Lesson 1: Introduction to business operations and interdependence

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🎯 Learning goals

- ✓ Say what business operations are
- ✓ Explain the difference between producing goods and providing services
- ✓ Explain what interdependence means, with examples
- ✓ Explain how a business objective becomes functional plans

🔑 Key words

Business operations The activities that produce goods or provide services.

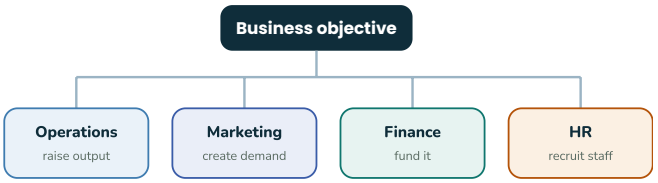
Inputs The resources put into production: labour, materials, machinery, energy.

Outputs The finished goods or services that customers buy.

Interdependence When business functions rely on each other.

Functional plan A plan made by one function to help meet a business objective.

📘 What you need to know



One objective becomes a functional plan for every department.

1. What are business operations?

Business operations are the activities involved in producing goods or providing services. The job of operations is to turn inputs into outputs — efficiently, and to the quality the customer expects.

> *"The role of operations is to transform inputs into outputs efficiently and to the required quality."*

2. Goods vs services

Some businesses make goods; others provide services. The difference matters because services cannot be made in advance and stored.

Goods

- ✓ Physical — you can touch them.
- ✓ Can be stored and produced in advance.
- ✗ Need raw materials and storage space.

Services

- ✓ Provided at the moment they are demanded.
- ✗ Intangible — you cannot touch them.
- ✗ Cannot be stored, so quality depends on staff.

3. Interdependence of business functions

A business has four main functions:

- **operations** (produces goods/services)
- **marketing** (creates demand)
- **finance** (manages money)
- **human resources** (recruits and trains staff)

They are interdependent — they rely on each other, and a decision in one area affects the others

> *"If marketing increases demand, operations must increase output — so HR may need more staff and finance must provide the funding."*

4. From objectives to functional plans

A business sets an objective, then each function writes a functional plan to help reach it. For the objective "increase sales by 20%":

- operations raises production capacity
- marketing increases promotion
- finance funds the new machinery
- HR recruits extra staff

The plans must link together, or the objective will not be met

✅ Test yourself

Cover the answers below, answer Q1–Q7, then check.

Q1 What are business operations?

Q2 What is the main role of operations in a business?

Q3 Give two examples of inputs used in business operations.

Q4 What is meant by the interdependent nature of business functions?

Q5 Give one example of how operations links to marketing.

Q6 Give one example of how operations links to finance.

Q7 What is a functional plan?

ANSWERS

A1 Business operations are the activities involved in producing goods or providing services.

A2 To transform inputs (resources) into outputs (goods or services) efficiently and to the required quality.

A3 Labour, raw materials, machinery, energy.

A4 Business functions rely on each other, and decisions in one area affect others.

A5 Marketing forecasts demand, which operations must meet through production capacity.

A6 Finance controls budgets for machinery, materials, and staffing in operations.

A7 A plan created by a business function to help achieve overall business objectives.

Lesson 2: Production processes: job and flow

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🎯 Learning goals

- ✓ Describe job production and flow production
- ✓ Give examples of each
- ✓ State advantages and disadvantages of each
- ✓ Explain when each method is appropriate

🔑 Key words

Job production Making one-off or customised products for individual customers.

Flow production Making large quantities of identical products on a continuous line.

Unit cost The cost of making one item.

Economies of scale Lower unit costs that come from producing in large quantities.

Standardised Made the same way every time, with no differences.

📘 What you need to know

Job production makes one-off items; flow production makes many identical ones.

1. Job production

Job production means making one-off or customised products to meet an individual customer's needs. Examples are a wedding cake, bespoke furniture, or a tailored suit. The work is skilled and flexible, so quality is high — but each item takes time, so the **unit cost** is high.

> *"Job production makes one-off, customised products to a high standard."*

2. Flow production

Flow production means making large quantities of identical products using a continuous process. Examples are cars, bottled drinks and packaged food. Because the products are **standardised** and made in huge numbers, the business gains **economies of scale**, so the unit cost is low — but the line is hard to change if customer tastes shift.

