

# IB Business Management SL

## 5.1 Introduction to Operations Management

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5.1.1 The Purpose of Operations Management

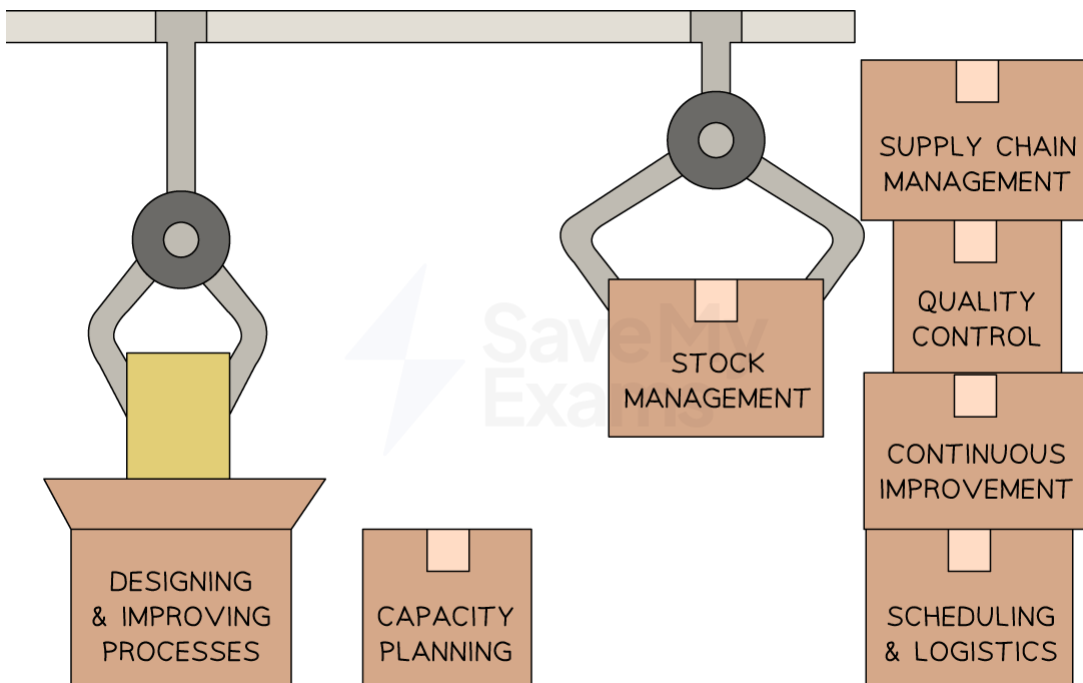
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## 5.1.1 The Purpose of Operations Management

### What is Operations Management?

- Operations management focuses on **designing, controlling and improving** the **processes** used in the **production of goods and services**
  - It involves overseeing the entire production process, from acquiring raw materials to delivering the final product/service to customers
- The goal of operations management is to ensure that the **production process is efficient, cost-effective and meets the desired quality standards**
  - It involves making decisions related to production planning, stock management, resource allocation, scheduling and quality control
- Operations managers are responsible for a wide range of tasks including:



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#### *The range of tasks for which operations management are responsible*

##### 1. Designing and improving processes

- Operations managers analyse existing processes and **find ways to optimise them**
  - They may use tools and techniques such as process mapping and lean production to identify inefficiencies and eliminate waste

##### 2. Capacity planning





- Operations managers determine the production capacity required to meet customer demand
  - They analyse historical data and market forecasts to ensure that the production resources are adequate to fulfil orders in a timely manner

### 3. Stock management

- Operations managers are responsible for managing the stock levels of raw materials, work-in-progress and finished goods
  - They aim to minimise costs while ensuring that enough stock is available to meet customer demand and allow the production process to continue **without running out of resources**

### 4. Supply chain management

- Operations managers work closely with suppliers to ensure the timely delivery of raw materials and components
  - They establish relationships with suppliers, negotiate contracts and monitor supplier performance to ensure a reliable supply chain

