Operations management can be defined as the management of the supply chain logistics of an organisation to the contemporary measures of performance of cost, time and quality.

Research the literature on operations management and supply chain management and critically analyse the role of operations management, identifying the key issues, tools and techniques employed. Take into account the differences between service and manufacturing environments and the implications for operations management. Consider the areas of inventory production and distribution planning and control. Reflect on the value added impact of operations management for the client/customer/end user of the organisation.

Project: Operations Management- Theory and Practice

Introduction

Operations management focuses on the delicate management of internal business processes to produce and distribute products and services. Many companies, especially those smaller in size typically don’t mention "operations management", but they still carry out activities classified as “operations management”. Some of these activities which are covered by operations management include product creation, development, production and distribution; although, operations management is in regard to all operations within a firm. Other operation management activities include managing purchases, inventory control, quality control, logistics and evaluations. Service sector firms’ operation management activities will of course differ, slightly or greatly, from those of companies operating in a more traditional production based manner; yet operations management is still very much necessary in all types of companies. A great deal of the focus of operations management is on the efficiency and effectiveness of the company’s processes. Therefore, operations management often includes substantial
measurement and analysis of internal processes. Ultimately, the nature of how operations management is carried out in an organization depends very much on the nature of products or services in the organization, for example, retail, manufacturing, wholesale, etc.

**Operations Management (Ops Mgt)**

As with all forms of management, Ops Mgt needs to be tailored to meet the specific needs and requirements of a company, its customers and its overall strategy. Optimization of resources isn’t achieved by using a generic approach that can be universally applied to all competing companies within an industry. Rather, it is gained through the utilization of thoroughly developed methods and processes, which are created and implemented by operations manager(s), and shared with all members of the organisation. Many factors need considering when planning, implementing and continually developing operational processes; including size and location of company, factories, offices, etc., the type of and amount of technology to employed within the operations, and finally all of the logistics involved in getting the product or service to the end client/ customer/ user, i.e. acquiring, manufacturing, distributing etc. This final point is what is called the Supply Chain within the firm.

**Supply Chain Management**

Supply Chain Management (SCM) is defined as the management of materials as well
information flows both in and between links in the chain; which include vendors, manufacturing plants, and distribution centers. The key issue for successful SCM is the effective full-scale coordination between these different partners. Such relationships are dependant on the data sharing through effective communication networks. Issues such as purchasing prices and the levels to be purchased, as well as, storage of raw materials, inventory, and other product components are to be overseen by the operations or supply chain manager(s). From an operations viewpoint, all of these various processes must be reviewed frequently and improved constantly in order to ensure ‘smooth’, efficient operations within the company.

Here are the important issues that have to be addressed in SCM:

- The configuration of the distribution network: this includes the amount of and locations of suppliers, production facilities, warehouses, centres of distribution, and finally the customers.

- The strategy used for distribution: this includes issues such as ‘pull’ or ‘push’ strategies, centralized versus decentralized, direct shipment, cross docking, third party logistics, etc.

- The management of inventory: the optimal amount of raw materials, work-in-process, and finished goods need to be managed and the best location of storage determined.

- The management of the information flow: systems and processes throughout the supply chain need to be aligned and integrated to ensure the efficient transfer of valuable inventory, transportation, demand indicator, and forecast information.
Management of the supply chain involves the three levels of activities within a firm. These are the strategic level, the tactical level and the operational level. Good management of the supply chain means smooth traffic of goods, starting as supplier inputs, right through all aspects within the firm, up until they leave the firm as outputs and are received by the consumer. Management of the supply chain is meant to avoid disruptions in this flow or bottle neck type buildups in the supply chain. The smoother the movement the more efficient the supply chain.

**Differences in Ops Mgt for Service Sector Environments**

Operations management theory traditionally was developed for manufacturing/production sector companies. The theories tended to cover issues such as economic batch quantities, line balancing and stock controls, which were very relevant to these companies. In the mid 1980s when it became clear that there was an ever increasing move towards service sector companies, it was realized that these topics held little relation to the key issues faced by managers running service sector operations. These tools and techniques did have some value but the real issues facing service sector firms were issues such as customer service, service quality and service design. Unfortunately there were no tools or techniques available at that time to help.

Much has been done since then and it has become clear that the production and service sector operations management must focus on different critical issues. Whereas production sector companies may never make face-to-face contact with their end customers, service sector companies do make have this contact with their customers, usually on a more intimate, and regular basis. This means the customer interaction and satisfaction needs to
be analysed rather differently in the two differing sectors. Quality is a very important issue in service sector firms, including the quality of the service processes, such as customer wait times, efficiency of queues, courtesy of staff, etc. There seems to be a bit more difficulty analyzing the performance of intangible services as opposed to tangible products. Yet, this is precisely what operations management must do to improve the service being offered to end customers.

Key Areas of Importance in Ops Mgt

There are key or issues that are important within operations management; here are the most relevant:

- **Purchasing Practices:** The methods of a company’s procurement or purchasing practices are of obvious importance. These practices can include buying various physical materials from suppliers and vendors such as stocks or raw materials, or computer systems and software, as well as services such as, services from lawyers, insurance companies, network or system assistance, external consultants, etc.

