

Production Planning & Control

Key Concepts - What are Production responsible for:

Number of units of a specific product to be produced
time intervals over which production will occur
availability of equipment, materials and work force
cost effective inventory and resource management.

Production as a Goal:

Resources are planned and used in the production process regardless of actual demand
often based on economies of scale, where lower cost per item is presumed to generate product demand.

Production as a Means:

resources are planned and used in the production process only because of product demand often based on economies of scope, where product demand has greater influence over production units and costs.

Economies of Scope vs. Scale

Economies of scope production assumptions:

responsive to demand
flexible production plans
variable cost per item
smaller production runs
increased total set up and change over costs
lower product/inventory obsolescence
minimized inventory carrying costs
material is pulled through the production process as needed.

Economies of scale production assumptions:

responsive to profit margin gains
fixed production plans
lower cost per item
larger production runs
less production set up and change over cost
greater risk of product/inventory obsolescence
higher inventory carrying costs
material is pushed through the production process.

Production Planning:

Order Decoupling Point

How far does a customer order penetrate in the production process?

Planning Hierarchy

Production Control Systems

Formal production control systems for inventory include

Economic Order Quantity (EOQ)

Materials Requirements Planning (MRP)

Just-in-Time concept (JIT)

Suggestions:

pull rather than push material through the production process

produce nothing until it is needed

reduce set up times

reduce lot sizes

try to move the order decoupling point to an early stage in the supply chain

try to remove transaction (steps which add no value) from the process.

Contact Us Today

Call **1300-486-329** or email enquiry@stlwarehousing.com.au to discuss your production and planning needs.

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