

1

INTRODUCTION TO PRODUCTION AND OPERATION MANAGEMENT

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1.1 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**.

1.2 HISTORICAL EVOLUTION OF PRODUCTION AND OPERATIONS MANAGEMENT

For over two centuries operations and production management has been recognised as an important factor in a country's economic growth.

The traditional view of manufacturing management began in eighteenth century when **Adam Smith** recognised the economic benefits of specialisation of labour. He recommended breaking of jobs down into subtasks and recognises workers to specialised tasks in which they would become highly skilled and efficient. In the early twentieth century, F.W. Taylor implemented Smith's theories and developed scientific management. From then till 1930, many techniques were developed prevailing the traditional view. Brief information about the contributions to manufacturing management is shown in the Table 1.1.

TABLE 1.1 Historical summary of operations management

<i>Date</i>	<i>Contribution</i>	<i>Contributor</i>
1776	Specialization of labour in manufacturing	Adam Smith
1799	Interchangeable parts, cost accounting	Eli Whitney and others
1832	Division of labour by skill; assignment of jobs by skill; basics of time study	Charles Babbage
1900	Scientific management time study and work study developed; dividing planning and doing of work	Frederick W. Taylor
1900	Motion of study of jobs	Frank B. Gilbreth
1901	Scheduling techniques for employees, machines jobs in manufacturing	Henry L. Gantt
1915	Economic lot sizes for inventory control	F.W. Harris
1927	Human relations; the Hawthorne studies	Elton Mayo
1931	Statistical inference applied to product quality: quality control charts	W.A. Shewart
1935	Statistical sampling applied to quality control: inspection sampling plans	H.F. Dodge & H.G. Roming
1940	Operations research applications in World War II	P.M. Blacker and others.
1946	Digital computer	John Mauchlly and J.P. Eckert
1947	Linear programming	G.B. Dantzig, Williams & others
1950	Mathematical programming, on-linear and stochastic processes	A. Charnes, W.W. Cooper & others
1951	Commercial digital computer: large-scale computations available.	Sperry Univac
1960	Organizational behaviour: continued study of people at work	L. Cummings, L. Porter
1970	Integrating operations into overall strategy and policy, Computer applications to manufacturing, Scheduling and control, Material requirement planning (MRP)	W. Skinner J. Orlicky and G. Wright
1980	Quality and productivity applications from Japan: robotics, CAD-CAM	W.E. Deming and J. Juran.

Production management becomes the acceptable term from 1930s to 1950s. As F.W. Taylor's works become more widely known, managers developed techniques that focussed on economic efficiency in manufacturing. Workers were studied in great detail to eliminate wasteful efforts and achieve greater efficiency. At the same time, psychologists, socialists and

other social scientists began to study people and human behaviour in the working environment. In addition, economists, mathematicians, and computer socialists contributed newer, more sophisticated analytical approaches.

With the 1970s emerges two distinct changes in our views. The most obvious of these, reflected in the new name **operations management** was a shift in the service and manufacturing sectors of the economy. As service sector became more prominent, the change from 'production' to 'operations' emphasized the broadening of our field to service organizations. The second, more suitable change was the beginning of an emphasis on synthesis, rather than just analysis, in management practices.

1.3 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.

