**AIU Exam – Introduction to Operations Management**

**Major**: Operations Management

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**UM73725BOP82888**

**Name of study material (video or book)**:

***Strategic Operations Management* by Steve Brown**, (**Chapters 1 and 2)**

**Link to access study material (video or book):**

<http://students.aiu.edu/submissions/profiles/resources/onlineBook/g4F4m2_Strategic%20Operations%20Management.pdf>

**Exam Starts Here.**

**Introduction**:

Operations management is intended to maximize efficiency while producing goods or services through transformation of inputs such as (labor, capital, equipment, land, buildings, materials and information) into outputs (goods and services) that provide added value to customers and profit to the producer.

Operations strategy is a vital element of a success of the organization when the process is followed till the implementation phase, as it is not a straightforward action. Will be the idea of where and how to get the business for that particular given time the market needs and the economic context.

Two generic approaches to operations strategy are the market-based and resource-based approaches, where the market is the external force and the resources internal forces. Using a market-based approach an organization makes a decision regarding the markets and the customers within those markets. Along with meeting customer needs within a market the position the organization takes in that market will in part depend on the actions of its competitors.

**Questions:**

Answer each question below with complete paragraphs. Give examples from your own experience to illustrate the ideas. As well, give examples on how you would apply the knowledge in your work and life. How would you successfully apply the concepts in your community?

**Chapter 1**

1. What are the major areas of responsibility for operations managers?

**Answer:** Major areas of responsibility are the following:

1. **Management of values**

Where cost management and differentiating features are crucial in today’s world of VUCA(Vulnerable, Uncertain, Complex and Ambiguous). Time and price are also part to achieve a competitive advantage in the market

1. **Capacity management**

To understand what the organization is capable to deliver and fulfill the customer needs and adjust internal plans and resources for better scheduling and identify bottlenecks or overloads.

1. **Location Management**

A decision on where to locate the production line or service considering the full supply chain, market; expansion strategy.

1. **Process Management**

Intended to understand the product or service specifications; technology applied; the design, in order to allow an effective outcome to the customers which can enhance innovative approach of the product or service.

1. **Managing Technology**

Must be aware of the rapid and continuous changes in the market and be flexible to change technology when it calls for that to avoid a product or service to be outdated in the market.

1. **Human Capital Management**

Must be involved in all process of human capital which starts from recruitment, development; motivation and rewarding, to guarantee an outstanding deliveries and competence in all functions of the business. That will allow a business sustainability and continuity

1. **Integration and Affiliation**

To be able to identify opportunities of franchising, partnerships or contracting services which will allow good business stability and be assured of not being let down as the control of suppliers becomes very close.

2. Why is it important to go beyond the organization-specific, input/processes/output model in modern-day operations management?

**Answer:** Operations management model for current and future operations of organizations has to be willing to look outside of itself and to form strategic relationships through franchising or contracting which in the past was just viewed as competitive organizations.

In a manufacturing plant we might assume that operations take place merely at the point of production, but this limits what is actually taking place. In reality, a range of operations will be undertaken in addition to the manufacture of the product, such as inventory handling, logistics, information processing and office administration.

**Chapter 2**

3. What are the links between operations strategy and business

strategy?

**Answer:** The link between the Business Strategy and the Operations strategy is on setting actions and targets that can attract customers, compete successfully by enhancing what the organization does best, strengthening its own performances, and achieve organizational goals and not being focused on day by day activities. It outlines how business should be carried out to reach the desired goals. Both strategies are intended to improve from the current state to the desired state. The following are the key links questions that need to be fulfilled:

a. What business is the firm really in?

b. What does the firm do best?

c. Should it outsource some of its activities, and if so why, where and how?

d. How can opportunities become quickly exploited and how can the firm’s capabilities help to ward off external threats from new and existing players?

4. What are the problems that might be faced in formulating an operations strategy?

**Answer:** The following are the problems some organization face in formulating an Operation strategy:

1. **Rapid change and volatility in many markets;**

Many strategic decisions are made by people who might know very little about manufacturing and/or service delivery, the strategy is often dictated by purely financial and short term applications.

1. **Increased national as well as international competition**

Many occasions sacrificing the core decisions to sustain the business in the long term such as: investment in process technology or a cut in the training budget

1. **Emergence of globalization in many firms**

 A quick-fix approach, cost-cutting device rather than as a means to enhance capability in a number of competitive areas, other than low-cost production. In consequence, organizations will often place too much of an emphasis on the wrong things.

1. **Agility and flexibility**

Employment of (ROCE-Return On Equity)’ ratios – often touted by corporate officials within the organization can be easily distorted to appear better than they really are.

5. Why have operations and business strategies become separated in some firms?

Answer:  **First** - In some firms mainly the multinationals overall strategies are governed by a few people at the top of the hierarchy of the firm at the style of command-and-control management mode who might know very little about production and operations management. As a result of this, the rationale behind, and the measurement of the success of, business decisions may be driven almost entirely by short-term financial criteria. Normally senior managers do assess whether plant managers have the ability to absorb the strategic direction of the business and turn the vision into operating reality. But the Operations strategy should therefore be involved in strategy formulation and implementation at the firm unit level. **Second,** the role of operations managers often became that of a technical specialism rather than an involvement in the business of the firm. Often, Operation’s contribution, in terms of its capability, is ignored until after firm strategic plans have been already formulated by an elite planning group.

6. Why is operations strategy vitally important in modern-day operations management?

Answer: Operations strategy in modern days will be galvanizing and allowing agility and flexibility towards a continuous change through:

a. Concerning with meeting existing market needs as well as exploiting opportunities for potential market segments (Kim and Mauborgne, 2002; Nunes and Cespedes, 2003);

b. Making a best use of internal resources, and/or exploiting franchising or partnerships

c. Identify and understand the importance of all stakeholders internally and externally the firm

d. Create competitive advantage to allow firm to grow and be sustainable

e. Develop internal capabilities and bit the competitors

**Conclusion**:

**Manufacturing and Service Operations: Manufacturing** produce **tangible** items which can be stored before delivering to the customer or consumer. **Service** produces **intangible** items that cannot be stored. One of the key developments in operations is the increasing importance of service operations.

**Strategic decisions** are those decisions which make major resource base of the organization in response to external factors such as markets, customers and competitors. Thus strategic decisions occur as a result of an evolution of the external and internal environment. The external evolution may reveal market opportunities or threats from competitors.

**Operations Planning and Control:** It was stated earlier that manufacturing is intended to transform resources(inputs) into finished goods. In the current challenging business environment, to succeed, manufacturers must strive to improve efficiency in their operations, through minimizing costs (materials, maintenance, labour, others non direct costs).

It has already transformed my day to day life and substantially at work, I apply better the concepts as I am more aware of the concepts and the interaction with other functions in the business. I talk more confidently about operations management and I do assist other colleagues. It will also assist me on my personal projects on how to tackle and materialize small operations to increase my incomes. Human rights are part of it as the respect of the human capital to guarantee a shared values in a fair manner without exploitation.

**Bibliography:**

1. Nigel Slack, Stuart Chambers and Robert Johnston (Operations Management – sixth edition)
2. <https://apps2.mdp.ac.id/perpustakaan/ebook/Karya%20Umum/Karya%20Umum-Operations%20Management.pdf>
3. Steve Brown, Richard Lamming, John Bessant and Peter Jones (Strategic Operations Management – Second Edition)