

Each quarter, you must decide how fast to run your production line. It can be run at the maximum daily capacity or any number less than the maximum. The maximum daily operating capacity is set by the available fixed capacity.

Make sure to revise the adjustments for safety stock, loss in production due to changeover, and loss in production due to worker productivity based on your tactical adjustments.

YOUR TASK

Decide how many units to produce each day.

You will be able to see the labor and overhead cost that will be charged to each unit based upon the scheduled operating capacity.

Pay special attention to your effective operating capacity. The estimate of your worker productivity is used to reduce the actual production to the probable production. This will give you a better estimate of what will happen in your production during the current quarter. You can try different operating capacities and worker productivity estimates in order to check their effect on your labor, overhead, and total production potential.

DECISION TIP

Keep in mind that running the production facility at the optimum level of production utilization may not be the best decision for other parts of the organization, especially sales and finance. The sales people are likely to have an optimistic view regarding demand and they will not want you to stifle their efforts by not having sufficient supply. The finance people might prefer to run the production facility at the maximum capacity level if that will keep them from spending a large amount of money to increase capacity.

For more details, you can refer to the Help file by clicking on [Operating Capacity](#).