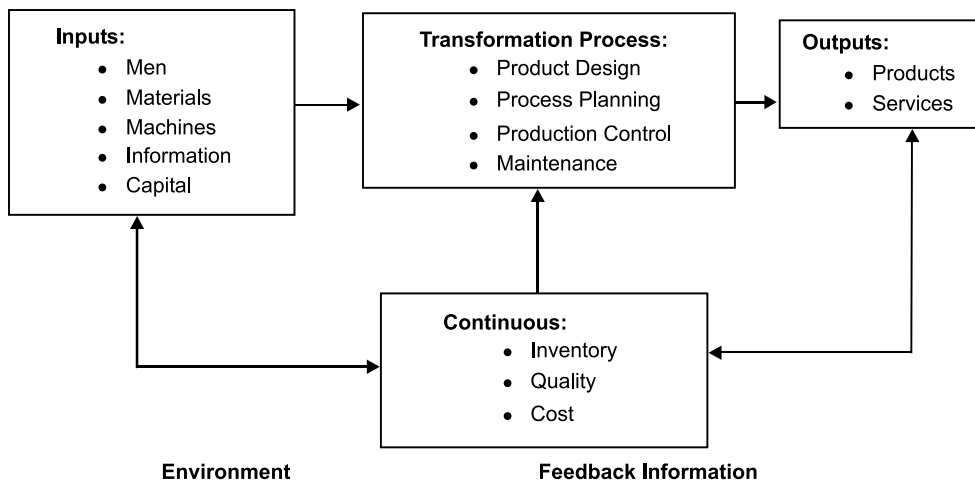


Fig. 1.1 Schematic production system

1.4 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.

1.4.1 Classification of Production System

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

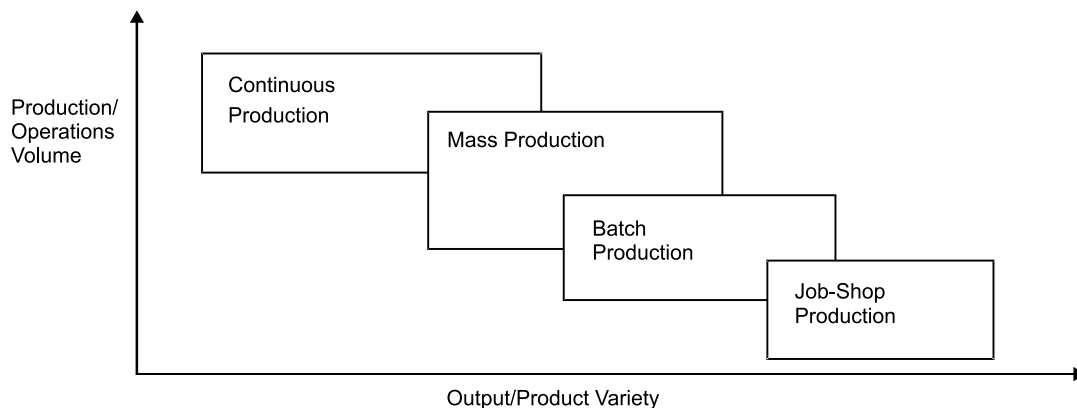


Fig. 1.2 Classification of production systems

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.

3. Work in process inventory is higher compared to continuous production.
4. Higher set up costs due to frequent changes in set up.

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.

1.5 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.

1.6 OPERATING SYSTEM

Operating system converts inputs in order to provide outputs which are required by a customer. It converts physical resources into outputs, the function of which is to satisfy customer wants *i.e.*, to provide some utility for the customer. In some of the organization the product is a physical good (hotels) while in others it is a service (hospitals). Bus and taxi services, tailors, hospital and builders are the examples of an operating system.

Everett E. Adam & Ronald J. Ebert define operating system as, “*An operating system (function) of an organization is the part of an organization that produces the organization’s physical goods and services.*”

Ray Wild defines operating system as, “*An operating system is a configuration of resources combined for the provision of goods or services.*”

1.6.1 Concept of Operations

An operation is defined in terms of the mission it serves for the organization, technology it employs and the human and managerial processes it involves. Operations in an organization can be categorised into manufacturing operations and service operations. Manufacturing operations is a conversion process that includes manufacturing yields a tangible output: a product, whereas, a conversion process that includes service yields an intangible output: a deed, a performance, an effort.

1.6.2 Distinction between Manufacturing Operations and Service Operations

Following characteristics can be considered for distinguishing manufacturing operations with service operations:

1. Tangible/Intangible nature of output
2. Consumption of output
3. Nature of work (job)
4. Degree of customer contact
5. Customer participation in conversion
6. Measurement of performance.

Manufacturing is characterised by tangible outputs (products), outputs that customers consume overtime, jobs that use less labour and more equipment, little customer contact, no customer participation in the conversion process (in production), and sophisticated methods for measuring production activities and resource consumption as product are made.

Service is characterised by intangible outputs, outputs that customers consumes immediately, jobs that use more labour and less equipment, direct consumer contact, frequent customer participation in the conversion process, and elementary methods for measuring conversion activities and resource consumption. Some services are equipment based namely rail-road services, telephone services and some are people based namely tax consultant services, hair styling.

