

Introduction to Business Operations

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Key concepts, components, and best practices for managing the day-to-day activities that create value for customers and stakeholders.

1. What Are Business Operations?

Definition	Purpose
The set of activities that transform inputs (resources, labor, information) into outputs (goods, services, value).	Deliver products/services efficiently, meet customer demand, and achieve strategic objectives.
• Core focus: Efficiency, quality, cost control, and adaptability. • Scope: Includes production, supply chain, logistics, customer service, technology, and support functions.	

2. Major Operational Functions

Function	Primary Tasks	Typical Metrics
Production / Service Delivery	Planning, scheduling, execution, quality control	Cycle time, yield, defect rate
Supply Chain Management	Procurement, inventory, transportation, warehousing	Order-to-delivery lead time, inventory turnover, fill rate
Logistics & Distribution	Shipping, routing, last-mile delivery	On-time delivery %, transportation cost per unit
Customer Service	Order handling, support, returns	CSAT, Net Promoter Score (NPS), first-contact resolution
Facilities & Maintenance	Plant upkeep, equipment reliability	OEE (Overall Equipment Effectiveness), downtime
Information Technology (IT)	Systems integration, data management, automation	System uptime, mean time to recovery (MTTR)
Human Resources (HR) Operations	Staffing, training, performance management	Employee turnover, labor productivity

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3. Operational Process Flow

1. **Demand Forecasting** – Predict customer needs using historical data, market trends, and statistical models.
2. **Capacity Planning** – Align resources (machines, labor, facilities) with forecasted demand.
3. **Procurement** – Source raw materials or components from suppliers; negotiate contracts.
4. **Production Scheduling** – Convert orders into work orders; sequence tasks to minimize setup time.
5. **Execution & Monitoring** – Run processes, track real-time performance, adjust as needed.
6. **Quality Assurance** – Inspect outputs, apply corrective actions, document findings.
7. **Distribution** – Pack, ship, and deliver finished goods to customers or retail channels.
8. **After-Sales Service** – Handle returns, warranty claims, and customer feedback.

(Visual tip: draw a simple linear diagram or swim-lane chart to illustrate the flow.)

4. Key Operational Strategies

Strategy	When to Use	Benefits
Lean Manufacturing	High volume, repetitive processes	Waste reduction, shorter lead times
Six Sigma	Quality-critical environments	Defect reduction, process stability
Just-In-Time (JIT)	Low inventory tolerance, reliable suppliers	Lower carrying costs, higher responsiveness
Total Quality Management (TQM)	Organization-wide quality focus	Continuous improvement, customer satisfaction
Automation & Robotics	Repetitive, high-risk tasks	Increased productivity, safety, consistency
Outsourcing / Offshoring	Non-core activities, cost pressure	Access to expertise, scalability
Agile Operations	Fast-changing markets, custom orders	Flexibility, rapid iteration

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5. Performance Measurement

5.1 Common KPI Categories

- **Efficiency:** Labor productivity, machine utilization, throughput.
- **Cost:** Cost of goods sold (COGS), operating expense ratio, unit cost.
- **Quality:** Defect rate, rework percentage,