

GRADE 11- BUSINESS STUDIES

TOPIC: PRODUCTION, PRODUCTIVITY AND EFFICIENCY

Labour-Intensive

Labour refers to the workers, people that work and carry out a process in business. So when this word is combined with the word 'intensive' in business, it means that goods and services are produced using a relatively high proportion of labour compared to capital investment. For example, the construction sector is one of the most labour-intensive industries.

Capital-Intensive

Capital refers to equipment and machinery used to make a product in a business. Therefore, capital-intensive means goods are produced using a higher level of machinery than labours. Car manufacturing is a very good example of capital-intensive production, where the installation of the whole parts of a car is done by machines.

Production

The transformation of resources into goods or services

Methods of production

Job Production

Job production is also known as 'jobbing' or 'one-off' production. This method of production is where services and goods are produced to meet specific individually orders or demands made by the customers. For example, you want a birthday cake that has chocolate flavours, with a lot of cream in it, mix with a lot of coffee powders, square in shape and some strawberries and cherries on it, as those are all your favourites.

examples of job production in real life include clothes and suits which made by the tailors to fit a specific customer, bridges, ships, roads, hospitals, individual computer programs and so on. This method of production is thus labour-intensive because it requires skills and knowledge from humans with some specialised equipment to complete the product.

Advantages

Products made from job production are often high quality and this type of production is very flexible, as it meets the exact requirements of customers.

The workers have the opportunity to do variety of job; this could develop their skills, and at the same time, motivate them. As there are many different kinds of tasks they have to do, they will find their jobs very challenging and interesting, and are often able to see the product since the start to finish. This gives them greater job satisfaction, and their loyalty to the business can be maintained too.

Highly-motivated workers enable the business to increase their productivity.

Disadvantages

As the product is made specifically, the required materials and components to produce the product are purchased in smaller quantities and therefore, the cost may be very expensive.

Skilled and professional labour is needed, and yes, this kind of labour is often hard to find.

Because this method is labour-intensive and the tasks are different with one another, the management of production is complicated and difficult.

Batch Production

The definition of batch production can be easily understood if you know what the word 'batch' means. It refers to a number of things or people regarded as a group or a set. So batch production basically means a production where a number of similar items are made in batches and sets. This method of production is different with job production. As in job production, product is made based on customers' demands and orders; in batch production, the features, properties, appearances, designs, everything of the product have been set. So, each batch of product will go through a stage of production process first before they move on to another one.

For example, in the production of a book, after the first page of each book of each batch has been printed, they will then move to another machine, to print its second page, and then followed by the third page, fourth page and so on, while the machinery will be reset after it has done the first batch, and get ready for the next batch.

Other examples include newspaper, furniture, electronic goods and clothing.

Advantages

Large quantity of products is produced at a time, results in the lower cost of production, as the materials may be purchased in larger quantities.

Workers can be unskilled or semi-skilled. As after a task is completed, the items will be passed to another section to another worker. Therefore, the workers would need to focus only one or a few tasks, means that their jobs are mostly repetitive.

In batch production, a business will be getting repeat orders over and over again. So this makes the production to be carried out in an easier and smoother way, compared to job production.

Disadvantages

Warehouses are needed to store the materials and components because they are bought in large quantities. Buying or renting warehouses may be very expensive.

As there are fewer varieties of jobs, workers are often not motivated and this could affect the productivity of business.

Machines used to produce goods may need to reset between batches, resulting in delay of production and loss of output.

Flow Production

Flow production is when large quantities of product are produced continuously through the production process. As a business grows better, it may reach a level where the method of production has to be changed in order to extend the business and increase the capacity of production. At that level, flow production would be used, as the product may be intended for larger market. In this circumstance, flow production is the right method for the production to take place efficiently.

This production is called 'flow' production because the process is like flowing from one to another without stopping. It is carried out continuously down the production line. It is also called the 'mass' production, because the products are produced massively in larger quantities. In job and batch production, the product is more personalised and distinctive, while in flow production, the product is standardized and identical. Standardized product is product marketed internationally and always has the same characteristics and compositions wherever country it is sold to.

