

Unit 34: Operations Management

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Learning Outcome 1

- LO1 Understand the nature and importance operations management
 - 1.1 explain why operations management is important for organisation
 - 1.2 analyse the operations functions organisation
 - 1.3 evaluate, by using a process model, the operations management of a selected organisation

In this Session

- AC 1.1 Explain why operations management is important for organisation
 - Defining Operations management and its Key Concepts
 - Roles and Objectives of Operations Management
 - Framework for managing operations
 - Benefits of Operations Management
- Review Questions
- References

Defining Operations management

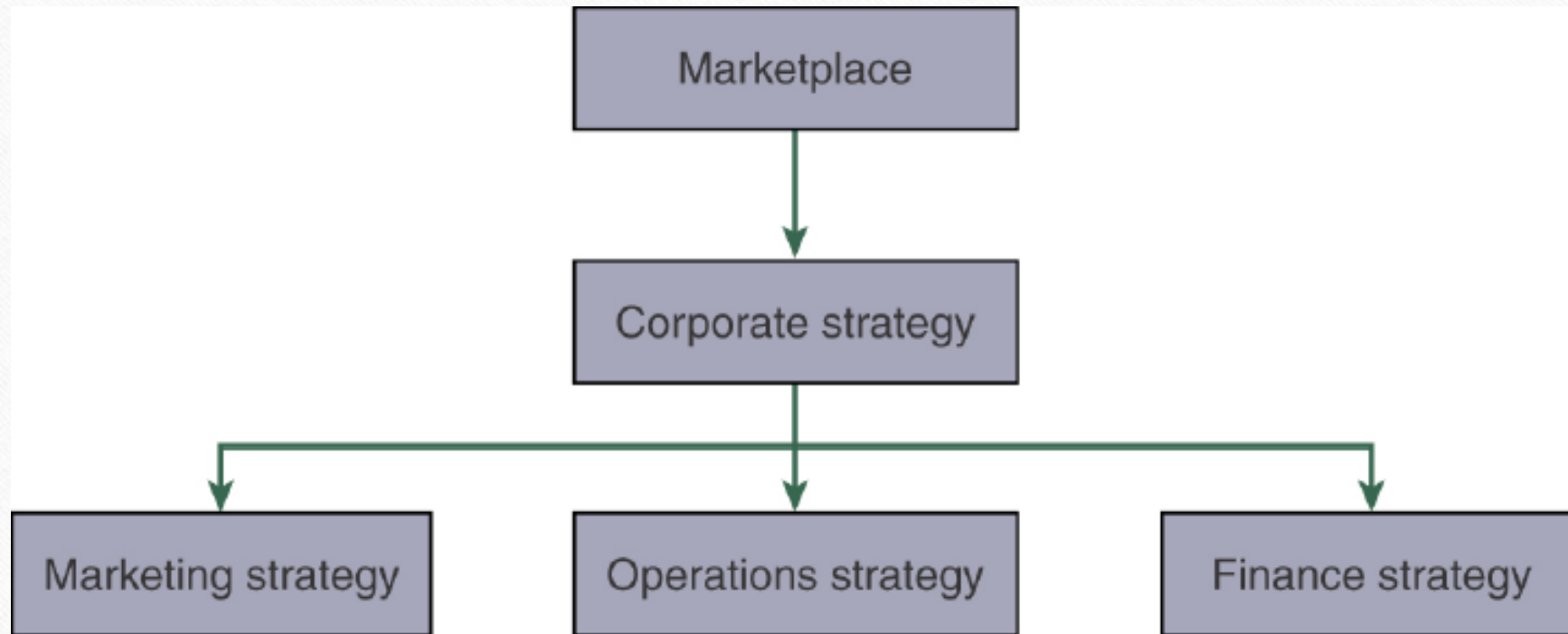
- **Operation** is that part of an organization, which is concerned with the transformation of a range of inputs into services having the required quality level.
- **Management** is the process, which combines and transforms various resources used in the operations of the organization into value added services in a controlled manner as per the policies of the organization
- **Operations Management**, according to Joseph G .Monks is the process whereby resources, flowing within a defined system, are combined and transformed by a controlled manner to add value in accordance with policies communicated by management.

Operations Management

- Investopedia.com (2016) indicates that Operations management refers to the administration of business practices to create the highest level of efficiency possible within an organization. Operations management is concerned with converting materials and labor into goods and services as efficiently as possible to maximize the profit of an organization.
- Operations management teams design the method of conversion of inputs (materials, labor, proprietary information, etc.) into outputs (goods, services, value-added products, etc.) that is most beneficial to the organization. Operations management teams attempt to balance costs with revenue to achieve the highest net operating profit possible.

