there are a few other considerations such as quality, trust, reliability, service and other areas that are of most concerned by the buyer. Occasionally, customers are prepared to pay higher in exchange for a little more of fulfilment and a sense of security, which is exactly why customers choose ABC. The fact that ABC has been around for more than two decades together with the use of only well-known equipments, these factors became psychologically persuasion reassuring customers to thinking that ABC is the solution for them and usually when this happened customer merely concern on the price issue. Having gone through long winded thinking, comparing and decision making, customer finally end up with ABC and when they do so they expect nothing but to have a perfect swimming pool that will be able to perform its primary tasks well. In other words, customers do not expect the swimming pool to play them up by containing faults or problems especially when paid at premium price. The expectation is the logical basis of this “must-be” attribute.

Author has already spent a few paragraphs trying to clarify the principal of must-be attribute to the reader by going through characteristic of the attribute. A perfect must be situation would be to deliver flawless swimming pool that will meet customers’ primary

expectations and thus fulfil basic satisfaction, as represents in the figure above on “must-be” attribute curve by the star symbol. However, it is a different story in reality, after a few months of usage some customers begin to experience a few problems with the swimming pool and so it seems that ABC lives by the phase “*nothing is perfect*” because of the company’s inability to deliver flawless product to the customers, which explains ABC current positioning on the “must-be” attribute curve (marked in circle). The fact that swimming pool contained problem(s) is the reason for the circle to be shifted to the left of the curve (disappointing performance), thus customer dissatisfied because their primary requirement is not fulfilled resulted in the circle being lower towards the bottom of the curve (customer dissatisfaction).

Scope of this thesis (Area under investigation)

Below show a typical time line for Product Development Process and One-Year Warranty Period (also refers to Figure 3.3 for more details on the Product Development Process). Please note that all the dates specified in the figure below have been made up only for the purpose to give the readers a sense of typical time base for home project (size 6x12 metres) to complete, which usually take around 3-4months to complete and then one-year warranty period. Problems are often found/begin to show up at any point in time within the one-year warranty period, it could be early, half way or even closer to the end of the warranty period. Author will focus the attention of this thesis to the problems that usually occurred during the warranty period, as marked in the figure below by dotted line.

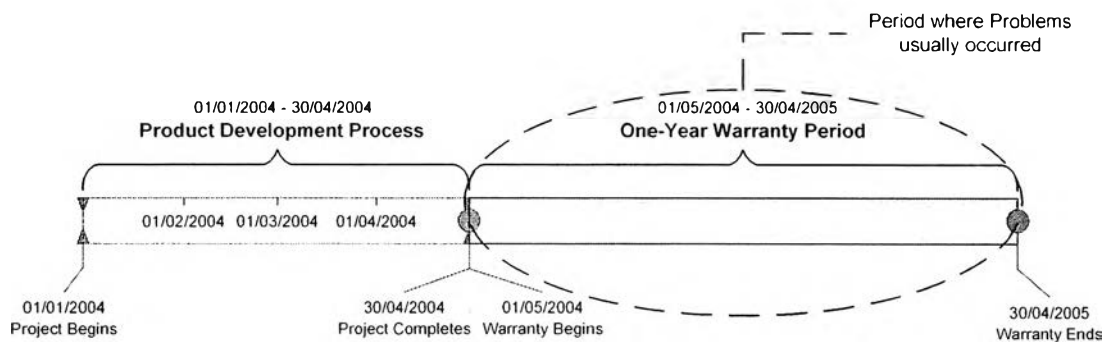


Figure 3.11 - Area under Investigation

Through a talk with head of the technician, author is able to come up with the following list of problems that customers had experienced over the past 7-years.

a. Problem with the swimming pool Structure:

- Swimming pool structure tear apart
- Crack in the structure and water leakage
- Crack found on the concrete surface but no leakage
- Cracking of the terrace
- Sagging of the terrace
- Swimming pool structure sag/collapse
- Swimming pool built to the wrong dimension or shape

b. Problem with the Water pipeline:

- Water leakage
- Water blockage

c. Problem with the Equipment:

- Filter machine breakdown or faulty
- Water pump machine breakdown or faulty

d. Problem with the Finishing of the swimming pool:

- Floor tile fall off
- Floor tile crack and break
- Floor tile is not laid down perfectly
- Uneven floor
- Imperfect equipments fitting e.g. lighting, gating etc
- Sharp edges found
- Water in the swimming pool not clean and clear

2. “One-dimensional” Attribute

Author sees “one-dimensional” attribute as add-ons dimension to the basic requirements in the “must-be” attribute. The concept of “one-dimensional” attribute is given by the following formulae customer satisfaction is directly proportional to functionality. Meaning that the more functions or features a product or service has to offer the more customers are satisfied with the product or service.

There is one way that ABC would be able to increase in the numbers of satisfying customer in “one-dimensional” attribute is to offer product with more functions than what the customer expected to receive. So how could a product such as swimming pool be able to offer customers more functionality? One way that ABC could offer more personality (features) to the swimming pool for the customers, which would certainly satisfy them through additional features such as fountain, waterslide, springboard, wave machine, Jacuzzi, and several other, however all the features mentioned come at an extra cost. Therefore whether or not customers will be more satisfied with these extra features is really down to one factor and that is the affordability of individual customer since they are in charge of their own budget. Another way to put this is that, it is really the customers who control their own satisfaction and they do so by adding more features to their pool. However, what ABC can do for the customers is to continuously in search for more exciting new features for the swimming pool in order to constantly entertain the customers by pushing them to the next satisfying threshold.

According to the above statement customers shall be more satisfied provided that they have enough money to spend on functions. While the company is more concerned on customer satisfaction on the basis of functionality, the issue that company should really focus on in this “one-dimensional” attribute is: what, in term of value-added, has ABC to offer to the customers beside the product they paid for. Beside special treat that customers are offered by the sales representative customer dealt with, the company offers one-year construction and equipment warranty (depends on the scenario refer back to subsection 3.13 Nature of the company, figure 3.3) to the customers, customer training by technician on the use and handling, and that is pretty much everything that the company offers. This explains why the circle (ABC current position) is situated on the origin of the axis because that is about as high as customers can be satisfied on a deal they got from ABC.

3. “Attractive” Attribute

The third and the final attribute is “Attractive” author defines this simply as a surprise attribute. What else is needed besides what has already been done in both the previous attributes “must-be” and “one-dimensional”, in order to really satisfy customers or even to possibly delight them. As can be seen from the figure 3.10 that ABC current position on the “Attractive” attribute line is not located anywhere on the line, which is a realistic positioning since author knows that the company presently not doing anything in attempt to delight customers. Therefore, another important task that the company must undertake is to upgrade the service in order to delight customers and situate the company anywhere at all on the “attractive” attribute line. This is important because the market has recently become very competitive indeed.

Above all, Kano model analysis, capsule and enable the company to visualise company’s own achievement under three attributes, which are illustrated on the diagram. From the analysis the company knows roughly where they are on the line of attribute and where they want to be (goal), which allow them to work towards the goal. All the three attributes are the concern for ABC and yet to be improved; one being the “must-be” and the second is the “one-dimensional” and third the “attractive” attribute. The main task that ABC must do to satisfy customers in “Must-be” attribute is to reduce problems possibly to none in order to deliver swimming pool that is up to customers’ expectation. Secondly, ABC must be able to offer customers value added to the purchase that would further satisfy customers. Thirdly, ABC is to somehow delight customers through servicing in order for the company to stay competitive among other existing and new rivals, who are competing heavily against each other on service.