

TABLE OF CONTENTS

PREFACE xviii

CHAPTER 1

Introduction 1

- 1.1 The Origins of Operations Research 1
- 1.2 The Nature of Operations Research 2
- 1.3 The Impact of Operations Research 3
- 1.4 Algorithms and OR Courseware 5
- Selected References 6
- Problems 7

CHAPTER 2

Overview of the Operations Research Modeling Approach 8

- 2.1 Defining the Problem and Gathering Data 8
- 2.2 Formulating a Mathematical Model 12
- 2.3 Deriving Solutions from the Model 15
- 2.4 Testing the Model 17
- 2.5 Preparing to Apply the Model 19
- 2.6 Implementation 21
- 2.7 Conclusions 22
- Selected References 23
- Problems 23

CHAPTER 3

Introduction to Linear Programming 25

- 3.1 Prototype Example 26
- 3.2 The Linear Programming Model 32
- 3.3 Assumptions of Linear Programming 37
- 3.4 Additional Examples 44
- 3.5 Some Classic Case Studies 60
- 3.6 Formulating and Solving Linear Programming Models on a Spreadsheet 65
- 3.7 Formulating Very Large Linear Programming Models 73
- 3.8 Conclusions 80
- Appendix 3.1 The LINGO Modeling Language 81
- Selected References 90
- Learning Aids for This Chapter on CD-ROM 90
- Problems 91
- Case 3.1 Auto Assembly 100
- Previews of Added Cases on CD-ROM 102
 - Case 3.2 Cutting Cafeteria Costs 102
 - Case 3.3 Staffing a Call Center 102
 - Case 3.4 Promoting a Breakfast Cereal 102

CHAPTER 4
Solving Linear Programming Problems: The Simplex Method 103

- 4.1 The Essence of the Simplex Method 103
- 4.2 Setting Up the Simplex Method 108
- 4.3 The Algebra of the Simplex Method 111
- 4.4 The Simplex Method in Tabular Form 117
- 4.5 Tie Breaking in the Simplex Method 121
- 4.6 Adapting to Other Model Forms 124
- 4.7 Postoptimality Analysis 142
- 4.8 Computer Implementation 150
- 4.9 The Interior-Point Approach to Solving Linear Programming Problems 153
- 4.10 Conclusions 158
- Appendix 4.1 An Introduction to Using LINDO 158
- Selected References 161
- Learning Aids for This Chapter on CD-ROM 161
- Problems 162
- Case 4.1 Fabrics and Fall Fashions 170
- Previews of Added Cases on CD-ROM 172
 - Case 4.2 New Frontiers 172
 - Case 4.3 Assigning Students to Schools 172

CHAPTER 5
The Theory of the Simplex Method 173

- 5.1 Foundations of the Simplex Method 173
- 5.2 The Revised Simplex Method 184
- 5.3 A Fundamental Insight 193
- 5.4 Conclusions 201
- Selected References 201
- Learning Aids for This Chapter on CD-ROM 201
- Problems 202

CHAPTER 6
Duality Theory and Sensitivity Analysis 209

- 6.1 The Essence of Duality Theory 210
- 6.2 Economic Interpretation of Duality 217
- 6.3 Primal-Dual Relationships 220
- 6.4 Adapting to Other Primal Forms 225
- 6.5 The Role of Duality Theory in Sensitivity Analysis 229
- 6.6 The Essence of Sensitivity Analysis 231
- 6.7 Applying Sensitivity Analysis 239
- 6.8 Performing Sensitivity Analysis on a Spreadsheet 259
- 6.9 Conclusions 275
- Selected References 275
- Learning Aids for This Chapter on CD-ROM 276
- Problems 276
- Case 6.1 Controlling Air Pollution 289
- Previews of Added Cases on CD-ROM 290
 - Case 6.2 Farm Management 290
 - Case 6.3 Assigning Students to Schools (Revisited) 291
 - Case 6.4 Writing a Nontechnical Memo 291

CHAPTER 7**Other Algorithms for Linear Programming 292**

- 7.1 The Dual Simplex Method 292
- 7.2 Parametric Linear Programming 295
- 7.3 The Upper Bound Technique 300
- 7.4 An Interior-Point Algorithm 303
- 7.5 Conclusions 314
- Selected References 314
- Learning Aids for This Chapter on CD-ROM 315
- Problems 315

