

CASES IN MANAGEMENT, ORGANIZATIONAL BEHAVIOR AND HUMAN RESOURCE MANAGEMENT



Fifth Edition



Randall S. Schuler
Paul F. Buller

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Preface

Cases in Management, Organizational Behavior, and Human Resource Management, Fifth Edition, was written to provide a single, comprehensive source of a variety of cases that have proven useful in many management, organizational behavior, and human resource management courses. As with the Fourth Edition, this casebook contains several “classic” cases such as “Dick Spencer”, “Dowling Flexible Metals”, “The Luggers Versus the Butchers”, and “Peoples Trust Company”. It also contains twenty-one new cases, many of which depict recent events at well-known companies. In total, this edition contains forty-six cases that we think provoke student interest and that you may find appropriate to use as a single text for a management, organizational behavior, or human resource management course taught entirely by the case method, or as a supplement to a textbook in one of these fields.

The cases involve a wide variety of organizational settings, from non-profit to service to manufacturing, from relatively small, entrepreneurial companies to large multinationals. Although we have categorized each case into a major section of management and organizational behavior by topic, many of the cases can be used flexibly to address other topics. As shown in the Instructor’s Manual that accompanies the 5th Edition, nearly every case involves multiple management, organizational behavior and human resource management topics that can be analyzed and discussed. The cases included in this book can be analyzed by students having relatively little academic background and experience in management, organizational behavior, and human resource management as well as by those having extensive background and experience in these areas. Therefore, this casebook should be appropriate for all levels of management, organizational behavior, and human resource management courses, not just in business administration, but also in hotel administration, public administration, and other areas of administrative science.

This Fifth Edition of *Cases in Management, Organizational Behavior, and Human Resource Management* differs from the Fourth Edition in several respects. First, we have included twenty-one new cases. In doing so, we have added more comprehensive cases (e.g., “The Lincoln Electric Company” and “XEL Communications”), and more cases involving current topical issues such as globalization (e.g., “Using Leadership to Promote TQM”), ethics (e.g., “Salomon Brothers”), and managing diversity (e.g., “Managing Workforce Diversity: People-Related Issues at the Barden Corporation”). Second, we have added a number of cases involving well-known companies (e.g., “Apple Computer”, “Nordstrom”, “American Express”, and “Wang/Microsoft”) to stimulate students’ interest and involvement. Third, we have deleted a number of outdated cases in order to keep the casebook relevant and of reasonable length. Fourth, this edition has a new organization to better reflect current topics and issues of importance in management, organizational behavior and human resource management. For example, eleven cases involving international organizations and issues have been placed throughout the various sections of the book rather than in a separate section to better reflect the importance of globalization in all aspects of management, organizational behavior and human resource management.

A great many colleagues have been especially helpful to us in the preparation of this casebook. Several sent us some of their favorite cases and others made invaluable suggestions about the content of the book and the instructor’s manual. We are most grateful to those individuals who provided us with their cases: Susan E. Jackson, Hrach Bedrosian, Allan Bird,

and Suresh Kotha, New York University; Murray Silverman, San Francisco State University; Margaret E. Fenn, University of Washington; Jan P. Muczyk, The Cleveland State University; D. Jeffrey Lenn, George Washington University; Alan Hoffman, Bentley College; Robert P. McGowan and Cynthia V. Fukami, University of Denver; Vladimir Pucik, Nina Hatvany, and Craig C. Lundberg, Cornell University; Floyd G. Willoughby, Oakland University; Peter G. and Lynda L. Goulet, University of Northern Iowa; Jeffrey A. Barach, Tulane University; Dan Dalton, Indiana University; James C. Conant, California State University-Fullerton; Arthur D. Sharplin, McNeese State University; Joe Martocchio, University of Illinois; Jerome H. Laubenstein, Aid Association for Lutherans; and Asbjorn Osland, George Fox College.

Special thanks go to Susan Schneider for providing us with several international cases she has developed. We also want to give special recognition to Richard D. Freedman and his colleagues at New York University for providing us with a number of high quality cases. Our appreciation also goes to Richard L. Daft and Kristen Dahlen for graciously providing the section on the use and application of cases.

