

CE Entrepreneurship

Production

Introduction

This section very briefly introduces you to some of the issues in the production of products and the delivery of services. Production is a complex business process and can involve huge investments of capital and the need for significant amounts of floor space. Consider very carefully how you plan to produce the products you are going to sell. If you are planning to provide a service you need to think equally carefully about how you will deliver it. In both cases there will be a limit to how many 'units' of your product or service you can deliver to the required standard with your given resources. Your sales forecast cannot, clearly, exceed this capacity.

Production – make or buy?

If you are selling a product and it requires some operation(s) performed on it in order to achieve a sellable form, you need to think about the production process. What you will do to it can simply be to unpack it from the supplier's packaging and put it into your own, or it can be as complicated as completely making it from raw materials. In either case the fundamental question is, will you do it yourself or use some other production facility – the so called 'make – buy' decision.

The key factors you need to consider in reaching a make or buy decision are:

- Can your required volume be achieved?
- Can your required volume be made available when and where you require it?
- What skills or equipment are needed?
- Can your required quality be achieved consistently?
- How much will it cost to make the product yourself?
- How much will it cost to have somebody else make your product?

- How much space is required to make the product, to store any parts and to store finished goods?
- Are any materials involved in the product or the production process considered hazardous?

Whilst not an exhaustive list of questions, the above should give you a feel for the level of detail you need to go into if you are to arrive at a robust decision to this difficult decision.

Providing a service

If you are providing a service your delivery capacity, the maximum number of sales in effect, will be governed by the time it takes to deliver one unit of service and the total time you have available. If, for example, your service is installing an item into a domestic house, the time taken to complete one unit of service is the journey time there and back plus the actual installation time. Domestic installations can only take place between certain hours. One person is also limited in the number of hours they can sensibly work. You have the key data to determine your ‘production’ capacity. If your sales forecast exceeds your capacity – how do you propose delivering the service?

Logistics

Business operations, of which production is a part, involves inbound and outbound logistics. Inbound logistics is concerned with your business receiving items it will sell or use to make items it will sell.

To get you thinking about inbound logistics, if you need to, consider the following questions:

- Where will the parts come from?
- How and when will they be delivered?
- Is there appropriate access to your business premises?
- How will you move them when they arrive?
- How will you assure the quality of received goods?
- Will somebody be present when they arrive?

Outbound logistics is concerned with your business sending finished goods to your customers. To get you thinking about outbound logistics, if you need to, consider the following questions:

- Where will the products be sent to?
- How will you send them?
- How much will it cost to send them?
- Can you move them easily?
- How many will you need to move in one go?
- How will you ensure they arrive undamaged and securely at your customers?

Do not take either of these lists as exhaustive, they are very general sets of questions and should be used as thought provoking questions. You need to identify the specific questions for your business.

Quality

Finally, a general question about quality. For a customer to come back to your business for more of what you have to offer, you must satisfy them. How will you assure the quality of what you do? In general you must be able to get to the right customers and give them:

- What they want
- When they want it
- How they want it
- Where they want it

Further reading:

“Everything you ever needed to know about ISO 9000 family of standards”

<http://www.bsi.org.uk/education/iso9000/iso9000.xhtml>