

Notes of Productions & Operations Management

INTRODUCTION

Production/operations management is the process, which combines and transforms various resources used in the production/operations subsystem of the organization into value added product/services in a controlled manner as per the policies of the organization. Therefore, it is that part of an organization, which is concerned with the transformation of a range of inputs into the required (products/services) having the requisite quality level.

The set of interrelated management activities, which are involved in manufacturing certain products, is called as production management. If the same concept is extended to services management, then the corresponding set of management activities is called as operations management.

CONCEPT OF PRODUCTION

Production function is that part of an organization, which is concerned with the transformation of a range of inputs into the required outputs (products) having the requisite quality level.

Production is defined as “the step-by-step conversion of one form of material into another form through chemical or mechanical process to create or enhance the utility of the product to the user.” Thus production is a value addition process. At each stage of processing, there will be value addition.

Edwood Buffa defines production as ‘a process by which goods and services are created’.

Some examples of production are: manufacturing custom-made products like, boilers with a specific capacity, constructing flats, some structural fabrication works for selected customers,



etc., and manufacturing standardized products like, car, bus, motor cycle, radio, television, etc.

PRODUCTION SYSTEM

The production system of an organization is that part, which produces products of an organization.

It is that activity whereby resources, flowing within a defined system, are combined and transformed

in a controlled manner to add value in accordance with the policies communicated by management.

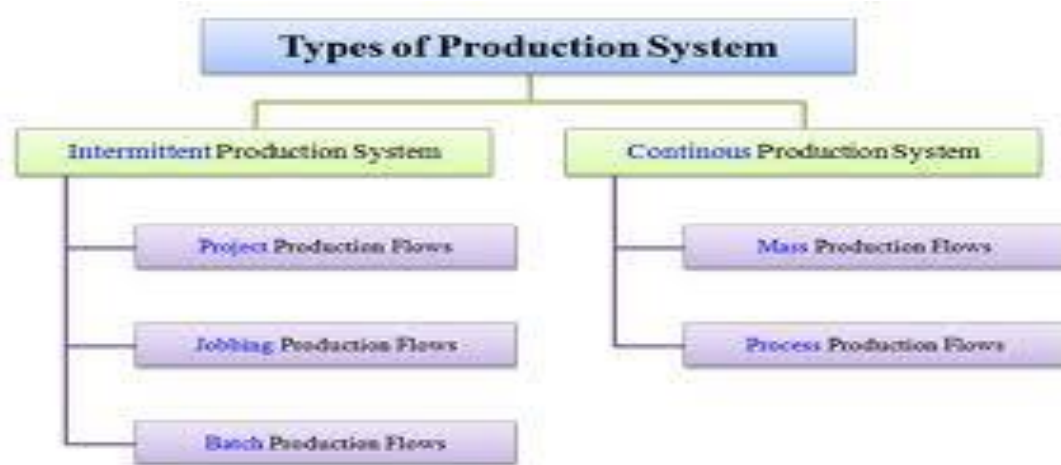
A simplified production system is shown above

The production system has the following **characteristics**:

1. Production is an organized activity, so every production system has an objective.
2. The system transforms the various inputs to useful outputs.
3. It does not operate in isolation from the other organization system.
4. There exists a feedback about the activities, which is essential to control and improve system performance.

Classification of Production System

Production systems can be classified as Job Shop, Batch, Mass and Continuous Production systems.



JOB SHOP PRODUCTION

Job shop production are characterised by manufacturing of one or few quantity of products designed and produced as per the specification of customers within prefixed time and cost. The distinguishing feature of this is low volume and high variety of products.

A job shop comprises of general purpose machines arranged into different departments.

Each job demands unique technological requirements, demands processing on machines in a certain sequence.

Characteristics

The Job-shop production system is followed when there is:

1. High variety of products and low volume.
2. Use of general purpose machines and facilities.
3. Highly skilled operators who can take up each job as a challenge because of uniqueness.
4. Large inventory of materials, tools, parts.
5. Detailed planning is essential for sequencing the requirements of each product, capacities for each work centre and order priorities.

Advantages

Following are the advantages of job shop production:

1. Because of general purpose machines and facilities variety of products can be produced.
2. Operators will become more skilled and competent, as each job gives them learning opportunities.
3. Full potential of operators can be utilised.
4. Opportunity exists for creative methods and innovative ideas.