3. Comparing the two

Job production

- ✓ High quality and very flexible.
- ✓ Can be customised for each customer.
- ✗ High unit costs.
- ✗ Slow — not suited to large numbers.

Flow production

- ✓ Low unit costs from economies of scale.
- ✓ Fast — suits high, steady demand.
- ✗ Low flexibility if tastes change.
- ✗ High set-up cost for the production line.

4. When is each appropriate?

Use **job** production when products are customised and demand is low — like a one-off cake. Use **flow** production when demand is high and the product is standardised — like bottled drinks. Chicky Wicky's meals are standardised and made in huge numbers, so a flow-style process suits its kitchens; a bespoke cake shop next door would use job production.

✅ Test yourself

Cover the answers below, answer Q8–Q16, then check.

Q8 What is job production?

Q9 Give one example of job production.

Q10 State one advantage of job production.

Q11 State one disadvantage of job production.

Q12 What is flow production?

Q13 Give one example of flow production.

Q14 State one advantage of flow production.

Q15 State one disadvantage of flow production.

Q16 When is flow production most appropriate?

ANSWERS

A8 Producing one-off or customised products to meet individual customer needs.

A9 A wedding cake, bespoke furniture, a tailored suit.

A10 High quality and flexibility.

A11 High unit costs.

A12 Producing large quantities of identical products using a continuous process.

A13 Cars, bottled drinks, packaged food.

A14 Low unit costs due to economies of scale.

A15 Low flexibility if customer tastes change.

A16 When demand is high and products are standardised.

Lesson 3: Efficiency: lean production and just in time

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🎯 Learning goals

- ✓ Explain what efficiency means in production
- ✓ Describe lean production and the waste it reduces
- ✓ Explain just in time (JIT) and its benefits and risks
- ✓ Explain why JIT increases risk

🔑 Key words

Efficiency Producing at the lowest cost with the least waste.

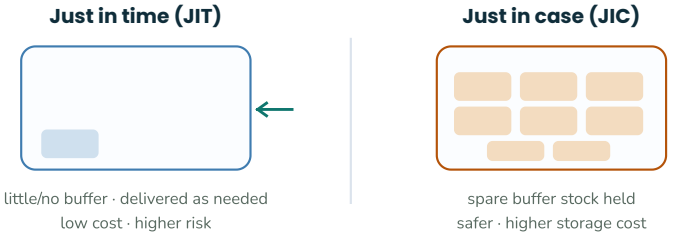
Lean production Methods that cut waste and improve efficiency.

Waste Anything that adds cost but not value: excess stock, delays, extra movement.

Just in time (JIT) Stock arrives only when it is needed for production.

Buffer stock Spare stock kept in case of problems.

📘 What you need to know



JIT keeps stock low and fresh; JIC holds a buffer to be safe.

1. Efficiency in production

Efficiency means producing goods at the lowest possible cost with the least waste. The more efficient a business is, the lower its unit costs, so it can charge less or earn more profit.

2. Lean production

Lean production is a set of methods that aim to reduce **waste** and improve efficiency. Waste includes excess stock sitting in a warehouse, time delays, and unnecessary movement of goods or people. Cutting these lowers cost without harming the product.

> *"Lean production removes waste so the business produces more value for less cost."*

3. Just in time (JIT)

Just in time is a lean method where stock arrives only when it is needed for production. The business holds little or no **buffer stock**.

JIT — benefits

- ✓ Lower storage and holding costs.
- ✓ Less money tied up in stock.
- ✓ Less waste from unsold or out-of-date stock.

JIT — risks

- ✗ Production stops if a supplier is late.
- ✗ No buffer stock to fall back on.
- ✗ Needs very reliable suppliers.

JIT increases risk because there is little or no spare stock — so one late delivery can halt production.

✅ Test yourself

Cover the answers below, answer Q17–Q23, then check.

Q17 What is meant by efficiency in production?

Q18 What is lean production?

Q19 Give one example of waste lean production aims to reduce.

Q20 What is Just in Time (JIT) production?

Q21 Give one benefit of JIT.

Q22 Give one risk of JIT.

Q23 Why might JIT increase risk for a business?

ANSWERS

A17 Producing goods at the lowest possible cost with minimal waste.

A18 A production method that aims to reduce waste and improve efficiency.

