

# [Essay on capacity and forecasting (omm module 3, case)](https://assignbuster.com/essay-on-capacity-forecasting-omm-module-3-case/)

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## Code of the Course:

Capacity & Forecasting
Review of the Current Situation
Currently, the capacity utilization at Excellent Manufacturing Company is 92%. This is a good figure since it is way above the average level of 80% which is common in many manufacturing companies. However, this means that there is a problem in the company gong by the growing demand which is set to rise by 80% in 5years, which is a result of a 12. 5% annual compound growth in demand. This means that the company will not have the capacity to support the demand in 5 years. In addition to this, the short term forecast indicates that the demand for Plasti – Brack products is set to increase by about 7% - 10% every year. This further indicates that there is an urgent need to increase company’s capacity in order to increase production, hence meeting the product demand.
The bottleneck in the company is the banking machine groups which have a utilization range of about 81%. Checking ways of going around the bottleneck may solve this problem temporarily. The report follows the forecasting results which enables the company to make plans according to future expectations (Walonick, 1993)

## Goals and Objectives

Goals
Objectives
Actions/ Plans
In order to achieve the goals and objectives indicated above, the company should make use of the following strategies. The first strategy which the company should adopt is increasing the production time (Inman, n. d.). This may be done by adopting the use of shifts in the production. An additional 8 hour shift per day would solve the pending capacity problem on a short term basis. An additional shift will ensure that the company has more production time at its disposal; a move which will enable it to produce more products hence being able to meet the product demands.
The second alternative which the company can choose is to add more machines or work stations. This alternative will ensure that more products will be made in the current working hours. Additional workstations on the other hand increase the areas on which the product is being worked on (Hot, 2012). On this alternative, the company should make use of a product factory layout since it maximizes production via the sequential arrangement of processes and machinery needed to make Plasti – Brack, a move which increases capacity utilization.
The third alternative is to purchase faster machines. Faster machines ensure that more products are produced per unit time which increases the capacity of the company. The increased production associated with the faster machines will enable the company to meet the market demands. The fourth alternative which the company should consider is to increase the space in the company. Increasing the space entails the expansion of the company floor so as to enable it to house the increased production which will be associated with an increased capacity. The extra space is meant to house additional machines and work stations. The last alternative which the company should consider should be to increase the up time (Blanckard & Garback, 2012). Increasing the up time means that the down time is reduced. This means that there is more productive time disposable to the company.

## Explanation/Justification

Considering an additional shift in the company is an inexpensive way of ensuring that the company is able to increase its capacity (Inman, n. d.). This is due to the fact that an additional shift will not call for additional machine purchases or redesign of the current production processes. The only extra costs which the company will incur will be the additional operating costs and human resources bills which are unavoidable in any production. Adding more machines in the company’s floor is a long term solution to increasing capacity. It will ensure that the company is guaranteed of redundancy and reliability which increases the production. Although this alternative is expensive to the company, it enables the company to plan for the future with a more sustainable approach owing to the reliability and efficiency associated with it (Inman, n. d.).
With respect to the purchase of faster machines, it can be acknowledged that the company would be able to increase its capacity owing to the increased production potential associated with the fast machines. However, this solution provides a temporary solution to the capacity problem since it would not be able to enable the company meet an 80% increase in demand not unless the new machines are 8 times faster than the current machines. A good move would be to link up this alternative with the second alternative whereby the additional machines purchased would have to be faster than the current one. On the other hand, increasing the floor space of the company provides room for increased production. This alternative should be considered together with the second alternative so as to evaluate whether the additional machinery requires additional floor space. Lastly, reducing the downtime reduces the bottlenecks hence increasing capacity (Goldman, n. d.). This leads to more up time hence more production.

## References

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