Limitations

Following are the limitations of job shop production:

1. Higher cost due to frequent set up changes.
2. Higher level of inventory at all levels and hence higher inventory cost.
3. Production planning is complicated.
4. Larger space requirements.

BATCH PRODUCTION

Batch production is defined by American Production and Inventory Control Society (APICS) “as a form of manufacturing in which the job passes through the functional departments in lots or batches and each lot may have a different routing.” It is characterised by the manufacture of limited number of products produced at regular intervals and stocked awaiting sales.

Characteristics

Batch production system is used under the following circumstances:

1. When there is shorter production runs.
2. When plant and machinery are flexible.
3. When plant and machinery set up is used for the production of item in a batch and change of set up is required for processing the next batch.
4. When manufacturing lead time and cost are lower as compared to job order production.

Advantages

Following are the advantages of batch production:

1. Better utilisation of plant and machinery.
2. Promotes functional specialisation.
3. Cost per unit is lower as compared to job order production.
4. Lower investment in plant and machinery.
5. Flexibility to accommodate and process number of products.
6. Job satisfaction exists for operators.

Limitations

Following are the limitations of batch production:

1. Material handling is complex because of irregular and longer flows.
2. Production planning and control is complex.

MASS PRODUCTION

Manufacture of discrete parts or assemblies using a continuous process are called mass production.

This production system is justified by very large volume of production. The machines are arranged in a line or product layout. Product and process standardisation exists and all outputs follow the same path.

Characteristics

Mass production is used under the following circumstances:

1. Standardisation of product and process sequence.
2. Dedicated special purpose machines having higher production capacities and output rates.
3. Large volume of products.
4. Shorter cycle time of production.
5. Lower in process inventory.
6. Perfectly balanced production lines.
7. Flow of materials, components and parts is continuous and without any back tracking.

8. Production planning and control is easy.
9. Material handling can be completely automatic.

Advantages

Following are the advantages of mass production:

1. Higher rate of production with reduced cycle time.
2. Higher capacity utilisation due to line balancing.
3. Less skilled operators are required.
4. Low process inventory.
5. Manufacturing cost per unit is low.

Limitations

Following are the limitations of mass production:

1. Breakdown of one machine will stop an entire production line.
2. Line layout needs major change with the changes in the product design.
3. High investment in production facilities.
4. The cycle time is determined by the slowest operation.

CONTINUOUS PRODUCTION

Production facilities are arranged as per the sequence of production operations from the first operations to the finished product. The items are made to flow through the sequence of operations

through material handling devices such as conveyors, transfer devices, etc.

Characteristics

Continuous production is used under the following circumstances:

1. Dedicated plant and equipment with zero flexibility.
2. Material handling is fully automated.
3. Process follows a predetermined sequence of operations.

4. Component materials cannot be readily identified with final product.
5. Planning and scheduling is a routine action.

Advantages

Following are the advantages of continuous production:

1. Standardisation of product and process sequence.
2. Higher rate of production with reduced cycle time.
3. Higher capacity utilisation due to line balancing.
4. Manpower is not required for material handling as it is completely automatic.
5. Person with limited skills can be used on the production line.
6. Unit cost is lower due to high volume of production.

Limitations

Following are the limitations of continuous production:

1. Flexibility to accommodate and process number of products does not exist.
2. Very high investment for setting flow lines.
3. Product differentiation is limited.

PRODUCTION MANAGEMENT

Production management is a process of planning, organizing, directing and controlling the activities

of the production function. It combines and transforms various resources used in the production subsystem of the organization into value added product in a controlled manner as per the policies of the organization.

E.S. Buffa defines production management as, “Production management deals with decision making related to production processes so that the resulting goods or services are produced according to specifications, in the amount and by the schedule demanded and

out of minimum cost.”

1.5.1 Objectives of Production Management

The objective of the production management is ‘to produce goods services of right quality and quantity at the right time and right manufacturing cost’.

1. RIGHT QUALITY

The quality of product is established based upon the customers needs. The right quality is not necessarily best quality. It is determined by the cost of the product and the technical characteristics

as suited to the specific requirements.