The cooperation and assistance by the following publishers were also greatly appreciated: Elsevier Science; Kluwer Academic Publishers; Center for Professional Education, Arthur Andersen & Company; Case Development Center, University of Minnesota; Prentice-Hall, Inc.; North American Case Research Association; and West Publishing Company.

Finally, we wish to thank those with whom we have worked most closely during this project and who provided us with invaluable encouragement and support. Our editors, Sharon Adams Poore and Esther Craig, provided essential assistance from the very beginning to the very end. Kathy Rogers, Permissions and Rights Editor at West Publishing Company was also very helpful. We also thank Sandy Hank at Gonzaga University for her assistance in preparing the Instructor's Manual.

We hope that you will enjoy the 5th Edition of our casebook, and trust that you will find it useful in teaching management, organizational behavior, and human resource management. We welcome any comments and suggestions that will help us continue to improve the product.

RANDALL S. SCHULER
PAUL F. BULLER
June 1995

Guide to Case Analysis*

Students of biology, chemistry, and the physical sciences learn their fields through practicing and experimenting with theories and materials in the laboratory. As a student of organizational behavior and management, your laboratory will exist in the case problems and experiential exercises presented in this book. The cases and exercises provide the opportunity to experiment with real organizations in the classroom setting.

Management or organizational behavior, like any field, can be learned at three different levels: memorization, understanding, and application. Memorization is the lowest level of learning and involves the simple recitation of facts and simple concepts. Understanding involves deeper learning. It includes the ability to deal with relationships among concepts and to deal with concepts in different contexts. Application is the highest level of learning. Concepts have to be very well understood to apply them to the real world. Mastery of concepts sufficient to solve problems or to diagnose real organizational situations is a significant accomplishment. Learning to understand and apply concepts can be effectively and pleasantly accomplished through case study.

Cases and exercises do not replace the textbook and lectures. The management and organizational behavior textbooks, readings, and/or lectures provide a theoretical background. The material in this casebook is a supplement; it extends the learning process to the real world. The goal of studying management and organizational behavior with cases is to enable you to apply what is taught from a textbook to a real situation, a reconciliation of theory with life. Managers use theories and models in their day-to-day management of organizations. Often these models are intuitive and implicit. Sometimes they are explicit, just as in management textbooks. Whatever the nature of the theory or model they use, managers must react to situations relying on past experience and acquired skills to analyze and assess the issues and arrive at a solution. Case study develops your skill in analyzing problems and generating solutions based on your understanding of the theories and models of organization processes and behavior.

This book contains a variety of case materials and experiential exercises. The cases can be categorized by the educational objective of the instructor and the role of you, the student. The two educational objectives and the associated learning processes are summarized in Exhibit 1. The first type of case learning is theory application/illustration. In this type of case the problem or issue outlined in the situation has usually been solved, and it is your responsibility to analyze the outcome and its consequences. Cases selected for this type of analysis may not emphasize any problem, but present real-life situations that can be used to explain and illustrate theories and models of management and organizational behavior. The facts in the case may be focused toward specific theories, but seemingly irrelevant material will also be included. Sometimes you will be asked to evaluate the solution in the case and to propose an alternative solution if necessary. The second type of case educational objective is problem analysis. Cases used for this objective may be relatively complex. Your role will be to analyze and interpret the situation. You will have to sort out the facts of the case, determine the

*Reprinted from *Organizational Theory: Cases and Applications* by Richard L. Daft and Kristen M. Dahlen ©1984 by West Publishing Co. Reprinted with permission.

cause-and-effect relationships, and design a solution and plan for implementation. The primary goal is to solve the problem. The illustration of theories and models is not the primary goal of the case, but theories and models will be used to help identify alternatives and justify your solution.

<i>Learning Focus</i>	<i>Theory Application/Illustration</i> 1. Understand concepts 2. Develop skill in use of concepts	<i>Problem Analysis</i> 1. Develop skill in identifying and analyzing problems 2. Develop skill in designing solutions and plans for implementation.
	<i>Learning Procedure</i> 1. Identify examples of theories through relationships in case. 2. Determine inconsistencies with theory. Use concepts to evaluate behavior and predict outcomes.	1. Gather and interpret relevant facts, diagnose critical problems. 2. Use concepts to develop and support a solution and plan of action.

