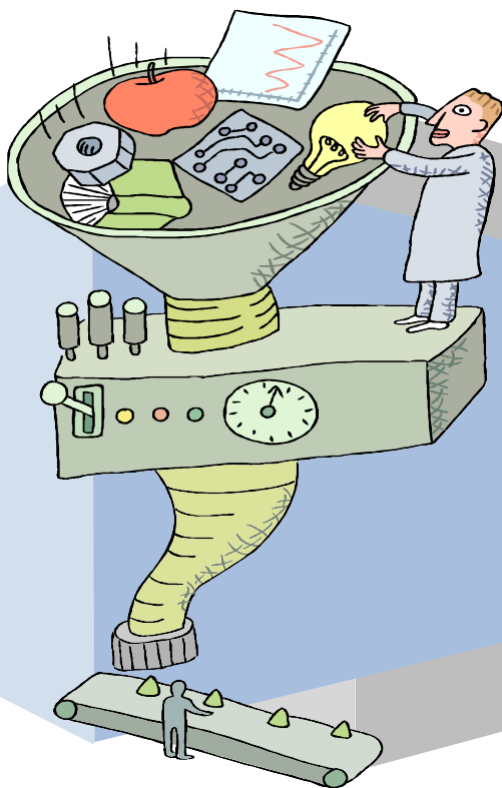


# Management of Marketing and Operations

## 2.2 – Operations



**Learner's  
Notes**

## Introduction

In this topic you will find out about the following things.

### Stock Management

- *OVERSTOCKING*
- *UNDERSTOCKING*

### Suppliers

- *CHOOSING A SUPPLIER*

### Methods of Production

- *JOB PRODUCTION*
- *BATCH PRODUCTION*
- *FLOW PRODUCTION*

### Quality

- *QUALITY CONTROL*
- *QUALITY MANAGEMENT*
- *EMPLOYEES*
- *RAW MATERIALS*

### Ethical and Environmental Impact

- *WASTAGE*
- *RECYCLING*
- *PACKAGING*

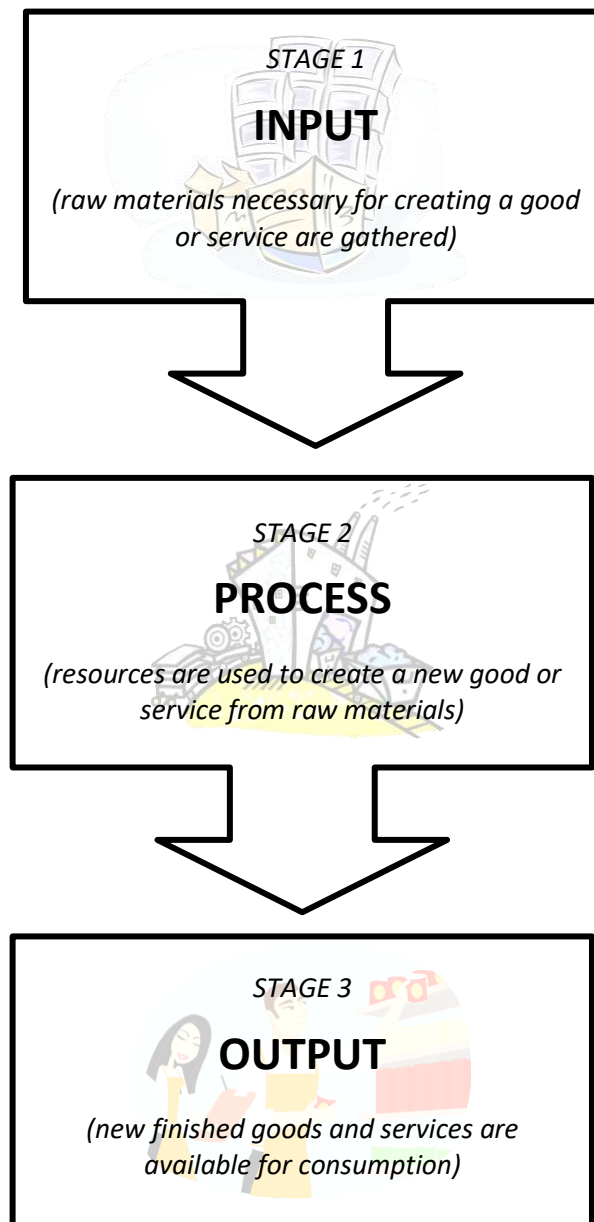
### Technology

- *ROLE OF TECHNOLOGY IN MANAGING OPERATIONS*

## WHAT IS OPERATIONS ALL ABOUT?

The role of **OPERATIONS** in a business is to **PRODUCE** goods and services to a **SUITABLE STANDARD** as **EFFICIENTLY** (minimum in – maximum out) as possible.

Operations staff will do this by managing the **PRODUCTION PROCESS** for the business. All production processes are made up of the following 3 linked stages.



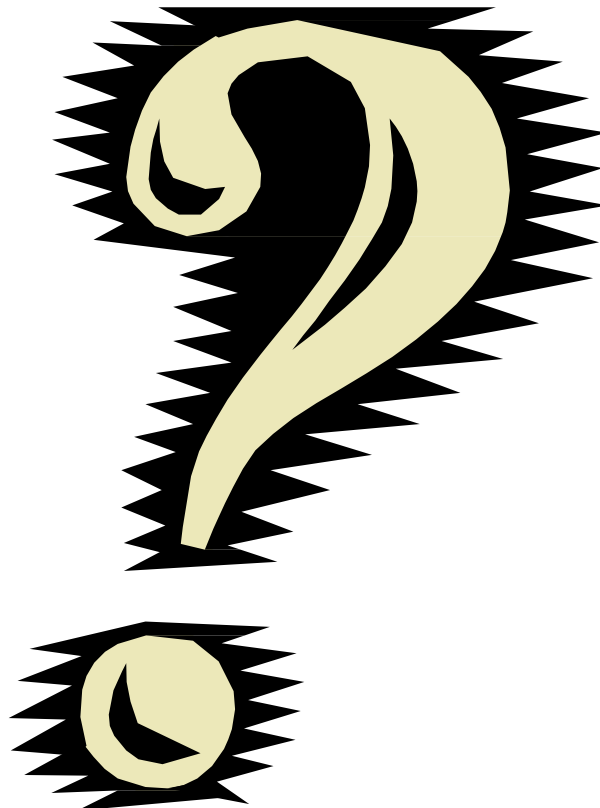
This work will be linked to the work of marketing staff as they will decide on the **PRODUCT** that has to be produced in the first place.

