Operations Management
MGT 314

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Required Course Materials

Operations & Supply Chain Management

13th Edition or 14th Edition
Chase, Jacobs, Aquilano
McGraw-Hill Publishers

Microsoft Excel 2013 or 2012
**Management**

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<th>Operations</th>
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<tr>
<td>- MGT 334 Intermediate Statistics</td>
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<td>- MGT 415 Quality Management Concepts and Practice</td>
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<td>- MGT 425 Operations Research</td>
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<td>- MGT 490 Seminar in Organizational Behavior</td>
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<td>- MGT 370 Small Business Management</td>
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<td>- MGT 489 Business Consultantship</td>
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Chapter 1

Introduction to Operations Management
OBJECTIVES

- Operations Management
- Transformation Processes
- Operations as a Service
- The Importance of Operations Management
- Current Issues in OM
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 user of resources to transform inputs into some desired outputs.
Transformations

- Physical--manufacturing
- Locational--transportation
- Exchange--retailing
- Storage--warehousing
- Physiological--health care
- Informational--telecommunications
<table>
<thead>
<tr>
<th>System</th>
<th>Hospital</th>
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<tbody>
<tr>
<td>Primary Inputs</td>
<td>Patients</td>
</tr>
<tr>
<td>Resources</td>
<td>MDs, nurses, medical supplies, equipment</td>
</tr>
<tr>
<td>Primary Transformation</td>
<td>Health care, physiological</td>
</tr>
<tr>
<td>Typical Desired Output</td>
<td>Healthy Individuals</td>
</tr>
<tr>
<td>System</td>
<td>University</td>
</tr>
<tr>
<td>------------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>Primary Inputs</td>
<td>High School Graduates</td>
</tr>
<tr>
<td>Resources</td>
<td>Professors, library, classrooms, dorms</td>
</tr>
<tr>
<td>Primary Transformation</td>
<td>Imparting knowledge and skills</td>
</tr>
<tr>
<td>Typical Desired Output</td>
<td>Educated Individuals</td>
</tr>
<tr>
<td>System</td>
<td>Restaurant</td>
</tr>
<tr>
<td>-------------------------</td>
<td>----------------------------------------------------------</td>
</tr>
<tr>
<td>Primary Inputs</td>
<td>Hungry customers</td>
</tr>
<tr>
<td>Resources</td>
<td>Food, chef, waiters, ambiance</td>
</tr>
<tr>
<td>Primary Transformation</td>
<td>Well-prepared, well-served food; pleasant experience</td>
</tr>
<tr>
<td>Typical Desired Output</td>
<td>Satisfied Customers</td>
</tr>
</tbody>
</table>
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?)
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.
OM in the Organization Chart

- Finance
- Operations
- Marketing

- Plant Manager
- Operations Manager
- Director

Manufacturing, Production control, Quality assurance, Engineering, Purchasing, Maintenance, etc
OM Time Horizons

- Strategic decisions
  - Capacity, New facilities/locations

- Tactical decisions
  - What quantity of labor and raw materials are needed? When needed?

- Operational planning and control decisions
  - Task assignment, job scheduling
Basic Concepts of Decision Making

- Efficiency
  - doing something at the lowest possible cost.
    - “maximum output for minimum input”

- Effectiveness
  - Doing the right things to create the most value for the company

- Value – best quality for the price (quality/price)
Basic Concepts of Decision Making

Who determines quality?
- The customer

The perception of value is in the eyes of?
- The customer

Does price have to be low for value to be high?
- No! BMW, Rolex, Harley Davidson, iPhone
Core Services Defined

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

- Quality
  - Flexibility
  - Price (or cost Reduction)
- Operations Management
  - Speed
Mass customization
Value-added Services Defined

Value-added services differentiate the organization from competitors and build relationships that bind customers to the firm in a positive way.
Value-Added Service Categories

- Problem Solving
- Operations Management
- Sales Support
- Field Support
- Information
Supply Chain Management

A total system approach to managing the flow of information, materials, and services from raw material suppliers through factories and warehouses to the end consumer.
Current Issues in OM

- Coordinate the relationships between mutually supportive but separate organizations. (outsourcing)

- Optimizing global supplier, production, and distribution networks.

- Increased co-production of goods and services
Current Issues in OM (continued)

- Managing the customers experience during the service encounter (call center limbo)
- Raising the awareness of operations as a significant competitive weapon
Questions?