Exhibit 1. The Educational Objective and Learning Processes Associated with Case Analysis

Another approach to learning management and organizational behavior is through experiential exercises. Experiential exercises engage you directly in the material. Cases require intellectual analysis of an external situation. By contrast, you become an ongoing participant in the situation when you are involved in an exercise. Experiential exercises require intellectual involvement and critical thinking, but are designed to also engage your real-life experience in the analysis. You are required to become involved in a situation, either in terms of an assigned role or as a participant observer. After the exercise is completed, the skills you will use to interpret your experiences are similar to those used with other case studies: problem analysis skills help you separate cause from effect and arrive at timely solutions, and theory application skills require you to recognize concepts and relationships in the context of the situation. A few of the exercises require role-playing in which individuals will be assigned specific identities within an organization situation. You will have the opportunity to test your analytical and conceptual skills in responding to your role and in discussing your interpretation of the unfolding drama.

As you develop your analytical and conceptual skills through cases and exercises, you will be able to master the understanding and use of personnel and human resource management. Many of the cases combine more than one objective. A specific case might be used to practice the application of theory, or to engage you in the identification and solution of the problem. Exercises can also be approached through problems to be solved or the application of theories and models. For any of these materials to enrich your learning experience requires your involvement. An integral part of the learning process is your commitment to preparing the analysis or application and becoming involved in class discussion. Remember, the cases serve a dual purpose: to develop your skills in problem solution and to increase your ability to apply

theory to real situations. To assist you in achieving these learning objectives, we suggest the following steps as a guide to get you started.

Theory Application/Illustration

This casebook is intended to be used in conjunction with a textbook or a collection of readings that defines and outlines theories and models of organization. In studying the theories of personnel and human resource management, the cases enable you to see examples of the dimensions and relationships within the theories to be used when solving real problems. Applying theory to the case gives you a deeper understanding of how the theory works in the real world. Theory application enables you to relate the facts of the situation to theoretical prediction about processes. The cases and exercises provide you with practice in testing theories from your textbook or readings against the real world.

The application of theories and models to cases is an art that has to be developed through practice and creativity. The framework presented in Exhibit 2 illustrates the three steps required to move you through the process of theory application. The basic elements are identification, relationships, and inconsistencies.

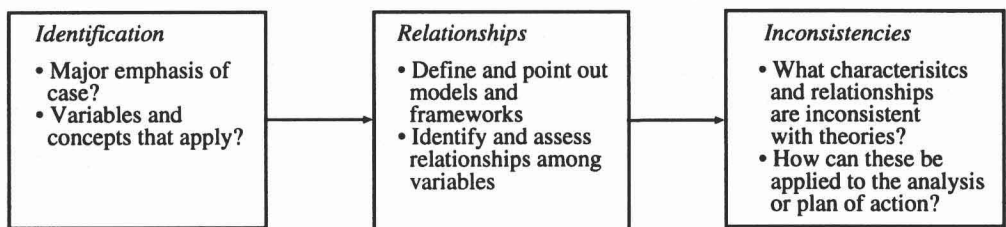


Exhibit 2. Steps in Using Cases for Theory Application/Illustration

Identification. What is the major emphasis of the case in terms of personnel and human resource management? The primary conceptual topic will be identified by the section heading under which the case appears. However, few cases are limited to one concept. Within the general topic area, what set of variables, ideas, and topics from the textbook are illustrated within the case? You must be familiar with the relevant theories and descriptions of management frameworks. Then you should review the processes described within the case, the interactions of the participants, and additional facts that may relate to the theories and models. Try to find as many illustrations of the theory as you can within the case.

