Chapter 1
Introduction to the Field
September 24, 2008

OBJECTIVES

- Operations Management
- Why Study Operations Management?
- Transformation Processes Defined
- Operations as a Service
- The Importance of Operations Management
- Historical Development of OM
- Current Issues in OM

Why Study Operations Management?

- Systematic Approach to Org. Processes
- Production & Operations Management
- Career Opportunities
- Cross-Functional Applications
- Business Education

What is Operations Management?

Operations management (OM) is defined as the design, operation, and improvement of the systems that create and deliver the firm’s primary products and services.
What is a Transformation Process?

A transformation process is defined as a use of resources to transform inputs into some desired outputs.

Transformations

- Physical--manufacturing
- Locational--transportation
- Exchange--retailing
- Storage--warehousing
- Physiological--health care
- Informational--telecommunications

What is a Service and What is a Good?

- “If you drop it on your foot, it won’t hurt you.” (Good or service?)
- “Services never include goods and goods never include services.” (True or false?)

OM in the Organization Chart

- Finance
- Operations
- Marketing
  - Plant Manager
    - Manufacturing, Production control, Quality assurance, Engineering, Purchasing, Maintenance, etc
  - Operations Manager
  - Director
Core Services

Core services are basic things that customers want from products they purchase.

Value-Added Services

Value-added services differentiate the organization from competitors and build relationships that bind customers to the firm in a positive way.
The Importance of Operations Management

- Synergies must exist with other functional areas of the organization
- Operations account for 60-80% of the direct expenses that burden a firm’s profit.

Historical Development of OM

- JIT and TQC
- Manufacturing Strategy Paradigm
- Service Quality and Productivity
- Total Quality Management and Quality Certification
- Ref: p. 17

Historical Development of OM (cont’d)

- Business Process Reengineering
- Supply Chain Management
- Electronic Commerce

Current Issues in OM

- Coordinate the relationships between mutually supportive but separate organizations.
- Optimizing global supplier, production, and distribution networks.
- Increased co-production of goods and services
Current Issues in OM (cont’d)

- Managing the customer’s experience during the service encounter
- Raising the awareness of operations as a significant competitive weapon

A major objective of this book is to show how smart managers can do which of the following?
- Improve efficiency by lowering costs
- Improve effectiveness by creating value
- Increasing value by reducing prices
- Serving customers well
- All of the above

Answer: e. All of the above

In the Input-Transformation-Output Relationship, a typical “input” for a Department Store is which of the following?
- Displays
- Stocks of goods
- Sales clerks
- All of the above
- None of the above

Answer: e. None of the above (The above are considered “Resources” of a department store. The correct answer is “Shoppers”.)

In which of the following decades did the concept of quality control originate?
- 1920’s
- 1930’s
- 1940’s
- 1950’s
- 1970’s

Answer: b. 1930’s (Tools such as sampling inspection and statistical tables where first developed by Walter Shewhart, H. F. Dodge, and H. G. Romig.)