# TABLE OF CONTENTS

 $http://highered.mheducation.com/sites/0073523453/information\_center\_view0/index.html \\$ 

# PREFACE xxii

CHAPTER 1
Introduction 1
<ul> <li>1.1 The Origins of Operations Research 1</li> <li>1.2 The Nature of Operations Research 2</li> <li>1.3 The Rise of Analytics Together with Operations Research 3</li> <li>1.4 The Impact of Operations Research 5</li> <li>1.5 Algorithms and OR Courseware 7</li> <li>Selected References 9</li> <li>Problems 9</li> </ul>
CHAPTER 2
Overview of the Operations Research Modeling Approach 10
<ul> <li>2.1 Defining the Problem and Gathering Data 10</li> <li>2.2 Formulating a Mathematical Model 13</li> <li>2.3 Deriving Solutions from the Model 15</li> <li>2.4 Testing the Model 18</li> <li>2.5 Preparing to Apply the Model 19</li> <li>2.6 Implementation 20</li> <li>2.7 Conclusions 21</li> <li>Selected References 21</li> <li>Problems 23</li> </ul>
CHAPTER 3
Introduction to Linear Programming 25
<ul><li>3.1 Prototype Example 26</li><li>3.2 The Linear Programming Model 32</li><li>3.3 Assumptions of Linear Programming 38</li><li>3.4 Additional Examples 44</li></ul>
<ul> <li>3.5 Formulating and Solving Linear Programming Models on a Spreadsheet 62</li> <li>3.6 Formulating Very Large Linear Programming Models 71</li> <li>3.7 Conclusions 79</li> <li>Selected References 79</li> </ul>
Learning Aids for This Chapter on Our Website 80
Problems 81
Case 3.1 Auto Assembly 90
Previews of Added Cases on Our Website 92
Case 3.2 Cutting Cafeteria Costs 92
Case 3.3 Staffing a Call Center 92

Case 3.4 Promoting a Breakfast Cereal 92

xii CONTENTS

#### **CHAPTER 4**

# Solving Linear Programming Problems: The Simplex Method 93

- 4.1 The Essence of the Simplex Method 93
- 4.2 Setting Up the Simplex Method 98
- 4.3 The Algebra of the Simplex Method 101
- 4.4 The Simplex Method in Tabular Form 107
- 4.5 Tie Breaking in the Simplex Method 112
- 4.6 Adapting to Other Model Forms 115
- 4.7 Postoptimality Analysis 133
- 4.8 Computer Implementation 141
- 4.9 The Interior-Point Approach to Solving Linear Programming Problems 143
- 4.10 Conclusions 147

Appendix 4.1 An Introduction to Using LINDO and LINGO 147

Selected References 151

Learning Aids for This Chapter on Our Website 151

Problems 152

Case 4.1 Fabrics and Fall Fashions 160

Previews of Added Cases on Our Website 162

Case 4.2 New Frontiers 162

Case 4.3 Assigning Students to Schools 162

#### **CHAPTER 5**

# The Theory of the Simplex Method 163

- 5.1 Foundations of the Simplex Method 163
- 5.2 The Simplex Method in Matrix Form 174
- 5.3 A Fundamental Insight 183
- 5.4 The Revised Simplex Method 186
- 5.5 Conclusions 189

Selected References 189

Learning Aids for This Chapter on Our Website 190

Problems 190

# **CHAPTER 6**

# **Duality Theory 197**

- 6.1 The Essence of Duality Theory 197
- 6.2 Economic Interpretation of Duality 205
- 6.3 Primal-Dual Relationships 208
- 6.4 Adapting to Other Primal Forms 213
- 6.5 The Role of Duality Theory in Sensitivity Analysis 217
- 6.6 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 264
- 7.5 Chance Constraints 268