The main activities that Operations staff are involved with when they are managing production are linked to the 3 stages of the production process as follows.

- *STOCK CONTROL (INPUT ISSUE)*
- *CHOOSING SUPPLIERS (INPUT ISSUES)*
- *FACTORS OF PRODUCTION (INPUT ISSUE)*
- *METHODS OF PRODUCTION (PROCESS ISSUE)*
- *QUALITY ISSUES (PROCESS ISSUE)*
- *ETHICAL PRODUCTION (PROCESS ISSUE)*
- *CUSTOMER SERVICE (OUTPUT ISSUE)*
- *DISTRIBUTION (OUTPUT ISSUE)*

This Operations work is very important to any kind of business in an economy (ie PRIVATE, PUBLIC or THIRD sector), because if it is done properly then it can bring the following benefits.

- *SURVIVAL (all businesses need to produce goods and services for their consumers or they will fail)*
- *INCREASE IN PRODUCT QUALITY (due to better qualified and motivated staff and systems)*
- *DECREASED COSTS (due to less wastage and better systems)*
- *OPPORTUNITY TO DECREASE PRICES FOR CONSUMERS (due to lowered costs)*
- *POSITIVE BUSINESS IMAGE (from high quality products and any lowered prices)*
- *INCREASED CONSUMER SATISFACTION (from provision of suitable products perhaps at low prices)*
- *INCREASED USE OF THE BUSINESS BY CONSUMERS (CONSUMER LOYALTY)*
- *INCREASED PROFITS, BUDGETS OR DONATIONS (from consumer loyalty)*



## INPUT ISSUE – STOCK MANAGEMENT

**STOCK MANAGEMENT** is all about trying to make sure that the business has a **STOCK LEVEL** that prevents **OVERSTOCKING PROBLEMS** and **UNDERSTOCKING PROBLEMS**.



Stock in any business is an **UNUSED AMOUNT** of something, and the main types of stock are:

- *RAW MATERIALS (basic parts still to be used in production);*
- *WORK IN PROGRESS [WIP] (products that have been started but not yet finished);*
- *FINISHED GOODS (products that are complete and ready to be sold to consumers).*

Small to medium sized businesses will always want to have some stocks available for the following reasons.






- *PRODUCTION CAN ALWAYS BE CARRIED OUT AS STOCKS ARE CONSTANTLY AVAILABLE*
- *CONSUMERS WILL ALWAYS BE ABLE TO BUY PRODUCTS AS STOCKS ARE AVAILABLE*
- *SALES AND USAGE ARE MAXIMISED AS CONSUMERS CAN ALWAYS ACCESS STOCKS OF PRODUCTS*

However, businesses have to be careful when they decide on the specific amount of stock that they hold in order to prevent the following problems.

Stock Problem	Description
<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;"> <p><b>OVERSTOCKING</b></p>  </div> </div>	<p>Overstocking means that a business has bought in <b>MORE</b> stock than it regularly needs and so will face the following problems due to extra unnecessary stock.</p> <ul style="list-style-type: none"> <li>• <i>HIGH LABOUR COSTS FOR SECURITY STAFF TO PREVENT THEFT OF STOCK</i></li> <li>• <i>HIGH LABOUR COSTS FOR WAREHOUSE STAFF TO MANAGE STOCKS</i></li> <li>• <i>HIGH STORAGE COSTS FOR LARGE PREMISES TO STORE STOCK</i></li> <li>• <i>HIGH COSTS OF INSURANCE FOR LARGE AMOUNTS OF STOCK</i></li> <li>• <i>LESS CHANCE OF WASTAGE OR THEFT BEING NOTICED AND DEALT WITH</i></li> <li>• <i>RISK OF LOSING MONEY ON STOCK THAT BECOMES OBSOLETE<sup>1</sup></i></li> </ul>
<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;"> <p><b>UNDERSTOCKING</b></p>  </div> </div>	<p>Understocking means that a business has <b>NOT</b> bought in enough stock to continue with its ordinary activities and so will face the following problems from a lack of stock.</p> <ul style="list-style-type: none"> <li>• <i>LARGE NUMBERS OF SMALL STOCK ORDERS WILL HAVE TO BE MADE</i></li> <li>• <i>SMALL ORDERS CAN RAISE COSTS AS BULK BUYING DISCOUNTS ARE LOST</i></li> <li>• <i>PRODUCTION MAY HAVE TO STOP</i></li> <li>• <i>STOCKOUTS MAY OCCUR (this means there is no stock for consumers)</i></li> <li>• <i>SALES AND USAGE OF THE BUSINESS ARE DECREASED BY STOCKOUTS</i></li> <li>• <i>REPUTATION OF BUSINESS MAY BE DAMAGED BY STOCKOUTS</i></li> <li>• <i>CONSUMER LOYALTY MAY BE DECREASES BY STOCKOUTS</i></li> </ul>

<sup>1</sup> Obsolete means it is **OUT OF DATE** and consumers no longer want it due to changes in laws, tastes or technology.

The main factors that businesses have to consider when trying to set a stock level that will avoid the above problems can be seen below.

