

Operational Management Review Notes:

VISION AND MISSION: ((Fred R. David)

VISION STATEMENT

A vision statement answers the basic question:

“What do we want to become?”

- Focuses on the future
- Shows what the organization aspires to be
- Provides direction and inspiration
- Helps guide decision-making

MISSION STATEMENT

A mission statement answers the pivotal question:

“What is our business?”

It explains the organization’s reason for being.

- Focuses on the present
- Defines the organization’s purpose
- Guides daily operations
- Helps align strategies and goals

DIFFERENCE: VISION vs MISSION

Vision Statement	Mission Statement
Future-oriented	Present-oriented
What we want to become	What our business is
Inspirational	Operational
Long-term direction	Day-to-day purpose

IMPORTANCE OF VISION & MISSION:

When an organization is **not guided** by its vision and mission, problems may arise such as:

- Weak strategy direction
- Poor decision-making
- Internal conflicts
- Focus on short-term actions (e.g., cost-cutting over innovation)

MISSION STATEMENT COMPONENTS (9 COMPONENTS) [CPMT SPSPE]

According to **Fred R. David**, an effective mission statement should include the following:

1. Customers

- Who are the firm's customers?

2. Products or Services

- What are the firm's major products or services?

3. Markets

- Geographically, where does the firm compete?

4. Technology

- Is the firm technologically current?

5. Survival, Growth, and Profitability

- Is the firm committed to growth and financial soundness?

6. Philosophy

- What are the basic beliefs, values, aspirations, and ethical priorities of the firm?

7. Self-Concept (Distinctive Competence)

- What is the firm's major competitive advantage?

8. Public Image

- Is the firm responsive to social, community, and environmental concerns?

9. Employees

- Are employees a valuable asset of the firm?

SAMPLE MISSION STATEMENT (BREAKDOWN)

- Customers (women)
- Products (fragrances, cosmetics, jewelry)
- Market (global)
- Technology (latest technology)
- Profitability (sustainability and growth)
- Philosophy (integrity)
- Competitive advantage (customer service)
- Public image (eco-friendly)
- Employees (training and development)

(1) Our mission is to provide women quality (2) fragrances, cosmetics, and jewelry (7) at reasonable prices backed by outstanding customer service provided by our thousands of door-to-door sales representatives (3) operating globally. (4) We use the latest technology to develop and market products desired by women all over the world. (5) We aspire to be profitable for the sustainability and growth of the business. (6) We value integrity in our business. (8) We will serve and contribute to the environment and community through our eco-friendly products. (9) We will strive to train, develop, and hone our workforce to better serve our stakeholders.

QUICK REVIEW:

- **Vision = Future** → *What do we want to become?*
- **Mission = Present** → *What is our business?*
- **Mission Statement has 9 components** (memorize keywords!)

OPERATIONS MANAGEMENT — VERBATIM NOTES

Operations

- is that part of a business organization that is responsible for producing goods and/or services.

Operations Management

- The management of systems or processes that create goods and/or provide services.

Total Quality Management

- a system that helps organizations continuously improve their products and services to meet customer needs.

BUSINESS ORGANIZATION:

- **Products**
- **Services**

Ideally to match supply and demand

THREE BASIC FUNCTIONAL AREAS OF BUSINESS ORGANIZATIONS

Business organizations have three basic functional areas: **[FMO]**

1. **Finance**
2. **Marketing**
3. **Operations**

THE THREE BASIC FUNCTIONS OF ORGANIZATIONS [FMO]

1. **Finance** – responsible for securing resources and allocating these resources
2. **Marketing** – responsible for assessing consumer wants and needs
3. **Operations** – is responsible for producing the goods and services

CORE OF THE ORGANIZATION

Out of the three, which do you think is the core of the business organization

- ensures that the business runs efficiently and effectively
- helps the company meet customer needs and regulatory requirements
- is the link between the organization and its customers, suppliers, and employees.

OTHER FUNCTIONAL AREAS OF THE ORGANIZATION [LMPP]

- legal
- management information systems (MIS)
- personnel/human resources
- public relations

LINE FUNCTIONS

- Line functions are performed to attain an organization's primary objectives

Two-Line Functions: [OS]

1. Operations
2. Sales

All other functions—**accounting, finance, marketing, IT**, and so on—support the two line functions.

Other support functions :

1. Legal Department
2. Human Resource Management
3. Public Relations

PURPOSE OF A BUSINESS

- In operations, you produce goods and services – with the intent to sell these goods and services

What is the reason why a business exist?

- To maximize profit

Maximize

to ideally always achieve its highest revenue or profit

OPERATIONS AND SUPPLY CHAIN [FFAV]

Operations and supply chains are intrinsically linked, and no business organization could exist without both.