1.7 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.

MODELS

As operation managers plan, organise, and control the conversion process, they encounter many problems and must make many decisions. They can simplify their difficulties using models like *aggregate planning models* for examining how best to use existing capacity in short-term, *break even analysis* to identify break even volumes, *linear programming and computer simulation* for capacity utilisation, *decision tree analysis* for long-term capacity problem of facility expansion, *simple median model* for determining best locations of facilities etc.

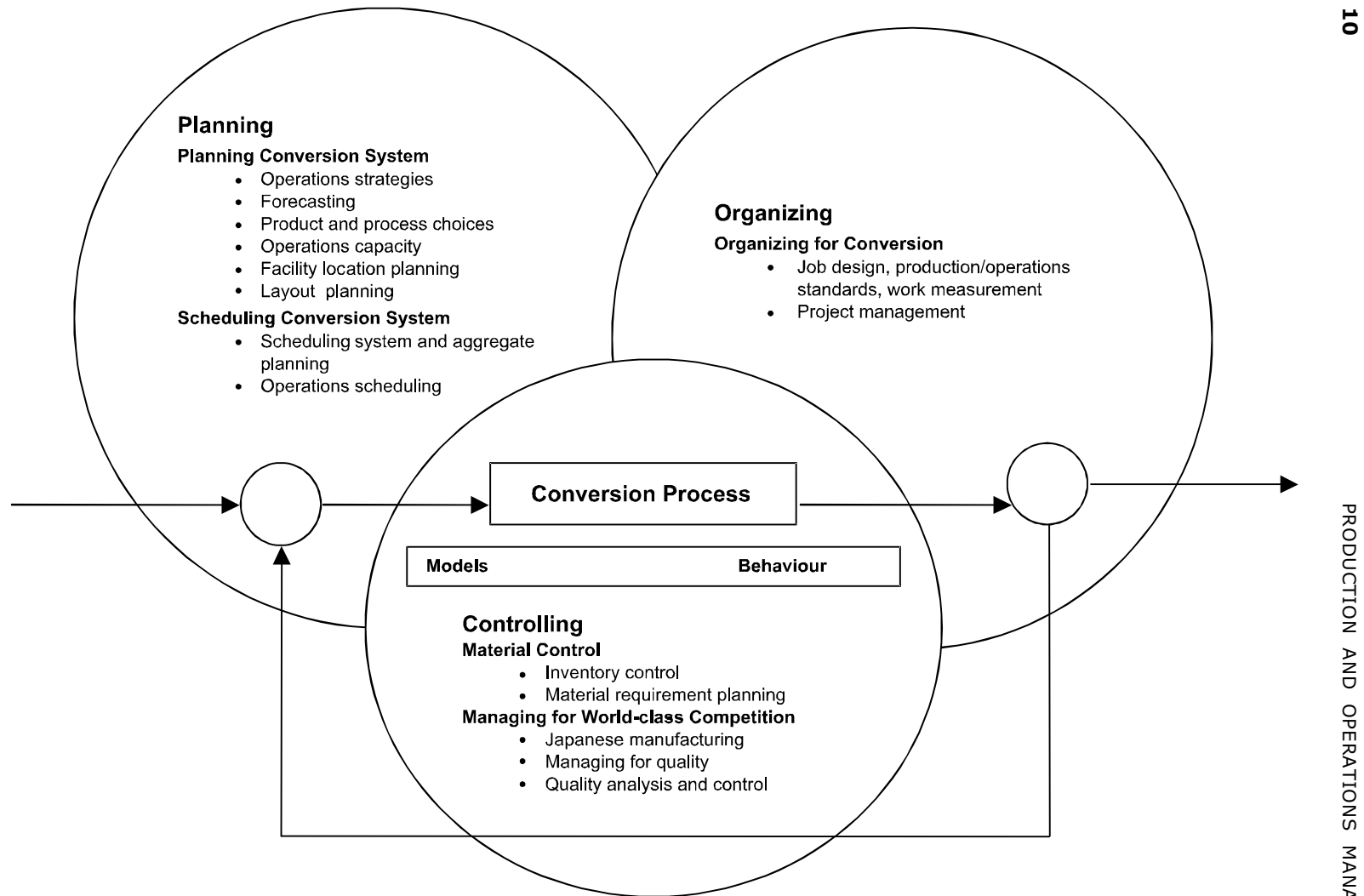


Fig. 1.3 *General model for managing operations*

1.7.2 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’.

