

Chapter 15

Operations

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Learning outcomes

- Define ‘operations management’, ‘capacity’ and ‘capacity planning’
- Identify the various aspects addressed in an operational plan
- Identify the business facilities required by an entrepreneur
- Identify the number and type of employees required by an entrepreneur to do the daily tasks in the business
- Discuss the business administration planning that a small business requires

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Learning outcomes (cont.)

- Understand the strategies and plans to be continuously developed to ensure business success
- Identify the elements of manufacturing and inventory management in a business plan
- Describe the importance of the operating cycle in business management

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Operations management definition

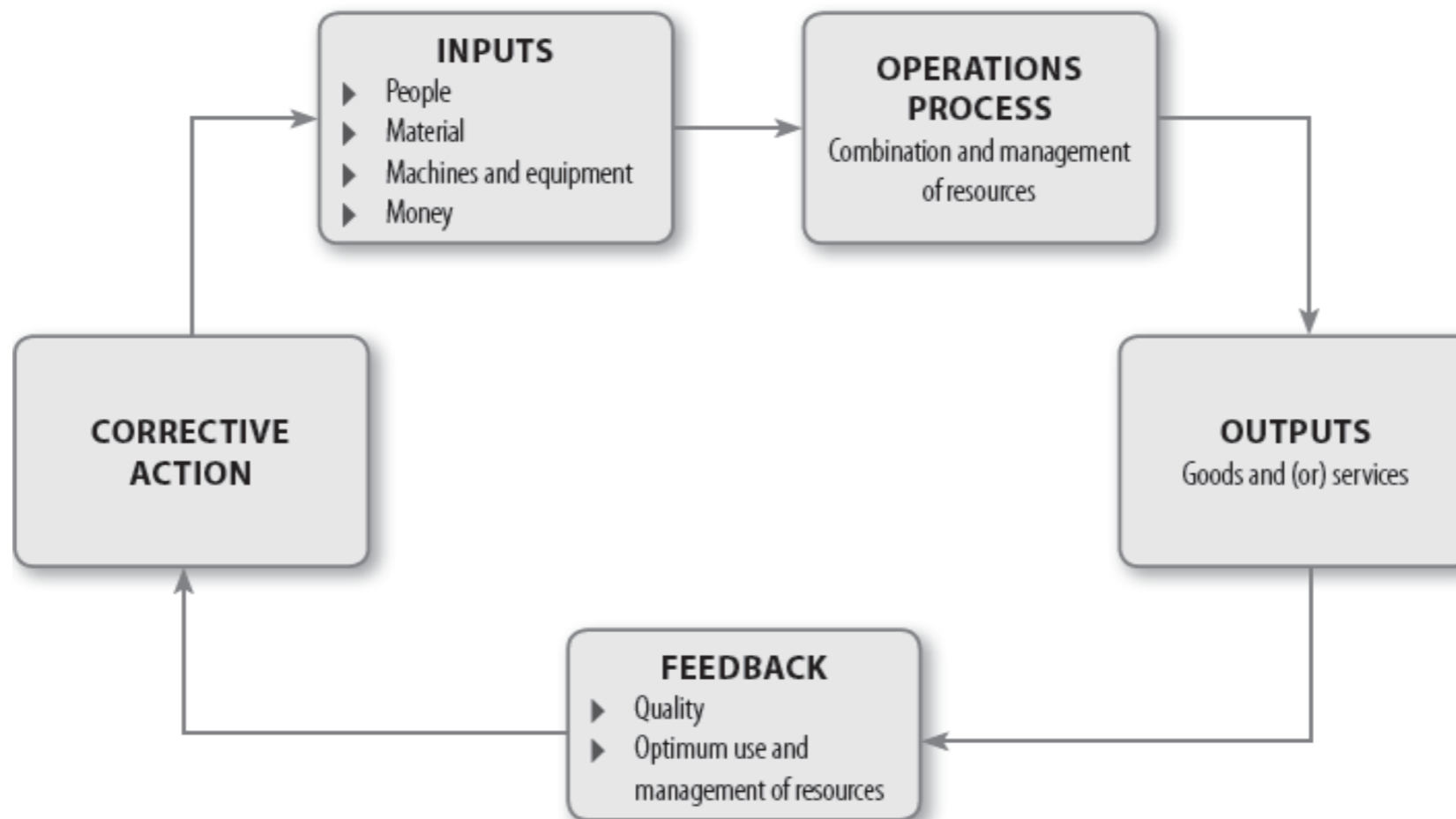
- Managing the resources (men; materials; machinery and equipment; and money) necessary for the production and delivery of products and services

