GL BAJAJ Institute of Management & Research Greater Noida
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Roll No……

# POST GRADUATE DIPLOMA IN MANAGEMENT (2024-26)
# MID TERM EXAMINATION (TERM -IV)

Subject Name: **Service Operations Management** Time: **01.00 hrs**
Sub. Code: **PG042** Max Marks: **20**

**Note: Read the following case and answer the following questions: 10×2 = 20 Marks**

**Kindly write the all the course outcomes as per your TLEP in the box given below:**

**CO1-** To define and understand the main theoretical and conceptual frameworks of Service Operations. (**L2,L1)**
**CO2** To apply the Knowledge and understanding of the key operational levers that can be applied to the management of service operations and the proactive management of customer experience. (**L3, L4, L6)**
**CO3-** To demonstrate an understanding of role of strategic operations planning and skill in constructing and optimizing a strategic operations plan. **(L4,L5)**
**CO4-** Demonstrate practical and analytical skills with use of information communication technology tools and techniques pertaining to the management of transaction-based service processes. (L4,L6)

**Case Study:1 Transforming Hospitality: The Operations Strategy of LuxStay Hotels**
**Introduction CO1**

LuxStay Hotels, a mid-sized chain of boutique hotels founded in 2015, operates in major urban centers across Europe and North America. Starting with just three properties in London, the company has grown to 45 locations by 2025, catering to business travelers and leisure seekers who value personalized, tech-integrated experiences. In the highly competitive hospitality industry, LuxStay's success hinges on its service operations strategy, which emphasizes agility, customer-centricity, and sustainability. This case explores the nature of service operations at LuxStay, its strategic framework, and how the value chain model is applied to deliver superior value, aligning with core theoretical concepts in service operations management.

**The Nature of Service Operations at LuxStay**

Service operations differ fundamentally from manufacturing due to their inherent characteristics, often summarized by the IHIP framework: Intangibility, Heterogeneity (variability), Inseparability, and Perishability. At LuxStay, services are intangible—guests purchase experiences like comfort, ambiance, and hospitality rather than physical products. For instance, the "Signature Welcome" ritual, where staff greet guests with personalized amenities based on pre-arrival data, creates an emotional connection that can't be touched or stored.

Heterogeneity arises from the human element; each interaction varies depending on staff performance and guest expectations. LuxStay mitigates this through rigorous training programs, but challenges persist, such as during peak seasons when staff fatigue leads to inconsistent service quality. Inseparability means production and consumption occur simultaneously—housekeeping can't prepare a room without the guest's absence, and front-desk interactions happen in real-time. This demands seamless coordination, as delays in check-in can ruin the entire stay.

Perishability is evident in unsold rooms; an empty suite on a Tuesday night represents lost revenue forever. LuxStay addresses this with dynamic pricing algorithms that adjust rates based on demand forecasts, ensuring high occupancy rates averaging 85%. These characteristics underscore the nature of service operations: they are people-intensive, demand-driven, and reliant on real-time execution, making strategic planning essential for competitiveness.

**Service Operations Strategy: Aligning for Competitive Advantage**

Service operations strategy involves the long-term planning of resources, processes, and capabilities to support overall business goals. At LuxStay, this strategy is built on three pillars: differentiation through technology, operational efficiency, and sustainability. Drawing from Hayes and

Wheelwright's framework, LuxStay positions itself at Stage 4—world-class operations—where operations drive strategy rather than merely supporting it.

The strategy's nature is proactive and adaptive. In 2020, amid the COVID-19 pandemic, LuxStay pivoted from traditional hospitality to "contactless stays," integrating AI-driven apps for virtual check-ins, room controls, and personalized recommendations. This not only reduced costs by 15% through automation but also enhanced guest safety, boosting satisfaction scores to 4.8/5 on review platforms.

The strategy emphasizes trade-offs, as per Skinner's model: LuxStay prioritizes quality and flexibility over low cost, charging premium rates for bespoke services like curated local experiences.

Moreover, the strategy incorporates servitization—blending products with services. For example, LuxStay partners with local artisans for in-room amenities, turning a standard stay into a cultural immersion. This holistic approach ensures operations are not siloed but integrated with marketing and HR, fostering a culture of continuous improvement via Kaizen-inspired feedback loops from guests and staff.

