

Business Operations



1. Identify five ways in which recent technologies have changed business operations.

CAD (Computer Aided Design), CAM (Computer Aided Manufacturing), email, robotics, Just-In-Time technologies, and other computerised systems within an organisation have changed business operations. Such technologies have reduced inefficient and wasteful practices within a business. They have also reduced the need for unskilled labour, eliminating many boring and dangerous jobs. As a result, there has been an increased demand for skilled labour which has improved the recruitment and training processes and facilities available. The introduction of new technologies within organisations has increased the level of outsourcing of business tasks to specialised subcontractors. Although technology reduces the number of employees in middle management, the role of managers has shifted from being supervisors to those who facilitate and lead teams, and are responsible for encouraging and simulating ideas and concepts within the workplace.

2. Distinguish between CAD and CAM in the production process.

CAD (Computer Aided Design) allows designers to visualise and evaluate a product without making the physical prototype. It accommodates for calculations about the size of the product, amount of raw materials needed to manufacture the product and even the amount of paint needed to cover it. CAD, a computerised system which offers substantial benefits is capable of making a complete evaluation of the costs and, hence, is an effective tool in enabling the business to assess whether or not a product is commercially viable.

CAM (Computer Aided Manufacturing) is also an integral part of manufacturing operations. It coordinates large variations in output, changes to the product and the integration of different functions of the manufacturing process. Computers are also used to analyse parts and structures for strength and reliability. This not only eliminates the need for expensive testing, but highlights the flaws and safety risks.

3. Describe two effective inventory management techniques.

Just-In-Time (JIT) is an effective inventory management technique as it allows goods and services to be constantly available for customers. For example in a factory, JIT orders raw materials “just in time” for production, hence reducing storage costs. Clearly, JIT is an effective mechanism for re-ordering stock as it reduces the financial liabilities of a business.

Under the two-bin method, stock is stored in two bins. Orders are taken and filled from the first bin, until stock is sold. New orders will be satisfied using the second bin, while the first bin is restocked.

4. Discuss the problems that may arise if a business does not manage its inventory.

A business must manage its inventory effectively to maximise efficiency and reduce costs. Excessive inventory often leads to wastage of products (stock may become obsolete or stolen) and unnecessary storage costs. However, it is important to note that too little inventory causes supply problems or production bottlenecks as customers cannot be served immediately. Customers will look to other suppliers if this happens too often.

5. Explain why a business may outsource elements of its operations to other businesses.

In recent years, more and more businesses identify the benefits from outsourcing. Businesses outsource by entering into a commercial arrangement with another business or person(s) to provide services that could be, or usually have been, provided in house. By outsourcing to a specialist company, the business is able to increase productivity by concentrating on their core business function. Furthermore, outsourcing provides cost saving advantages not only on labour but also office/ floor space. It enables the business to fulfil a temporary or fluctuating demand for a particular service. For example, it may not be worth hiring new IT staff to install a new computer network if it is only expected to take three months. The IT department is typically outsourced as it can be easily separated from other business functions.

6. Explain how the implementation of TQM is going to assist a business which has continual quality problems.

Total Quality Management (TQM) aims to build quality into business operations, rather than to react when problems arise. Businesses which adopt TQM, build quality into every stage of the production process, rather than quality control at the end. Self-managed, multi-skilled teams are essential for businesses that wish to sustain quality within the organisation. TQM should be used in conjunction with just-in-time technologies to maintain the most efficient manner possible.