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Operations management process

Figure 15.1 The operations management process



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Operations strategy

- Plan specifying how an organisation will allocate resources in order to meet long-term goals and is designed to maximise the effectiveness of production and support elements while minimising costs
- How best to play of the available workforce size, working hours available, inventory against products and services that needs to be provided

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Operations plan

Highly detailed plan to achieve short-term objectives and consists of both a workflow plan and a structure for how the business should be managed

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Key aspects of the operational plan

- Business location (Chapter 7)
- Facilities
- Machinery and equipment
- Staff
- Layout
- Inventory and stock management
- Purchasing
- Total quality management
- Maintenance
- Operating cycle
- Capacity and capacity planning

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Facilities

- Which facilities are required for plant warehousing, shop and office space
- How, when and where facilities will be acquired
- Buy or lease
- Estimate of when facilities will need to be expanded

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Facilities (cont.)

- Ideal facilities:
 - Safe
 - Meet operational and administrative needs
 - Meet legal requirements
 - Fit image business want to portray

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Machinery and equipment

- Costly to the venture
- Provides competitive advantage
- Suited to kind of business
- Latest technology
- Resale and salvage opportunities
- Finance required
- Renting with option to upgrade or to own

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Staff and layout

Staff:

- Able and well-trained
- Formulate a staff plan
- Job descriptions

Layout:

- Project image of professionalism and efficiency
- Facilitate productivity and daily operational effectiveness

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Inventory and stock management

- Goods required to produce product or service
- Keep inventory to ensure continuous production
- Inventory to supply support services
- Requires skilled employees and careful administration

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Purchasing

- Obtaining the required materials, machines, equipment and services from outside sources in order for your new venture to deliver its product and services
- Needs to be done on time, right quantity, quality and price
- One supplier versus multi suppliers

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Total quality management (TQM)

- Management system that looks at all quality aspects of the company
- All employees needs to understand company vision and direction
- Company efforts are directed to:
 - Constantly improving their product
 - Service
 - Internal and external customer relations
- Visibility of quality efforts are important

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Maintenance

- Use of machinery and equipment leads to wear and tear
- Preventative maintenance: planned, continuous checks, service and maintenance
- Neglect leads to: reducing of overall performance, poor quality products, staff safety problems, customer dissatisfaction

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Operating cycle

- The lead and lag times that characterise a business
- Lead time: overlap between first and second activity
- Lag time: first activity is completed but there is a delay/wait period before the second activity starts
- Plan how operations are maintained at higher levels for peak times

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Capacity

- Capacity is expressed in output units.

Example:

- The number of customers that can be served per hour
- Knowledge needed of how long it takes to produce a product or to deliver a service

This is depending on:

- Availability of the resources; labour; materials; machinery and equipment and money.

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Capacity planning

- Capacity planning: based on output of products and or services that needs to be produced in a specific period of time, as well as available staff, working hours and equipment
- Issues to address:
 - Amount of capacity required
 - Facilities, equipment, machinery and labour
 - Capacity of existing facilities

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Operations management plan checklist

1. Administration
2. Strategy and plans
3. Manufacturing, retail and services
4. The location
5. The facilities
6. The staff
7. The layout
8. Stock and inventory
9. Purchasing
10. TQM
11. Maintenance
12. Capacity