TABLE OF CONTENTS

PREFACE xx

CHAPTER 1
Introduction 1

1.1 The Origins of Operations Research 1
1.2 The Nature of Operations Research 3
1.3 The Relationship between Analytics and Operations Research 4
1.4 The Impact of Operations Research 8
1.5 Some Trends that Should Further Increase the Future Impact of Operations Research 11
1.6 Algorithms and OR Courseware 12
Selected References 14
Problems 14

CHAPTER 2
Overview of How Operations Research and Analytics Professionals Analyze Problems 15

2.1 Defining the Problem 16
2.2 Gathering and Organizing Relevant Data 17
2.3 Using Descriptive Analytics to Analyze Big Data 18
2.4 Using Predictive Analytics to Analyze Big Data 19
2.5 Formulating a Mathematical Model to Begin Applying Prescriptive Analytics 23
2.6 Learning How to Derive Solutions from the Model 25
2.7 Testing the Model 28
2.8 Preparing to Apply the Model 29
2.9 Implementation 29
2.10 Conclusions 30
Selected References 30
Problems 31

CHAPTER 3
Introduction to Linear Programming 32

3.1 Prototype Example 33
3.2 The Linear Programming Model 40
3.3 Assumptions of Linear Programming 45
3.4 Additional Examples 52
3.5 Formulating and Solving Linear Programming Models on a Spreadsheet 61
3.6 Formulating Very Large Linear Programming Models 69
3.7 Conclusions 77
Selected References 77
Learning Aids for this Chapter on Our Website 77
Problems 78

Case 3.1 Reclaiming Solid Wastes 89
Previews of Added Cases on Our Website 89
Case 3.2 Cutting Cafeteria Costs 89
Case 3.3 Staffing a Call Center 89
Case 3.4 Promoting a Breakfast Cereal 90
Case 3.5 Auto Assembly 90

CHAPTER 4
Solving Linear Programming Problems: The Simplex Method 91

4.1 The Essence of the Simplex Method 92
4.2 Setting Up the Simplex Method 96
4.3 The Algebra of the Simplex Method 100
4.4 The Simplex Method in Tabular Form 106
4.5 Tie Breaking in the Simplex Method 111
4.6 Reformulating Nonstandard Models to Prepare for Applying the Simplex Method 114
4.7 The Big *M* Method for Helping to Solve Reformulated Models 122
4.8 The Two-Phase Method is an Alternative to the Big *M* Method 129
4.9 Postoptimality Analysis 135
4.10 Computer Implementation 143
4.11 The Interior-Point Approach to Solving Linear Programming Problems 146
4.12 Conclusions 149
Appendix 4.1: An Introduction to Using LINDO and LINGO 149
Selected References 153
Learning Aids for this Chapter on Our Website 153
Problems 154
Case 4.1 Fabrics and Fall Fashions 163
Previews of Added Cases on Our Website 165
Case 4.2 New Frontiers 165
Case 4.3 Assigning Students to Schools 165

CHAPTER 5
The Theory of the Simplex Method 166

5.1 Foundations of the Simplex Method 166
5.2 The Simplex Method in Matrix Form 177
5.3 A Fundamental Insight 186
5.4 The Revised Simplex Method 189
5.5 Conclusions 192
Selected References 192
Learning Aids for this Chapter on Our Website 193
Problems 193

CHAPTER 6
Duality Theory 200

6.1 The Essence of Duality Theory 200
6.2 Primal-Dual Relationships 208
6.3 Adapting to Other Primal Forms 213
6.4 The Role of Duality Theory in Sensitivity Analysis 217
6.5 Conclusions 220

Selected References 220
Learning Aids for this Chapter on Our Website 220
Problems 221

CHAPTER 7
Linear Programming under Uncertainty 225

7.1 The Essence of Sensitivity Analysis 226
7.2 Applying Sensitivity Analysis 233
7.3 Performing Sensitivity Analysis on a Spreadsheet 250
7.4 Robust Optimization 259
7.5 Chance Constraints 263
7.6 Stochastic Programming with Recourse 266
7.7 Conclusions 271
Selected References 271
Learning Aids for this Chapter on Our Website 272
Problems 273
Case 7.1 Controlling Air Pollution 281
Previews of Added Cases on Our Website 282
Case 7.2 Farm Management 282
Case 7.3 Assigning Students to Schools, Revisited 282
Case 7.4 Writing a Nontechnical Memo 282