**Applying the Value Chain in Service Operations**

Michael Porter's value chain, adapted for services, provides a conceptual framework to analyze how LuxStay creates value. In services, the chain focuses more on information flows and human interactions than physical logistics.

**Primary Activities:**

Inbound Logistics: In a service context, this involves procuring inputs like supplier partnerships for linens, food, and tech infrastructure. LuxStay uses just-in-time sourcing from eco-friendly vendors, reducing waste and ensuring fresh amenities.

Operations: The core service delivery, including front-of-house (reception, concierge) and back-of-house (housekeeping, maintenance) processes. LuxStay employs lean operations, with RFID tracking for inventory and predictive analytics to staff shifts optimally, minimizing wait times.

Outbound Logistics: Post-service follow-up, such as email surveys and loyalty rewards. LuxStay's app sends personalized thank-yous and offers discounts for future bookings, encouraging repeat business.

Marketing and Sales: Digital campaigns target niche segments via social media and SEO. The strategy leverages user-generated content, like guest photos, to build authenticity.

Service: After-sales support, including complaint resolution. LuxStay's 24/7 chatbots and dedicated resolution teams achieve 95% resolution within 24 hours.

**Support Activities:**

Procurement: Negotiating with global suppliers for sustainable materials, aligning with the company's green ethos.

Technology Development: Investing in IoT for smart rooms (e.g., voice-activated lights) and data analytics for demand forecasting.

Human Resource Management: Recruiting diverse talent and providing ongoing training in emotional intelligence, crucial for service variability.

Firm Infrastructure: Overarching systems like ERP software for integrated operations and a sustainability dashboard tracking carbon footprints.

Through this value chain, LuxStay achieves a competitive edge. For instance, integrating technology across activities reduced operational costs by 20% while increasing guest loyalty. However, challenges emerged in 2023 when a cyber-attack disrupted the app, highlighting vulnerabilities in the tech-heavy chain. LuxStay responded by enhancing cybersecurity, turning a weakness into a strength.

Challenges and Future Outlook

**Questions**

1. Discuss how LuxStay Hotels leverages the IHIP framework (Intangibility, Heterogeneity, Inseparability, Perishability) to address challenges in its service operations. Provide specific examples from the case for each characteristic and explain how the company’s strategies mitigate associated risks.
2. Analyze how LuxStay Hotels integrates technology as a key component of its service operations strategy to enhance both operational efficiency and guest experience.

**Case Study 2: Global Shift: TechNova's Outsourcing and Offshoring Strategy Introduction CO2**

TechNova Inc., a mid-sized software development company headquartered in Silicon Valley, California, was founded in 2008. Specializing in enterprise resource planning (ERP) systems for small and medium-sized businesses, TechNova grew rapidly, reaching $150 million in annual revenue by 2020. However, escalating operational costs, talent shortages, and competitive pressures from global players prompted the company to explore outsourcing and offshoring. This case examines TechNova's strategic shift, highlighting the distinctions, benefits, challenges, and outcomes of these practices, while aligning with key concepts in global operations management.

Understanding Outsourcing and Offshoring

Outsourcing involves delegating non-core business functions to external providers to leverage expertise and reduce costs. It can be domestic (onshore) or international. Offshoring, a subset of outsourcing, specifically relocates processes to foreign countries, often to capitalize on lower labor costs, tax incentives, or skilled workforces. For TechNova, outsourcing meant contracting third-party vendors for specific tasks, while offshoring involved establishing or partnering with overseas operations.

In 2021, amid post-pandemic recovery, TechNova faced rising U.S. labor costs—average developer salaries exceeded $120,000 annually—and delays in hiring due to a domestic tech talent crunch. The company decided to outsource its customer support and IT helpdesk to a U.S.-based firm, CallTech Solutions, for onshore efficiency. Simultaneously, it offshored software development and quality assurance to Bangalore, India, through a partnership with Infosys, a global IT giant. This dual approach aimed to cut costs by 30-40% while maintaining quality.