CONTENTS xiii

7.6 Stochastic Programming with Recourse 271 7.7 Conclusions 276 Selected References 276 Learning Aids for This Chapter on Our Website 277 Problems 277 Case 7.1 Controlling Air Pollution 288 Previews of Added Cases on Our Website 289 Case 7.2 Farm Management 289 Case 7.3 Assigning Students to Schools, Revisited 289 Case 7.4 Writing a Nontechnical Memo 289
CHAPTER 8
Other Algorithms for Linear Programming 290
<ul> <li>8.1 The Dual Simplex Method 290</li> <li>8.2 Parametric Linear Programming 294</li> <li>8.3 The Upper Bound Technique 299</li> <li>8.4 An Interior-Point Algorithm 301</li> <li>8.5 Conclusions 312</li> <li>Selected References 313</li> <li>Learning Aids for This Chapter on Our Website 313</li> <li>Problems 314</li> </ul>
CHAPTER 9
The Transportation and Assignment Problems 318
<ul> <li>9.1 The Transportation Problem 319</li> <li>9.2 A Streamlined Simplex Method for the Transportation Problem 333</li> <li>9.3 The Assignment Problem 348</li> <li>9.4 A Special Algorithm for the Assignment Problem 356</li> <li>9.5 Conclusions 360</li> <li>Selected References 361</li> <li>Learning Aids for This Chapter on Our Website 361</li> <li>Problems 362</li> <li>Case 9.1 Shipping Wood to Market 370</li> <li>Previews of Added Cases on Our Website 371</li> <li>Case 9.2 Continuation of the Texago Case Study 371</li> <li>Case 9.3 Project Pickings 371</li> </ul>
CHAPTER 10
Network Optimization Models 372
<ul> <li>10.1 Prototype Example 373</li> <li>10.2 The Terminology of Networks 374</li> <li>10.3 The Shortest-Path Problem 377</li> <li>10.4 The Minimum Spanning Tree Problem 382</li> <li>10.5 The Maximum Flow Problem 387</li> <li>10.6 The Minimum Cost Flow Problem 395</li> <li>10.7 The Network Simplex Method 403</li> <li>10.8 A Network Model for Optimizing a Project's Time-Cost Trade-Off 413</li> <li>10.9 Conclusions 424</li> <li>Selected References 425</li> <li>Learning Aids for This Chapter on Our Website 425</li> </ul>
Learning Aids for This Chapter on Our Website 425

xiv CONTENTS

Problems 426

Case 10.1 Money in Motion 434

Previews of Added Cases on Our Website 437

Case 10.2 Aiding Allies 437

Case 10.3 Steps to Success 437

#### **CHAPTER 11**

# Dynamic Programming 438

- 11.1 A Prototype Example for Dynamic Programming 438
- 11.2 Characteristics of Dynamic Programming Problems 443
- 11.3 Deterministic Dynamic Programming 445
- 11.4 Probabilistic Dynamic Programming 462
- 11.5 Conclusions 468

Selected References 468

Learning Aids for This Chapter on Our Website 468

Problems 469

### **CHAPTER 12**

# Integer Programming 474

- 12.1 Prototype Example 475
- 12.2 Some BIP Applications 478
- 12.3 Innovative Uses of Binary Variables in Model Formulation 483
- 12.4 Some Formulation Examples 489
- 12.5 Some Perspectives on Solving Integer Programming Problems 497
- 12.6 The Branch-and-Bound Technique and Its Application to Binary Integer Programming 501
- 12.7 A Branch-and-Bound Algorithm for Mixed Integer Programming 513
- 12.8 The Branch-and-Cut Approach to Solving BIP Problems 519
- 12.9 The Incorporation of Constraint Programming 525
- 12.10 Conclusions 531

Selected References 532

Learning Aids for This Chapter on Our Website 533

Problems 534

Case 12.1 Capacity Concerns 543

Previews of Added Cases on Our Website 545

Case 12.2 Assigning Art 545

Case 12.3 Stocking Sets 545

Case 12.4 Assigning Students to Schools, Revisited Again 546

# **CHAPTER 13**

# Nonlinear Programming 547

- 13.1 Sample Applications 548
- 13.2 Graphical Illustration of Nonlinear Programming Problems 552
- 13.3 Types of Nonlinear Programming Problems 556
- 13.4 One-Variable Unconstrained Optimization 562
- 13.5 Multivariable Unconstrained Optimization 567
- 13.6 The Karush-Kuhn-Tucker (KKT) Conditions for Constrained Optimization 573
- 13.7 Quadratic Programming 577