Stock Factor	Description
<p><b>PRODUCT DEMAND</b></p> 	<p>Businesses have to make sure that their stock level is set high enough to prevent stockouts and so meet the expected demand of consumers. This means if a product is very popular then stock levels should be high and if sales are low then stocks should be low too.</p>
<p><b>SEASONAL FACTORS</b></p> 	<p>Product demand will change at different times of the year – for example, demand for shorts will be high in Summer and lower in Winter. This means that businesses have to make sure that their stock level is set high during periods of high demand (to prevent stock outs) and then lowered when demand falls (to prevent overstocking).</p>
<p><b>FINANCE AVAILABLE</b></p> 	<p>Holding stock costs money to buy it and for insurance, premises and staff to manage and keep it secure. This means that a business can only hold as much stock as they can afford to pay for.</p>
<p><b>STOCK TYPE</b></p> 	<p>Some stock will not last very long before it becomes useless. This could be due to stock becoming <b>OBSOLETE</b> (ie a lack of interest from consumers as it is out of date) or because it is <b>PERISHABLE</b> (ie becomes wasted quickly - eg food going out of date). This means that businesses who use stock which can easily become obsolete or perish should try to minimise stock levels to prevent any wastage.</p>
<p><b>LEAD TIME</b></p> 	<p>Almost all stock can take a little time to deliver from suppliers – this time is known as <b>LEAD TIME</b>. Businesses which have a long lead time should maximise stock levels to prevent stockouts while waiting for another delivery to be made.</p>

Once a business has decided how much stock to have (to prevent over or under stocking), then it will have to make sure that stock is reordered when necessary and is looked after to prevent wastage or theft. Businesses will do this through a process known as **STOCK CONTROL**. The main steps in a stock control system are as follows.

**1 TAKE A RECORD OF ALL THE STOCK THAT HAS BEEN RECEIVED AND IS AVAILABLE**

*(This provides a business with information about the total amount of stock that they have available and confirms that stock they have paid for has actually been received)*

**2 UPDATE THE AMOUNT OF STOCK AVAILABLE BY SUBTRACTING ANY STOCK THAT IS ISSUED**

*(This allows a business to keep an up to date record of how much stock they have by subtracting any issued or sold stock. To prevent theft of stock any staff wishing to get stock will have to have a **REQUISITION FORM**. This is a form signed by their manager to prove that they need the stock.)*

**3 DOUBLE CHECK THAT STOCK LEVELS ARE CORRECT**

*(Businesses should do **STOCK TAKES** - this a physical count and check on stock. This will make sure that no items of recorded stock have become wasted, lost or stolen)*

**4 REORDER STOCKS AS REQUIRED AND ADDING THEM TO THE AMOUNT OF STOCK AVAILABLE**

*(Businesses will have to reorder stock of items they still want to use. This will be done when the ongoing stock records reach the **REORDER POINT**. This is a level of stock where more will have to be ordered or stocks will run out before new deliveries arrive.)*

This work to keep track of what is happening to stocks can be done either **MANUALLY** (by hand using a record known as a **STOCK CARD**) or by **COMPUTER**. Nowadays, even many small and medium sized businesses are switching to the use of computerised systems for stock control due to the following **ADVANTAGES** that they provide.

- *COMPUTERS CAN ACCURATELY CALCULATE STOCK FIGURES QUICKLY*
- *COMPUTERS MAY BE ABLE TO REPLACE STAFF IN STOCK CONTROL WHICH SAVES ON WAGES*
- *COMPUTERS CAN AUTOMATICALLY REMIND STAFF WHEN THE REORDER LEVEL HAS BEEN REACHED*
- *REMINDING STAFF OF WHEN TO REORDER SHOULD LOWER THE CHANCE OF RUNNING OUT OF STOCK*
- *COMPUTERS CAN AUTOMATICALLY REORDER STOCK TO PREVENT ANY CHANCE OF STAFF FORGETTING*






However, computerised stock control does have to be protected from the potential **PROBLEM** of computers being hacked or overridden to hide theft or wastage.



## INPUT ISSUE – CHOOSING A SUPPLIER

The input issue of **CHOOSING A SUPPLIER** deals with deciding **WHO** the business should buy **STOCK** from.

The main factors that small to medium business usually consider when choosing which supplier they will use can be seen below.





Factor	Description
<b>PRICE</b> 	A business will usually want to use a supplier that sells at a low price. This is to <b>MINIMISE COSTS</b> for the business. This is also important because a business can only buy from suppliers that it has the <b>FINANCE</b> to be able to afford.
<b>QUALITY</b> 	A business will want to use a supplier that provides stock of a suitable level of <b>QUALITY</b> . This is to make sure that you use quality materials to make products of a high enough <b>QUALITY</b> to keep consumers happy.
<b>CONTINUITY</b> 	A business will want to use a supplier that can <b>CONTINUE</b> to supply to them. This is to <b>MINIMISE THE INCONVENIENCE</b> of changing suppliers which could cause delays to production, losing discounts, etc.
<b>RELIABILITY</b> 	A business will want to use a supplier that is <b>RELIABLE</b> . This means that they can always supply them with the correct amount stock, when they expect to receive it and to the same standards every time. This is to <b>MINIMISE THE INCONVENIENCE</b> of unexpected poor quality, lack of stock, delays, etc.
<b>LOCATION</b> 	A business will usually want to use a supplier that is <b>CLOSE TO THEM</b> . This <b>MINIMISES COSTS</b> by reducing delivery charges.



## INPUT ISSUE – ORGANISING THE FACTORS OF PRODUCTION

*The input issue of organising the **FACTORS OF PRODUCTION** involves gathering together the specific **RESOURCES** (useful things) that a business has decided that it wants to use in order to carry out the **PROCESS** part of production.*

The main Factors of Production that can be used by businesses to produce products are as follows. They can be remembered as **CELL**.