The Decision-Making Process

TechNova's leadership conducted a thorough cost-benefit analysis using frameworks like the Transaction Cost Economics (TCE) theory, which weighs make-or-buy decisions based on asset specificity, uncertainty, and frequency. High-frequency, low-specificity tasks like routine customer queries were ideal for outsourcing. For offshoring, the company applied the Location-Advantage framework from Dunning's Eclectic Paradigm, selecting India for its abundant STEM graduates (over 2.5 million annually), English proficiency, and time zone advantages for 24/7 development cycles.

The strategy was phased: First, outsourcing customer support to CallTech, which handled 80% of inquiries via phone and chat, freeing TechNova's internal team for complex escalations. This domestic outsourcing ensured cultural alignment and data security compliance with U.S. regulations like GDPR and CCPA. Offshoring development involved transferring 60% of coding and testing to Infosys's Bangalore center, where costs were 60% lower ($40,000 average salary). TechNova retained core activities like R&D and strategic planning in-house to protect intellectual property.

Implementation and Benefits

Implementation began with vendor selection through RFPs (Requests for Proposals), emphasizing SLAs (Service Level Agreements) for performance metrics like response time (under 2 minutes for support) and bug-fix turnaround (24 hours for development). Training programs bridged knowledge gaps, with TechNova's engineers conducting virtual sessions for offshore teams.

Benefits were multifaceted. Cost savings exceeded projections: Outsourcing support reduced overhead by 25%, while offshoring development saved $5 million annually. Productivity surged due to round-the-clock operations—U.S. teams handed off tasks at end-of-day for overnight progress in India. Quality improved, with defect rates dropping 15% thanks to Infosys's agile methodologies. Additionally, offshoring diversified TechNova's talent pool, fostering innovation through cross-cultural ideas, such as incorporating AI-driven features inspired by Indian market trends.

From a strategic viewpoint, this aligned with the Resource-Based View (RBV) theory, allowing TechNova to focus on core competencies like innovation while accessing external resources. Revenue grew 20% in 2023, partly from faster product releases enabling market expansion into Asia.

Challenges and Mitigation

Despite successes, challenges emerged. Cultural differences in offshoring led to communication barriers; for instance, indirect feedback styles in Indian teams caused initial misunderstandings. TechNova mitigated this with cultural sensitivity training and tools like Slack and Zoom for real-time collaboration.

Data security risks were prominent in offshoring, with a minor breach attempt in 2022 highlighting vulnerabilities. The company responded by implementing VPNs, encryption, and regular audits. Outsourcing to CallTech faced dependency issues when a staffing shortage at the vendor delayed responses, prompting TechNova to diversify with a secondary provider.

Economic fluctuations, such as India's rising wages (up 8% annually) and U.S. inflation, eroded some cost advantages. Political risks, including U.S.-India trade tensions, added uncertainty. TechNova addressed these through flexible contracts with exit clauses and scenario planning.

Conclusion and Lessons Learned

By 2025, TechNova's outsourcing and offshoring strategy had transformed it into a leaner, more global entity, with operations spanning continents and revenue hitting $250 million. This case illustrates how outsourcing provides quick scalability, while offshoring offers long-term cost and talent benefits, but both require robust risk management. Key lessons include the importance of vendor partnerships, cultural integration, and continuous monitoring to sustain advantages. In an era of globalization, such strategies are essential for competitiveness, but they demand ethical considerations like fair labor practices to avoid backlash.

**Questions:**

1. Discuss the key benefits and challenges TechNova faced in implementing its offshoring strategy to India, and explain how these align with theoretical frameworks such as the Eclectic Paradigm or Resource-Based View.
2. Analyze how TechNova differentiated between outsourcing and offshoring in its operations, providing examples from the case, and evaluate the impact of these decisions on its overall cost structure and

competitive advantage.

**Kindly fill the total marks allocated to each CO's in the table below:**

| COs | Marks Allocated |
|---|---|
| CO1 | 10 Marks |
| **CO2** | 10 Marks |

**Blooms Taxonomy Levels given below for your ready reference:**
**L1= Remembering**
**L2= Understanding**
**L3= Apply**
**L4= Analyze**
**L5= Evaluate**
**L6= Create**