CONTENTS xv

- 13.8 Separable Programming 583
- 13.9 Convex Programming 590
- 13.10 Nonconvex Programming (with Spreadsheets) 598
- 13.11 Conclusions 602
- Selected References 603
- Learning Aids for This Chapter on Our Website 603
- Problems 604
- Case 13.1 Savvy Stock Selection 615
- Previews of Added Cases on Our Website 616
  - Case 13.2 International Investments 616
  - Case 13.3 Promoting a Breakfast Cereal, Revisited 616

#### **CHAPTER 14**

#### Metaheuristics 617

- 14.1 The Nature of Metaheuristics 618
- 14.2 Tabu Search 625
- 14.3 Simulated Annealing 636
- 14.4 Genetic Algorithms 645
- 14.5 Conclusions 655
- Selected References 656
- Learning Aids for This Chapter on Our Website 656
- Problems 657

#### **CHAPTER 15**

# Game Theory 661

- 15.1 The Formulation of Two-Person, Zero-Sum Games 661
- 15.2 Solving Simple Games—A Prototype Example 663
- 15.3 Games with Mixed Strategies 668
- 15.4 Graphical Solution Procedure 670
- 15.5 Solving by Linear Programming 672
- 15.6 Extensions 676
- 15.7 Conclusions 677
- Selected References 677
- Learning Aids for This Chapter on Our Website 677
- Problems 678

## **CHAPTER 16**

### Decision Analysis 682

- 16.1 A Prototype Example 683
- 16.2 Decision Making without Experimentation 684
- 16.3 Decision Making with Experimentation 690
- 16.4 Decision Trees 696
- 16.5 Using Spreadsheets to Perform Sensitivity Analysis on Decision Trees 700
- 16.6 Utility Theory 707
- 16.7 The Practical Application of Decision Analysis 715
- 16.8 Conclusions 716
- Selected References 716
- Learning Aids for This Chapter on Our Website 717
- Problems 718
- Case 16.1 Brainy Business 728

xvi CONTENTS

Case 16.2 Smart Steering Support 730	
Case 16.3 Who Wants to be a Millionaire? 730	
Case 16.4 University Toys and the Engineering Professor Action Figures	730
CHAPTER 17	
Queueing Theory 731	
17.1 Prototype Example 732	
17.2 Basic Structure of Queueing Models 732	
17.3 Examples of Real Queueing Systems 737	
17.4 The Role of the Exponential Distribution 739	
17.5 The Birth-and-Death Process 745	
17.6 Queueing Models Based on the Birth-and-Death Process 750	
17.7 Queueing Models Involving Nonexponential Distributions 762	
17.8 Priority-Discipline Queueing Models 770	
17.9 Queueing Networks 775	
17.10 The Application of Queueing Theory 779	
17.11 Conclusions 784	
Selected References 784	
Learning Aids for This Chapter on Our Website 785	
Problems 786	
Case 17.1 Reducing In-Process Inventory 798	
Preview of an Added Case on Our Website 799	
Case 17.2 Queueing Quandary 799	
CHAPTER 18	
Inventory Theory 800	
18.1 Examples 801	
18.2 Components of Inventory Models 803	
18.3 Deterministic Continuous-Review Models 805	
18.4 A Deterministic Periodic-Review Model 815	
18.5 Deterministic Multiechelon Inventory Models for Supply	
Chain Management 820	
18.6 A Stochastic Continuous-Review Model 838	
18.7 A Stochastic Single-Period Model for Perishable Products 842	
18.8 Revenue Management 854	
18.9 Conclusions 862	
Selected References 862	
Learning Aids for This Chapter on Our Website 863	
Problems 864	
Case 18.1 Brushing Up on Inventory Control 874	
Previews of Added Cases on Our Website 876	
Case 18.2 TNT: Tackling Newsboy's Teaching 876	

Preview of Added Cases on Our Website 730

# **CHAPTER 19**

# Markov Decision Processes 877

19.1 A Prototype Example 878

19.2 A Model for Markov Decision Processes 880

Case 18.3 Jettisoning Surplus Stock 876

CONTENTS xvii

19.3 Linear Programming and Optimal Policies 883
19.4 Conclusions 887
Selected References 888
Learning Aids for This Chapter on Our Website 888
Problems 889

