

5.2 Production Methods – Impact of Changing Production Methods



IB Business Management: IBBusinessManagement.com

IMPLICATIONS OF CHANGING PRODUCTION METHODS

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

5.2 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"> ▪ 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
<p>From Batch or Flow to Mass customisation</p>	<ul style="list-style-type: none"> ▪ Expensive information technology systems and robotics may be needed to make uninterrupted changes to products on the production line 	<ul style="list-style-type: none"> ▪ Recruitment of highly skilled engineers and software engineers to monitor and programme robotics ▪ Staff training will be needed to achieve multi-skilling 	<ul style="list-style-type: none"> ▪ Productivity and quality improvements should allow competitive pricing and promotion of the improved quality products. ▪ Customisation allows further product differentiation and a corresponding increase in pricing power; i.e., more can be charged for a customised product.