

HL IB Business Management



Your notes

5.1 Introduction to Operations Management

Contents

- * The Purpose of Operations Management



Your notes

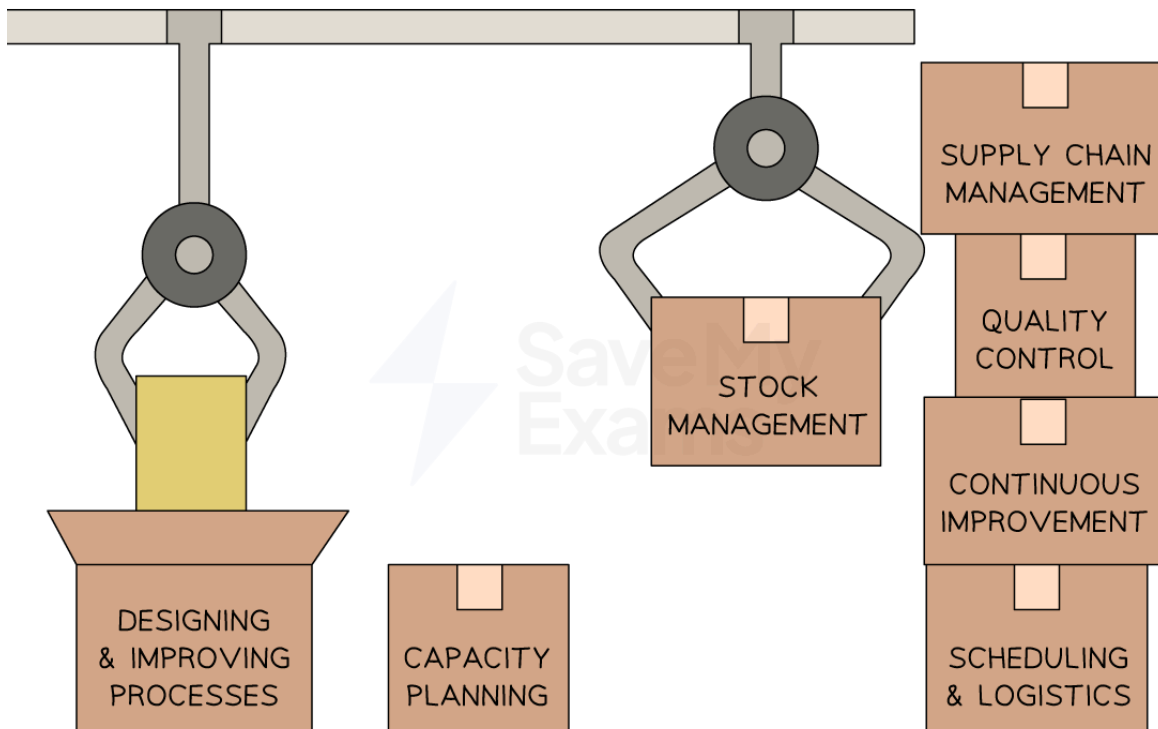
The Purpose of Operations Management

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

Diagram Showing Common Operations Management Tasks



Copyright © Save My Exams. All Rights Reserved

Operations management are responsible for the entire production process

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



Your notes

 **Examiner Tip**

Operations management is a topic with many specialised key terms that you are advised to revise carefully

Short-answer questions may focus on definitions and being able to distinguish between, for example, types of production or approaches to quality management is key in developing longer analytical responses



Your notes

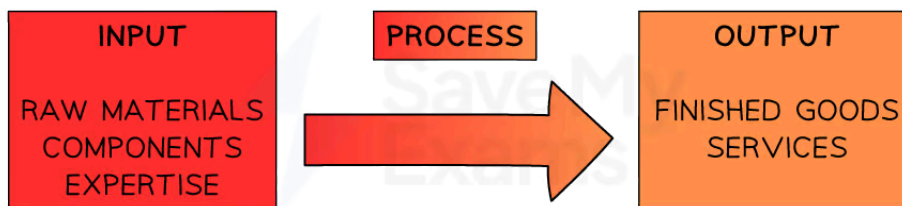


Your notes

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

Diagram Showing the Input and Output Process



Copyright © Save My Exams. All Rights Reserved

The input-output model

- All products/services require raw material as **inputs**
- These inputs go through some form of process (adding value)
- The process results in a **new output** which is available for sale

Examples of the Input-Output Model in Different Sectors

Sector & Example	Inputs	Process	Outputs
Primary (Fishing)	<ul style="list-style-type: none"> Bait and nets Skilled and experienced fisheries workers 	<ul style="list-style-type: none"> Trawl fishing Pot harvesting 	<ul style="list-style-type: none"> Quantities of fresh fish or seafood ready for wholesale
Secondary (Car manufacture)	<ul style="list-style-type: none"> Engine parts Glass & paint Production line workers 	<ul style="list-style-type: none"> Flow production Cell production 	<ul style="list-style-type: none"> Finished vehicles ready for sale to consumers
Tertiary (Restaurant)	<ul style="list-style-type: none"> Ingredients Gas & electric Skilled chefs 	<ul style="list-style-type: none"> Baking, roasting & grilling Plate presentation and table service 	<ul style="list-style-type: none"> Prepared meal delivered to a customer's table