# **CHAPTER 20**

#### Simulation 892

- 20.1 The Essence of Simulation 892
- 20.2 Some Common Types of Applications of Simulation 904
- 20.3 Generation of Random Numbers 908
- 20.4 Generation of Random Observations from a Probability Distribution 912
- 20.5 Outline of a Major Simulation Study 917
- 20.6 Performing Simulations on Spreadsheets 921
- 20.7 Conclusions 939

Selected References 941

Learning Aids for This Chapter on Our Website 942

Problems 943

Case 20.1 Reducing In-Process Inventory, Revisited 950

Case 20.2 Action Adventures 950

Previews of Added Cases on Our Website 951

Case 20.3 Planning Planers 951

Case 20.4 Pricing under Pressure 951

#### **APPENDIXES**

- 1. Documentation for the OR Courseware 952
- 2. Convexity 954
- 3. Classical Optimization Methods 959
- 4. Matrices and Matrix Operations 962
- 5. Table for a Normal Distribution 967

# PARTIAL ANSWERS TO SELECTED PROBLEMS 969

#### INDEXES

Author Index 983 Subject Index 992

# SUPPLEMENTS AVAILABLE ON THE TEXT WEBSITE www.mhhe.com/hillier

#### ADDITIONAL CASES

- Case 3.2 Cutting Cafeteria Costs
- Case 3.3 Staffing a Call Center
- Case 3.4 Promoting a Breakfast Cereal
- Case 4.2 New Frontiers
- Case 4.3 Assigning Students to Schools
- Case 7.2 Farm Management
- Case 7.3 Assigning Students to Schools, Revisited
- Case 7.4 Writing a Nontechnical Memo
- Case 9.2 Continuation of the Texago Case Study
- Case 9.3 Project Pickings
- Case 10.2 Aiding Allies
- Case 10.3 Steps to Success
- Case 12.2 Assigning Art
- Case 12.3 Stocking Sets
- Case 12.4 Assigning Students to Schools, Revisited Again
- Case 13.2 International Investments
- Case 13.3 Promoting a Breakfast Cereal, Revisited
- Case 16.2 Smart Steering Support
- Case 16.3 Who Wants to be a Millionaire?
- Case 16.4 University Toys and the Engineering Professor Action Figures
- Case 17.2 Queueing Quandary
- Case 18.2 TNT: Tackling Newsboy's Teachings
- Case 18.3 Jettisoning Surplus Stock
- Case 20.3 Planning Planers
- Case 20.4 Pricing under Pressure

# SUPPLEMENT 1 TO CHAPTER 3 The LINGO Modeling Language

# SUPPLEMENT 2 TO CHAPTER 3

#### More about LINGO

# **SUPPLEMENT TO CHAPTER 8**

# Linear Goal Programming and Its Solution Procedures

**Problems** 

Case 8S.1 A Cure for Cuba

Case 8S.2 Airport Security

# SUPPLEMENT TO CHAPTER 9

A Case Study with Many Transportation Problems

# **SUPPLEMENT TO CHAPTER 16**

**Using TreePlan Software for Decision Trees** 

# SUPPLEMENT 1 TO CHAPTER 18

# Derivation of the Optimal Policy for the Stochastic Single-Period Model for Perishable Products

**Problems** 

# SUPPLEMENT 2 TO CHAPTER 18 Stochastic Periodic-Review Models

**Problems** 

#### SUPPLEMENT 1 TO CHAPTER 19

# A Policy Improvement Algorithm for Finding Optimal Policies

**Problems** 

# SUPPLEMENT 2 TO CHAPTER 19 A Discounted Cost Criterion

**Problems** 

# SUPPLEMENT 1 TO CHAPTER 20 Variance-Reducing Techniques

**Problems** 

# SUPPLEMENT 2 TO CHAPTER 20 Regenerative Method of Statistical Analysis

**Problems** 

#### **CHAPTER 21**

# The Art of Modeling with Spreadsheets

- 21.1 A Case Study: The Everglade Golden Years Company Cash Flow Problem
- 21.2 Overview of the Process of Modeling with Spreadsheets
- 21.3 Some Guidelines for Building "Good" Spreadsheet Models
- 21.4 Debugging a Spreadsheet Model
- 21.5 Conclusions