### 5. Quality control

- Operations managers implement quality control measures to ensure that the products/services meet the required quality standards
  - They develop and enforce quality assurance processes, conduct inspections and address any quality issues that arise

### 6. Continuous improvement

- Operations managers strive for ongoing improvement in processes, productivity and efficiency
  - They identify opportunities for innovation, implement new technologies or techniques and encourage a culture of continuous improvement (Kaizen) among employees

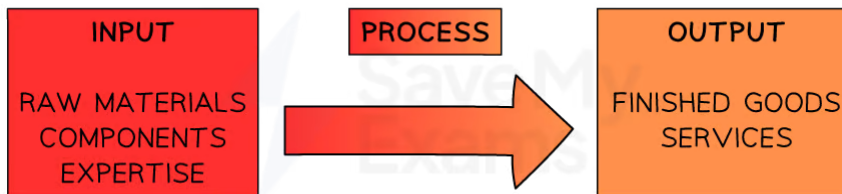
### 7. Scheduling and logistics

- Operations managers develop **production schedules** and coordinate the flow of materials, equipment and labour to ensure smooth operations



## Operations & the Production of Goods/Services

- Operations management **does not only focus on the production of tangible goods/services** in the secondary sector
  - It is equally applicable in the primary, tertiary and quaternary sectors
- The input-output model is a simple explanation of the operations process



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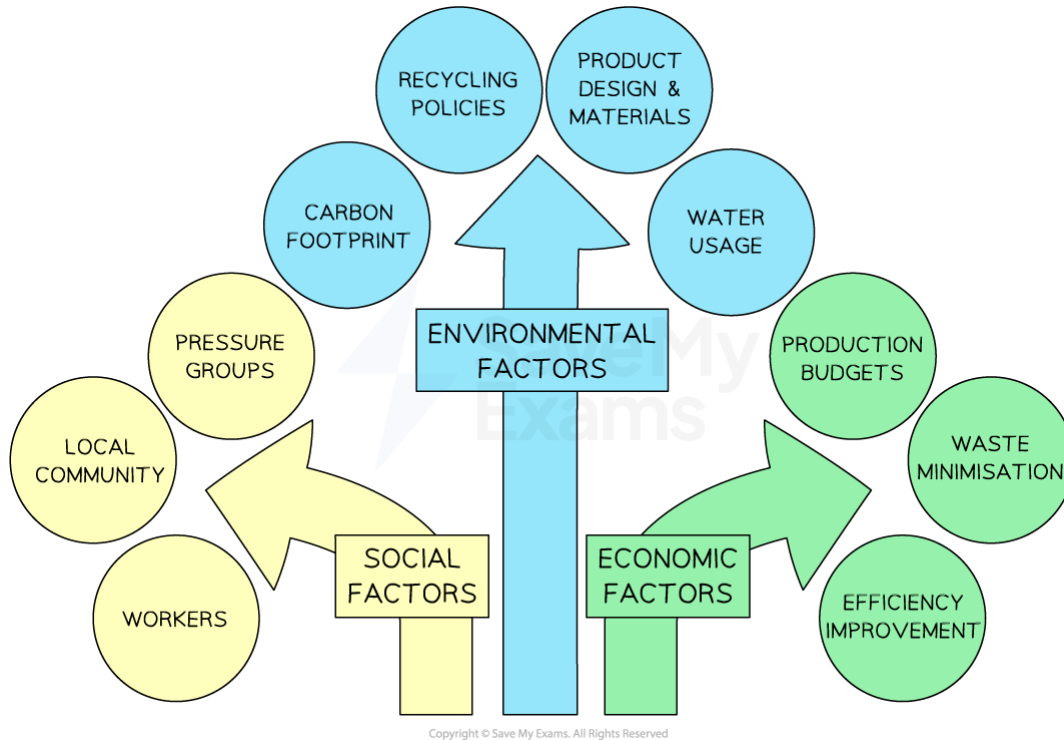
*The input-output model*

