

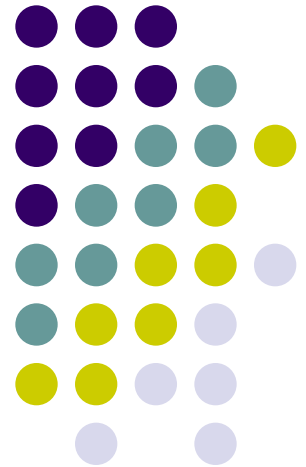
CHAPTER 9: PRODUCTION MANAGEMENT

Week 01st March 2010

Introduction To Management

ND/BNF/24, 26

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Lecture Outline

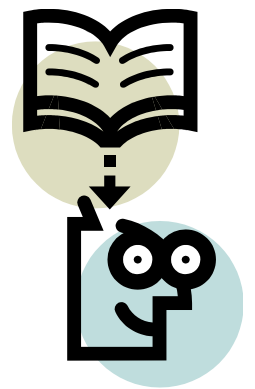


- Definition
- The Production Function & Its Importance
- Basic Types of Production Systems
 - Job Production
 - Batch Production
 - Flow Production
- Production Operation Systems
 - Advantages & Disadvantages of Division of Work

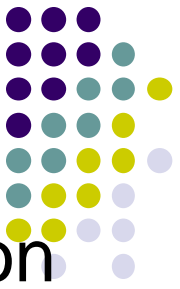
What is Production?



- Production means creating goods and services which satisfy people's needs.
- It is the process by which activities, which start with the receipt of raw materials and eventually give rise to an end product.



The Production Function



3 categories to be undertaken within the production function:

The Manufacturing Process	Ancillary activities	Advisory activities
<ul style="list-style-type: none">• Plant location• Production methods• Plant layout	<ul style="list-style-type: none">• Production planning & control• Maintenance• Purchasing• Stock control• Distributing	<ul style="list-style-type: none">• Work research & development• Quality control

The Importance of production



- It is able to reach the quantity of the product demanded.
- Increased quality.
- Make profit when the product sold at the market.
- Continue release of existing product or per demanded and upgrade product attitude.



Basic Types of Production Systems

1) Job Production

- It is often a contract to produce one item to a customer's requirement. **Example:** ship, houses, repair of vehicles, etc.

ADVANTAGES

- Firms can produce unique or 'one-off' orders according to customer needs
- Workers are more likely to be motivated because they can see the end result of their efforts and be able to take pride of their work.
- The organization of job production is fairly simple.

DISADVANTAGES

- Labour costs will be high because production tends to be labour intensive.
- Lead times can be lengthy.
- Selling costs may also be high. This is likely if the product is highly complex and technical.

Basic Types of Production Systems (cont)

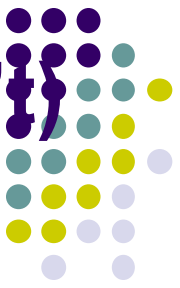


2) Batch Production

- The production of small @ large quantities of an article will produce different articles at the same time. E.g books, clothes.

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none">• Even though larger quantities are produced than in job production, there is still flexibility. Each batch can be changed to meet customer's wishes.• Employees can concentrate on one operation rather than the whole task. This reduces the need for costly, skilled employees.• Less variety of machinery would be needed than in job production because the product is standardized.• It often results in stocks of partly finished goods which have to be stored.	<ul style="list-style-type: none">• Careful planning & coordination are needed, or machines and workers may be idle, waiting for a whole batch to finish its previous operation. This can mean delays.• Some machinery may have to be more complex to compensate for the lower skill levels required from the labour force. This may lead to higher costs.• Workforce may be less motivated, since they have to repeat operations on every single unit in the batch.• If batches are small then unit costs will remain relatively high.• Money will be tied up work-in-progress since an order cannot be dispatched until the whole batch has been finished.

Basic Types of Production Systems (cont.)



3) **Flow Production**

- Also known as mass production where production is organized so that different operations can be carried out, one after the other, in continuous sequence. E.g manufacturer of newspapers, cement and food product with very high demand.

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none">• Unit costs are reducing as firm gain from economies of scale.• Production is controlled by computers. Once the production line is set up and running, products can flow off the end non stop for lengthy periods of time.• The need to stockpile finished goods is reduced. The production line can respond to short term changes in demand.	<ul style="list-style-type: none">• The set up costs are very high. Firms must therefore be confident that demand for the product is sufficient over a period of time to make the investment pay.• The product will be standardized. It is not possible to offer a wide product range and meet different customer's needs.• The work will be repetitive and boring. Each worker will only be involved in a very small part of the job cycle. As a result, worker's morale may be low and labour turnover and absenteeism will be high.• Breakdowns can prove costly. The whole production system is interdependent.

PRODUCTION OPERATION SYSTEMS



- For producing a particular goods or services, we need someone to do .job.
- One of operation system used for producing good and services is **division of work**

Advantages of Division of Work



1) Higher output

- People can do what they are best at by doing the same job continuously and they can get better at it.

2) Cheaper goods and services

- By increasing workers' productivity, division of work reduces the unit costs of production

3) Higher standard of living

- If the economy produces more goods and services at lower cost, its citizens should be better off.

4) More choice of work

- Division of work should allow people to choose work that they enjoy and have a talent for.



Disadvantages of Division of Work

1) Boring jobs

- It involves jobs which are simple and repetitive. It can cause problems such as poor quality work, absenteeism, stress and illness, strikes and high labour turnover.

2) Loss of skills

- If workers are only trained in one job or part of a process, they may have difficulty in adapting to new techniques of production.

3) Risk of regional unemployment

- Many industries are concentrated in particular areas. If a town depends heavily upon an industry which declining, the result may be high unemployment.

4) Greater interdependent

- It lends workers and organizations to be very dependent upon each other. Disruptions to production or poor quality in one part of a business or its suppliers may lead to loss of production or quality in another.