A19 Excess stock, time delays, unnecessary movement.

A20 A system where stock arrives only when needed for production.

A21 Lower storage and holding costs.

A22 Production delays if suppliers fail to deliver on time.

A23 There is little or no buffer stock.

Lesson 4: Procurement, stock and suppliers

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🎯 Learning goals

- ✓ Explain procurement, logistics and the supply chain
- ✓ Compare JIT and JIC stock management
- ✓ Explain the factors that affect the choice of supplier
- ✓ Explain the value of effective supply chain management

🔑 Key words

Procurement Sourcing and buying the goods and services a business needs.

Logistics Managing the movement and storage of goods.

Supply chain All the stages that produce and deliver a product to the customer.

Just in case (JIC) Holding spare (buffer) stock in case demand rises.

Reliability How dependable a supplier is at delivering on time.

📘 What you need to know

A supply chain links every stage from supplier to customer.

1. Procurement, logistics and the supply chain

Procurement is the process of sourcing and purchasing the goods and services a business needs. **Logistics** is managing the movement and storage of those goods. The **supply chain** is all the stages involved in producing and delivering a product to the customer.

> *"Good procurement and logistics get the right goods, in the right place, at the best price."*

2. Managing stock: JIT vs JIC

A business can hold stock **just in time** (only when needed) or **just in case** (spare buffer stock to cope with extra demand).

JIC — advantages

- ✓ Prevents lost sales if demand rises.
- ✓ Buffer stock copes with delivery problems.
- ✗ High storage and holding costs.

JIT — advantages

- ✓ Lower storage and holding costs.
- ✗ No buffer if a supplier is late.
- ✗ Needs reliable suppliers.

3. Choosing a supplier

Three key factors are **price**, **quality** and **reliability**. Reliability matters because late deliveries can stop production. Buying in **bulk** can cut costs through purchasing economies of scale — but frequent small deliveries trade lower stock costs against higher delivery costs.

4. Effective supply chain management

Managing the supply chain well means working with suppliers so key processes run efficiently, getting goods for the best price and value, and cutting waste to create a streamlined process and fast production times. The benefit of lower costs must be balanced against the quality of service.

✅ Test yourself

Cover the answers below, answer Q24–Q33, then check.

Q24 What is procurement?

Q25 What is logistics?

Q26 What is a supply chain?

Q27 What is Just in Case (JIC) stock management?

Q28 Give one advantage of JIC.

Q29 Give one disadvantage of JIC.

Q30 State three factors affecting the choice of supplier.

Q31 Why is reliability important when choosing a supplier?

Q32 Why might buying in bulk reduce costs?

Q33 What trade-off must businesses consider with frequent deliveries?

ANSWERS

A24 The process of sourcing and purchasing goods and services.
A25 The management of the movement and storage of goods.
A26 All stages involved in producing and delivering a product to the customer.
A27 Holding spare stock to deal with unexpected increases in demand.
A28 Prevents lost sales if demand increases.
A29 High storage and holding costs.
A30 Price, quality, reliability.
A31 Late deliveries can stop production.
A32 Purchasing economies of scale.
A33 Lower stock costs vs higher delivery costs.

Lesson 5: The concept of quality and TQM

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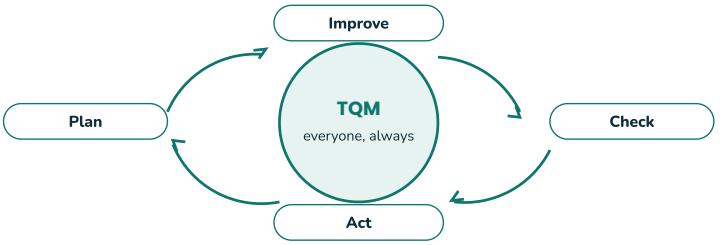
🎯 Learning goals

- ✓ Explain what quality means and why it matters
- ✓ Describe how businesses identify quality problems
- ✓ Explain TQM and its advantages
- ✓ Weigh the costs and benefits of maintaining quality

🔑 Key words

- **Quality** Meeting or exceeding customer expectations.
- **Quality control** Checking products against a standard, often at the end.
- **Total Quality Management (TQM)** Every employee continuously improving quality.
- **Product recall** Removing faulty products from the market.
- **Reputation** What customers and the public think of a business.

