

**UNIT-I- INTRODUCTION TO OPERATIONS MANAGEMENT**

Operations Management – Nature, Importance, historical development, transformation processes, differences between services and goods, a system perspective, functions, challenges, current priorities, recent trends. Operations Strategy – Strategic fit, framework. Productivity; World-class manufacturing practices

Operation management means the administration of business activities for attaining higher efficiency. It is a process of planning, organizing, and supervising the operations of the business for better productivity. Operation management aims at reducing the cost to business by avoiding any wastage of resources.

**What does operations management involve?**

Operations management is chiefly concerned with planning, organizing and supervising in the contexts of production, manufacturing or the provision of services. As such, it is delivery-focused, ensuring that an organization successfully turns inputs to outputs in an efficient manner. The inputs themselves could represent anything from materials, equipment and technology to human resources such as staff or workers.

Examples of the types of duties or specialist positions this encompasses are procurement (acquiring goods or services from external sources), managing relations with those involved in processes and improving a company's sustainability with regard to their use of resources.

There are two key terms that can help answer the question of what operations management is more precisely: supply chain management and logistics. Operations management has firm foundations in both areas. For example, understanding global trends in supply chain management in order to meet client demand is often critical. With logistics the careful and considered use of resources, as well as cost-effectiveness, has become increasingly important in an era in which resources can often be in short supply and customer expectations have skyrocketed.

## **SKILLS REQUIRED OF AN OPERATIONS MANAGER**

There are strong parallels between the skills required for effective operations management and those needed in both logistics and supply chain management. Excellent organizational ability is crucial in successfully enhancing efficiency and driving productivity as an operations manager.

One must be able to understand the series of processes within a company to get them to flow seamlessly, and in this sense the role is directly related to supply chain management. Meanwhile, the coordination involved in setting up these processes in practice represents logistics; the combination of understanding and coordinating the work of a company are central to becoming a successful operations manager.

### **Functions of Operations Management**

- **Finance-** Finance plays a main function in operations management. The operation manager should not waste finance in unproductive tasks. He should ensure that all finance of the organization is utilized for the manufacturing of useful goods or services which may satisfy consumer wants.
- **Operation-** The function of operation management is basically concerned with planning, organizing, directing and controlling of daily routine operations of an organization. The operation manager ensures that all activities are going effectively and efficiently.
- **Strategy-** The strategy formulation is also the main function of operation management. The operation manager should have pre-planned tasks. Formulation of plans and tactics helps the organization in optimizing their resources and developing a competitive edge over competitors.
- **Product Design-** It is the duty of operations manager to design the product according to the market trends and demands. He should ensure that innovative techniques are incorporated within the product and its quality is maintained.
- **Maintaining Quality-** Operations managers should ensure a better quality of products. The manager should not compromise with the quality of Products. They should work on quality management and should supervise all tasks. If any defects are found they should take steps to rectify such defects.

## **IMPORTANCE OF OPERATIONS MANAGEMENT**

- **Helps in achievement of objectives:** Operations management has an effective role in the achievement of pre-determined objectives of an organization. It ensures that all activities are going as per plans by continuously monitoring all operations of organization.
- **Improves Employee productivity:** Operation management improves the productivity of employees. It checks and measures the performance of all people working in the organization. Operation manager trains and educate their employees for better performance.
- **Enhance Goodwill:** Operation management helps in improving the goodwill and presence of the organization. It ensures that quality products are delivered to all customers that could provide them better satisfaction and makes them happy.
- **Optimum utilization of resources:** Operation management focuses on optimum utilization of all resources of the organization. It frames proper strategies and accordingly continues all operations of the organization. Operation managers keep a check on all activities and ensure that all resources are utilized on only useful means and are not wasted.
- **Motivates Employees:** Operation management helps in motivating the employees towards their roles. Operation managers guide all peoples in performing their roles and provide them with better atmosphere. Employees are remunerated and rewarded according to their performance level.

