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.

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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