CHAPTER 8**The Transportation and Assignment Problems 320**

- 8.1 The Transportation Problem 321
- 8.2 A Streamlined Simplex Method for the Transportation Problem 335
- 8.3 The Assignment Problem 350
- 8.4 A Special Algorithm for the Assignment Problem 359
- 8.5 Conclusions 363
- Selected References 363
- Learning Aids for This Chapter on CD-ROM 364
- Problems 364
- Case 8.1 Shipping Wood to Market 372
- Previews of Added Cases on CD-ROM 373
 - Case 8.2 Continuation of the Texago Case Study 373
 - Case 8.3 Project Pickings 373

CHAPTER 9**Network Optimization Models 374**

- 9.1 Prototype Example 375
- 9.2 The Terminology of Networks 376
- 9.3 The Shortest-Path Problem 380
- 9.4 The Minimum Spanning Tree Problem 384
- 9.5 The Maximum Flow Problem 388
- 9.6 The Minimum Cost Flow Problem 396
- 9.7 The Network Simplex Method 404
- 9.8 A Network Model for Optimizing a Projects Time-Cost Trade-Off 414
- 9.9 Conclusions 426
- Selected References 427
- Learning Aids for This Chapter on CD-ROM 427
- Problems 428
- Case 9.1 Money in Motion 437
- Previews of Added Cases on CD-ROM 439
 - Case 9.2 Aiding Allies 439
 - Case 9.3 Steps to Success 439

CHAPTER 10**Dynamic Programming 440**

- 10.1 A Prototype Example for Dynamic Programming 440
- 10.2 Characteristics of Dynamic Programming Problems 445
- 10.3 Deterministic Dynamic Programming 447

10.4 Probabilistic Dynamic Programming	466
10.5 Conclusions	471
Selected References	472
Learning Aids for This Chapter on CD-ROM	472
Problems	472

CHAPTER 11

Integer Programming 478

11.1 Prototype Example	479
11.2 Some BIP Applications	482
11.3 Innovative Uses of Binary Variables in Model Formulation	487
11.4 Some Formulation Examples	493
11.5 Some Perspectives on Solving Integer Programming Problems	501
11.6 The Branch-and-Bound Technique and Its Application to Binary Integer Programming	505
11.7 A Branch-and-Bound Algorithm for Mixed Integer Programming	515
11.8 The Branch-and-Cut Approach to Solving BIP Problems	521
11.9 The Incorporation of Constraint Programming	527
11.10 Conclusions	533
Selected References	533
Learning Aids for This Chapter on CD-ROM	534
Problems	534
Case 11.1 Capacity Concerns	544
Previews of Added Cases on CD-ROM	546
Case 11.2 Assigning Art	546
Case 11.3 Stocking Sets	546
Case 11.4 Assigning Students to Schools (Revisited Again)	546

CHAPTER 12

Nonlinear Programming 547

12.1 Sample Applications	548
12.2 Graphical Illustration of Nonlinear Programming Problems	552
12.3 Types of Nonlinear Programming Problems	556
12.4 One-Variable Unconstrained Optimization	561
12.5 Multivariable Unconstrained Optimization	567
12.6 The Karush-Kuhn-Tucker (KKT) Conditions for Constrained Optimization	572
12.7 Quadratic Programming	576
12.8 Separable Programming	583
12.9 Convex Programming	589
12.10 Nonconvex Programming (with Spreadsheets)	597
12.11 Conclusions	602
Selected References	603
Learning Aids for This Chapter on CD-ROM	603
Problems	604
Case 12.1 Savvy Stock Selection	615
Previews of Added Cases on CD-ROM	616
Case 12.2 International Investments	616
Case 12.3 Promoting a Breakfast Cereal (Revisited)	616

CHAPTER 13**Metaheuristics 617**

- 13.1 The Nature of Metaheuristics 618
- 13.2 Tabu Search 625
- 13.3 Simulated Annealing 635
- 13.4 Genetic Algorithms 644
- 13.5 Conclusions 652
- Selected References 654
- Learning Aids for This Chapter on CD-ROM 654
- Problems 655

CHAPTER 14**Game Theory 659**

- 14.1 The Formulation of Two-Person, Zero-Sum Games 659
- 14.2 Solving Simple Games—A Prototype Example 661
- 14.3 Games with Mixed Strategies 666
- 14.4 Graphical Solution Procedure 667
- 14.5 Solving by Linear Programming 670
- 14.6 Extensions 673
- 14.7 Conclusions 674
- Selected References 674
- Learning Aids for This Chapter on CD-ROM 675
- Problems 675

