Logistics db

Logistic db Demand for Going Inc. planes have increased over the past three years according to the information provided. However, the company have been slow to respond to this increase in demand compared to other competing companies like Bezna especially in forecasting, production capacity and process improvement.

Looking at the scenario in the Going Inc. Company, there are a number of operational management strategies that need to be addressed in order to reduce production cost in manufacturing division. These strategies are: the response strategy, low cost strategy, and differentiation strategy.

The recent increase in demand of Going Inc planes is evident that, Going Inc has so far differentiated its products to meet their target customers' needs and preferences. Therefore, the main thrust of operational strategy should be on how to reduce production cost and improve company's response to change in market demand.

Going Inc. sources its raw materials entirely from U. S markets. Though the company ensure that it gets its raw materials at the lowest possible price, expansion of the raw material sources to include other countries or more conveniently decision to make small parts instead of buying from vendors would automatically lead to even lower cost and better quality.

This will involve the realignment of supply chain of the company. According to Heizer and Render (2005), supply chain management is the integration of the activities that procure materials and services, transform them into intermediate goods and final products, and deliver them to customers.

In order for the Going Inc. to manage its supply chain effectively, it has to improve the speed and flexibility for its manufacturing framework. Currently, the company is relatively slow in its production speed; only fifteen planes per month. To make the matter worse, the production is riddled with scrupulous customization that takes a lot of time and gives very little room for design flexibility.

Going Inc. should address one of its major production hurdle; that is the time taken to produce one plane and the way in which the company adhere to its production design. This will involves a shift from the traditional company operation to a leaner operation strategy. This include among other thing, the expansion of its production facilities and the design structures of its hanger. This way the company would be able to produce more aircraft at each given time. Moreover, the company could as well integrate its operation so as to minimize time spent in communication and managerial logistics. This will involves, relocating, the warehouse, and head office near to the processing plant.

However, the company in an effort to minimize production costs, should not compromise its quality and dedication to customer needs and preferences. Above all, Going Inc. needs to device proper employee's motivation strategies. This will include among other things, proper channel for employees to air their grievances, salary increases in line with market rates, better working conditions and retraining. This way, the company would be able to increase efficiency thus reducing production cost.

In a nutshell, the overall shortfall of Going Inc. operational management in its manufacturing division is the response strategy. The inability of Going Inc. to respond swiftly to the customer demands by improving its supply chain within reasonable time frame, have been the main cause of its slow growth and expansion. Notably; the speed of production, rigidity in design, lack of diversified material sourcing, and lack of employee coordination are all major areas that need careful attention in order to turn around the Going Inc. production efficiency.

Response to student posting

I do agree with the student essay that, the major hurdle of Going Inc. is the response strategy. The company have been very slow in responding to market demand. Going Inc. religiously concentrate more on the design and quality that involve 100% inspection of every aircraft made. This have slowed the production growth against the growing demand for its brand of aircraft.

Moreover, as the student argues in her essay, the overall goal of cost reduction in manufacturing division of Going Inc. can be approached as supply chain management. This is because, the main areas where Going Inc. seems not to respond well is the procurement of its raw materials which they source from the U. S market only and from specific vendors. There is also lack of positive response in term of increase in processing speed and expansion of production capacity to reflect the growing demand of its aircraft.

However, she fails to mention the significance of employee motivation to the overall production process. Going Inc. does not have best relationship with its employees. The company have not reviewed its employee salary for quite sometime now. It had also failed to introduce induction training of its members in order to be at par with current customer demands in terms of quality and preferences. Employee motivation, is the key to cost reduction as employee with refined skills will do much and produce high quality products with little or no supervision.

In addition, the student seems to concentrate too much on the supply chain management. Though the supply chain management will at most assist the company to reduce its cost of production, there are other strategies such as employee motivation which have none or little connection to the supply chain management.

Reference

Heizer J, and Render B, (2005), Operations Management, 7th Edition), New Jersey, Upper Saddle River.

Stahl E, (03/10/2004), " Six Cost Reduction Strategies for 2004", http://dev2dev. bea. com/pub/a/2004/03/stahl04. html, accessed on 3rd, July, 2006.