📘 What you need to know



TQM means everyone improving quality, all the time.

1. What is quality?

Quality means meeting or exceeding customer expectations — for a good or a service. Good quality leads to repeat purchases and customer loyalty, which raises sales.

2. Finding quality problems

Businesses identify quality problems through customer feedback, quality inspections and product testing. The sooner a problem is found, the cheaper it is to fix.

3. Total Quality Management (TQM)

Total Quality Management is a system where *all* employees focus on continuously improving quality — not just inspectors at the end. The advantage is a better reputation and higher customer satisfaction.

> *"Under TQM, quality is everyone's job, all of the time."*

4. Costs and benefits of quality

Benefits of high quality

- ✓ Additional sales and repeat custom.
- ✓ Better image and reputation.
- ✓ Can charge a higher price.

Costs of high quality

- ✗ Inspection costs.
- ✗ Staff training.
- ✗ Product recalls if things go wrong.

Quality problems can increase as a business **grows**, especially when it uses outsourcing or franchising, because the business has less direct control. A serious fault may lead to a product recall, which is costly and damages reputation.

✅ Test yourself

Cover the answers below, answer Q34–Q41, then check.

Q34 What is meant by quality in business?

Q35 Give one way businesses identify quality problems.

Q36 What is Total Quality Management (TQM)?

Q37 Give one advantage of TQM.

Q38 Give one cost of maintaining high quality.

Q39 How can good quality affect sales?

Q40 Why might quality problems increase as a business grows?

Q41 What is a product recall?

ANSWERS

A34 Meeting or exceeding customer expectations.

A35 Customer feedback, quality inspections, or product testing.

A36 A system where all employees focus on improving quality continuously.

A37 Improved reputation and customer satisfaction.

A38 Staff training or inspection costs.

A39 It can increase repeat purchases and customer loyalty.

A40 Outsourcing and franchising reduce control.

A41 When faulty products are removed from the market.

Lesson 6: Good customer service and ICT

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🎯 Learning goals

- ✓ Describe methods of good customer service before, during and after a sale
- ✓ Explain the benefits of good service and the dangers of poor service
- ✓ Explain how ICT has developed customer service

🔑 Key words

- **Customer service** Support before, during and after a sale.
- **C** **Customer engagement** Creating a positive experience for the customer.
- **P** **Post-sales service** Help after the sale: helplines, servicing, training.
- **E-commerce** Buying and selling goods and services online.
- **W** **Word of mouth** Customers telling others about their experience.

📘 What you need to know

Good service runs before, during and after the sale.

1. Methods of good customer service

Good service runs through the whole sale. Before the sale, staff use **product knowledge** to advise. During the sale, **customer engagement** creates a positive experience. After the sale, **post-sales service** — helplines, servicing and user training — keeps the customer happy.

> *"Good customer service means support before, during and after the sale."*

2. Benefits and dangers

Benefits of good service

- ✓ More customer satisfaction and loyalty.
- ✓ Customers spend more and return.
- ✓ Higher profitability.

Dangers of poor service

- ✗ Dissatisfied customers who do not return.
- ✗ Poor reputation via word of mouth.
- ✗ A reduction in revenue.

3. ICT and customer service

Advances in ICT have changed how businesses serve customers. **Websites** and **e-commerce** let customers order online at any time, and **social media** allows fast responses to queries and complaints, improving engagement. The risk is that negative comments on social media are public and spread quickly.

✅ Test yourself

Cover the answers below, answer Q42–Q50, then check.

Q42 What is customer service?

Q43 Give one example of good customer service before a sale.

Q44 Give one example of post-sales service.

Q45 Give one benefit of good customer service.

Q46 Give one danger of poor customer service.

Q47 How can good customer service increase profitability?

Q48 Give one way ICT has improved customer service.

Q49 How can social media improve customer engagement?

Q50 Give one risk of using social media for customer service.

ANSWERS

A42 Support and assistance provided before, during, and after a sale.

A43 Product knowledge or advice.

A44 Helplines, servicing, user training.

A45 Increased customer loyalty.

A46 Damage to reputation through negative word of mouth.

A47 Customers spend more and return.

A48 Online ordering through websites.

A49 Fast responses to queries and complaints.

A50 Negative comments are public and spread quickly.