Quaternary (Business consultancy)	<ul style="list-style-type: none">▪ Business data▪ Specialist software▪ Qualified analysts	<ul style="list-style-type: none">▪ Market research▪ Data analysis	<ul style="list-style-type: none">▪ Finished business report or presentation to clients
--	--	---	---



Your notes

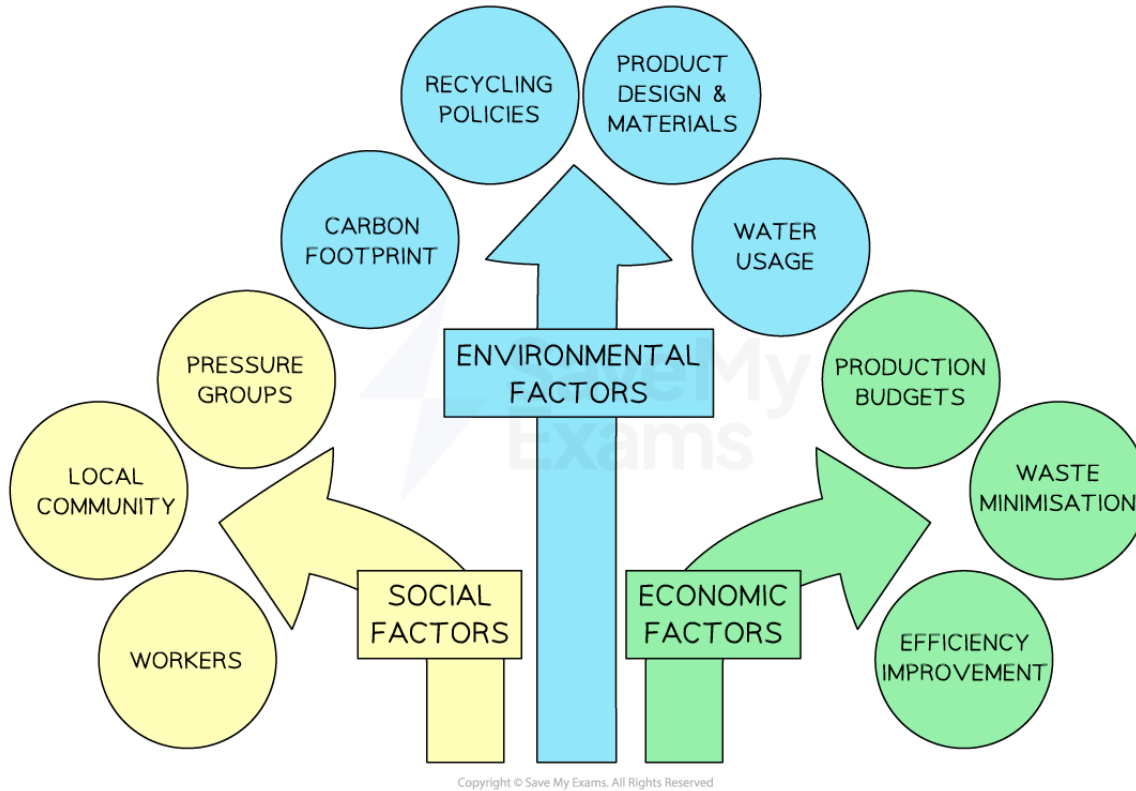


Your notes

Operations & Sustainability

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

Diagram Explaining the Three Elements of 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
Green supply chain management	<ul style="list-style-type: none"> Selecting environmentally friendly suppliers, reducing waste, and minimising the businesses 	<ul style="list-style-type: none"> Outdoor clothing brand <i>Patagonia</i> uses sustainable materials including organic cotton and recycled polyester in its garments, follows fair labour



Your notes

	<p>carbon footprint throughout the supply chain</p>	<p>practices throughout its supply chain and discloses information about its supply chain to the public</p>
<p>Energy efficiency</p>	<ul style="list-style-type: none"> ▪ Implementing energy-saving technologies, optimising equipment and machinery and reducing energy consumption wherever possible 	<ul style="list-style-type: none"> ▪ <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
<p>Waste reduction and recycling</p>	<ul style="list-style-type: none"> ▪ Introducing waste management systems, adopting lean manufacturing principles and designing products with a focus on recyclability and reduced material usage through the use of eco-friendly materials and designing for durability 	<ul style="list-style-type: none"> ▪ <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
<p>Promoting fair labour practices</p>	<ul style="list-style-type: none"> ▪ Ensuring healthy and safe working conditions 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 	<ul style="list-style-type: none"> ▪ 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! ▪ The company monitors employee satisfaction and happiness and has moved to a hybrid working model which provides workers with flexibility

 **Examiner Tip**

Sustainability is an important contemporary consideration for businesses - and it can provide you with a valuable evaluative focus in longer answers

Don't just consider quantitative and qualitative reasons for or against business decisions - consider which option might be the more sustainable, environmentally responsible or fair for stakeholders

This approach can add depth to your judgements and, ultimately, reflects the more complex approach to decision making that businesses pursue in the real world



Your notes