Business Studies Chapter 11: Understanding Operational Objectives

An operations management hierarchy
- Corporate aims
- Corporate objectives
- Operational aims
- Operational objectives
- Operational strategies
- Operational tactics

Types of operational objectives

Quality targets
- Customer satisfaction ratings: a survey of customers can reveal customer opinions on a numerical scale or using qualitative measures.
- Customer complaints: measures the number of customers who complain/calculates them as a percentage of the total number of customers.
- Scrap rate (%): calculates the number of items rejected during production process as a percentage.
- Punctuality: calculates degree to which a business delivers its products on time.
  **Calculation:** deliveries on time/total deliveries x 100

Cost targets
- Reducing unit costs: likely to be the primary aim of a business.
- Reducing fixed costs: allows a more specific focus and is often a more manageable target than reducing unit costs.
- Reducing variable costs per unit: can be achieved by cutting labour and raw materials costs or improving labour productivity.

Volume targets
- Number of items to be produced
- Targets in individual markets
- % growth targets
- Volume in comparison to other branches/ organisations

Innovation
- Spending a certain amount on research and development.
- Targeting research and development expenditure as a % of sales.
- Achieving a certain number of patents
- Developing a particular innovation
- Innovation to extend product ranges

Efficiency
- Labour productivity: output/number of workers employed
- Output per (hour/day/month etc.)
- Reducing stockholding
- Just In Time delivery (JIT)
- Speed of response and action objectives

Environmental targets
- Reducing water pollution by a certain level or percentage
- Reducing business’ carbon footprint or reducing carbon dioxide emissions