- **Quality Management:** To have effective operations management there is the need for just as effective quality management. Quality management ensures that products and services continually meet the standard of quality set forth by the company originally. Further ideas of quality management, specifically Total Quality Management (TQM) and Continuous Improvement Quality Management strive even further in the pursuit to improve all aspects of a firm's operations,
products and services.

- **Product and Service Management**: This involves the activities in product creation, development, production and distribution and sales. Specific management units can be in charge of managing certain lines of products, a sort of micro environment, but operations management is involved in the bigger picture, the macro environment of managing all the products and services as a whole.

- **Inventory Management**: Practical, cost effective and timely inventory management improves operations and saves money. It can be a very complex state of affairs, i.e. too much overstock or not enough stock. The concept of ‘Just in time’ (JIT) manufacturing was introduced by Deming and first implemented extensively in Japan in the 1950’s (Toyota is one of its practitioners). It calls for stock coming in just when it’s needed so that it doesn’t have to sit on a shelf. This allows the money necessary to buy this stock to be available to the firm and its other potential investments up until the last possible moment; this has can have significant impact on a firm’s bottom line. Even if this isn’t the method of inventory chosen by a firm, it is still necessary to have good control over one’s inventory in order to stay competitive, as most companies are favoring leaner companies as opposed to always running to capacity. This is a very crucial issue for operations management.

- **Logistics and Transport Management**: This entails the flow of goods and services from suppliers to the firm, throughout the firm and finally to the end customer. This is also falls under supply chain management as mentioned above.
Facilities Management: Effective operations management depends a great deal on effective management of a company’s facilities, such as buildings, computer systems, etc.

Sales and Marketing: Market research and feedback from customers are critical factors used by companies to create successful marketing programs. They are also crucial in the development of new products. By adopting a close working relationship with marketing, operations management can help the company better fulfill their customers’ needs.

Finance: Budget information is vital to all departments within a company. Operations management might have the role of providing costs for each phase of the operation in order for the accurate preparation of proper budgets and forecast accurate profit/loss information.

Human Resources: Identification of the optimum number of employees for each department, as well as the overall organization of staff and reporting structures is part of operations management.

Distribution Channels: Companies typically have a wide variety of methods available to distribute their products and services. Most companies distribution channels are made up of a mixture of methods.

1. Direct distribution methods include providing products and services directly to the end customer. Direct methods are, for example, direct mail, retail, catalogs, or even over the Internet.

2. Indirect methods of distribution involve having a middleman. Indirect
methods include, for example, using wholesalers and distributors, or retailers (Kmart is a prime example of this - a large chain of retail stores, which is a powerful middleman). These middlemen are the ones that get the products or services to the end customer.

➢ **Configuration Management:** This involves the tracking and management of the various different types or versions of a product or service being offered by the company. In most companies variations tend to be numerous and continually increasing, prompting frequent attention.

**Value Added through Operations Management**

Operations management can improve and re-engineer the processes in business with the intent of adding value. This is done by analyzing the processes of all areas of the business. This process flow analysis can help identify a company’s current business situation, as well as the status of departments within that business. Through the use of this process analyses companies can add value by:

- Identifying improvements in product production processes that can be converted into cost savings, and therefore allowing the company to pass-on these savings to their end customers; strengthening their competitive position.

- Streamlining of a company’s infrastructure; making it more efficient.

- Streamlining of a company’s inventory and supply chain issues; making it as lean and effective as possible.

- Identify and implement improvements in the company’s administrative,
accounting, purchasing, and other departments to modify or eliminate those that don't add value to the company.

There are two beneficiaries of good operations management: shareholders of the firm and the customers of the firm. Both parties enjoy the benefits of value being added through cost saving and effective and efficient processes. The former enjoys higher dividends and share prices and the latter gains through lower prices and better products/services. Continuous operations management of products and services within a firm, if successful, should keep end customer/clients/users satisfied through the timely delivery of an ever improving, cost effective product or service, which is desirable to said customer/client/user.

**Conclusion**

Operations Management is concerned with the analysis of firms’ internal processes in order to improve performance. Successful Ops Mgt involves all aspects of a company, and includes all departments in the flow of communication. Processes are developed, re-engineered or changed all together with the intent of being cost considerate, efficient and effective. The firms supply chain is of particular focus in operations management, as this covers the entire cycle of a product within a company, from acquisition of raw materials from a supplier to the delivery of finished product or service to the end customer. The role of operations management is a very pivotal one within a company because it is responsible for creating an overall sound, performing company, which links all of the departments, while utilizing their resources wholly.
Reflections

Upon reflecting on this paper I was struck with the complexity of this operational management role. It seems to be a role which demands a clear, precise macro-environment view of the organisation, yet enough of a specific micro environment view of the departments to understand the day to day operations in depth. It is a very active role within the company, constantly analyzing processes in search of improvement and efficiency; very much reminiscent of Total Quality Management. It is like the bridge between executive management that form strategies for the company and the differing department staff that try to fulfill these strategic visions. Ops Mgt is the never ceasing entity whose function it is to make sure that these two groups live harmoniously and have the tools and processes in place to achieve success in implementing their strategy. I believe it may be the most difficult function within an organisation.
Bibliography