The most common example of flow production is the soft drink production, such as coca-cola. Flow production is suitable for coca-cola because it is sold in high volumes and always has a constant demand. Besides, the whole production process is often automated and controlled by just one person. Other examples include car manufacture, chocolate bars, and electronic goods.

Advantages

As it is capital-intensive, human errors can be reduced, labour costs are lower, and they do not need to be very skilful. Therefore, training is unnecessary.

Materials and components required are purchased in large quantities, allowing the business to get discounts and thus decrease the unit cost of production. Besides, this benefits their economies of scales too.

A business often has higher sales because of the lower cost of production that lower down the prices of products. Lower prices of products usually can attract more consumers.

The production is carried out quickly, this could save up a lot of time.

Disadvantages

Like batch production, the workers are not highly-motivated. Therefore, they have little job satisfaction.

Flow production is not flexible, because it is not the customers' orders to decide the characteristics of the product. Flow production is totally different with job production.

Machinery is used largely and therefore the cost is expensive.

If one machine breaks down, the whole production process will be forced to delay.

CELL PRODUCTION

Cell production has the flow production line split into a number of self-contained units. Each team or 'cell' is responsible for a significant part of the finished article and, rather than each person only carrying out only one very specific task, team members are skilled at a number of roles, so it provides a means for job rotation.

Cell production is a form of team working and helps ensure worker commitment, as each cell is responsible for a complete unit of work, which Herzberg would view as part of job enrichment.

Cells would usually have responsibility for organising work rosters within the cell, for covering holiday and sickness absences and for identifying recruitment and training needs.

Cells deal with other cells as if they were customers, and take responsibility for quality in their area.

benefits claimed for cell production are:

Closeness of cell members should improve communication, avoiding confusion arising from misunderstood or non-received messages

Workers become multi-skilled and more adaptable to the future needs of a business

Greater worker motivation, arising from variety of work, team working and more responsibility

Quality improvements as each cell has 'ownership' for quality on its area

Some of the downsides of using cell production include:

The company culture has to encourage trust and participation, or workers can feel that they are being constantly pushed for more and more output with no respite

The company may have to invest in new materials handling and ordering systems suitable for cell production

Cell production may not allow a firm to use its machinery as intensively as in traditional flow production

Some small scale production lines may not yield enough savings to make a switch cell production economically worthwhile

The allocation of work to cells has to be efficient so that they have enough work, but not so much that they are unable to cope

Recruitment and training of staff must support this approach to production

PRODUCTIVITY

Is the out put per unit of inputs per time period.

Labour productivity : out put per worker per period of time.

Labour productivity is the output per worker in a given time period

how to calculate labour productivity?

total output in time period, e.g. 1 year/

total staff employed

How might labour productivity increase?

1 Improved staff motivation and higher levels of effort

2 More efficient and reliable capital equipment

3 Better staff training

4 Increased worker involvement in problem solving to speed up methods of production, e.g. kaizen and quality-circle groups

5 Improved internal efficiency, e.g. no waiting for new supplies of materials to arrive

How is productivity linked to competitiveness?

If a business can raise productivity, then this means it can produce more output with the same levels of resources. ie workers can produce more in the same time or you can produce more units from the same raw materials, or both.

The UK has a very poor record on productivity, this is being said to influence our overall competitiveness, particularly in a post Brexit market.

Factors influencing productivity

- Specialisation and division of labour
- Education and training
- Motivation of workers
- Working practices
- Labour flexibility

What are the ways to improve productivity?

- Increase specialisation
- Improve motivation
- Improve training
- Increase labour flexibility

To improve capital productivity

- Improve service and maintenance
- Update and replace old technology
- Ensure that operatives are well trained

EFFICIENCY

Efficiency is about making the best possible use of all a business's resources.

Factors influencing efficiency and how might it be improved

Study text book page 269

Distinction between labour and capital intensive production

Study text book page 271

What is Outsourcing?

- shifting jobs to other organisations
- Shifting functions like HR, operations, finance to another company to reduce costs, specialize areas (focus on what the business is good at, improve quality and flexibility) and to comply with rules or regulations.
- risk can include --> loss of experience/expertise, poor communication and differing interests (can be indirectly expensive to the business)
- but is often less controversial to off-shoring