## **SCOPE OF OPERATIONS MANAGEMENT**

- **Increase Productivity:** Operation management played an important role in increasing the productivity of business. It manages all aspects of production activities to achieve highest efficiency possible. Operation manager are responsible for designing production plan for carrying out the operations. They ensure that all inputs used by organisations are efficiently transformed into outputs that is products or services. It is crucial for all business for properly managing their day to day activities and efficient utilisation of all its resources which helps in raising productivity.
- **Raises Revenue:** Operational management directly influences the profitability of the business. It works on reducing the cost of operations to business by reducing the wastage of resources. Operations managers monitor every production activity and take all necessary

steps for maintaining efficiency in the organisation. They try to maintain an appropriate balance between cost and revenue.

Maintenance of quality of products and delivering them as per customer needs is another function played by these operation managers. It helps in attracting more and more customers which increase the overall revenue of business.

- **Achievement of Organization Goals:** Every organization strives towards achievement of its desired goals. Proper management of production activities helps business to properly implement their strategic plans in their operation. Operation management ensures that all operations of business are going in desired direction.

It regularly monitors every activity and takes all corrective measures as required according to prevailing situations. Proper functioning of business as per strategic plans helps in achievement of desired goals. Improve Customer Satisfaction: Customer satisfaction is necessary for every business to improving its relations with its customers. It helps them in retaining them for the long term. Operation management monitors the quality of products manufactured by organizations. It ensures that high-quality products are produced in accordance with the requirements of customers. When products manufactured by business completely fulfil the needs of customers, their satisfaction level will improve.

- **Reduce Investment Need:** Operation management reduces the additional capital requirements of the business. It ensures that all capital employed in the business are efficiently used. Management of operations ensures that all production activities go uninterrupted without any shortage of capital. By increasing the efficiency and avoiding the wastage of employed resources, it avoids any deficiency of capital in business. Businesses are not required to invest more in their production activities.
- **Enhance Goodwill:** Maintaining proper goodwill in the market is the goal of every business. Operation management focuses on improving the position of the organization in the market. It ensures that business works for providing better services to its customers. Business should manufacture durable and high-quality products that may provide better satisfaction to users. Customers will gain confidence in their products which will improve their market image.

- **Improve Innovation:** Operation management helps in implementing innovative changes in organizational activities. All decision regarding production planning is taken by operation managers by doing research and analysis of prevailing market situations. It takes into account all technological changes and builds a strong base of knowledge and operations. This helps in bringing various innovations in operations of the business.

### Nature of Operation Management

- **Dynamic-** Operations management is dynamic in nature. It keeps on changing as per market trends and demands.
- **Transformational Process**– Operation management is the management of activities concerned with the conversion of raw materials into finished products.
- **Continuous Process**– Operation management is a continuous process. It is employed by organizations for managing its activities as long as they continue their operations.
- **Administration**– Operation management administers and controls all activities of the organization. It ensures that all activities are going efficiently and there is no underutilization or mis-utilization of any resource.

