

15.3: Operations Management

What you'll learn to do: explain operations management in the production of goods and services

In this section, you'll get an introduction to the key concepts and functions of operations management.

Learning Objectives

- Explain the role of the operations manager
- Explain how operations management relates to the service industry

Operations Management



A good way to look at processes and operations is to examine the impact of the global pandemic in 2020–2023. Americans began to understand the significance of supply channels and operations when getting important household supplies. During the worldwide pandemic, it became clear that global supply chains were propagating microshocks into macro-level effects. For example, individual firms halted operations due to the spread of COVID-19, which created sectoral supply shocks that drove up prices. In the transportation and logistics industry specifically, a series of supply chain disruptions and delays at ports during the pandemic led to historically high prices for imports to the United States during the pandemic. At their highest point, spot shipping prices for containers coming from China to U.S. West Coast ports skyrocketed to more than 1000 percent of 2019 levels. Elevated demand pressures compounded the inflationary effect from the supply side as consumers directed their spending towards goods, not services (2023, par. 3). Let's begin our study of processes and operations by defining some key terms you will use throughout this module.

Operations management is the area of management concerned with designing and controlling the processes of producing goods and services. It involves ensuring that business operations are efficient in terms of using as few resources as needed and effective in terms of meeting customer requirements. Put differently, operations management is concerned with managing the process that converts inputs (raw materials, labor, and energy) into outputs (in the form of goods and services). That process can be as simple as milling trees into lumber or as complex as building an international space station.

An **operations manager** is in charge of making sure that production processes run smoothly. That includes fine-tuning production processes to ensure quality, holding down the costs of materials and labor, and cutting costs that don't add value to the finished product. As you might expect, the role of an operations manager is broad, encompassing many operational areas. Whereas other managers may focus on a specific area, such as finance, accounting, or human resources, an operations manager interacts with every functional area within the organization. This is because operations management includes so many different kinds of tasks—logistics, budgeting, supplier relations, purchasing, staffing, and many more. As globalization has increased competition, the operations manager's job responsibilities have increased in both scope and importance.

Operations Management in the Service Industry

In businesses that produce services, the need for operations management may seem less obvious because they don't produce tangible goods. Operations management is all about transformation, though—taking inputs and transforming them into outputs—involving suppliers, supply chains, and logistics. All of these things are present in service industries. Consider how “operations” play out in a service business—let's say, in a theme park like Wally World. Although the company doesn't manufacture products, it is still producing an experience. The following breakdown gives you an idea of how and why operations management is so important to this kind of business:

- How do you control the crowds? How many guests should be let into the park before the line to ride the Tea Cups is intolerably long?
- How many cars should be attached to the Cyclone of Doom rollercoaster to maximize the number of riders and ensure their safety and security?
- For the July 4th weekend, how many tons of ice cream need to be ordered to supply all the ice cream carts and keep all the hot, tired, and hungry patrons happy?
- Where do you purchase the park's supplies? That's everything from souvenir cups with Wally's picture to paper plates and napkins for the restaurants.
- How do you staff entrances and exits? How much security is enough to let guests feel comfortable letting their children roam around?
- How do you manage the operations of this type of business that produces fun as its primary product?

YouThe White House (2023, November 30) *Issue Brief: Supply Chain Resilience* | CEA The White House
<https://www.whitehouse.gov/cea/writt...in-resilience/> hire an operations manager!

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