1. Facilities
2. Functions
3. Activities
4. Value-added

LEAD TIME

- The time between ordering a good or service and receiving it

SKILLS IN OPERATIONS

People who work in the operations field should have a skill set that includes both:

1. People Skills:

- Active listening
- Communication
- Negotiation
- Conflict Resolution
- Leadership
- Collaboration
- Problem Solving
- Creativity
- Confidence

2. Knowledge Skills

- facts and information skills acquired by a person through experience or education.

PROCESS MANAGEMENT

- A key aspect of operations management is process management.

Process

- A process consists of one or more actions that transform inputs into outputs

Businesses are composed of many interrelated processes.

There are three categories of business processes: [UOS]

1. Upper-management processes

- These govern the operation of the entire organization. Examples include organizational governance and organizational strategy.

2. Operational Process

- Processes that constitutes the core business and create the primary value stream.

3. Supporting Processes

- Processes that support the core processes.

PROCESS VARIATION

- Variations can be disruptive to operations and supply chain processes, interfering with optimal functioning.
- Variations result in additional cost, delays and shortages, poor quality, and inefficient work systems.
- Poor quality and product shortages or service delays can lead to dissatisfied customers and can damage an organization's reputation and image.
- the ability to deal with variability is absolutely necessary for managers.

SCOPE OF OPERATIONS MANAGEMENT

1. Product and service design
2. Process selection
3. Selection and management of technology
4. Facilities layout
5. Managing inventories
6. Quality assurance and improvement of the organization's products or services

Interrelated activities:

- forecasting
- scheduling
- capacity planning
- managing inventories
- assuring quality
- motivating employees
- deciding the location of facilities

OPERATIONS TODAY

- Technology (AI, Automation)
- Globalization
- Agility
- Lean System – Total Quality Management

KEY ISSUES FOR OPERATIONS [EIQRCG]

1. Economic Conditions
2. Innovating
3. Quality problems
4. Risk management
5. Cyber-security
6. Global competition

SUSTAINABLE PRODUCTION OF GOODS AND SERVICES [NCESS]

1. Non-polluting
2. Conserving of energy and natural resources
3. Economically efficient
4. Safe and healthful for workers, communities, and consumers
5. Socially and creatively rewarding for all working people

TRIPLE BOTTOM LINE [PPP]

A TBL seeks to gauge a corporation's level of commitment to corporate social responsibility and its impact.

1. Planet
2. People
3. Profit

ETHICS [PBEP RISS BDE]

1. Policy-making
2. Builds Trust
3. Ensures Fair Treatment
4. Protects Company Reputation
5. Reduces Risk
6. Improves Compliance
7. Strengthens Relationships
8. Supports Sustainability
9. Boosts Employee Morale
10. Drives Better Decision-Making
11. Enhances Operational Efficiency

COMPETITIVENESS, STRATEGY, AND PRODUCTIVITY

Why should a company be competitive?

Competitive Advantage

- Business organizations compete through some combination of:
 1. price
 2. delivery time
 3. product or service differentiation

Differentiation, core or distinctive competencies

Factors Affecting Competitiveness:

1. Price
2. Location
3. Product (development) and service design
4. Advertising and promotion
5. Productivity – *available on shelves or not*
6. Inventory Management
7. Quality
8. Service
9. Service quality
10. Quick response
11. Flexibility
12. Managers and workers

SWOT ANALYSIS (Strength, Weakness, Opportunity, Threats)

Internal and External (Environmental) Scanning:

S – STRENGTH and W – WEAKNESS

- Brand image
- Competitive advantage
- Profitability
- Market share
- Resources (financial and human)

- Systems and processes
- Products and services
- Leadership (BOD, executives)

O – OPPORTUNITY and THREATS

Opportunity and Threats include but limited to:

- Competition
- Technology
- Governmental
- Legal
- Political
- Environmental
- Demographic – age, gender, income, education level, occupation, ethnicity, marital status, geographic location
- Trends
- Economy
- Social
- Culture

FORECASTING [DEIR]

- Forecasting is **crucial** in operations management because **it predicts** demand, enabling efficient production, inventory, and resource planning.
 - a. Demand
 - b. Enabling efficient production
 - c. Inventory
 - d. Resource planning

PRODUCT AND SERVICE DESIGN

1. **Primary focus:**

- customer satisfaction

2. **Secondary focus:**

- cost or profit
- ability to produce a product / provide a service
- ethics/safety
- sustainability

RESEARCH AND DEVELOPMENT

- the effort a company devotes to the innovation and improvement of its products and processes.

HUMAN FACTORS & CULTURAL FACTORS:

- **Human Factors** focus on people, skills, motivation, and safety.
- **Cultural Factors** focus on values and behaviors that shape how work is performed.
- Both are essential for achieving efficiency, quality, and customer satisfaction in operations management.