Relationships. After identifying the specific concepts relevant to the case situation, describe the relationships among variables. Try to determine whether the predictions made by a theory are illustrated in the case. For example, do the number of rules and procedures reflect the organization's size and stage of development? Is the observed decision-making process what you would predict based on the level of uncertainty confronting managers? Is the organization's structure appropriate for the rate of change in the environment? Does internal organization culture reflect the values symbolized by top management? One test of an organizational theory is whether predicted relationships occur within organizations. By examining theoretical relationships you can understand cause-and-effect relationships and test whether the theory helps you understand the situation. If so, knowledge of one variable will enable you to predict

and have knowledge of other variables. Understanding relationships is necessary for determining the impact of contextual factors on the organization under discussion.

Inconsistencies. When discussing relationships among variables, are there instances in which the relationships in the case are inconsistent with theoretical predictions? Perhaps formalization is not consistent with the organization size, or structure is not consistent with the environment. Situations in real life will not identically mirror theory from the textbook, although situations will be similar enough to theory to be useful in understanding the theory. Inconsistencies are an opportunity to challenge and refine your understanding of a theory. Perhaps a model applies only in certain situations. Perhaps other variables are at work that are overwhelming a specific relationship. Identifying inconsistencies and then digging into why they exist is an excellent way to both test and increase your understanding of the organizational theories and models. Occasionally there will be a case that defies theory, possibly presenting familiar variables with inconsistent results or outcomes. In your analysis, bring out these anomalies.

Problem Analysis

Problem analysis frequently requires greater involvement in the case than does theory application. Problem analysis includes and goes beyond the application of theory. Theory application can be accomplished without identifying and solving problems in the case. Problem analysis goes beyond theory by asking students to analyze the situation and propose a solution, as illustrated in Exhibit 3.

An important lesson in identifying and solving problems in a case is to realize that one reading of the case is not sufficient for fully understanding the issues presented. You should allocate your time so that at least two readings will be possible. The first time through, read to get an overall sense of the situation. You may initially assess all the variables involved, and the relative importance of each, and the nature and scope of the situation. After you interpret the facts of the organization, you will be able to move on to the following steps.

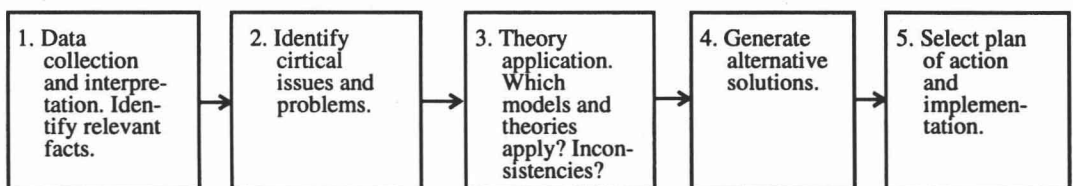


Exhibit 3. Steps in Using Cases for Problem Analysis

Data Collection and Interpretation. After carefully reading the case, make note of the data that will be useful in determining the state of the situation and the issues to be dealt with. The purposes of this step are to sort out irrelevant from relevant data and to develop a diagnosis of the current situation.

Critical Issues. After diagnosing and analyzing the facts of the situation, you will need to isolate the critical issues or problems to be solved. One way to think about problems is to look for

factors that threaten the survival, goals, or performance of the organization or its major departments. Without identifying the real problem, any suggestion for solution will be inappropriate. Isolating the main problem can be quite frustrating, and you may never be absolutely certain you are correct. With careful attention, constant questioning, and practice, your skill at identifying critical issues will improve.

To begin with, think in terms of cause and effect; do not confuse the symptoms with the problem. Dig beneath the surface and determine if something more basic is generating the problem you have identified. For example, you may observe such things as intergroup conflict, a seemingly inappropriate organization structure, poor control, or lack of communication. But to conclude the problem is intergroup conflict or poor control is ignoring the roots or causes of these issues, and thus reduces your chances of finding a successful solution. After identifying the problem or issue, write it in a one-sentence statement that concisely conveys the main concern. By reducing your thoughts to one sentence, you force yourself to focus on a primary issue.

Theory Application. Having identified the critical issue, consider your analysis in light of the work you may have previously done with the theories and models that related to the case. Can the theories be used to understand the problem? Are the relationships clearer when viewed in light of the models? If the situation appears to be inconsistent with the theory, is this part of the problem? How can knowledge of the theory assist you in generating possible solutions?