CHAPTER 8
Other Algorithms for Linear Programming 283

8.1 The Dual Simplex Method 283
8.2 Parametric Linear Programming 287
8.3 The Upper Bound Technique 293
8.4 An Interior-Point Algorithm 295
8.5 Conclusions 306
Selected References 307
Learning Aids for this Chapter on Our Website 307
Problems 307

CHAPTER 9
The Transportation and Assignment Problems 312

9.1 The Transportation Problem 313
9.2 A Streamlined Simplex Method for the Transportation Problem 326
9.3 The Assignment Problem 338
9.4 A Special Algorithm for the Assignment Problem 346
9.5 Conclusions 351
Selected References 351
Learning Aids for this Chapter on Our Website 352
Problems 352
Case 9.1 Shipping Wood to Market 358
Previews of Added Cases on Our Website 359
Case 9.2 Continuation of the Texago Case Study 359
Case 9.3 Project Pickings 359

CHAPTER 10
Network Optimization Models 360

10.1 Prototype Example 361
10.2 The Terminology of Networks 362
10.3 The Shortest-Path Problem 365
10.4 The Minimum Spanning Tree Problem 370
10.5 The Maximum Flow Problem 375
10.6 The Minimum Cost Flow Problem 383
10.7 The Network Simplex Method 391
10.8 A Network Model for Optimizing a Project's Time-Cost Trade-Off 401
10.9 Conclusions 413
Selected References 413
Learning Aids for this Chapter on Our Website 413
Problems 414
Case 10.1 Money in Motion 422
Previews of Added Cases on Our Website 424
Case 10.2 Aiding Allies 424
Case 10.3 Steps to Success 424

CHAPTER 11
Dynamic Programming 425

11.1 A Prototype Example for Dynamic Programming 425
11.2 Characteristics of Dynamic Programming Problems 430
11.3 Deterministic Dynamic Programming 432
11.4 Probabilistic Dynamic Programming 448
11.5 Conclusions 454
Selected References 454
Learning Aids for this Chapter on Our Website 454
Problems 455

CHAPTER 12
Integer Programming 460

12.1 Prototype Example 461
12.2 Some BIP Applications 464
12.3 Using Binary Variables to Deal with Fixed Charges 470
12.4 A Binary Representation of General Integer Variables 472
12.5 Some Perspectives on Solving Integer Programming Problems 473
12.6 The Branch-and-Bound Technique and its Application to Binary Integer Programming 477
12.7 A Branch-and-Bound Algorithm for Mixed Integer Programming 489
12.8 The Branch-and-Cut Approach to Solving BIP Problems 495
12.9 The Incorporation of Constraint Programming 502
12.10 Conclusions 506
Selected References 507
Learning Aids for this Chapter on Our Website 508
Problems 508
Case 12.1 Capacity Concerns 516

Previews of Added Cases on Our Website 518
Case 12.2 Assigning Art 518
Case 12.3 Stocking Sets 518
Case 12.4 Assigning Students to Schools, Revisited Again 519

CHAPTER 13
Nonlinear Programming 520

13.1 Sample Applications 521
13.2 Graphical Illustration of Nonlinear Programming Problems 525
13.3 Types of Nonlinear Programming Problems 529
13.4 One-Variable Unconstrained Optimization 535
13.5 Multivariable Unconstrained Optimization 540
13.6 The Karush-Kuhn-Tucker (KKT) Conditions for Constrained Optimization 546
13.7 Quadratic Programming 550
13.8 Separable Programming 556
13.9 Convex Programming 563
13.10 Nonconvex Programming (with Spreadsheets) 571
13.11 Conclusions 575
Selected References 576
Learning Aids for this Chapter on Our Website 576
Problems 577
Case 13.1 Savvy Stock Selection 588
Previews of Added Cases on Our Website 589
Case 13.2 International Investments 589
Case 13.3 Promoting a Breakfast Cereal, Revisited 589

CHAPTER 14
Metaheuristics 590

14.1 The Nature of Metaheuristics 591
14.2 Tabu Search 598
14.3 Simulated Annealing 608
14.4 Genetic Algorithms 618
14.5 Conclusions 628
Selected References 629
Learning Aids for this Chapter on Our Website 630
Problems 630