2. RIGHT QUANTITY

The manufacturing organization should produce the products in right number. If they are produced

in excess of demand the capital will block up in the form of inventory and if the quantity is produced in short of demand, leads to shortage of products.

3. RIGHT TIME

Timeliness of delivery is one of the important parameter to judge the effectiveness of production department. So, the production department has to make the optimal utilization of input resources to achieve its objective.

4. RIGHT MANUFACTURING COST

Manufacturing costs are established before the product is actually manufactured. Hence, all attempts should be made to produce the products at pre-established cost, so as to reduce the variation between actual and the standard (pre-established) cost.

OPERATIONS MANAGEMENT

1.7.1 A Framework for Managing Operations

Managing operations can be enclosed in a frame of general management function as shown in

Fig. 1.3. Operation managers are concerned with planning, organizing, and controlling the activities which affect human behaviour through models.

PLANNING

Activities that establishes a course of action and guide future decision-making is planning.

The operations manager defines the objectives for the operations subsystem of the organization, and the policies, and procedures for achieving the objectives. This stage includes clarifying the role and focus of operations in the organization's overall strategy. It also involves product planning, facility designing and using the conversion process.

ORGANIZING

Activities that establishes a structure of tasks and authority. Operation managers establish a structure of roles and the flow of information within the operations subsystem. They determine the activities required to achieve the goals and assign authority and responsibility for carrying them out.

CONTROLLING

Activities that assure the actual performance in accordance with planned performance. To ensure that the plans for the operations subsystems are accomplished, the operations manager must exercise control by measuring actual outputs and comparing them to planned operations management. Controlling costs, quality, and schedules are the important functions here.

BEHAVIOUR

Operation managers are concerned with how their efforts to plan, organize, and control affect human behaviour. They also want to know how the behaviour of subordinates can affect management's planning, organizing, and controlling actions. Their interest lies in decision-making behaviour.

2 Objectives of Operations Management

Objectives of operations management can be categorised into customer service and resource utilisation.

CUSTOMER SERVICE

The first objective of operating systems is the customer service to the satisfaction of customer wants. Therefore, customer service is a key objective of operations management. The operating system must provide something to a specification which can satisfy the customer in terms of cost and timing. Thus, primary objective can be satisfied by providing the 'right thing at a right price at the right time'.

RESOURCE UTILISATION

Another major objective of operating systems is to utilise resources for the satisfaction of customer wants effectively, i.e., customer service must be provided with the achievement of effective operations through efficient use of resources. Inefficient use of resources or inadequate customer service leads to commercial failure of an operating system.

Operations management is concerned essentially with the utilisation of resources, i.e., obtaining maximum effect from resources or minimising their loss, under utilisation or waste. The extent of the utilisation of the resources' potential might be expressed in terms of the proportion of available time used or occupied, space utilisation, levels of activity, etc. Each measure indicates the extent to which the potential or capacity of such resources is utilised. This is referred as the objective of resource utilisation.

SCOPE OF PRODUCTION AND OPERATIONS MANAGEMENT

Production and operations management concern with the conversion of inputs into outputs, using physical resources, so as to provide the desired utilities to the customer while meeting the other organizational objectives of effectiveness, efficiency and adoptability. It distinguishes itself from

other functions such as personnel, marketing, finance, etc., by its primary concern for 'conversion by using physical resources.' Following are the activities which are listed under production and operations management functions:

1. Location of facilities
2. Plant layouts and material handling
3. Product design
4. Process design
5. Production and planning control
6. Quality control
7. Materials management
8. Maintenance management.

LOCATION OF FACILITIES

Location of facilities for operations is a long-term capacity decision which involves a long term commitment about the geographically static factors that affect a business organization. It is an important strategic level decision-making for an organization. It deals with the questions such as 'where our main operations should be based?'

The selection of location is a key-decision as large investment is made in building plant and machinery. An improper location of plant may lead to waste of all the investments made in plant and machinery equipments. Hence, location of plant should be based on the company's expansion.

PLANT LAYOUT AND MATERIAL HANDLING

Plant layout refers to the physical arrangement of facilities. It is the configuration of departments,

work centres and equipment in the conversion process. The overall objective of the plant layout is to design a physical arrangement that meets the required output quality and quantity most economically.