These aspects of customer service—specification, cost and timing—are described for four functions in Table 1.2. They are the principal sources of customer satisfaction and must, therefore, be the principal dimension of the customer service objective for operations managers.

TABLE 1.2 Aspects of customer service

<i>Principal function</i>	<i>Principal customer wants</i>	
	<i>Primary considerations</i>	<i>Other considerations</i>
Manufacture	Goods of a given, requested or acceptable specification	<i>Cost, i.e.,</i> purchase price or cost of obtaining goods. <i>Timing, i.e.,</i> delivery delay from order or request to receipt of goods.
Transport	Management of a given, requested or acceptable specification	<i>Cost, i.e.,</i> cost of movements. <i>Timing, i.e.,</i> 1. Duration or time to move. 2. Wait or delay from requesting to its commencement.
Supply	Goods of a given, requested or acceptable specification	<i>Cost, i.e.,</i> purchase price or cost of obtaining goods. <i>Timing, i.e.,</i> delivery delay from order or request to receipt of goods.
Service	Treatment of a given, requested or acceptable specification	<i>Cost, i.e.,</i> cost of movements. <i>Timing, i.e.,</i> 1. Duration or time required for treatment. 2. Wait or delay from requesting treatment to its commencement.

Generally an organization will aim reliably and consistently to achieve certain standards and operations manager will be influential in attempting to achieve these standards. Hence, this objective will influence the operations manager’s decisions to achieve the required customer service.

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.

Operations management is also concerned with the achievement of both satisfactory customer service and resource utilisation. An improvement in one will often give rise to deterioration in the other. Often both cannot be maximised, and hence a satisfactory performance must be achieved on both objectives. All the activities of operations management must be tackled with these two objectives in mind, and many of the problems will be faced by operations managers because of this conflict. Hence, operations managers must attempt to balance these basic objectives.

Table 1.3 summarises the twin objectives of operations management. The type of balance established both between and within these basic objectives will be influenced by market considerations, competitions, the strengths and weaknesses of the organization, etc. Hence, the operations managers should make a contribution when these objectives are set.

TABLE 1.3 The twin objectives of operations management

<p>The customer service objective. To provide agreed/adequate levels of customer service (and hence customer satisfaction) by providing goods or services with the right specification, at the right cost and at the right time.</p>	<p>The resource utilisation objective. To achieve adequate levels of resource utilisation (or productivity) <i>e.g.</i>, to achieve agreed levels of utilisation of materials, machines and labour.</p>
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1.8 MANAGING GLOBAL OPERATIONS

The term 'globalization' describes businesses' deployment of facilities and operations around the world. Globalization can be defined as a process in which geographic distance becomes a factor of diminishing importance in the establishment and maintenance of cross border economic, political and socio-cultural relations. It can also be defined as worldwide drive toward a globalized economic system dominated by supranational corporate trade and banking institutions that are not accountable to democratic processes or national governments.

There are four developments, which have spurred the trend toward globalization. These are:

1. Improved transportation and communication technologies;
2. Opened financial systems;
3. Increased demand for imports; and
4. Reduced import quotas and other trade barriers.

When a firm sets up facilities abroad it involve some added complexities in its operation. Global markets impose new standards on quality and time. Managers should not think about domestic markets first and then global markets later, rather it could be think globally and act

locally. Also, they must have a good understanding of their competitors. Some other important challenges of managing multinational operations include other languages and customs, different management style, unfamiliar laws and regulations, and different costs.

Managing global operations would focus on the following key issues:

- To acquire and properly utilize the following concepts and those related to global operations, supply chain, logistics, etc.
- To associate global historical events to key drivers in global operations from different perspectives.
- To develop criteria for conceptualization and evaluation of different global operations.
- To associate success and failure cases of global operations to political, social, economical and technological environments.
- To envision trends in global operations.
- To develop an understanding of the world vision regardless of their country of origin, residence or studies in a respectful way of perspectives of people from different races, studies, preferences, religion, politic affiliation, place of origin, etc.

