

Bus307

Business, Management



Business Studies Name: Course: Date: Business Studies Forecasting models
Forecasting is the procedure of making projections about events that have not taken place. Forecasting involves statistical methods that can be used in other disciplines such as hydrology.

In the situation, the best way to assess the price, supply and demand would be through analyzing the incoming palladium orders. One can analyze the weight and style and compare these figures to long-term performance by oil. Palladium has slowly risen as a valuable commodity. As for the price, it should be significantly high and should have the option of a refund.

The best model for this forecasting would be the qualitative method, as it will involve talking directly to the actors involved in the price and supply changes. Pros and cons of outsourcing Outsourcing refers to the contracting of business processes that were initially done by the organizations' staff. Some companies outsource if they consider some functions important to the organization.

Two companies enter into a contract to exchange payment for the provision of services. The rationale being the outsourcing phenomenon is that companies need to reduce costs and make savings simultaneously. The outcome of outsourcing is that excess labor and facilities can be eliminated from the organization. In some cases, outsourcing involves a transfer of employees to the new outsourcing, business group. One significant advantage of outsourcing is the saving accrued in cost and efficiency. The large size of any company prevents it from efficiently using any of its resources. Through outsourcing, a company can save on most of the costs

that bring losses to the organization. Regulatory, labor and training expenses are all costs that can be avoided by outsourcing labor from other parts of the world where workers have similar skills but have lower salary rates.

Their training costs are also significantly lower than those for American workers are. Companies that outsource also enjoy other related advantages. The result of outsourcing is a drop in labor costs and an increase in profit margins.

The company can now afford to offer products and services at lower prices to consumers while still maintaining their own profit margins. In this situation, outsourcing benefits both the customer and the organization. Cheaper prices encourage customers to purchase more goods and services that help to rebuild the economy.

However, outsourcing has a major disadvantage in that the manager loses control over part of the organization to another firm. That part of the company may not be driven in the same. Other hidden costs will not be covered in the contract are covered by the mother company. Level vs. Chase Production Plan Level production plans refer to plans that vary the amount of inventory to achieve an even production standard over a given time.

Restrains on the facilities and attempts to accommodate the seasonal demand can be responsible for level production plans. Conversely, the chase production plan varies according to the time intervals of the plan in a way that matches the sales forecast in that interval. In this production, the production always pursues the demand hence the name “chase production”.

Level production plans are suitable for companies that produce goods at a constant rate that also equals the demand for the goods. The organizing qualities in level production strategies are important in making schedules that will organize the same amount of goods based on the demand for the same goods. An example is planning to produce 10, 000 units by spreading the production over 10 days and working 1, 000 units per day.

The chase strategy is more suitable for small and new businesses in unpredictable sectors. This strategy produces enough goods to satisfy the demand at that period. This method minimizes hidden costs that may occur in the level production strategy that is also more capital intensive. Small organizations such as restaurants may find this strategy more fitting as their customer volumes fluctuate according to seasons and economic condition.

JIT/ EOQ /ROP Interrelationships The Just in Time (JIT) production method refers to a combination of strategies that are intended to impact on the profit through reducing the inventory processes.

Some of the principles of JIT include producing the needed quantity of units without surplus or deficit, production that is accurate to the time when it is required and that suppliers deliver the exact quantity demanded at the agreed time and place. Economic order quantity refers to the order size that give the maximum economy in obtaining raw materials and which contribute toward optimum profits and minimal costs (Bozarth, 2008). The formula for economic order quantity and the reorder point are as follows From the formula, we can deduce that the lower the economic order quantity, the higher the rate of return on investment. This is because low economic order

quantities signify that the company is operating at optimum performance using the available materials.

It also shows that the suppliers deliver the goods on time to enable other parts of the company to produce efficiently. The reorder point refers to the status of inventory that signifies a need to place orders to suppliers that will improve or maintain the economic order quantity. The reorder point means that the inventory has reached a state where it needs to be replenished. The correlation between ROP and EOQ is that ROP determines the level of EOQ and consequently, EOQ determines the volume of business profit that a company can realize. References Bozarth, C. C.

, & Handfield, R. B. (2008). Introduction to operations and supply chain management.

Upper Saddle River, N. J: Pearson Prentice Hall.