CHAPTER 15**Decision Analysis 680**

- 15.1 A Prototype Example 681
- 15.2 Decision Making without Experimentation 682
- 15.3 Decision Making with Experimentation 687
- 15.4 Decision Trees 693
- 15.5 Using Spreadsheets to Perform Sensitivity Analysis on Decision Trees 698
- 15.6 Utility Theory 708
- 15.7 The Practical Application of Decision Analysis 715
- 15.8 Conclusions 718
- Selected References 718
- Learning Aids for This Chapter on CD-ROM 719
- Problems 719
- Case 15.1 Brainy Business 729
- Preview of an Added Case on CD-ROM 731
 - Case 15.2 Smart Steering Support 731

CHAPTER 16**Markov Chains 732**

- 16.1 Stochastic Processes 732
- 16.2 Markov Chains 734
- 16.3 Chapman-Kolmogorov Equations 739
- 16.4 Classification of States of a Markov Chain 742
- 16.5 Long-Run Properties of Markov Chains 744
- 16.6 First Passage Times 750

16.7 Absorbing States	752
16.8 Continuous Time Markov Chains	755
Selected References	759
Learning Aids for This Chapter on CD-ROM	760
Problems	760

CHAPTER 17

Queueing Theory 765

17.1 Prototype Example	766
17.2 Basic Structure of Queueing Models	766
17.3 Examples of Real Queueing Systems	771
17.4 The Role of the Exponential Distribution	774
17.5 The Birth-and-Death Process	780
17.6 Queueing Models Based on the Birth-and-Death Process	784
17.7 Queueing Models Involving Nonexponential Distributions	796
17.8 Priority-Discipline Queueing Models	804
17.9 Queueing Networks	809
17.10 The Application of Queueing Theory	813
17.11 Conclusions	817
Selected References	818
Learning Aids for This Chapter on CD-ROM	818
Problems	819
Case 17.1 Reducing In-Process Inventory	831
Preview of an Added Case on CD-ROM	832
Case 17.2 Queueing Quandary	832

CHAPTER 18

Inventory Theory 833

18.1 Examples	834
18.2 Components of Inventory Models	836
18.3 Deterministic Continuous-Review Models	838
18.4 A Deterministic Periodic-Review Model	848
18.5 Deterministic Multiechelon Inventory Models for Supply Chain Management	852
18.6 A Stochastic Continuous-Review Model	870
18.7 A Stochastic Single-Period Model for Perishable Products	875
18.8 Larger Inventory Systems in Practice	886
18.9 Conclusions	889
Selected References	890
Learning Aids for This Chapter on CD-ROM	891
Problems	891
Case 18.1 Brushing Up on Inventory Control	900
Previews of Added Cases on CD-ROM	902
Case 18.2 TNT: Tackling Newsboy's Teachings	902
Case 18.3 Jettisoning Surplus Stock	902

CHAPTER 19

Markov Decision Processes 903

19.1 A Prototype Example	903
19.2 A Model for Markov Decision Processes	906
19.3 Linear Programming and Optimal Policies	908

19.4 Policy Improvement Algorithm for Finding Optimal Policies	912
19.5 Discounted Cost Criterion	917
19.6 Conclusions	924
Selected References	925
Learning Aids for This Chapter on CD-ROM	925
Problems	926

CHAPTER 20

Simulation 930

20.1 The Essence of Simulation	930
20.2 Some Common Types of Applications of Simulation	942
20.3 Generation of Random Numbers	946
20.4 Generation of Random Observations from a Probability Distribution	950
20.5 Outline of a Major Simulation Study	954
20.6 Performing Simulations on Spreadsheets	959
20.7 Optimizing with OptQuest	978
20.8 Conclusions	991
Selected References	993
Learning Aids for This Chapter on CD-ROM	993
Problems	994
Case 20.1 Reducing In-Process Inventory (Revisited)	1001
Case 20.2 Action Adventures	1001
Previews of Added Cases on CD-ROM	1002
Case 20.3 Planning Planers	1002
Case 20.4 Pricing under Pressure	1002

APPENDIXES

1. Documentation for the OR Courseware	1003
2. Convexity	1006
3. Classical Optimization Methods	1011
4. Matrices and Matrix Operations	1014
5. Table for a Normal Distribution	1019

PARTIAL ANSWERS TO SELECTED PROBLEMS 1021

INDEXES

Author Index	1035
Subject Index	1038