1.9 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

plan and policy, diversification plan for the products, changing sources of raw materials and many other factors. The purpose of the location study is to find the optimal location that will result in the greatest advantage to the organization.

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.

According to **James Moore**, “*Plant layout is a plan of an optimum arrangement of facilities including personnel, operating equipment, storage space, material handling equipments and all other supporting services along with the design of best structure to contain all these facilities*”.

‘Material Handling’ refers to the ‘moving of materials from the store room to the machine and from one machine to the next during the process of manufacture’. It is also defined as the ‘art and science of moving, packing and storing of products in any form’. It is a specialised activity for a modern manufacturing concern, with 50 to 75% of the cost of production. This cost can be reduced by proper selection, operation and maintenance of material handling devices. Material handling devices increase the output, improve quality, speed up the deliveries and decrease the cost of production. Hence, material handling is a prime consideration in the designing of new plants and several existing plants.

PRODUCT DESIGN

Product design deals with conversion of ideas into reality. Every business organization has 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 manufacture 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.

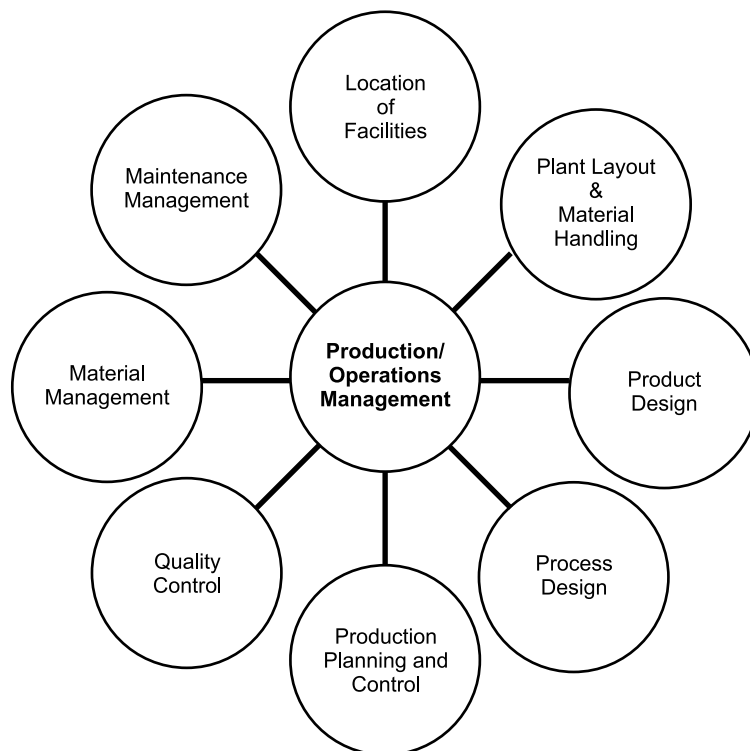


Fig. 1.4 *Scope of production and operations management*

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.

EXERCISES

Section A

1. What do you mean by 'Production'?
2. What do you mean by production system?
3. Mention the different types of production systems.
4. What is job shop production?
5. What is batch production?
6. What is mass production?
7. What is continuous production?
8. Mention any four advantages of job shop production.
9. Mention any four limitations of job shop production.
10. Mention any four advantages of batch production.
11. Mention any four limitations of batch production.
12. Mention any four advantages of mass production.
13. Mention any four limitations of mass production.
14. Mention any four advantages of continuous production.
15. Mention any four limitations of continuous production.
16. Define production management.
17. Mention any four objectives of production management.
18. Define operating system.
19. How do you manage operations?
20. What do you mean by operations?
21. What do you mean by manufacturing operations?
22. What do you mean by service operations?
23. What do you mean by 'globalization'?