Factor of Production	Description
<p><b>CAPITAL</b></p> 	<p>Capital describes <b>MONEY</b> and all of the <b>EQUIPMENT</b> it can be used to buy. Capital has to be paid for through <b>INTEREST</b> (extra money paid from borrowing or lost through spending). Capital is a <b>MAN MADE</b> resource.</p>
<p><b>ENTERPRISE</b></p> 	<p>Enterprise covers all of the <b>IDEAS</b> for goods and services a business has and the <b>ORGANISATION OF RESOURCES</b> undertaken by <b>MANAGERS</b> to make these ideas turn into real goods and services. Enterprise earns <b>PROFITS</b>.</p>
<p><b>LAND</b></p> 	<p>Land is the Earth and all of the <b>NATURAL RESOURCES</b> in it or on it (eg oil, wood, animals, crops, etc). Land is paid for through <b>RENT</b> (money paid for the use of the land).</p>
<p><b>LABOUR</b></p> 	<p>Labour is all of the work that is done by <b>PEOPLE</b> (aka the <b>HUMAN RESOURCE</b>). Labour is paid for by <b>WAGES</b>.</p>

## PROCESS ISSUE – METHOD OF PRODUCTION

The process issue of **METHOD OF PRODUCTION** deals with the way that a business chooses to **ORGANISE** the **PRODUCTION PROCESSES** which it will use to make products.

The following are the 3 main methods of production used by businesses.

### 1 JOB PRODUCTION

The main **FEATURES** of Job production are as follows.

- Each product is made **ONE AT A TIME** as a single separate piece of work (or **JOB**).
- Each product made will be **UNIQUE** because it has been designed to meet specific standards that the customer has set.
- Lots of (normally skilled) labour is usually used - this means it is known as a **LABOUR INTENSIVE** method of production.

The main **ADVANTAGES** of Job Production include the following.

- Job production should provide a variety of work for staff to complete which should **INCREASE** their **MOTIVATION, SKILLS** and **PRODUCT QUALITY**.
- Job production should provide a very **HIGH LEVEL** of **CUSTOMER SATISFACTION** because it provides a high quality and unique product that meets their specific needs.
- Job production should result in **HIGH PRICES** (and profits) because customers will pay a lot for high quality products that meet their specific needs.
- Staff can think for themselves – this means that they suggest changes which would help improve quality, production or consumer satisfaction. This can mean that production may become **MORE EFFICIENT**.

The main **DISADVANTAGES** of Job Production include the following.

- Job production can be **EXPENSIVE** to run because skilled staff will often expect **HIGH WAGES**.
- Job production can be **EXPENSIVE** to run because as each product is unique there will be **FEW ECONOMIES OF SCALE**. An **ECONOMY OF SCALE** is a **DECREASE** in the cost of **EACH UNIT** made due the large number (or **SCALE**) of products made by a business.
- Job production can take a long time to complete (especially on big jobs) which can cause **CASHFLOW PROBLEMS** while waiting for payment.
- Job production usually results in **LOW LEVELS OF OUTPUT** – this limits the amount of sales a business can make.

Examples of products made using job production would include custom jewellery, roads, and buildings.



## 2 BATCH PRODUCTION

The main **FEATURES** of Batch production are as follows.

- *A group of products (known as **BATCH**) is made **TOGETHER** at the same time.*
- *Each product **WITHIN** a batch is **IDENTICAL**.*
- *Separate batches can be **SLIGHTLY DIFFERENT** from each other.*
- *Although there can be some variation between batches, all products made will be **BROADLY SIMILAR**.*
- *Often uses lots of capital equipment - this means it is known as a **CAPITAL INTENSIVE** method of production.*

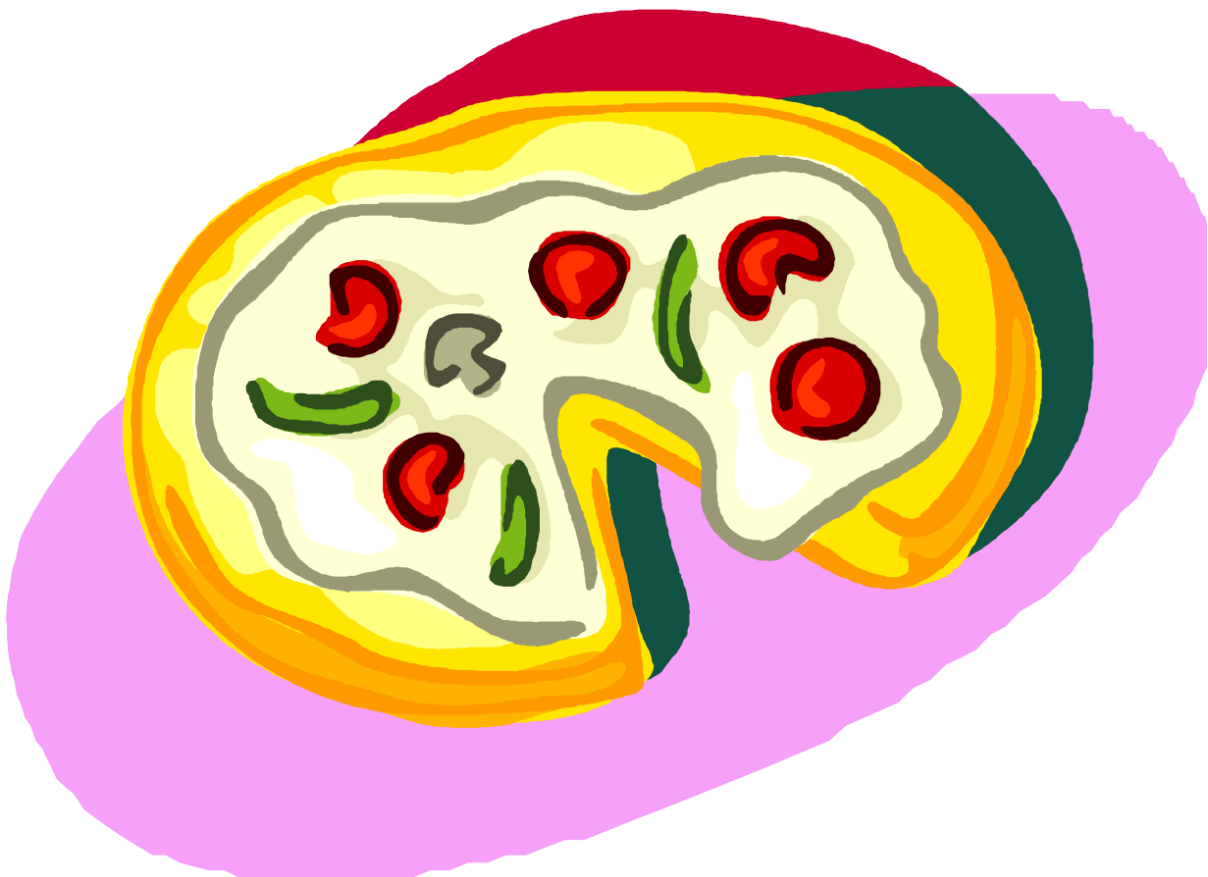
The **ADVANTAGES** of Batch Production include the following.

