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Third Year Business / Financial Management

Production Management

Introduction:

Production/operations management is the process, which combines and transforms various resources used in the production/operations subsystem of the organization into value added product/services in a controlled manner as per the policies of the organization. Therefore, it is that part of an organization, which is concerned with the transformation of a range of inputs into the required (products/services) having the requisite quality level.

The set of interrelated management activities, which are involved in manufacturing certain products, is called as production management. If the same concept is extended to services management, then the corresponding set of management activities is called as operations management.

Definition of Production Management:

In any manufacturing system, the job of a Production Manager is to manage the process of converting inputs into the desired outputs.

- It is concerned with the production of goods and services, and involves the responsibility of ensuring that business operations are efficient and effective.
- It is also the management of resources, the distribution of goods and services to customers.
- The performance of the management activities with regards to selecting, designing, operating, Controlling and updating production system.
- It is the processes of effectively planning, coordinating and controlling the production, that is the operations of that part of an enterprise, it means to say that production and operations Management is responsible for the actual transformation of raw materials into finished products.
- Production management is a function of Management, related to planning, coordinating and controlling the resources required for production to produce specified product by specified methods, by optimal utilization of resources.
- Production management is defined as management function which plans, organizes, co-ordinates, directs and controls the material supply and Processing activities of an enterprise, so that specified products are produced by specified methods to meet an approved sales programme. These activities are being carried out in such a manner that Labour, Plant and Capital available are used to the best advantage of the organization.

Therefore, **Production Management** can be defined as the management of the conversion process, which converts land, labor, capital, and management inputs into desired outputs of goods and services. It is also concerned with the design and the operation of systems for manufacture, transport, supply or service.

Difference Between Operations and Production:

In the transformation process, the inputs change the form into an output, by adding value to the entity.

The output may be a product or service.

- If it is a product centric that is known as production.
- If it is a service centric then that is known as operation.

Production System:

A production system is a collection of people, equipment, and procedures organized to perform the manufacturing operations of a company (or other organization).

Components of a Production System:

There are two components for a production system such as:

1. Facilities: the factory and equipment in the facility and the way the facility is organized (plant layout).
2. Manufacturing support systems: the set of procedures used by a company to manage production and to solve technical and logistics problems in ordering materials, moving work through the factory, and ensuring that products meet quality standards.

Objectives of Production Management:

The objective of the production management is to produce goods services of right quality and quantity at the right time and right manufacturing cost'.

1. RIGHT QUALITY: The quality of product is established based upon the customers needs. The right quality is not necessarily best quality. It is determined by the cost of the product and the technical characteristics as suited to the specific requirements.

2. RIGHT QUANTITY: The manufacturing organization should produce the products in right number. If they are produced in excess of demand the capital will block up in the form of inventory and if the quantity is produced in short of demand, leads to shortage of products.

3. RIGHT TIME: Timeliness of delivery is one of the important parameter to judge the effectiveness of production department. So, the production department has to make the optimal utilization of input resources to achieve its objective.

4. RIGHT MANUFACTURING COST: Manufacturing costs are established before the product is actually manufactured. Hence, all attempts should be made to produce the products at pre-established cost, so as to reduce the variation between actual and the standard (pre-established) cost.