Section B

1. Briefly explain the production system and its characteristics.
2. What is job shop production? What are its characteristics, advantages and limitations?
3. What is batch production? What are its characteristics, advantages and limitations?
4. What is batch production? What are its characteristics, advantages and limitations?
5. What is mass production? What are its characteristics, advantages and limitations?
6. What is continuous production? What are its characteristics, advantages and limitations?
7. Explain in brief the objectives of production management.
8. Explain in brief the objectives of operations management.
9. Distinguish between manufacturing operations and service operations.
10. Explain the key issues to be considered for managing global operations.

Section C

1. Explain the different types of production systems.
2. Explain the framework of managing operations.
3. Explain the scope of production and operations management.

Skill Development

Visit a fast food restaurant like Pizza hut, Pizza corner to understand the concept of this chapter by getting the information for the following questions.

1. Identify the type of production system followed.
2. Check how production system is managed.
3. Find out utilisation of the resources namely manpower, capacity and material.
4. How the customer services is rendered [feedback system exist or not]

CASELET

SHEENA

Sheena had worked for the same Fortune 500 Company for most 15 years. Although the company had gone through some tough times, things were starting to turn around. Customer orders were up, and quality and productivity had improved dramatically from what they had been only a few years earlier due company wide quality improvement program. So, it comes as a real shock to Sheena and about 400 of her co-workers when they were suddenly terminated following the new CEO's decision to downsize the company.

After recovering from the initial shock, Sheena tried to find employment elsewhere. Despite her efforts, after eight months of searching she was no closer to finding a job than the day she started. Her funds were being depleted and she was getting more discouraged. There was one bright spot, though: She was able to bring in a little money by mowing lawns for her neighbors. She got involved quite by chance when she heard one neighbor remark that now that his children were on their own, nobody was around to cut the grass. Almost jokingly, Sheena asked him how much he'd be willing to pay. Soon Sheena was mowing the lawns of five neighbors. Other neighbors wanted her to work on their lawns, but she didn't feel that she could spare any more time from her job search.

However, as the rejection letters began to pile up, Sheena knew she had to make an important decision in her life. On a rainy Tuesday morning, she decided to go into business for herself taking care of neighborhood lawns. She was relieved to give up the stress of job hunting, and she was excited about the prospects of being her own boss. But she was also fearful of being completely on her own. Nevertheless, Sheena was determined to make a go of it.

At first, business was a little slow, but once people realized Sheena was available, many asked her to take care of their lawns. Some people were simply glad to turn - the work over to her; others switched from professional lawn care services. By the end of her first year in business, Sheena knew she could earn a living this way. She also performed other services such as fertilizing lawns, weeding gardens, and trimming shrubbery. Business became so good that Sheena hired two part-time workers to assist her and, even then, she believed she could expand further if she wanted to.

Questions

1. In what ways are Sheena's customers most likely to judge the quality of her lawn care services?
2. Sheena is the operations manager of her business. Among her responsibilities are forecasting, inventory management, scheduling, quality assurance, and maintenance.

- (a) What kinds of things would likely require forecasts?
 - (b) What inventory items does Sheena probably have? Name one inventory decision she has to make periodically.
 - (c) What scheduling must she do? What things might occur to disrupt schedules and cause Sheena to reschedule?
 - (d) How important is quality assurance to Sheena's business? Explain.
 - (e) What kinds of maintenance must be performed?
3. What are some of the trade-offs that Sheena probably considered relative to:
- (a) Working for a company instead of for herself?
 - (b) Expanding the business?
4. The town is considering an ordinance that would prohibit putting grass clippings at the curb for pickup because local landfills cannot handle the volume. What options might Sheena consider if the ordinance is passed? Name two advantages and two drawbacks of each option.

[Source: *Production/Operations Management* by William J. Stevenson, Irwin/McGraw-Hill]

WEGMANS FOOD MARKETS

Wegmans Food Markets, Inc., is one of the premier grocery chains in the United States. Headquartered in Rochester, NY, Wegmans operates over 70 stores. The company employs over 23,000 people, and has annual sales of over Rs. 2.0 billion.

Wegmans has a strong reputation for offering its customers high product quality and excellent service. Through a combination of market research, trial and error, and listening to its customers, Wegmans has evolved into a very successful organization. In fact, Wegmans is so good at what it does that grocery chains all over the country send representatives to Wegmans for a firsthand look at operations.

