

Operations & productivity

OM is the set of activities that create value in the form of goods and services by transforming inputs into outputs.

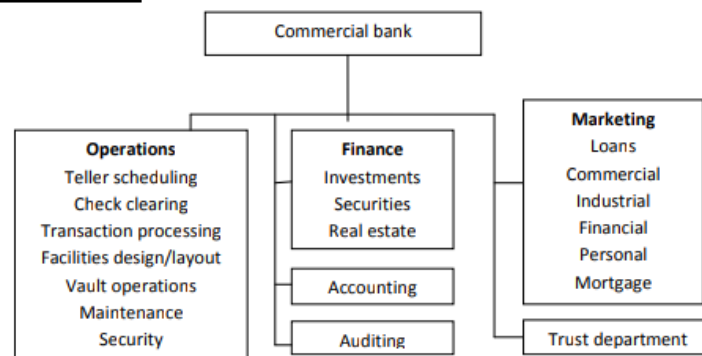
NB for economy as this determines the standard of living of an economy & it's GDP.

3 functions that are NB to organising to produce goods & services

1. **Marketing** – which generates demand/ takes orders for a product/service, nothing happens until there is a sale.
2. **Production/operations** – creates & delivers the product. Core of business in making the product as well as the money.
3. **Finance/accounting** – tracks how well the organisation is doing, pays the bills, and collects the money.

NB does not confuse operations with marketing.

Organisational chart



The supply chain

- Global network of organisations of high level activities to produce goods & services
- Members of supply chain collaborate to achieve high levels of customer satisfaction, efficiency and competitive advantage.

NB Farmer- → syrup producer- →bottler- →distributor- →retailer

Why study OM: 1 of 3 major functions of any organisation

1. To study how people organise themselves for productive enterprise
2. Need to know how goods & services are produced
3. To understand what operations managers do
4. Costly part , in pursuit to improve profitability & service to society

- Honor stakeholder commitments

Strategic importance of layout decisions

- To develop an effective and efficient layout that will meet the firm's competitive requirements.

Types of layout

- Office layout – positions workers, their equipment, and spaces/offices to provide the movement of information, safety, comfort between workers
- Retail layout – allocates shelf space and responds to customer behaviour, exposes customer to high margin items

Intangible : services	Tangible : goods
Intangible – ride in airline seat	Tangible – the seat itself
Produced & consumed simultaneously	Production kept in inventory – shampoo
Unique – medical aid, investments	Limited customer involvement in production
High customer interaction	Product standardized – iPhone
Services dispersed – retail / online	Tangible makes automation easier
Quality hard to evaluate – consulting	Product typically produced at facility
Reselling is unusual	Product has some residual value

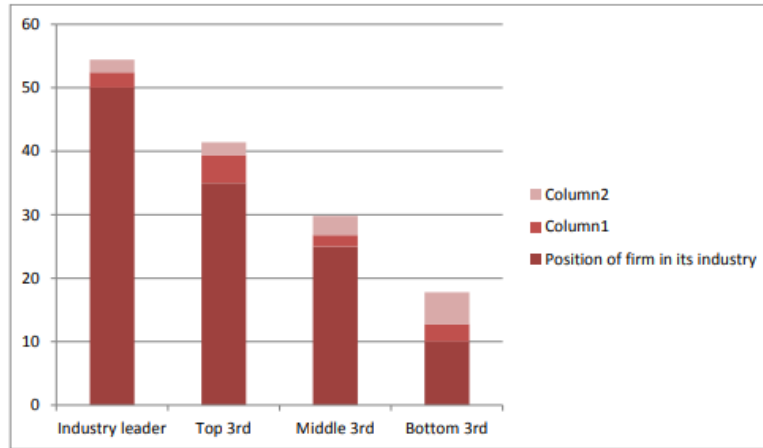
Supply chain management – co-ordinate all activities within the supply chain to maximise the supply chain's competitive advantage and benefits to the ultimate consumer. NB end goal is customer satisfaction

- 65% budget in procurement therefore better management of supply is NB
- E.g. Darden restaurants/ Walmart- helps make decisions to buy or outsource this can be based on a low cost strategy.
- Ops is the strategy, Darden sources fish from several suppliers worldwide, produces in 5 global locations = sustainability, spends over 2billion on supply
- Supply chain is part of operations strategy
- Supply chain begins from raw materials to end user (satisfied customer)
- Costs of supply chain must be well managed as huge amounts of money is spent, therefore control supply chain costs
- Companies compete on supply chain in order to make profit.

Strategic importance of supply

1. Large portion of sales dollars spent on purchases
2. Supplier relationships increasingly integrated & long term
3. Improve innovation, speed design, reduce costs

an increase in revenue due to changing market demands and keeping up with technology.



2. Productivity increases are dependent on the three productivity variables. Discuss these and indicate why productivity is important.

- The first variable is labour which produces the goods & services and it is also the most expensive area for a business. There are 3 aspects that impact the productivity of labour :
 - Basic education of the labour force
 - Diet of the labour force
 - Social overheads that make labour possible (e.g. public transport).
The challenge is in maintaining & enhancing skills in the midst of rapidly changing technology and knowledge.
- Management merges all variables and ensures that (labour & capital) are effectively used through planning, organising, leading, controlling & staffing in order to increase productivity and achieve a competitive advantage.
- The third variable is capital which can be financial or physical capital such as machinery & equipment that enable the production of goods & services.
- Productivity is important because it is the basis of an organisations existence. It cuts costs and wastage through forecasting customer needs and providing goods & services to society. It also increases revenue through faster delivery of goods & services (meeting market demands) and customer satisfaction which gives them a competitive advantage.