- *The slight variations that can be made between batches provides a business with **SOME FLEXIBILITY** and the ability to make a **RANGE OF PRODUCTS**. This means a business can **INCREASE SALES** by satisfying the needs and wants of a variety of consumers.*
- *The use of **CAPITAL** can allow a relatively **LARGE NUMBER OF PRODUCTS** to be made **QUICKLY**. This can allow a business to easily make **HIGH SALES**.*
- *The use of **CAPITAL** can allow a relatively **LARGE NUMBER OF PRODUCTS** to be made without paying for lots of workers. This can **LOWER PRODUCTION COSTS**.*
- *The use of **CAPITAL** often means that many staff used do not carry out complex work as machines do it for them. This can mean staff will be fairly **CHEAP** to employ as they will need few skills. This can **LOWER PRODUCTION COSTS**.*
- *The use of **CAPITAL** can mean **QUALITY** could **IMPROVE**. This is because machines are often more accurate than humans as they do not get tired or distracted.*

The **DISADVANTAGES** of Batch Production include the following.

- *The simple similar processes batch production often needs staff to do can be **BORING** and so **DECREASE** their **MOTIVATION, SKILLS** and **PRODUCT QUALITY**.*
- *Any mistakes can be very **COSTLY** as a whole batch of products could be damaged or wasted at once.*
- *Any changes in batch types will result in **DELAYS** (to reset machines, etc) which can **DECREASE PRODUCTION**.*

Examples of products made using batch production would include different flavours of pizza, soup, etc.



### 3 FLOW PRODUCTION

The main **FEATURES** of Flow production are as follows.

- A constant **FLOW** of **IDENTICAL** products is made through a series of step-by-step linked activities.
- Uses lots of capital - this means it is known as a **CAPITAL INTENSIVE** method of production.
- There will be **HIGH LEVELS OF OUTPUT**.
- There is **NO FLEXIBILITY** in the products made – they are all the same from this process.

The **ADVANTAGES** of Flow Production are as follows.

- The use of **CAPITAL** allows a **LARGE NUMBER OF PRODUCTS** to be made **QUICKLY**. This can allow a business to make **HIGH SALES**.
- The use of **CAPITAL** can mean **QUALITY** could **IMPROVE**. This is because machines are often more accurate than humans as they do not get tired or distracted.
- The use of **CAPITAL** allows a **LARGE NUMBER OF PRODUCTS** to be made without paying for many of workers. This can **LOWER PRODUCTION COSTS**.
- The use of **CAPITAL** means that any staff used may do not need to carry out complex work as the machines do it for them. This can mean staff will be fairly **CHEAP** to employ as they will need few skills. This can **LOWER PRODUCTION COSTS**.
- High levels of production can mean use of **ECONOMIES OF SCALE** which can **LOWER COSTS**.
- Lowered costs can mean **LOWERED PRICES** for the **CONSUMER**. This can mean **INCREASED SALES** and profits of the business as more people can now afford to buy from them.



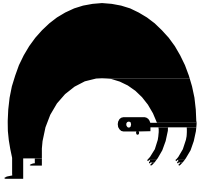



The **DISADVANTAGES** of Flow Production include the following.

- *Flow production may result in a **LOW LEVEL** of **CUSTOMER SATISFACTION** because it does not have any flexibility to provide unique products that meet specific customer needs.*
- *The simple similar processes flow production needs staff to do can be **BORING** and so **DECREASE** their **MOTIVATION, SKILLS** and **PRODUCT QUALITY**.*
- *Any problem in one part of the system can cause **DELAYS** later on in the flow that **DECREASE PRODUCTION**.*
- *Any drops in demand can mean that a business ends up **WASTING MONEY** as a number of the products they have quickly made are no longer wanted and so go unsold.*
- *The capital needed can be very expensive to buy and set up. This means that businesses will have to use lots of finance which could mean that they end up with **HIGH DEBTS** and a **LACK OF CASH**.*

Examples of products made using flow production would include a newspaper, computer game, etc.



The factors that are likely to influence the method of production used can be seen below.