PRODUCT DESIGN

Product design deals with conversion of ideas into reality. Every business organization have to design, develop and introduce new products as a survival and growth strategy. Developing the new products and launching them in the market is the biggest challenge faced by the organizations.

The entire process of need identification to physical manufactures of product involves three functions: marketing, product development, manufacturing. Product development translates the needs of customers given by marketing into technical specifications and designing the various features into the product to these specifications. Manufacturing has the responsibility of selecting the processes by which the product can be manufactured. Product design and development provides link between marketing, customer needs and expectations and the activities required to manufacture the product.

PROCESS DESIGN

Process design is a macroscopic decision-making of an overall process route for converting the raw material into finished goods. These decisions encompass the selection of a process, choice of technology, process flow analysis and layout of the facilities. Hence, the important decisions in process design are to analyse the workflow for converting raw material into finished product and to select the workstation for each included in the workflow.

PRODUCTION PLANNING AND CONTROL

Production planning and control can be defined as the process of planning the production in advance, setting the exact route of each item, fixing the starting and finishing dates for each item, to give production orders to shops and to follow up the progress of products according to orders.

The principle of production planning and control lies in the statement 'First Plan Your Work and then Work on Your Plan'. Main functions of production planning and control includes planning, routing, scheduling, dispatching and follow-up.

Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. Planning bridges the gap from where we are, to where we want to go. It makes it possible for things to occur which would not otherwise happen.

Routing may be defined as the selection of path which each part of the product will follow, which being transformed from raw material to finished products. Routing determines the most advantageous path to be followed from department to department and machine to machine till raw material gets its final shape.

Scheduling determines the programme for the operations. Scheduling may be defined as 'the fixation of time and date for each operation' as well as it determines the sequence of operations to be followed.

Dispatching is concerned with the starting the processes. It gives necessary authority so as to start a particular work, which has already been planned under 'Routing' and 'Scheduling'. Therefore, dispatching is 'release of orders and instruction for the starting of production for any item in acceptance with the route sheet and schedule charts'.

The function of **follow-up** is to report daily the progress of work in each shop in a prescribed proforma and to investigate the causes of deviations from the planned performance.

QUALITY CONTROL

Quality Control (QC) may be defined as 'a system that is used to maintain a desired level of quality in a product or service'. It is a systematic control of various factors that affect the quality of the product. Quality control aims at prevention of defects at the source, relies on effective feed back system and corrective action procedure.

Quality control can also be defined as 'that industrial management technique by means of which product of uniform acceptable quality is manufactured'. It is the entire collection of activities which

ensures that the operation will produce the optimum quality products at minimum cost.

The main objectives of quality control are:

To improve the companies income by making the production more acceptable to the customers i.e., by providing long life, greater usefulness, maintainability, etc.

To reduce companies cost through reduction of losses due to defects.

To achieve interchangeability of manufacture in large scale production.

To produce optimal quality at reduced price.

To ensure satisfaction of customers with productions or services or high quality level, to build customer goodwill, confidence and reputation of manufacturer.

To make inspection prompt to ensure quality control.

To check the variation during manufacturing.

MATERIALS MANAGEMENT

Materials management is that aspect of management function which is primarily concerned with the acquisition, control and use of materials needed and flow of goods and services connected with the production process having some predetermined objectives in view.

The main objectives of materials management are:

To minimise material cost.

To purchase, receive, transport and store materials efficiently and to reduce the related cost.

To cut down costs through simplification, standardisation, value analysis, import substitution, etc.

To trace new sources of supply and to develop cordial relations with them in order to ensure continuous supply at reasonable rates.

To reduce investment tied in the inventories for use in other productive purposes and to develop high inventory turnover ratios.

MAINTENANCE MANAGEMENT

In modern industry, equipment and machinery are a very important part of the total productive effort. Therefore, their idleness or downtime becomes are very expensive. Hence, it is very important that the plant machinery should be properly maintained.

The main objectives of maintenance management are:

1. To achieve minimum breakdown and to keep the plant in good working condition at the lowest possible cost.
2. To keep the machines and other facilities in such a condition that permits them to be used at their optimal capacity without interruption.
3. To ensure the availability of the machines, buildings and services required by other sections of the factory for the performance of their functions at optimal return on investment.