

# Importance of the company's production processes business essay

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## **1. 0 Introduction**

SunnyJaya Plastic Industries Sdn Bhd was established on 27th April 1999 and it conversion from a partnership established in 1992 by 2 brothers, Ong Teng Lye and Ong Teng Ngo which are the founders of the company. The principle activities of SunnyJaya Plastic Industries Sdn Bhd is processing and recycling of plastic scrap or the plastic wastes. The main products of company are PPO (FR), POM, which is polyoxymethylene, a common plastic polymer, in other word SunnyJaya a Plastic Industries Sdn Bhd produce plastic raw material, industrial product which they only supply for other company for use of production process. The key to drive company success is the experienced directors and management. Directors and management team members of the company have been the role player in plastic recycling industry more than a decade. In fact, the experienced and skillful employee has leaded the company to increase the competency in the industry. Beside this, SunnyJaya Plastic Industries Sdn Bhd meet the requirement of ISO 9001 : 2000 and ISO 14001 : 2004 in 2006. Furthermore, SunnyJaya Plastic Industries Sdn Bhd had aim to establish as a manufacturer that able to provide a good quality of recycle plastic with a favorable and competitive price to gain larger market shares in local market. Therefore, over the years, the SunnyJaya Plastic Sdn Bhd has expanded and focused its business in export-oriented market. The Company's clientele base spread over China, Taiwan, Korea, Hong Kong, Indonesia, Singapore, Philippine, Thailand and Sri Lanka. Today, SunnyJaya Plastic Industries Sdn Bhd is one of the leading manufacturers who export recycled plastic resin in Malaysia. Mission of SunnyJaya Plastic Sdn Bhd is to consistently and continually manage the quality expectations, innovation

trends, customer satisfaction and people development. The visions of the company are to be in the fore-front in the manufacture and supply of world class recycling of plastic resins and quality services and to offer competitive price without sacrifice the quality of the products (Sunnyjaya Industries Sdn Bhd Profile, 2012).

## **2. 0 Production/ Operation Processes**

Table 1: The Production Processes of Sunnyjaya Plastic Industries Sdn

BhdTable 1 refers to the production process of company, at the beginning Sunnyjaya Plastic Industries Sdn Bhd buy plastic scraps from suppliers as their raw material. Example of plastic scrap collected by company such as car's rejected parts, plastic bottles and etc. After company collected plastic wastes or scraps, they will have Quality Control (QC) inspection on the materials they had collected, in order to make sure that all materials are pure in plastic and no others mixture on it. If there is some mixture on the plastic scrap, they will send it back to supplier. Repacking is the following step after QC inspection on raw materials. Company will repack all the plastic scraps or raw materials that passed in QC inspection stage in bundle. After repacking all the materials, company will keep bundles of material to store area for raw material of Sunnyjaya Plastic Industries Sdn Bhd.

Company store the raw materials is to prevent shortage on raw materials and give support on material supplied to production department. For the next stage of process which is issue to production. Production department get the support on raw material and start to produce products to generate sales for company. After the raw materials are issued to production department, workers in production line will start to mix the raw material and

this so called mixing process. Company will mix different types of plastic in one machine and turn into a mixture that requires in producing the product that customers had ordered. Sample Testing is the following step which company will test on the mixtures that had been mixed in order to make sure that the mixtures is able to produce the product that meet customer's requirement. After the sample testing stage was passed, production line will go for extrusion step. In this step, workers will start cook, burn and melt the plastics mixture and compress the mixture of plastics into strips by using machines. After the mixtures had compressed to strips, the plastic strips will go through a water tank in order to cool down it and the strip will become harder. The next step after extrusion is palletizing. Workers in production will palletize the plastic strips into granular shape after the strips' temperature had cooling down and become harden. The granular plastics will be the final goods of Sunnyjaya Plastic Industries Sdn Bhd. Company will pack the granular plastic in bundle as well and there will have QC inspection on the finish goods too. The reason of Sunnyjaya Plastic Industries Sdn Bhd do the QC inspection on the finish goods is to maintain the high quality of product that distribute to customers. After the QC stage was passed inwards to store is the following step, bundles of finish goods will move to products keeping store area. Therefore, last step is delivery the finish goods or product to customer. In our opinion, we think that the process strategy that Sunnyjaya Plastic Industries Sdn Bhd using is Process Focus Strategy. Process Focus strategy is refers to a company which focuses on product variety and low volume of product. In process focus strategy, responsible of production line in a company is make-to-order. During our visitation in the company, we