Selected References

Learning Aids for This Chapter on Our Website

**Problems** 

Case 21.1 Prudent Provisions for Pensions

#### **CHAPTER 22**

# Project Management with PERT/CPM

- 22.1 A Prototype Example—The Reliable Construction Co. Project
- 22.2 Using a Network to Visually Display a Project
- 22.3 Scheduling a Project with PERT/CPM
- 22.4 Dealing with Uncertain Activity Durations
- 22.5 Considering Time-Cost Trade-Offs
- 22.6 Scheduling and Controlling Project Costs
- 22.7 An Evaluation of PERT/CPM
- 22.8 Conclusions

Selected References

Learning Aids for This Chapter on Our Website

Problems |

Case 22.1 "School's out forever . . . "

#### **CHAPTER 23**

# Additional Special Types of Linear Programming Problems

- 23.1 The Transshipment Problem
- 23.2 Multidivisional Problems
- 23.3 The Decomposition Principle for Multidivisional Problems
- 23.4 Multitime Period Problems
- 23.5 Multidivisional Multitime Period Problems
- 23.6 Conclusions

Selected References

**Problems** 

#### **CHAPTER 24**

# **Probability Theory**

- 24.1 Sample Space
- 24.2 Random Variables
- 24.3 Probability and Probability Distributions
- 24.4 Conditional Probability and Independent Events
- 24.5 Discrete Probability Distributions
- 24.6 Continuous Probability Distributions
- 24.7 Expectation
- 24.8 Moments
- 24.9 Bivariate Probability Distribution
- 24.10 Marginal and Conditional Probability Distributions
- 24.11 Expectations for Bivariate Distributions
- 24.12 Independent Random Variables and Random Samples
- 24.13 Law of Large Numbers
- 24.14 Central Limit Theorem
- 24.15 Functions of Random Variables

Selected References

**Problems** 

#### **CHAPTER 25**

# Reliability

- 25.1 Structure Function of a System
- 25.2 System Reliability
- 25.3 Calculation of Exact System Reliability
- 25.4 Bounds on System Reliability
- 25.5 Bounds on Reliability Based upon Failure Times
- 25.6 Conclusions

Selected References

**Problems** 

### **CHAPTER 26**

# The Application of Queueing Theory

- 26.1 Examples
- 26.2 Decision Making
- 26.3 Formulation of Waiting-Cost Functions
- 26.4 Decision Models
- 26.5 The Evaluation of Travel Time
- 26.6 Conclusions

Selected References

Learning Aids for This Chapter on Our Website Problems

## **CHAPTER 27**

# Forecasting

- 27.1 Some Applications of Forecasting
- 27.2 Judgmental Forecasting Methods
- 27.3 Time Series
- 27.4 Forecasting Methods for a Constant-Level Model
- 27.5 Incorporating Seasonal Effects into Forecasting Methods
- 27.6 An Exponential Smoothing Method for a Linear Trend Model
- 27.7 Forecasting Errors
- 27.8 Box-Jenkins Method
- 27.9 Causal Forecasting with Linear Regression
- 27.10 Forecasting in Practice
- 27.11 Conclusions

Selected References

Learning Aids for This Chapter on Our Website

**Problems** 

Case 27.1 Finagling the Forecasts

### **CHAPTER 28**

# Examples of Performing Simulations on Spreadsheets with Analytic Solver Platform

- 28.1 Bidding for a Construction Project
- 28.2 Project Management
- 28.3 Cash Flow Management
- 28.4 Financial Risk Analysis
- 28.5 Revenue Management in the Travel Industry
- 28.6 Choosing the Right Distribution
- 28.7 Decision Making with Parameter Analysis Reports and Trend Charts
- 28.8 Conclusions

Selected References

Learning Aids for This Chapter on Our Website

**Problems** 

# **CHAPTER 29**

#### Markov Chains

- 29.1 Stochastic Processes
- 29.2 Markov Chains
- 29.3 Chapman-Kolmogorov Equations
- 29.4 Classification of States of a Markov Chain
- 29.5 Long-Run Properties of Markov Chains
- 29.6 First Passage Times
- 29.7 Absorbing States
- 29.8 Continuous Time Markov Chains

Selected References

Learning Aids for This Chapter on Our Website

**Problems** 

# **APPENDIX 6**

# Simultaneous Linear Equations