

5.1 Production Methods – Impact of Changing Production Methods



IB Business Management: [IBBusinessManagement.com](http://IBBusinessManagement.com)

IMPLICATIONS OF CHANGING PRODUCTION METHODS

	Finance	Human Resources	Marketing
<b>From Job to Batch</b>	<ul style="list-style-type: none"> <li>Cost of equipment needed to handle large numbers in each batch</li> <li>Additional working capital needed to finance high levels of stocks and work in progress</li> </ul>	<ul style="list-style-type: none"> <li>Less emphasis placed on individual's craft skills</li> </ul>	<ul style="list-style-type: none"> <li>Can no longer promote product as being 'customised to each consumer'</li> <li>May have to promote the benefits of lower prices and consistent quality</li> </ul>
<b>From Job or Batch to Flow</b>	<ul style="list-style-type: none"> <li>Cost of equipment needed for flow production</li> <li>Any production delays during the change-over</li> </ul>	<ul style="list-style-type: none"> <li>Risk of low motivation and boredom if traditional line production techniques are used</li> </ul>	<ul style="list-style-type: none"> <li>Mass production requires mass marketing so market research will be essential to identify largest market segments</li> <li>Accurate estimates of future demand to</li> </ul>

5.1 Production Methods – Impact of Changing Production Methods

	<p>period may impact cash flow</p>		<p>ensure that output matches demand</p> <ul style="list-style-type: none"> <li>▪ Promotion and pricing decisions will have to be geared towards a mass marketing approach - not niche marketing, so the orientation of the business may have to change</li> </ul>
<p><b>From Batch or Flow to Mass customisation</b></p>	<ul style="list-style-type: none"> <li>▪ Expensive information technology systems and robotics may be needed to make uninterrupted changes to products on the production line</li> </ul>	<ul style="list-style-type: none"> <li>▪ Recruitment of highly skilled engineers and software engineers to monitor and programme robotics</li> <li>▪ Staff training will be needed to achieve multi-skilling</li> </ul>	<ul style="list-style-type: none"> <li>▪ Productivity and quality improvements should allow competitive pricing and promotion of the improved quality products.</li> <li>▪ Customisation allows further product differentiation and a corresponding increase in pricing power; i.e., more can be charged for a customised product.</li> </ul>