

BUSINESS MANAGEMENT

Unit 3

Targeted Evaluation Task for School-Assessed Coursework 1



2017 Test on Operations Management for Outcome 3

SOLUTIONS & RESPONSE GUIDE

Question 1 (2 marks)

Operations is an essential part of any business as this is where a good or service is produced with the aim to of generating a profit. Businesses target both the efficient and effective use of all resources to produce these goods and services at the lowest possible cost. Focusing on a quality product, delivering high levels of customer service, adopting the latest technology, reducing waste and managing all materials necessary in the production process will help to meet customer expectations. This leads to increased sales, increased profits, payment of dividends to shareholders and more market share which are all common business objectives.

Question 2 (10 marks)

a.

The key elements of an operations system include inputs, or all the resources used in the production of a good, or the delivery of a service. These include materials, capital equipment, labour, time and money. In the case of the three bus lines the inputs would include the garage facilities for the storage and maintenance of the buses when they are not in operation, the components necessary to keep the buses running like wheels, batteries etc., the bus drivers, maintenance workers, office staff etc.

The process is the second key element and involves the conversions of inputs into final outputs whether it is a good or a service. In the case of the bus companies this would mean the preparation of bus routes and timetables, the care and maintenance of buses so they are safe to be on the road, the training of bus drivers and the actual driving of the buses along specific routes to collect passengers and take them to their required destinations.

The output is the final good ready for the consumer to purchase and use, or the delivery of a service to customer specifications. The customer reaching their chosen destination safely in a reasonable time frame would be the output for the bus companies.

Mark allocation:

2 marks are allocated for the explanation of each key element with some application to the scenario. (x3)

6 marks

b.

A service is intangible and cannot be seen, stored or touched. The service is often tailored to meet the needs of the customer as is the case with the bus service. Each passenger would have a different destination and is present for the journey making consumption and production simultaneous. This is different to the manufacturing of a product which is a tangible product that can be handled and stored. The good is the end result of the production process which the consumers purchase. Production and consumption are separate and there is minimal if any customer contact, during the making of the good.

Mark allocation:

2 marks are allocated for the description of delivering a service.

2 marks are allocated for the manufacturing of a product highlighting that they are different.

4 marks

Question 3 (1 mark)

Website development refers to all the tasks and activities associated with creating a website that is a location on the World Wide Web through the Internet connecting the business to its various stakeholders. These tasks would include the design of the website, the content, network security etc.

Question 4 (6 marks)

Operations managers need to use the latest technology to remain competitive and increase efficiency through fast production times and better quality products at lower prices. The development of a range of tools to store and process vast amounts of information, or to perform more accurate work rather than the human hand has led to reduced costs increasing the profitability of the business. Technology whether computer aided manufacturing or robotics leads to lower labour costs, a faster turnaround of production and a more efficient use of materials.

However it does cause substantial job losses as we move to more automation leading to the de-skilling of employees and the need for people to be retrained to perform other jobs. The initial outlay of money to purchase the new technology, the need for continued IT support and training of staff are also disadvantages.

Mark allocation:

3 marks are allocated for a discussion of the advantages.

3 marks are allocated for a discussion of the disadvantages.

Question 5 (6 marks)

Materials management involves the implementation of systems by operations managers to ensure that the right materials are available at the right price and time for the production process. Part of this process involves forecasting future conditions that will impact on consumer demand and the supply of materials. Operations managers need to examine relevant data to be able to match supply with demand. One tool they use to plan more effectively is a master production schedule which forms part of the production plan. The master production schedule describes what is to be produced, in what quantities, how and when. It also links to specific delivery dates for these materials, to enable production to proceed on time

Another tool that materials managers can use in this forecasting and planning process is a materials requirement plan which is the development of an itemized list of all necessary materials for production to meet consumer demand. The materials requirement plan includes lead times from suppliers to ensure delivery of specific materials when required, the right amount of inputs to match production targets, purchasing procedures and any current stock that is already on hand.

Mark allocation;

3 marks are allocated for the analysis of each tool. (x2)

Question 6 (4 marks)

Quality control involves the checking of goods or services during various stages of the production process, to reduce the possibility of problems and defects. It involves a number of stages including the establishment of a quality benchmark that the business is seeking to achieve. Actual performance is then compared to these pre-set benchmarks and if the standard is not met then corrective action needs to be taken.

Quality control is an important step to minimize errors and defects which can be harmful to the consumer and tarnish the image of both the producer and the seller. It ensures that the needs and wants of each customer are satisfied to maintain loyalty to the product. If there is a product recall then both the retailer and the producer need to act quickly to address this issue. The retailer in this case Aldi needs to withdraw the product from sale from all of their supermarkets and ensure that there are advertisements placed in stores, newspapers and through social media to have the product returned for a full refund. The producer needs to check all aspects of the production process to identify and address the fault to prevent this from happening again.

Mark allocation:

2 marks are allocated for the importance of quality control.

2 marks are allocated for the effect of the product recall on both the retailer and the producer.

Question 7 (5 marks)

Waste minimization refers to the process of eliminating and reducing the amount of unnecessary or unusable resources created by the production process. This reduces the cost of production as there are less materials going into landfill, improving efficiency in the process. Businesses can achieve this through less packaging of their products, using recyclable materials and improving quality control to reduce defects. Operations managers could adopt a lean management approach which focuses on operations managers targeting the reduction or elimination of waste without compromising quality. The aim is for the business to limit any excessive material usage and to remove any inefficiencies to reduce costs and at the same time make the business more socially responsible.

Mark allocation:

3 marks are allocated for the explanation of waste minimization strategies.

2 marks are allocated for the explanation of lean management.

Question 8 (2 marks)

One way this can be achieved is for the business to source inputs that do not harm the environment. The inputs should be sustainable and environmentally friendly which would enhance the reputation of the business as being more socially responsible

Question 9 (4 marks)

Global outsourcing is the contracting of non-core elements of a business to external providers in other countries around the world to reduce costs, improve efficiency and gain a competitive edge over other like businesses.

Advantages of this process include:

- reducing labour costs
- providing management with more time to concentrate on other areas of the business
- Increasing access to operations expertise and quality improvements from around the globe
- Savings on time, effort and training costs

Disadvantages:

- Reduces the number of jobs locally
- Negatively impacts on local suppliers who may go out of business as a result of less sales
- Provider maybe catering to a number of businesses which could affect the quality and delivery times of the products delivered from overseas

Students need to provide one advantage and one disadvantage of global outsourcing.

Mark allocation:

2 marks are allocated for a definition of global outsourcing.

1 mark is allocated for one advantage of global outsourcing.

1 mark is allocated for one disadvantage of global outsourcing.

Total 40 marks