SUPERSTORES

Many of the company's stores are giant 100,000 square foot superstores, double or triple the size of average supermarkets. A superstore typically employs from 500 to 600 people.

Individual stores differ somewhat in terms of actual size and some special features. Aside from the features normally found in supermarkets, they generally have a large bakery Section (each store bakes its own bread, rolls, cakes, pies, and pastries), and extra large produce sections. They also offer film processing a complete pharmacy, a card shop and video rentals. In-store floral shops range in size up to 800 square feet of space, and offer a wide variety of fresh-cut flowers, flower arrangements, varies and plants. In-store card shops covers over 1000 square feet of floor of floor space. The bulk foods department provides customers with the opportunity to select what quantities they desire from a vast array of foodstuffs and some nonfood items.

Each store is a little different. Among the special features in some stores are a dry cleaning department, a wokery, and a salad bar. Some feature a Market Cafe that has different food stations, each devoted to preparing and serving a certain type of food. For example, one station has pizza and other Italian specialties, and another oriental food. There are also being a sandwich bar, a salad bar and a dessert station. Customers often wander among stations as they decide

what to order. In several affluent locations, customers can stop in on their way home from work and choose from a selection of freshly prepared dinner entrees. Some stores have a coffee shop section with tables and chairs where shoppers can enjoy regular or specialty coffees and variety of tempting pastries.

PRODUCE DEPARTMENT

The company prides itself on fresh produce. Produce is replenished as often as 12 times a day. The larger stores have produce sections that are four to five times the size of a produce section of an average supermarket. Wegmans offers locally grown produce a season. Wegmans uses a 'farm to market' system whereby some local growers deliver their produce directly to individual stores, bypassing the main warehouse. That reduces the company's inventory holding costs and gets the produce into the stores as quickly as possible. Growers may use specially designed containers that go right onto the store floor instead of large bins. This avoids the bruising that often occurs when fruits and vegetables are transferred from bins to display shelves and the need to devote labor to transfer the produce to shelves.

MEAT DEPARTMENT

In addition to large display cases of both fresh and frozen meat products, many stores have a full-service butcher shop that offers a variety of fresh meat products and where butchers are available to provide customized cuts of meat for customers.

ORDERING

Each department handles its own ordering. Although sales records are available from records of items scanned at the checkouts, they are not used directly for replenishing stock. Other factors, such as pricing, special promotions, local circumstances must all be taken into account. However, for seasonal periods, such as holidays, managers often check scanner records to learn what past demand was during a comparable period.

The superstores typically receive one truckload of goods per day from the main warehouse. During peak periods, a store may receive two truckloads from the main warehouse. The short lead-time greatly reduce the length of the time an item might be out of stock, unless the main warehouse is also out of stock.

The company exercises strict control over suppliers, insisting on product quality and on-time deliveries.

EMPLOYEES

The company recognises the value of good employees. It typically invests an average of Rs.7000 to train each new employee. In addition to learning about stores operations, new employees learn the importance of good customer service and how to provide it. The employees are helpful, cheerfully answering customer questions or handling complaints. Employees are motivated through a combination of compensation, profit sharing, and benefits.

QUALITY

Quality and Customer satisfaction are utmost in the minds of Wegmans management and its employees. Private label food items as well as name brands are regularly evaluated in test kitchens, along with the potential new products. Managers are responsible for checking and

maintaining products and service quality in their departments. Moreover, employees are encouraged to report problems to their managers.

If a customer is dissatisfied with an item and returns it, or even a portion of the item, the customer is offered a choice of a replacement or a refund. If the item is a Wegmans brand food item, it is then sent to the test kitchen to determine the cause of the problem. If the cause can be determined, corrective action is taken.

Questions

1. How do customers judge the quality of a supermarket?
2. Indicate how and why each of these factors is important to the successful operation of a supermarket:
 - (a) Customer satisfaction.
 - (b) Forecasting.
 - (c) Capacity planning.
 - (d) Location
 - (e) Inventory management.
 - (f) Layout of the store.
 - (g) Scheduling.

[Source: *Production/Operations Management* by William J. Stevenson, Irwin/McGraw-Hill]