Generating Solutions. Based on the issue or problem you have identified and the theories and models you have studied, brainstorm a list of possible solutions. In brainstorming you should write down every possibility. Do not evaluate the feasibility or rationality of each; just write them down. You should not limit yourself to the strict amount of information provided in the case, i.e., be creative in dealing with the situation.

Having generated a list of wide-ranging possibilities, review your problem statement and identify those alternatives that have a direct link with solving the problem. Combine similar suggestions and begin eliminating alternatives based on your earlier analysis of the situation: constraints of the organization, theoretical concepts, goals and objectives, interacting variables.

Selection of Course of Action and Plan for Implementation. Using your narrowed list of alternatives, begin a detailed analysis of each. Determine the criteria you will use in evaluating each solution. What requirements must a course of action meet? Are there cost constraints? What about timeliness? Resource availability? Are there constituents to consider? Future shock waves? List the pros and cons of each course of action in terms of the criteria you have specified. It may be necessary to make inferences and judgments based on the data provided in the case; this is encouraged as long as you also develop sound and logical arguments to support your interpretations.

The next step of the analysis is to select the best course of action based on the pros and cons and logical assessment of each alternative. You should state the specific steps you recommend and why. You should be sensitive to the arguments against your decision and should be prepared to refute any challenges to your reasoning. Be willing to take risks that can be supported by your analysis of the situation. Indeed, a bonus to solving problems in cases, compared with solving "real world" problems, is that you can take risks without having to

answer for the consequences. Be creative and imaginative in developing your answers, but be aware that you will have to logically defend your solution.

Your recommendation should also include a plan for implementation. Consider personnel, time frames, and the sequence of events. In designing the implementation plan you will again be forced to consider your problem definition and analysis. Will your plan address the problem? What are the ramifications of implementing this plan? How will you address them? Many solutions die because no one considered how to introduce the solution or did not consider the possible roadblocks.

Conclusion

An observation you will make all too quickly when studying the cases in this book is that there is never enough information to make the right decision. You can't be certain you have identified the best answer. Other students may have developed different solutions and may present effective arguments for them. There is no perfect answer to a case problem. Each solution may be effective to some extent, but none will be 100 percent accurate. Moreover, no one ever has all the information that would be useful or desirable when analyzing a problem or making a decision. You will just have to make do with what you have, draw logical inferences and assumptions from the available data, and support your arguments with evidence found in the case and theory. Remember, you are being asked to deal with "reality," and there is a lack of information in the real world too.

As you progress through your course and the casebook, relate the material, concepts, and theory to your life beyond the classroom. Continue to develop and refine your analytical skills when viewing situations in which you live and participate every day. Look for examples of the theories and models in your own environment. In the classroom, be prepared for discussion, be involved, offer your insights, make constructive criticism, and expect to receive the same from your peers. The case method of learning is most effective when everyone is involved in the analysis and discussion and is willing to experiment with the application of theoretical concepts to the real world. Our intent in designing this casebook has been to challenge, stimulate, and facilitate your learning of management, organizational behavior, and human resource management. We also hope that you find this collection of case materials and exercises interesting, and that you can find the learning process enjoyable. Case problems provide a laboratory setting for your experimentation, and the laboratory is often the most exciting part of the learning process.

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Part 1

Management and Leadership

Cases Outline

1. Custom Chip, Inc.
2. Industrial Controls, Inc. Revisited
3. Dick Spencer
4. Apple Computer, Inc.

1. Custom Chip, Inc.*

I. Introduction

It was 7:50 on Monday morning. Frank Questin, Product Engineering Manager at Custom Chip, Inc. was sitting in his office making a TO DO list for the day. From 8:00 to 9:30 A.M. he would have his weekly meeting with his staff of engineers. After the meeting, Frank thought he would begin developing a proposal for solving what he called "Custom Chip's manufacturing documentation problem" – inadequate technical information regarding the steps to manufacture many of the company's products. Before he could finish his TO DO list, he answered a phone call from Custom Chip's human resource manager, who asked him about the status of two overdue performance appraisals and reminded him that this day marked Bill Lazarus' fifth year anniversary with the company. Following this call, Frank hurried off to the Monday morning meeting with his staff.