### HISTORICAL DEVELOPMENT OF OPERATIONS MANAGEMENT

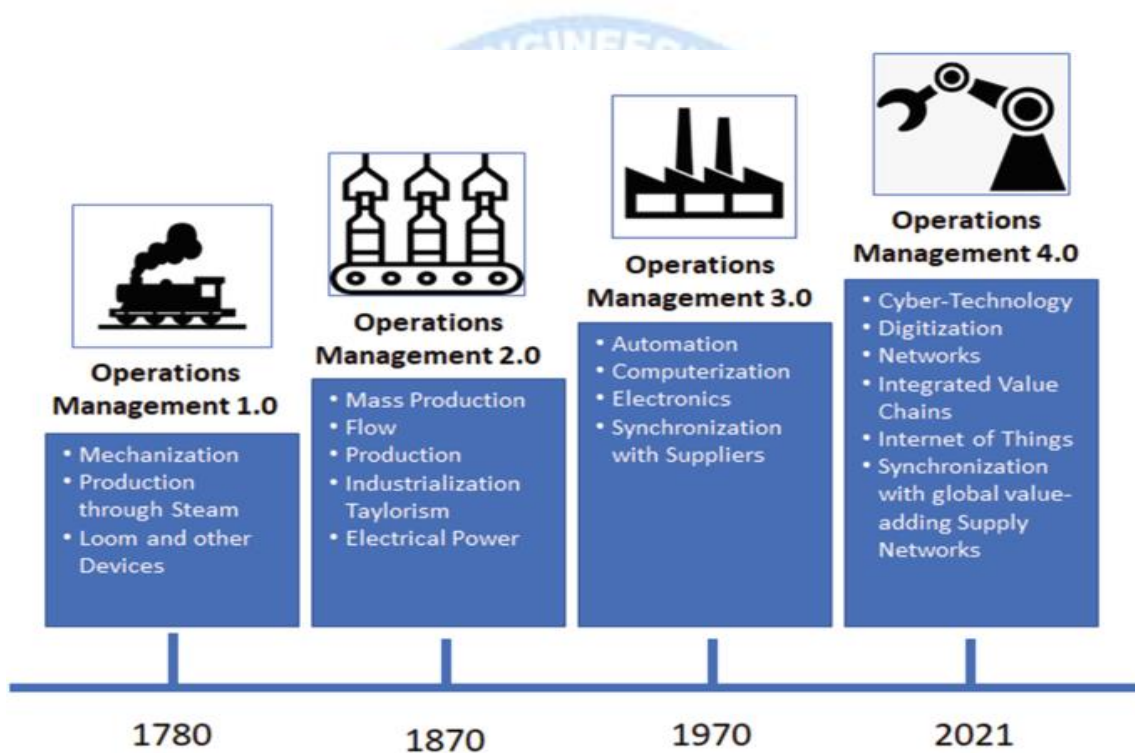
The idea of operations management began in the eighteenth century as manufacturing management. An economist, Adam Smith, realized that specialization of labor could be very beneficial to any organizations economy.

He therefore came up with the idea of breaking up jobs into sub units where only workers specialized in a certain field would take up the task not only to ensure efficient delivery of the task but also to further increase their skills.

Early in the twentieth century, F. Taylor enforced this law which then resulted to the development of scientific management. Since then until in the early nineties, many developments were Due to the ramifications involved in the manufacturing industry nowadays, specialized chains of supply for inputs have been developed to meet the ever rising demand for such services. Many businesses have now embraced the basic dimension of satisfying customers' needs considering the competitive markets (Lowson, 2002, p. 619). This has resulted to understanding the values of

customers and therefore putting into considerations the specific needs and preferences of customers.

This understanding has promoting the manufacture of products or provision of service that makes the most of the customers' needs. Another very key concern that businesses are now working on is the minimization of costs and utilization of resources with the objective of making maximum profits. Many businesses have also changed from the traditional ways of mass production to the approaches of producing goods on demand.



**Business organizations have three basic functional areas – Finance, marketing, and operations.** All business organizations have these three basic functions.

**Finance** is responsible for securing financial resources, allocating those resources throughout the organizations and providing funds for operations.

**Marketing** is responsible for assessing consumer wants and needs, and selling and promoting the organization's goods or services.

**Operations** are responsible for producing the goods or providing the services offered by the organization.

## FUNCTIONS OF MANAGEMENT

**1. Planning:** This step involves mapping out exactly how to achieve a particular goal. Say, for example, that the organization's goal is to improve company sales. The manager first needs to decide which steps are necessary to accomplish that goal. These steps may include increasing advertising, inventory, and sales staff. These necessary steps are developed into a plan. When the plan is in place, the manager can follow it to accomplish the goal of improving company sales.

**2. Organizing:** After a plan is in place, a manager needs to organize her team and materials according to her plan. Assigning work and granting authority are two important elements of organizing.

**3. Staffing:** After a manager discerns his area's needs, he may decide to beef up his staffing by recruiting, selecting, training, and developing employees. A manager in a large organization often works with the company's human resources department to accomplish this goal.

**4. Directing:** A manager needs to do more than just plan, organize, and staff her team to achieve a goal. She must also lead. Leading involves motivating, communicating, guiding, and encouraging. It requires the manager to coach, assist, and problem solve with employees.

**5. Controlling:** After the other elements are in place, a manager's job is not finished. He needs to continuously check results against goals and take any corrective actions necessary to make sure that his area's plans remain on track. All managers at all levels of every organization perform these functions, but the amount of time a manager spends on each one depends on both the level of management and the specific organization.

## FUNCTIONS OF BUSINESS ORGANIZATIONS