### Examples of the Input-Output Model in Different Sectors

Sector & Example	Inputs	Process	Outputs
<b>Primary</b> (Fishing)	<ul style="list-style-type: none"> <li>Bait and nets</li> <li>Skilled and experienced fisheries workers</li> </ul>	<ul style="list-style-type: none"> <li>Trawl fishing</li> <li>Pot harvesting</li> </ul>	<ul style="list-style-type: none"> <li>Quantities of fresh fish or seafood ready for wholesale</li> </ul>
<b>Secondary</b> (Car manufacture)	<ul style="list-style-type: none"> <li>Engine parts</li> <li>Glass &amp; paint</li> <li>Production line workers</li> </ul>	<ul style="list-style-type: none"> <li>Flow production</li> <li>Cell production</li> </ul>	<ul style="list-style-type: none"> <li>Finished vehicles ready for sale to consumers</li> </ul>
<b>Tertiary</b> (Restaurant)	<ul style="list-style-type: none"> <li>Ingredients</li> <li>Gas &amp; electric</li> <li>Skilled chefs</li> </ul>	<ul style="list-style-type: none"> <li>Baking, roasting &amp; grilling</li> <li>Plate presentation and table service</li> </ul>	<ul style="list-style-type: none"> <li>Prepared meal delivered to a customer's table</li> </ul>
<b>Quaternary</b> (Business consultancy)	<ul style="list-style-type: none"> <li>Business data</li> <li>Specialist software</li> <li>Qualified analysts</li> </ul>	<ul style="list-style-type: none"> <li>Market research</li> <li>Data analysis</li> </ul>	<ul style="list-style-type: none"> <li>Finished business report or presentation to clients</li> </ul>

## Operations & Sustainability

- Sustainable operations management involves integrating **sustainability practices** into all aspects of the operations management process, from sourcing materials to delivering products/services
- There are three elements to sustainable operations management



### *Examples of sustainability considerations in operations management*

- There are a range of ways to improve sustainability in operations management

### Examples of Sustainability Practices in Operations Management

Method	Explanation	Example
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YOUR NOTES



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<b>Green Supply Chain Management</b>	<ul style="list-style-type: none"> <li>Selecting <b>environmentally friendly</b> suppliers, reducing waste, and minimising the businesses <b>carbon footprint</b> throughout the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Outdoor clothing brand <i>Patagonia</i> uses sustainable materials including organic cotton and recycled polyester in its garments, follows fair labour practices throughout its supply chain and discloses information about its supply chain to the public</li> </ul>
<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>Implementing <b>energy-saving</b> technologies, optimising equipment and machinery and reducing energy consumption wherever possible</li> </ul>	<ul style="list-style-type: none"> <li><i>Danone</i> is committed to using 100% renewable energy sources with an ambitious goal to reduce its environmental impact by 2030 and becoming carbon neutral by 2050</li> </ul>
<b>Waste Reduction and Recycling</b>	<ul style="list-style-type: none"> <li>Introducing waste management systems, adopting lean manufacturing principles and designing products with a focus on recyclability and reduced material usage through the use of <b>eco-friendly materials</b> and <b>designing for durability</b></li> </ul>	<ul style="list-style-type: none"> <li><i>Fairphone</i> designs modular smartphones targeted at environmentally-conscious consumers that enable users to replace and upgrade individual components easily, extending the life of the device</li> </ul>
<b>Promoting fair labour practices</b>	<ul style="list-style-type: none"> <li>Ensuring <b>healthy</b> and <b>safe working conditions</b> through policies such as flexible working, ample breaks, access to training and advice as well as physical protection such as air filters and safety equipment in place</li> </ul>	<ul style="list-style-type: none"> <li>At <i>Google</i> workers can benefit from free meals, nap pods and on-site doctors amongst many other facilities - and can even bring their pets to work!</li> <li>The company monitors employee satisfaction and happiness and has moved to a hybrid working model which provides workers with flexibility</li> </ul>