

TABLE OF CONTENTS

PREFACE xviii

CHAPTER 1

Introduction 1

- 1.1 The Origins of Operations Research 1
- 1.2 The Nature of Operations Research 3
- 1.3 A Companion Discipline: Analytics 4
- 1.4 The Relationship Between Analytics and Operations Research 9
- 1.5 The Impact of Operations Research 12
- 1.6 Some Trends that Should Further Increase the Future Impact
of Operations Research 15
- 1.7 Algorithms and or Courseware 16
- Selected References 18
- Problems 19

CHAPTER 2

Overview of How Operations Research and Analytics Professionals Analyze Problems 20

- 2.1 A Case Study: First Bank Evaluates Applications for Unsecured Loans 20
- 2.2 Define the Problem 21
- 2.3 Performing Descriptive Analytics 25
- 2.4 Performing Predictive Analytics 45
- 2.5 Using Operations Research to Perform Prescriptive Analytics 63
- 2.6 Conclusions 72
- Selected References 73
- Learning Aids for this Chapter on Our Website 74
- Problems 75
- Case 2.1 Vacations at Vegas Villas 77

CHAPTER 3

Introduction to Linear Programming 80

- 3.1 Prototype Example 81
- 3.2 The Linear Programming Model 88
- 3.3 Assumptions of Linear Programming 93
- 3.4 Additional Examples 100
- 3.5 Formulating and Solving Linear Programming Models on a Spreadsheet 110
- 3.6 Using Modeling Languages to Formulate Very Large Linear Programming Models 118
- 3.7 Conclusions 128
- Selected References 128
- Learning Aids for this Chapter on Our Website 129
- Problems 129
- Case 3.1 Reclaiming Solid Wastes 140

Previews of Added Cases on Our Website	141
Case 3.2 Cutting Cafeteria Costs	141
Case 3.3 Staffing a Call Center	141
Case 3.4 Promoting a Breakfast Cereal	141
Case 3.5 Auto Assembly	141

CHAPTER 4

Solving Linear Programming Problems: The Simplex Method 142

4.1 The Essence of the Simplex Method	143
4.2 Setting Up the Simplex Method	147
4.3 The Algebra of the Simplex Method	151
4.4 The Simplex Method in Tabular Form	158
4.5 Tie Breaking in the Simplex Method	162
4.6 Reformulating Nonstandard Models to Prepare for Applying the Simplex Method	165
4.7 The Big M Method for Helping to Solve Reformulated Models	173
4.8 The Two-Phase Method is an Alternative to the Big M Method	181
4.9 Postoptimality Analysis	187
4.10 Computer Implementation	194
4.11 The Interior-Point Approach to Solving Linear Programming Problems	197
4.12 Conclusions	202
Appendix 4.1: Introduction to Using LINGO + Classic LINDO	202
Selected References	206
Learning Aids for this Chapter on Our Website	206
Problems	207
Case 4.1 Fabrics and Fall Fashions	215
Previews of Added Cases on Our Website	218
Case 4.2 New Frontiers	218
Case 4.3 Assigning Students to Schools	218

CHAPTER 5

The Theory of the Simplex Method 219

5.1 Foundations of the Simplex Method	219
5.2 The Simplex Method in Matrix Form	230
5.3 A Fundamental Insight	239
5.4 The Revised Simplex Method	242
5.5 Conclusions	245
Selected References	245
Learning Aids for this Chapter on Our Website	246
Problems	246

CHAPTER 6

Duality Theory 253

6.1 The Essence of Duality Theory	253
6.2 Primal-Dual Relationships	261
6.3 Adapting to Other Primal Forms	266
6.4 The Role of Duality Theory in Sensitivity Analysis	270
6.5 Conclusions	273
Selected References	273
Learning Aids for this Chapter on Our Website	273
Problems	274

CHAPTER 7**Linear Programming under Uncertainty 278**

- 7.1 The Essence of Sensitivity Analysis 279
- 7.2 Applying Sensitivity Analysis 286
- 7.3 Performing Sensitivity Analysis on a Spreadsheet 303
- 7.4 Robust Optimization 312
- 7.5 Chance Constraints 316
- 7.6 Stochastic Programming with Recourse 320
- 7.7 Conclusions 324
- Selected References 325
- Learning Aids for this Chapter on Our Website 326
- Problems 327
- Case 7.1 Controlling Air Pollution 336
- Previews of Added Cases on Our Website 336
 - Case 7.2 Farm Management 336
 - Case 7.3 Assigning Students to Schools, Revisited 337
 - Case 7.4 Writing a Nontechnical Memo 337