Factor	Description
<p><b>AVAILABILITY</b></p> 	<p>If a resource is not available, then it simply cannot be used. For example in the third world, there is little capital and so most production is labour intensive job production.</p>
<p><b>FINANCE</b></p> 	<p>Businesses will require large amounts of finance to install the equipment often used for batch and flow production – if this is not available these systems could not be used.</p>
<p><b>FLEXIBILITY</b></p> 	<p>If production requires flexibility in the products it produces then a business is likely to use job production as it is skilled and trained staff can alter what they can do more easily than machines.</p>
<p><b>QUALITY</b></p> 	<p>If a business requires high quality production then it may choose to use job production to maximise the accuracy of the work done.</p>
<p><b>PRODUCT TYPE</b></p> 	<p>If a product is to be a “one off” (eg custom jewellery) then this suits job production due to the high skill levels and flexibility of staff. On the other hand, “standardised” products (eg vacuum cleaners) can be made using flow production as variety and flexibility are not needed.</p>
<p><b>MARKET SIZE</b></p> 	<p>If the market for a product is large then this suits batch and flow production due to their high production levels. On the other hand, products with a small market can be made using job production as very high levels of output are not required.</p>







## PROCESS ISSUE – PRODUCT QUALITY

The process issue of **PRODUCT QUALITY** deals with making sure that the products produced **DO WHAT CONSUMERS EXPECT** and are **RELIABLE** (relative to the **PRICE** they are sold for).

Quality is an important issue for businesses because if finished products do not meet the expectations of consumers then they will stop using a business. The business could also face court action and fines if they have broken any of the following laws.

Law	Description
<p><b>SALE OF GOODS ACT (1979)</b></p> 	<p>This law states that products which are sold must be of <b>MERCHANTABLE QUALITY</b> (ie they are not defective or damaged).</p>
<p><b>TRADE DESCRIPTIONS ACT (1968)</b></p> 	<p>This law prevents businesses advertising or describing their products <b>FALSELY</b> (ie in a way that is not true).</p>
<p><b>WEIGHTS AND MEASURES ACT (1951)</b></p> 	<p>This law prevents businesses from selling products that are <b>UNDERWEIGHT</b> or <b>SHORT MEASURED</b> (ie weigh less than there should be).</p>
<p><b>FOOD AND DRUGS ACT (1955)</b></p> 	<p>This law sets minimum standard for what must be contained in foods and makes it illegal to sell food that is “unfit for human consumption”.</p>

Therefore, to prevent lost sales or legal problems from poor quality, small to medium sized businesses can use the following activities to ensure or improve quality.



Activities	Description
<p><b>HIGH QUALITY STOCK</b></p> 	<p>Businesses will want to use suitably high quality <b>STOCKS</b> for production because if they are not then finished goods will not be of a high enough standard. This is because “rubbish in will equal rubbish out”.</p>
<p><b>HIGH QUALITY RESOURCES</b></p> 	<p>Businesses must make sure that the <b>FACTORS OF PRODUCTION</b> that they use will be of a high enough standard to produce the finished product to a suitable standard. This can be achieved through providing <b>TRAINING</b> for staff and repairing and <b>MAINTAINING</b> capital equipment.</p>
<p><b>QUALITY CONTROL</b></p> 	<p>Quality control is about checking at the <b>END OF PRODUCTION</b> that products are of a high enough quality. Any poor quality products that are found are scrapped or sent back to be fixed.</p> <p>Quality control helps improve quality for the following reasons.</p> <ul style="list-style-type: none"> <li>• <i>POOR QUALITY PRODUCTS CAN BE FOUND AND SO ARE PREVENTED FROM LEAVING THE BUSINESS AND CAUSING PROBLEMS</i></li> </ul> <p>However, quality control does have the following drawbacks.</p> <ul style="list-style-type: none"> <li>• <i>STAFF ARE ONLY TRYING TO FIND PROBLEMS AND NOT PREVENT THEM, SO MISTAKES CAN STILL HAPPEN AND CREATE PROBLEMS</i></li> <li>• <i>THE SYSTEM IS EXPENSIVE BECAUSE IT DOES NOT PREVENT PROBLEMS AND COSTS A LOT TO FIX OR SCRAP ANY THAT ARE FOUND</i></li> </ul>
<p><b>QUALITY ASSURANCE</b></p> 	<p>Quality assurance is about setting expected quality standards, making them clear to staff before they start work and then checking that products meet these standards at <b>EACH STAGE OF PRODUCTION</b>. Any mistakes found at each stage of production will be fixed before the product moves on.</p> <p>Quality assurance helps improve quality for the following reasons.</p> <ul style="list-style-type: none"> <li>• <i>STAFF ARE TRYING TO ACTIVELY WORK TO HIGH QUALITY STANDARDS AND SO MISTAKES ARE LESS LIKELY TO HAPPEN</i></li> <li>• <i>THE SYSTEM IS CAN CUT COSTS BECAUSE IT AIMS TO PREVENT PROBLEMS AND MINIMISE REPAIR COSTS AS ERRORS CAN BE FIXED CHEAPLY AS THEY ARE FOUND</i></li> <li>• <i>POOR QUALITY PRODUCTS ARE HIGHLY UNLIKELY TO LEAVE THE BUSINESS AND CAUSE PROBLEMS BECAUSE OF THE STANDARDS SET AND MANY CHECKS DONE</i></li> </ul> <p>However, quality assurance does have the following drawbacks.</p> <ul style="list-style-type: none"> <li>• <i>IT IS VERY EXPENSIVE TO SET UP THE SYSTEM DUE TO TRAINING STAFF TO MEET STANDARDS AND THE MACHINERY NEEDED FOR ALL THE QUALITY CHECKS</i></li> </ul>


## PROCESS ISSUE – ETHICAL AND ENVIRONMENTAL OPERATIONS

The process issue of **ETHICAL AND ENVIRONMENTAL OPERATIONS** deals with making sure that the production process is **FAIR** and **MINIMISES NEGATIVE IMPACTS**.

Many consumers nowadays will not buy products which have been made in a way that is unfair to staff or which misuses or damages the Earth's resources. This means that more and more businesses are trying to make sure that their production process is not wasteful by reducing, reusing and recycling. Businesses are likely to share this information about their ethical and environmental work in a written **POLICY** they can share with consumers (perhaps as part of their **MISSION STATEMENT**).

