

## Question 2

Operations, as it is termed, are focused on converting input to output. While the managers are involved in planning, organizing and controlling, operations managers are directly responsible for getting the job done timely, economically and with quality. They must provide the leadership needed to produce the goods and services demanded by the customers.

Inputs of a production system consist of the resources that are transformed into the desired outputs (goods and services) and the resources needed to support the overall production process. In manufacturing, for example, the inputs consist of the raw materials and or the purchased parts that are transformed into finished goods as outputs. These inputs might be crude oil to convert into petrol, auto parts to assemble into a car, or fabrics to make dresses. In addition to such material inputs, machines and material handling Inputs consist of the resources that are transformed into the desired output. Operations Management is the process of converting inputs into desired outputs. Equipment must be purchased, workers must be hired and trained and information regarding the technology, market, and competitors must be obtained. All these also fall in the category of inputs. In a service organization, similar inputs are needed. For example, an educational institute requires tables, chairs, chalks/markers, chalkboards/whiteboards, books, lighting, and skilled teachers to teach students; a restaurant requires food, chefs, waiters and waitresses. The primary output of a service organization is customer satisfaction.

A production system is only one of the major components of an organization. Production is affected by and impacts decisions in other functional areas of the firm. These are referred to as the internal influences of the production environment. In addition, various external influences affect a company's overall objectives and policies and have important implications for production. The environment is an internal and external factor that affects the organization's overall performance. The most critical environmental factors are economic conditions, government regulation, competition, and technology. Economic factors include interest rates, availability of capital, general economic conditions, tax regulations, and economies of scale. For example, compliance with governmental regulations on pollution control and environmental impact has also impacted production. The nature of competition, market shares, and how firms react to competitive strategies significantly influence product lines and other strategic decisions. New manufacturing processes, equipment, or materials technology can drastically affect product designs and production methods.

Within an organization, other functional area influences the production system. Finance is responsible for obtaining funds, controlling their use, analyzing investment opportunities, and ensuring that the firm operates cost-effectively and, in most cases, at a profit. Financial decisions affect the choice of manufacturing equipment, use of overtime, cost-control policies and price volume decision and, in fact, nearly all facets of the organization. Accounting keeps records of costs and prices related to financial decisions, purchasing, and payroll. Many of these data must be obtained from production managers. Marketing generates and maintains demand for the firm's products, ensures customer satisfaction, and develops new markets and product potentials. Coordination of production and marketing is essential to use demand forecast effectively, project workloads and ensure sufficient capacity to handle the demand and deliver finished products on