CHAPTER 8**Other Algorithms for Linear Programming 338**

- 8.1 The Dual Simplex Method 338
- 8.2 Parametric Linear Programming 342
- 8.3 The Upper Bound Technique 348
- 8.4 An Interior-Point Algorithm 350
- 8.5 Conclusions 361
- Selected References 362
- Learning Aids for this Chapter on Our Website 362
- Problems 362

CHAPTER 9**The Transportation and Assignment Problems 367**

- 9.1 The Transportation Problem 368
- 9.2 A Streamlined Simplex Method for the Transportation Problem 381
- 9.3 The Assignment Problem 393
- 9.4 A Special Algorithm for the Assignment Problem 402
- 9.5 Conclusions 406
- Selected References 407
- Learning Aids for this Chapter on Our Website 407
- Problems 408
- Case 9.1 Shipping Wood to Market 414
- Previews of Added Cases on Our Website 415
 - Case 9.2 Continuation of the Texago Case Study 415
 - Case 9.3 Project Pickings 415

CHAPTER 10**Network Optimization Models 416**

- 10.1 Prototype Example 417
- 10.2 The Terminology of Networks 418
- 10.3 The Shortest-Path Problem 421
- 10.4 The Minimum Spanning Tree Problem 426

10.5 The Maximum Flow Problem	431
10.6 The Minimum Cost Flow Problem	440
10.7 The Network Simplex Method	448
10.8 A Network Model for Optimizing a Project's Time-Cost Trade-Off	458
10.9 Conclusions	470
Selected References	470
Learning Aids for this Chapter on Our Website	471
Problems	471
Case 10.1 Money in Motion	479
Previews of Added Cases on Our Website	481
Case 10.2 Aiding Allies	481
Case 10.3 Steps to Success	481

CHAPTER 11

Dynamic Programming 482

11.1 A Prototype Example for Dynamic Programming	482
11.2 Characteristics of Dynamic Programming Problems	487
11.3 Deterministic Dynamic Programming	489
11.4 Probabilistic Dynamic Programming	505
11.5 Conclusions	511
Selected References	511
Learning Aids for this Chapter on Our Website	512
Problems	512

CHAPTER 12

Integer Programming 517

12.1 Prototype Example	518
12.2 Some BIP Applications	521
12.3 Using Binary Variables to Deal with Fixed Charges	528
12.4 A Binary Representation of General Integer Variables	530
12.5 Some Perspectives on Solving Integer Programming Problems	531
12.6 The Branch-and-Bound Technique and its Application to Binary Integer Programming	536
12.7 A Branch-and-Bound Algorithm for Mixed Integer Programming	548
12.8 The Branch-and-Cut Approach to Solving Pure BIP Problems	554
12.9 The Incorporation of Constraint Programming	561
12.10 Extensions of Integer Linear Programming	565
12.11 Conclusions	570
Selected References	571
Learning Aids for this Chapter on Our Website	572
Problems	573
Case 12.1 Capacity Concerns	581
Previews of Added Cases on Our Website	583
Case 12.2 Assigning Art	583
Case 12.3 Stocking Sets	583
Case 12.4 Assigning Students to Schools, Revisited Again	583

CHAPTER 13

Nonlinear Programming 584

13.1 Sample Applications	585
13.2 Graphical Illustration of Nonlinear Programming Problems	589

13.3 Types of Nonlinear Programming Problems	594
13.4 One-Variable Unconstrained Optimization	599
13.5 Multivariable Unconstrained Optimization	605
13.6 The Karush-Kuhn-Tucker (KKT) Conditions for Constrained Optimization	611
13.7 Quadratic Programming	615
13.8 Separable Programming	621
13.9 Convex Programming	628
13.10 Nonconvex Programming (with Spreadsheets)	636
13.11 Formulating and Solving Nonlinear Programming Problems with AMPL and Gurobi	641
13.12 Conclusions	648
Selected References	648
Learning Aids for this Chapter on Our Website	649
Problems	650
Case 13.1 Savvy Stock Selection	661
Previews of Added Cases on Our Website	663
Case 13.2 International Investments	663
Case 13.3 Promoting a Breakfast Cereal, Revisited	663

