

Review

INTERNATIONAL OPERATIONS MANAGEMENT

15

Identify major operations management and supply chain management activities

Describe key decisions associated with international operations management

Explain the importance of international operations management to international business competitiveness

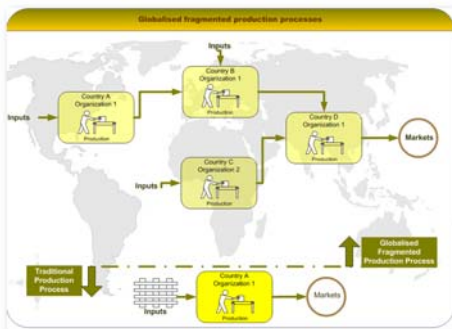
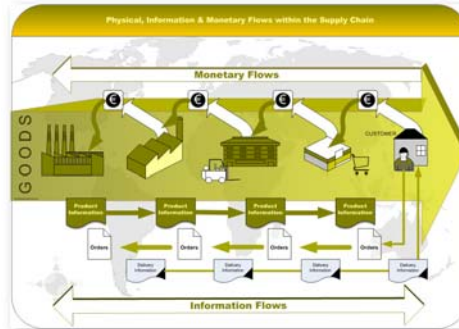
Discuss what is meant by operations management and supply chain management

Evaluate how international operations management contributes to international business success



The collection of people, knowledge, technology, and systems within an organization that has primary responsibility for producing and providing the organization's products or services is referred to as operations; the traditional way to think about operations is as a transformation process which takes a set of inputs and transforms them in some way to create outputs (goods or services - offerings) that a customer values. The mechanisms transforming inputs into outputs are called processes. Operations management is important because it can reduce costs, differentiate the organisation's products and services and impact upon quality and therefore may increase revenue through increased customer satisfaction.

Operational managers are responsible for providing sufficient capacity to meet the organizations' needs. Facilities decisions are of significant strategic importance to the international organization and the operations function in particular. Such decisions place physical constraints on the amount that can be produced and may require large amounts of capital investment. One of the most important strategic decisions made by some companies is where to locate their operations - to determine which countries in which to operate. Frequently, the organisation will identify the critical success factors needed to achieve competitive advantage. Factors such as political risk, cultural and economic issues, availability of talented human resources, the availability of supplies and energy, communication and transportation network and financial risks such as exchange rate in currency may all be considered when evaluating possible countries within which to locate.



After selecting the country (ies), the region and specific site are selected. Next, decisions about layout must be made. Choices of technology, production process and supporting systems also require important decisions from the operations manager. The Product development process is the overall process of strategy, organization, concept generation, product and marketing plan creation and evaluation, and commercialization of a new product. Operations managers must then decide upon which process to adopt when producing goods and services. The way international businesses create products and services is known as the production process. Ultimately, the objective of the production process is to create goods and services that meet customer requirements. A related process choice is whether the product is made-to-order (customer led) or to stock (supply led).

Planning and control is concerned with operating resources on a day-to-day basis, ensuring availability of materials and other resources in order to supply the goods and services to fulfil demands; it aims to match supply with demand through the effective and efficient management of the operations processes. The availability of transformational resources and raw materials will impact upon the level of value added activity of which an operation is capable in any given period (Capacity). Operations managers aim for efficiency; productivity is an economic measure of efficiency that summarises the value of outputs relative to the value of inputs used to create them. The management of the physical flow of products from the point of origin as raw materials to end users as finished products is termed logistics. Logistics covers a wide range of business activities such as: transportation, warehousing, material handling, packaging and inventory management.

Key Terms

OPERATIONS

The core activities of a business

INTERNATIONAL OPERATIONS

Process by which the firm makes and delivers its goods or services across national borders.

PRODUCTION PROCESS

the way that businesses create products and services

SALES AND OPERATIONS PLANNING

A business process that helps firms plan and coordinate operations and supply chain decisions over a tactical time horizon (usually 4 to 12 months out).

LEAN PRODUCTION

A term commonly used to refer to just-in-time production.

ECONOMIES OF SCALE

A decrease in the per unit cost of production as a result of producing large numbers of the good

CAPACITY

"the maximum production possible - The amount of work a production unit, whether individual or group, can accomplish in a given amount of time"

LOGISTICS

"The management of both inbound and outbound materials, parts, supplies, and finished goods"

JUST-IN-TIME (JIT)

methods of managing inventory (stock) whereby items are delivered when needed in the production process instead of being stored by the manufacturer