Frank had been Product Engineering Manager at Custom Chip for 14 months. This was his first management position, and he sometimes questioned his effectiveness as a manager. Often he could not complete the tasks he set out for himself due to interruptions and problems brought to his attention by others. Even though he had not been told exactly what results he was supposed to accomplish, he had a nagging feeling that he should have achieved more after these 14 months. On the other hand, he thought maybe he was functioning pretty well in some of his areas of responsibility given the complexity of the problems his group handled and the unpredictable changes in the semiconductor industry – changes caused not only by rapid advances in technology, but also by increased foreign competition and a recent downturn in demand.

II. Company Background

Custom Chip, Inc. was a semiconductor manufacturer specializing in custom chips and components used in radars, satellite transmitters, and other radio frequency devices. The company had been founded in 1977 and had grown rapidly with sales exceeding \$25 million in 1986. Most of the company's 300 employees were located in the main plant in Silicon Valley, but overseas manufacturing facilities in Europe and the Far East were growing in size and importance. These overseas facilities assembled the less complex, higher volume products. New products and the more complex ones were assembled in the main plant. Approximately one-third of the assembly employees were in overseas facilities.

While the specialized products and markets of Custom Chip provided a market niche that had thus far shielded the company from the major downturn in the semiconductor industry, growth had come to a standstill. Because of this, cost reduction had become a high priority.

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III. The Manufacturing Process

Manufacturers of standard chips have long production runs of a few products. Their cost per unit is low and cost control is a primary determinant of success. In contrast, manufacturers of custom chips have extensive product lines and produce small production runs for special applications. Custom Chip, Inc., for example, manufactured over 2000 different products in the last five years. In any one quarter the company might schedule 300 production runs for different products, as many as one-third of which might be new or modified products which the company had not made before. Because they must be efficient in designing and manufacturing many product lines, all custom chip manufacturers are highly dependent on their engineers. Customers are often first concerned with whether Custom Chip can design and manufacture the needed product at all, secondly with whether they can deliver it on time, and only thirdly with cost.

After designing a product, there are two phases to the manufacturing process. (See Figure 1.) The first is wafer fabrication. This is a complex process in which circuits are etched onto the various layers added to a silicon wafer. The number of steps that the wafer goes through plus inherent problems in controlling various chemical processes make it very difficult to meet the exacting specifications required for the final wafer. The wafers, which are typically “just a few” inches in diameter when the fabrication process is complete, contains hundreds, sometimes thousands of tiny identical die. Once the wafer has been tested and sliced up to produce these die, each die will be used as a circuit component.

If the completed wafer passes the various quality tests, it moves on to the assembly phase. In assembly, the die from the wafers, very small wires and other components are attached to a circuit in a series of precise operations. This finished circuit is the final product of Custom Chip, Inc.

Each product goes through many independent and delicate operations, and each step is subject to operator or machine error. Due to the number of steps and tests involved, the wafer fabrication takes 8 to 12 weeks and the assembly process takes 4 to 6 weeks. Because of the exacting specifications, products are rejected for the slightest flaw. The likelihood that every product starting the run will make it through all of the processes and still meet specifications is often quite low. For some products, average yield¹ is as low as 40 percent, and actual yields can vary considerably from one run to another. At Custom Chip, the average yield for all products is in the 60 to 70 percent range.

Because it takes so long to make a custom chip, it is especially important to have some control of these yields. For example, if a customer orders one thousand units of a product and typical yields for that product average 50 percent, Custom Chip will schedule a starting batch of 2200 units. With this approach, even if the yield falls as low as 45.4% (45.4% of 2200 is 1000) the company can still meet the order. If the actual yield falls below 45.4 percent, the order will not be completed in that run, and a very small, costly run of the item will be needed to complete the order. The only way the company can effectively control these yields and stay on schedule is for the engineering groups and operations to cooperate and coordinate their efforts efficiently.

¹Yield refers to the ratio of finished products that meet specifications relative to the number that initially entered the manufacturing process.