CHAPTER 14

Metaheuristics 664

14.1 The Nature of Metaheuristics	665
14.2 Tabu Search	672
14.3 Simulated Annealing	682
14.4 Genetic Algorithms	692
14.5 Conclusions	702
Selected References	703
Learning Aids for this Chapter on Our Website	704
Problems	704

CHAPTER 15

Game Theory 709

15.1 The Formulation of Two-Person, Zero-Sum Games	710
15.2 Solving Simple Games—A Prototype Example	711
15.3 Games with Mixed Strategies	716
15.4 Graphical Solution Procedure	718
15.5 Solving by Linear Programming	721
15.6 Extensions	724
15.7 Conclusions	725
Selected References	725
Learning Aids for this Chapter on Our Website	726
Problems	726

CHAPTER 16

Decision Analysis 731

16.1 A Prototype Example	732
16.2 Decision Making without Experimentation	733
16.3 Decision Making with Experimentation	738
16.4 Decision Trees	744
16.5 Utility Theory	749

16.6 The Practical Application of Decision Analysis	756
16.7 Multiple Criteria Decision Analysis, Including Goal Programming	758
16.8 Conclusions	762
Selected References	763
Learning Aids for this Chapter on Our Website	764
Problems	764
Case 16.1 Brainy Business	774
Preview of Added Cases on Our Website	776
Case 16.2 Smart Steering Support	776
Case 16.3 Who Wants to Be a Millionaire?	776
Case 16.4 University Toys and the Engineering Professor Action Figures	776

CHAPTER 17

Queueing Theory 777

17.1 Prototype Example	778
17.2 Basic Structure of Queueing Models	778
17.3 Some Common Types of Real Queueing Systems	783
17.4 The Role of the Exponential Distribution	785
17.5 The Birth-and-Death Process	791
17.6 Queueing Models Based on the Birth-and-Death Process	795
17.7 Queueing Models Involving Nonexponential Distributions	808
17.8 Priority-Discipline Queueing Models	816
17.9 Queueing Networks	821
17.10 The Application of Queueing Theory	826
17.11 Behavioral Queueing Theory	830
17.12 Conclusions	832
Selected References	833
Learning Aids for this Chapter on Our Website	834
Problems	834
Case 17.1 Reducing In-Process Inventory	847
Preview of an Added Case on Our Website	848
Case 17.2 Queueing Quandary	848

CHAPTER 18 (eBook Only)

Inventory Theory and Revenue Management 849

CHAPTER 19

Markov Decision Processes 850

19.1 A Prototype Example	851
19.2 A Model for Markov Decision Processes	854
19.3 Linear Programming and Optimal Policies	857
19.4 Markov Decision Processes in Practice	861
19.5 Approximate Dynamic Programming	864
19.6 Conclusions	873
Selected References	873
Learning Aids for this Chapter on Our Website	874
Problems	875

CHAPTER 20**Simulation 878**

- 20.1 The Essence of Simulation 878
- 20.2 Some Common Types of Applications of Simulation 890
- 20.3 Generation of Random Numbers 894
- 20.4 Generation of Random Observations from a Probability Distribution 899
- 20.5 Simulation Optimization 903
- 20.6 Outline of a Major Simulation Study 912
- 20.7 Conclusions 917
- Selected References 918
- Learning Aids for this Chapter on Our Website 919
- Problems 919
- Case 20.1 Reducing In-Process Inventory, Revisited 925
- Previews of Added Cases on Our Website 925
 - Case 20.2 Planning Planers 925
 - Case 20.3 Pricing under Pressure 925

APPENDIXES

- 1. Documentation for the OR Courseware 926
- 2. Convexity 928
- 3. Classical Optimization Methods 933
- 4. Matrices and Matrix Operations 936
- 5. Table for a Normal Distribution 941
- 6. Simultaneous Linear Equations 943

PARTIAL ANSWERS TO SELECTED PROBLEMS 945**INDEXES**

- Author Index 957
- Subject Index 961