Read more: [Operations Management Definition | Investopedia](http://www.investopedia.com/terms/o/operations-management.asp#ixzz47MQCiv61)
<http://www.investopedia.com/terms/o/operations-management.asp#ixzz47MQCiv61>

Role of OM in Organisation



Concept of Production

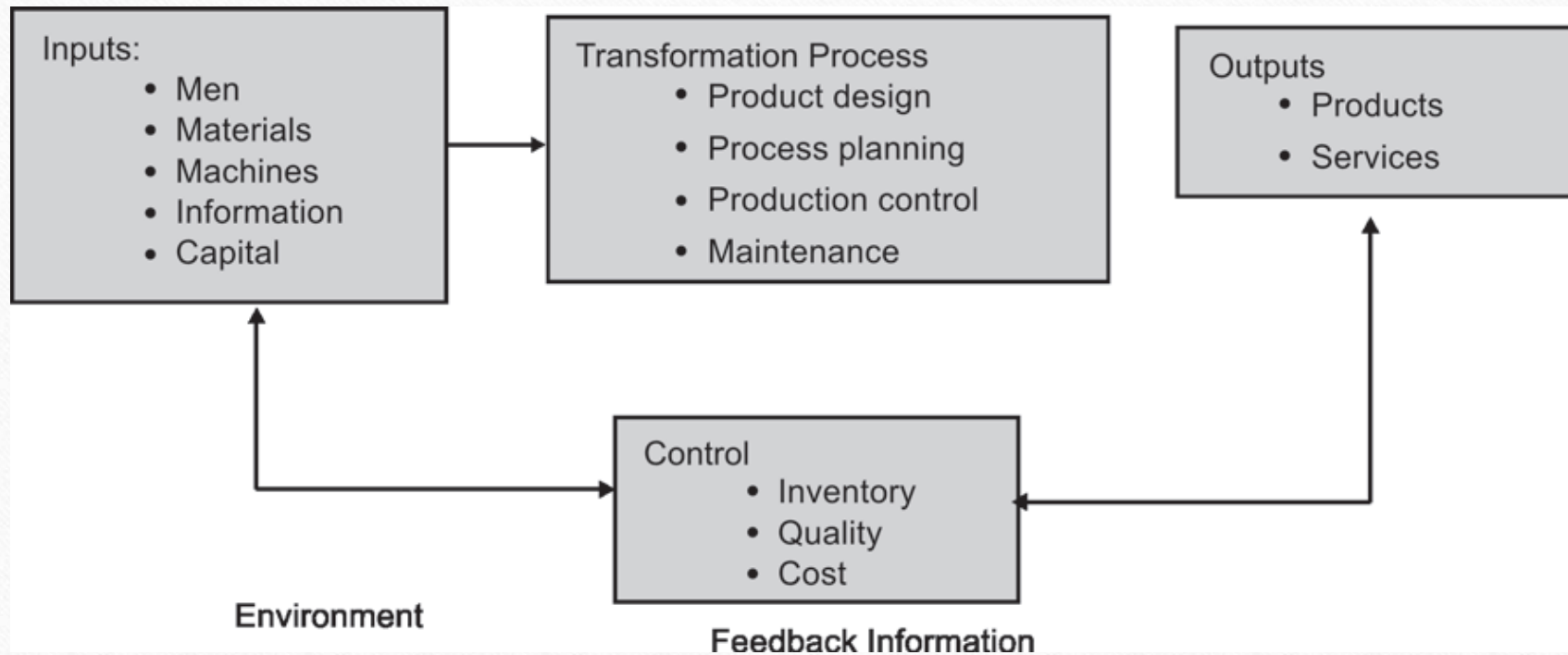
- Production function is ‘the part of an organisation, which is concerned with the transformation of a range of inputs into the required outputs (products) having the requisite quality level’.
- Production is defined as ‘the step-by-step conversion of one form of material into another form through chemical or mechanical process to create or enhance the utility of the product to the user’.
- Some examples of production are: manufacturing custom-made products like, boilers with a specific capacity, constructing flats, some structural fabrication works for selected customers, etc., and manufacturing standardized products like, car, bus, motor cycle, radio, television, etc.

Characteristics of the Production System

Bennett (2015) identifies the following characteristics of the Production system:

- Production is an organised activity, so every production system has an objective.
- The system transforms the various inputs to useful outputs.
- It does not operate in isolation from the other organisation system.
- There exists a feedback about the activities, which is essential to control and improve system performance.

Production System



Goods vs. Services

Services	Goods
Intangible, nondurable	Tangible, durable
Output can't be inventoried	Output can be inventoried
Interaction with customer	No interaction with customer
Short response time	Long response time
Labour intensive	Capital intensive

Operation System

- The operation system includes both manufacturing sector as well as service sector
- An operation was defined in terms of the mission for the organization, technology it employs and the human and managerial processes it involves.
- Operations in an organization can be categorized into Manufacturing Operations and Service operations.

Framework for Managing Operations

- Managing Operations involves planning, organizing, and controlling the activities, which affect human behaviour through models.
- Planning is the activity that establishes a course of action and guide future decision-making.
- Organizing is the activities that establish a structure of tasks and authority.
- Controlling is the activities that assure the actual performance in accordance with planned performance. Controlling costs, quality, and schedules are the important functions here.

Benefits of OM



Source: Rexp process.com(2016)

OM and Operations Manager's Responsibility

- The operations managers have the prime responsibility for processing inputs into outputs.
- They must bring together under production plan that effectively uses the materials, capacity and knowledge available in the production facility.
- Control must be exercised over such parameters such as costs, quality and inventory levels.
- The definition of the operations Management contains following keywords: Resources, Systems, transformation and Value addition Activities.

Review Questions

1. Define Operations management. Explain the key concepts of Operations management
2. Distinguish between manufacturing and service operation with example.
3. Define the term operations management.
4. Briefly explain how service producers differ from goods producers in important aspects of their operations.
5. State the important objectives of production management.
6. Define the term productive system.
7. Explain the concept of productivity.

References

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