The main activities that small to medium sized businesses can undertake to try to be ethical and environmentally friendly in their production can be seen below.

Issue	Description
<p><b>STAFF TREATMENT</b></p> 	<p>Businesses will usually want to make sure that they treat their staff fairly in terms of:</p> <ul style="list-style-type: none"> <li>• <i>WAGES</i></li> <li>• <i>WORKING CONDITIONS (eg safety, holidays etc)</i></li> </ul> <p>This will be the case for the following reasons:</p> <ul style="list-style-type: none"> <li>• <i>WELL TREATED STAFF ARE LIKELY TO BE MOTIVATED AND SO PRODUCE QUALITY ITEMS</i></li> <li>• <i>WELL TREATED STAFF ARE LESS LIKELY TO TAKE INDUSTRIAL ACTION (eg strike)</i></li> <li>• <i>POSITIVE STAFF TREATMENT AVOIDS CREATING DAMAGING BAD PUBLICITY</i></li> <li>• <i>CORRECT TREATMENT OF STAFF AVOIDS LEGAL ACTION FOR BREAKING LAWS</i></li> </ul>
<p><b>RAW MATERIALS</b></p> 	<p>Businesses will usually want to consider the following issues when choosing raw materials.</p> <ul style="list-style-type: none"> <li>• <i>MINIMISING ENVIRONMENTAL DAMAGE FROM MATERIAL DELIVERIES (eg using local suppliers to cut down on pollution from delivery vans)</i></li> <li>• <i>USING RAW MATERIALS THAT DON'T DAMAGE THE ENVIRONMENT (eg using suppliers who plant new trees to replace the ones that they use)</i></li> <li>• <i>CHOOSING RECYCLED RAW MATERIALS (eg choosing to use recycled plastics, paper or cardboard for packaging materials)</i></li> <li>• <i>MINIMISING WASTAGE IN RAW MATERIALS (eg only ordering what is need for current demand to prevent wasted stocks)</i></li> <li>• <i>MINIMISING THE PACKAGING USED ON RAW MATERIALS (eg choosing suppliers who minimise packaging used by offering bulk packaging)</i></li> <li>• <i>RECYCLING PACKAGING OR UNUSED MATERIALS</i></li> </ul> <p>This will be the case for the following reasons:</p> <ul style="list-style-type: none"> <li>• <i>CREATE A POSITIVE IMPRESSION FOR CONSUMERS</i></li> <li>• <i>MINIMISE COSTS OF BUYING RAW MATERIALS</i></li> </ul>





Issue	Description
<p data-bbox="165 230 336 297"><b>PRODUCTION PROCESS</b></p> 	<p data-bbox="368 230 1455 297">Businesses will usually want to consider the following issues when carrying out the process stage of production.</p> <ul data-bbox="368 342 1428 1115" style="list-style-type: none"> <li data-bbox="368 342 1295 421">• <i>TRAINING STAFF TO MINIMISE MISTAKES AND WASTAGE (this will cut down on wasted raw materials and environmental damage)</i></li> <li data-bbox="368 443 1295 521">• <i>MAINTAINING MACHINES TO MINIMISE MISTAKES AND WASTAGE (this will cut down on wasted raw materials and environmental damage)</i></li> <li data-bbox="368 544 1158 622">• <i>CUTTING DOWN ON THE AMOUNT OF PRODUCT PACKAGING (eg some coffee makers now sell bagged refills for glass jars)</i></li> <li data-bbox="368 645 1326 723">• <i>GIVING CONSUMERS ADVICE ABOUT HOW TO RECYCLE (eg most instruction manuals give advice about how to recycle the product)</i></li> <li data-bbox="368 745 1222 824">• <i>CREATING RECYCLING SCHEMES FOR CONSUMERS TO USE (eg printer companies offering to recycle cartridges for consumers)</i></li> <li data-bbox="368 846 1114 925">• <i>MINIMISING POLLUTION FROM PRODUCTION PROCESSES (eg using solar power to operate machinery)</i></li> <li data-bbox="368 947 1329 1025">• <i>DEALING PROPERLY WITH ANY POLLUTION FROM PRODUCTION PROCESSES (eg cleaning water used in production to prevent chemicals entering rivers)</i></li> <li data-bbox="368 1048 1428 1126">• <i>OFFERING SUPPORT TO STAFF WHO ARE REPLACED BY MACHINES (eg offering retraining courses and redundancy to staff who are replaced by capital)</i></li> </ul> <p data-bbox="368 1160 927 1193">This will be the case for the following reasons:</p> <ul data-bbox="368 1216 1034 1294" style="list-style-type: none"> <li data-bbox="368 1216 1034 1249">• <i>CREATE A POSITIVE IMPRESSION FOR CONSUMERS</i></li> <li data-bbox="368 1261 963 1294">• <i>MINIMISE COSTS OF PRODUCING PRODUCTS</i></li> </ul>

## OUTPUT ISSUE – CUSTOMER SERVICE

*The output issue of **CUSTOMER SERVICE** deals with making sure that consumers are happy with the way they are treated by the business.*

As well as **QUALITY** and **ENVIRONMENTAL IMPACT**, consumers will base their decision to use the products of a business on the level of **CUSTOMER SERVICE** that they receive. This is because even if consumers are happy with the products of a business, they may decide to stop using the business if they feel badly treated or unimportant.






Therefore, small to medium sized businesses will try to prevent this problem by maximising the level of customer service that they provide through the following activities.

