



# IB Business Management – Operations Management

## 5.2 Operations Methods – Features of Production Methods

|                         |  |   |   |   |
|-------------------------|--|---|---|---|
|                         |  |   |   | <ul style="list-style-type: none"> <li>High steady demand for customised products</li> </ul>  |
| <b>Main advantages</b>  | <ul style="list-style-type: none"> <li>Able to undertake specialist projects or jobs, often with high value added</li> <li>High levels of worker motivation</li> </ul> | <ul style="list-style-type: none"> <li>Some economies of scale</li> <li>Faster production with lower unit costs than job production</li> <li>Some flexibility in design of product in each batch</li> </ul> | <ul style="list-style-type: none"> <li>Low unit costs due to the constant working of machines, high labour productivity and economies of scale</li> <li>JIT stock management easier to apply than with other methods</li> </ul>                           | <ul style="list-style-type: none"> <li>Higher profits as companies can charge a premium for their products.</li> <li>Improved customer satisfaction.</li> <li>Reduced customer churn.</li> <li>Streamlined production.</li> <li>Improved inventory management.</li> </ul>   |
| <b>Main limitations</b> | <ul style="list-style-type: none"> <li>High unit production costs</li> <li>Time consuming</li> <li>Wide range of tools and equipment needed</li> </ul>                 | <ul style="list-style-type: none"> <li>High levels of stocks at each production stage</li> <li>Unit costs likely to be higher than with flow production</li> </ul>  | <ul style="list-style-type: none"> <li>Inflexible - often very difficult and time consuming to switch from one type of product to another</li> <li>Expensive to set up flow-line machinery and each section needs to be carefully synchronised</li> </ul> | <ul style="list-style-type: none"> <li>Impossible to build up stock ahead of time.</li> <li>Forecasting trends/spikes in sales more difficult due to wide range of options.</li> <li>Difficult to plan for surge in product demand.</li> <li>Affects the flow of supply chains with 3rd party business partners.</li> </ul> |