Dear students

Use the information below in conjunction with your study guide.

Unit 1: Introduction to Operations Management

Under the topic: 2. The Development of operations management, the following topic should be included:

2.2 Scope of Operations Management

Operations is the core of every organisation and can be rightly referred to as the engine that powers the wealth of companies/businesses. In order for wealth to be created, two factors are important:

Productivity: This is the ratio of inputs to outputs. It measures the amount of output achieved for each unit of resource used. The higher the productivity, the better the performance of a company because it means that outputs of better quality are produced at a low cost.

Value added: This refers to operations that contribute more to a company’s profit than to cost.

As a result of the above factors, operations managers are faced with constant decision making in order to ensure that the organisation’s processes yield the highest productivity and value added. The following are the kinds of decisions operations managers may be involved in:

Strategic: Strategic decisions have long-term implications on an organisation. These decisions are made for periods of between 2 and 20 years and are broad in nature. They include resolutions that affect the launching of a new product, new processes for new products, etc.

Tactical: Tactical decisions support strategic decisions, through drawing up strategic plans, to make sure they are accomplished. These decisions concentrate on details such as job schedules, materials and labour. The timeframe of making tactical decisions vary from a few weeks to a period of less than 2 years.

Operational planning and control: Operational planning and control decisions must adhere to strategic and tactical decisions in order to have a successful organisation. These decisions concentrate on tasks that are strictly time-bound such as arranging which jobs must be done first which refers to job priorities, and who to assign to a certain task.

If you were to appoint an operations manager, what qualities do you think they must possess in order to adequately carry out their tasks as well as make appropriate decisions that would guarantee the success of an organisation?
The following activity is supplementary activity in unit 1.

**Self-Assessment Activity**

**Time Required:** 25 Minutes

1. Write a short essay on the development of operations management
2. Discuss whether one can measure the quality of service
3. List the 3 modes of operations management and their relation to the production of products and services

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**Feedback**

1. When considering the development of Operations Management, it is important to consider how these have affected the role of operations managers. The broadened concept of Operations Management has expanded the role of the operations managers in terms of broader responsibilities in addition to production, such as being involved in purchasing and in the distribution of products to customers. Different historical developments have influenced Operations Management and these will now be discussed individually:
   - Historical developments started with the Industrial Revolution (1776-1880) that brought about a shift from heavy reliance on agriculture to factory production.
   - The Era of Scientific Management (1880-1910) introduced the use of charts, such as the famous Gantt chart, and scheduling.
   - The Era of Mass Production (1910-1980) – is well known for the Ford moving assembly line and statistical sampling methods such as the Economic Order Quantity (EOQ), the Programme Evaluation Review Technique (PERT), Critical Path Method (CPM) and the Material Requirement Planning (MRP)
   - Era of Mass Customisation (1995 to date) – paved way for globalisation, e-commerce and planning around meeting the needs of customers.

2. It is difficult to measure the quality of services because of their characteristics. Services are intangible and cannot be stored and consequently they easily lose value. The customer is actively involved in the delivery and therefore can interpret the quality in a more subjective manner, depending on their mood at the time of delivery. It is difficult to measure the output when it comes to services and this directly influences quality.

3. The three modes are primary, secondary and tertiary operations management.
   The primary mode refers to the process that involves the extraction of raw material from natural resources such as fishing, mining and forestry.
Secondary operations management makes use of the raw material to produce goods, which is the category where all manufacturing operations fall. Tertiary operations management is where only services are provided.

Kindly also note the following:

Unit 8: Capacity building to Unit 10: Challenges of Operations Management Headers are titled “Forecasting”, this is incorrect.

Unit 8: Capacity building, Activity 3 should be after section 2.2 Measuring effectiveness, efficiency and load of capacity