CHAPTER 15
Game Theory 634

15.1 The Formulation of Two-Person, Zero-Sum Games 634
15.2 Solving Simple Games—A Prototype Example 636
15.3 Games with Mixed Strategies 641
15.4 Graphical Solution Procedure 643
15.5 Solving by Linear Programming 645
15.6 Extensions 649
15.7 Conclusions 650
Selected References 650
Learning Aids for this Chapter on Our Website 650
Problems 651

CHAPTER 16
Decision Analysis 655

16.1 A Prototype Example 656
16.2 Decision Making without Experimentation 657
16.3 Decision Making with Experimentation 662
16.4 Decision Trees 668
16.5 Utility Theory 673
16.6 The Practical Application of Decision Analysis 680
16.7 Multiple Criteria Decision Analysis, Including Goal Programming 682
16.8 Conclusions 686
Selected References 687
Learning Aids for this Chapter on Our Website 688
Problems 688
Case 16.1 Brainy Business 698
Preview of Added Cases on Our Website 700
Case 16.2 Smart Steering Support 700
Case 16.3 Who Wants to Be a Millionaire? 700
Case 16.4 University Toys and the Engineering Professor Action Figures 700

CHAPTER 17
Queueing Theory 701

17.1 Prototype Example 702
17.2 Basic Structure of Queueing Models 702
17.3 Some Common Types of Real Queueing Systems 707
17.4 The Role of the Exponential Distribution 708
17.5 The Birth-and-Death Process 714
17.6 Queueing Models Based on the Birth-and-Death Process 719
17.7 Queueing Models Involving Nonexponential Distributions 731
17.8 Priority-Discipline Queueing Models 739
17.9 Queueing Networks 744
17.10 The Application of Queueing Theory 748
17.11 Behavioral Queueing Theory 753
17.12 Conclusions 754
Selected References 755
Learning Aids for this Chapter on Our Website 756
Problems 757
Case 17.1 Reducing In-Process Inventory 769
Preview of an Added Case on Our Website 770
Case 17.2 Queueing Quandary 770

CHAPTER 18
Inventory Theory 771

18.1 Examples 772
18.2 Components of Inventory Models 774
18.3 Deterministic Continuous-Review Models 776
18.4 A Deterministic Periodic-Review Model 786
18.5 Deterministic Multiechelon Inventory Models for Supply Chain Management 791
18.6 A Stochastic Continuous-Review Model 810

18.7 A Stochastic Single-Period Model for Perishable Products 814
18.8 Revenue Management 826
18.9 Conclusions 834
Selected References 834
Learning Aids for this Chapter on Our Website 835
Problems 836
Case 18.1 Brushing Up on Inventory Control 846
Previews of Added Cases on Our Website 848
Case 18.2 TNT: Tackling Newsboy's Teaching 848
Case 18.3 Jettisoning Surplus Stock 848

CHAPTER 19
Markov Decision Processes 849

19.1 A Prototype Example 850
19.2 A Model for Markov Decision Processes 852
19.3 Linear Programming and Optimal Policies 855
19.4 Markov Decision Processes in Practice 859
19.5 Conclusions 861
Selected References 862
Learning Aids for this Chapter on Our Website 862
Problems 863

CHAPTER 20
Simulation 866

20.1 The Essence of Simulation 866
20.2 Some Common Types of Applications of Simulation 878
20.3 Generation of Random Numbers 882
20.4 Generation of Random Observations from a Probability Distribution 886
20.5 Simulation Optimization 891
20.6 Outline of a Major Simulation Study 900
20.7 Conclusions 904
Selected References 905
Learning Aids for this Chapter on Our Website 906
Problems 907
Case 20.1 Reducing In-Process Inventory, Revisted 912
Previews of Added Cases on Our Website 912
Case 20.2 Planning Planers 912
Case 20.3 Pricing under Pressure 912

APPENDIXES
1. Documentation for the OR Courseware 913
2. Convexity 915
3. Classical Optimization Methods 920
4. Matrices and Matrix Operations 923
5. Table for a Normal Distribution 928

PARTIAL ANSWERS TO SELECTED PROBLEMS 930

INDEXES
Author Index 942
Subject Index 949