PRODUCT LIFE CYCLE: [IGMD]

1. Introduction
2. Growth
3. Maturity
4. Decline

1. Introduction

- first time customers are introduced to the new product
- substantial investment in advertising
- little or no competition
- negative financial results

2. Growth

- growing demand
- increase in production
- expanded availability
- increased sales and higher revenue

3. Maturity

- most profitable stage
- competition is now higher
- company strives to have its product exist in this stage for as long as possible

4. Decline

- product may lose market share
- sales begin to drop
- company will phase out marketing and production

STRATEGIC CAPACITY AND PLANNING FOR PRODUCTS AND SERVICES:

CAPACITY

- Capacity refers to an upper limit or ceiling on the load that an operating unit can handle.
- It can be expressed in:
 - Number of physical units produced (e.g., bicycles assembled per hour)
 - Number of services performed (e.g., computers upgraded per hour)

Examples:

- A hospital has a certain number of beds.
- A factory has a certain number of machine hours available.
- A bus has a certain number of seats and standing room.

CAPACITY NEEDS: [ESE]

1. Equipment
2. Space
3. Employee skills

WHY DOES A BUSINESS NEED TO BE STRATEGIC IN CAPACITY PLANNING?

- To achieve **matching demand and supply**
- Focuses on **cost-benefit** considerations

REASONS FOR CAPACITY PLANNING

Organizations become involved in capacity planning due to:

1. Changes in demand
2. Changes in technology
3. Changes in the environment
4. Perceived threats or opportunities

FACTORS THAT INFLUENCE FREQUENCY OF CAPACITY DECISIONS **[SRC]**

1. Stability of demand
2. Rate of technological change in equipment and product design
3. Competitive factors

In some instances, capacity choices are made very infrequently; in others, they are made regularly as part of an ongoing process.

MEASURES OF CAPACITY [DE]

1. DESIGN CAPACITY

- The maximum output rate that can be achieved under ideal conditions.
- Ignores real-world losses and inefficiencies.

Also known as:

- Theoretical capacity
- Ideal capacity

2. EFFECTIVE CAPACITY

- The maximum output rate that can actually be achieved under standard conditions.
- What can realistically be achieved and sustained.
- Also known as:
 - Actual capacity
 - Practical capacity
 - Normal capacity
 - Usable capacity
 - Average capacity

PROCESS SELECTION AND FACILITY LAYOUT

PROCESS SELECTION

- Refers to deciding how the production of goods or services will be organized.
- Process choice is demand-driven.

Process selection and capacity planning influence system design

IPO [INPUT, PROCESS, OUTPUT]

Input:

- Forecasting
- Product and service designs
- Technological change

Output:

- Facilities and equipment
- Layout
- Work design

PROCESS TYPES: [JBRCP]

1. Job Shop
2. Batch
3. Repetitive
4. Continuous
5. Project

1. JOB SHOP

- Operates on a relatively small scale.
- Used for low volume, high-variety goods or services.

2. BATCH PROCESSING

- Used when a moderate volume of goods or services is desired.
- Can handle moderate variety.

3. REPETITIVE PROCESSING

- Used when higher volumes of more standardized goods or services are needed.

4. CONTINUOUS PROCESSING

- Used when very high volume of nondiscrete, highly standardized output is desired.
- Almost no variety in output.
- No need for equipment flexibility.

5. PROJECT

- A temporary endeavor undertaken to create a unique product, service, or result.

Job shop, batch, repetitive, and continuous processes are typically ongoing operations. Projects are of limited duration.

- Once

SUSTAINABLE PRODUCTION OF GOODS AND SERVICES

Sustainable production is:

1. Non-polluting
2. Conserving energy and natural resources
3. Economically efficient
4. Safe and healthful for workers, communities, and consumers
5. Socially and creatively rewarding for all working people

LEAN PROCESS DESIGN

- The principle is waste reduction

BENEFITS OF LEAN PROCESS DESIGN: [RQRI]

1. Reduced inventory and floor space
2. Quicker response times and shorter lead times
3. Reduced defects, rework, and scrap
4. Increased productivity

STRATEGIC RESOURCE ORGANIZATION: FACILITIES LAYOUT

LAYOUT

- Refers to the configuration of departments, work centers, and equipment.
- Emphasizes movement of work (customers or materials) through the system.

Examples of facilities layout: [HSRO]

1. Hospital
2. Supermarket
3. Restaurant
4. Office

TECHNOLOGY IN OPERATIONS MANAGEMENT:

AUTOMATION

- Use of technology to perform tasks with minimal human intervention.

3D PRINTING

- Technology used to create three-dimensional objects from digital designs.