Activities	Description
<p style="text-align: center;"><b>SERVICE STANDARDS</b></p> 	<p>Businesses will want to provide their staff with training in the following areas to ensure that they provide high standards of customer service.</p> <ul style="list-style-type: none"> <li>• <i>EXPECTED STANDARDS OF POLITENESS WHEN DEALING WITH CUSTOMERS</i></li> <li>• <i>MINIMISING THE TIME TAKEN TO BE SERVED</i></li> <li>• <i>PRODUCT KNOWLEDGE TO BE ABLE TO ADVISE CONSUMERS</i></li> </ul> <p>These standards of customer service may be shared with consumers to make them confident that the business will treat them properly.</p>
<p style="text-align: center;"><b>LOYALTY SCHEMES</b></p> 	<p>Businesses may offer consumers rewards if they use the business regularly to show them that they value them. This should encourage consumers to be happy with the business and continue to use it. An example of a loyalty scheme would be Tesco Clubcard.</p>
<p style="text-align: center;"><b>COMPLAINTS PROCESS</b></p> 	<p>Businesses may have a publicised procedure or staff for trying to deal with complaints so any that any dissatisfied consumers can be helped and encouraged to use the business again despite their disappointment with something in the past.</p>
<p style="text-align: center;"><b>PRODUCT SUPPORT</b></p> 	<p>Businesses will may provide assistance to customers to help them understand how to use and get the most use out of their products after they have bought them. Examples of this product support will include the following.</p> <ul style="list-style-type: none"> <li>• <i>CUSTOMER SUPPORT HELPLINES</i></li> <li>• <i>WARRANTIES AND GUARANTEES</i></li> </ul>

## OUTPUT ISSUE – DISTRIBUTION

*The output issue of **DISTRIBUTION** deals with deciding on the best **METHOD OF DISTRIBUTION** to transport goods to premises so that they are available in time for consumers to use them.*

When trying to decide where to sell products and how to get them to these places, Operations staff will usually work alongside the Marketing staff to make sure the decisions made suit the product and marketing mix. The main methods of distribution are as follows.

Method	Description
<b>ROAD</b> 	Road based methods of distribution use the road network to deliver goods and services. Examples of road based methods of distribution include tankers, transporters, refrigerated vehicles, trucks, and vans.
<b>RAIL</b> 	Rail based methods of distribution use the railway network to deliver goods and services. Examples of rail based methods of distribution involve trains using flatbed, storage, refrigerated and tanker carriages.
<b>AIR</b> 	Air based methods of distribution use aircraft and helicopters to deliver goods and services. Examples of air based methods of distribution include freight and refrigerated aircraft.
<b>WATER</b> 	Water based methods of distribution use the sea and canals to deliver goods and services. Examples of water based methods of distribution involve supertankers, refrigerated ships, cargo container ships and barges.
<b>PIPELINE</b> 	Pipeline based methods of distribution use the pipes and cables to deliver services. Examples of pipeline based methods of distribution involve phonelines, internet connections, gas, water and electricity.




The choice of method chosen will depend on the following factors.

- *COST OF METHOD AND FINANCE AVAILABLE*
- *PRODUCT TYPE*
- *DELIVERY SPEED REQUIRED*
- *NUMBER OF DELIVERIES REQUIRED*







## WHICH FACTORS CAN AFFECT THE SUCCESS OF OPERATIONS ACTIVITIES?

The success of any operations activities undertaken by a business will be affected by the following factors. Therefore, a business should monitor each of these factors carefully and adjust their operations activities to deal with them in order to make sure that its' operations are as successful as possible.

### 1 INTERNAL FACTORS

Issue	Activity
<p><b>FINANCE</b></p> 	<p>When a business has <b>LOTS</b> of finance (money) then it can make afford to carry out lots of helpful operational activities – eg setting high quality standards, developing good customer services, use of best resources and materials. When a business does not have lots of money then the efficiency and quality of its operations is likely to be limited.</p>
<p><b>HUMAN RESOURCES</b></p> 	<p>When a business has <b>LOTS</b> of well trained staff then it can undertake effective operations by carrying out high quality work in production. When a business has ineffective staff then mistakes will be made and poor customer service can occur.</p>
<p><b>CAPITAL</b></p> 	<p>When a business has <b>LOTS</b> of modern and efficient capital then it can make undertake efficient capital intensive production. When a business has out of date or poorly maintained capital then production quality will decrease.</p>

## 2 EXTERNAL FACTORS

Issue	Activity
<p><b>POLITICAL ISSUES</b></p> 	<p>The Government may affect an organisation's operations through legislation and policies that affect quality standards to be met or ways that resources are used. For example, the increase in the legal minimum wage may encourage businesses to become capital intensive in order to avoid expensive staff costs.</p>
<p><b>ECONOMIC ISSUES</b></p> 	<p>Economic forces such as <b>INTEREST</b>, <b>UNEMPLOYMENT</b> and <b>INFLATION RATES</b> may affect an organisation's operations by increasing or decreasing the costs and availability of materials and resources, etc. For example, inflation will make the cost of raw materials increase which may cause production to start using cheaper poorer quality supplies.</p>
<p><b>SOCIAL ISSUES</b></p> 	<p>The expectations and demands of the consumers in the market regularly vary and change. These factors must be constantly accounted for in the production process in order to make sure that it continues to produce products that consumers actually want.</p>
<p><b>TECHNOLOGY ISSUES</b></p> 	<p>Technology has drastically affected operations in the following ways.</p> <ul style="list-style-type: none"> <li>• COMPUTERISED STOCK CHECKING AND ORDERING</li> <li>• BATCH AND FLOW PRODUCTION INCREASING QUALITY AND OUTPUT</li> <li>• ONLINE AND PHONE CUSTOMER SERVICE SYSTEMS</li> <li>• ONLINE DISTRIBUTION METHODS</li> </ul>
<p><b>ENVIRONMENT ISSUES</b></p> 	<p>Production processes which are environmentally friendly have become more necessary in recent years due to increasing public support for these practices and political changes.</p>
<p><b>COMPETITIVE ISSUES</b></p> 	<p>High levels of competition (ie other businesses doing the same type of work) can affect operations. This is because businesses will have to make sure that their production processes make high quality products to ensure that consumers are happy and do not start to use competitor businesses.</p>