found that the store area of Sunnyjaya Plastic Industries Sdn Bhd keep more than 10 types of products that customers had ordered. From this, we can clearly define that the process strategy that implement by the company is process focus strategy. Currently, Sunnyjaya Plastic Industries Sdn Bhd has 24 different types of product. Even all the shape of finished plastics product made by company looks same, but there is a different mixture on it. 24 types of product consider high variety of product in plastics raw material industry. The strengths or advantages can gained by Sunnyjaya are provides higher satisfaction level to customer and the workers have broadly skills. Company able provides higher satisfaction level because they offer high variety of product to customer to meet the different requirement of customers. Once the company able to meet the requirement of customer they wills create a positive perception from customer toward the company. This also will directly increase the competency of company in the industry. The second strength is broadly skilled workers. In process focus strategy is require a broadly skill operator to operate those machines. However, this is not consider as a strength, the strength is process focus strategy is able to train a new operator become a broadly skilled. Product line will be more effective and efficient in production process when there have broadly skill operators. Same as previous point, it also will increase the competency in the industry. However, the disadvantages of process focus strategy are costly, high of work-in-process and lower utilization of facilities. Costly because process focus strategy requires high volume of raw material to keep in order able to produce different product ordered by different customers. Keeping of high volume of stock inventories is risky for Sunnyjaya Plastic Industries Sdn Bhd

because may have certain raw material is seldom to be used, this is one of the risk they have to take a place for store it, and it may affect the availability of places in warehouse. The second disadvantage may face by Sunnyjaya Plastic Industries Sdn Bhd is high in work-in-process inventories, it refers to partial finish goods. Since Sunnyjaya Plastic Industries Sdn Bhd is using process focus strategies in production, they will have a lot of different tasks to be complete, means various types of product have to produce base on different customers and different requirement. In order to process different types of product, it will affect the efficiency of production process. The production process for every product is different so it is hard for them to have a fixed schedule to produce product and it will make company high in work-in-process inventories. Beside this, lower utilization of facilities also may be one of the drawbacks for Sunnyjaya Sdn Bhd when using process focus strategy. Compare with product focus strategy, the utilization of facilities of process focus is lower, because in process strategy products going to produce have different requirement in production process and the machines going to use in production process also will be different for different product. For an example, plastic A is require washing and painting process and plastic B only require washing only. In this incident, machine for painting only perform for plastic A not plastic B. This showed that not all machines will be used for production processes in process focus strategy. Based on our observation, we found that Sunnyjaya Plastic Sdn Bhd is shift toward to product focus strategy. Because during the conversation with production supervisor, we informed that Sunnyjaya have numbers of fixed customers and keep order a large quantity for same products. We believe

that process strategy of Sunnyjaya Plastic Sdn Bhd will shift to product focus strategy in order to fulfill the demands from customers.

## **2. 1 Facility Layout**

Based on diagram 1, the first step is to collect raw materials which are plastic scrap from the store room. 2nd step is the Quality Control which located at the corner of store room. After that will be the cutting process which are located at C1, C2, C3, C4, C5, C6, C7, C8 and C9. Next is the mixing process which located at M1, M2, M3, M4, and M5. The following step will be granule making process which located at G1, G2, G3, G4, G5 and G6. The final step is to deliver those completed products to the store room. There are three washing machines which are W1, W2, and W3. These machines are located at different department because there is no interrelated with other machine. Besides that, there are rarely in use unless there is request from customers. Next, we observed that their safety precautions are doing very well. There are total of 25 fire extinguishers within this factory and located each at every single corner. There are also 16 hose reel and 3 water hydrants in this factory. In our opinion, we think that the layout strategic using by this factory is process layout. Based on the diagram and our observation, those machines and equipment that perform similar process are grouped together. One of the strengths of this layout is that will lead to less time consuming and less workers needed. Besides that another advantage of this layout is its flexibility in equipment and labor assignment. This is because when 1 of the core machines breaks down, the process will not be stopped and the work can be transferred to another core machine in a same department. Strength of this layout is flexible and

capable of handling a wide variety of products or service. From our observation, those completed goods can be deliver to store room easily because of the large spaces between machines. Besides that, workers in the same department can help each other, so that work can be done in short period of time. Due to the safety preparation, any accidents can be solved easily. Workers can get fire extinguishers easily if there is any fire accident. The weakness for this factory layout is the disarrangement of the finished goods and raw material. As we can see, finished goods and raw material are placed together. In this case, this will cause inconvenience for the workers to get the raw material. At the same time, it's hard to send out the finished goods.

### **3. 0 Literature Review**

Based on the business dictionary, outsourcing is the strategy that a firm contracts out of an internal business process to a third party. Outsourcing nowadays included both foreign and domestic contracting where foreign contracting is contracting overseas and domestic contracting is contracting locally to other company. It is usually contracting to another company which can provided more expert and experience services as it reduces the operating costs. Therefore, it has a magnificent positive effect on productivity of the firm. From the journal that we reviewed, it stated that the outsourcing has drawn the attention in the public policy and management for the past decades. It has become a famous practice for the organisations and they adopted a wide variety of outsourcing initiatives such as recycling. Thus, it creates an opportunity for the recycling organisation in the business field. Nowadays, outsource practicing has become more common and

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important in business (Holger Görg, 2008). It has eventually become important because it allows the organisation to outsource the service from abroad and access cheaper inputs abroad (Martin Falk, 2012). The organisation can provide high quality services such as skill intensive and innovative products or services to the audience at low cost (John m. Kelly). Hence, organisation which practice outsourcing could make giant leaps in efficiency, effectiveness, and speed. However, there is outsourcing risk to be taken as the conflict of profitability and social goals might be happened. The outsourcing practice is hard to be handle as it involve third party organisation which it has increase the difficulty of the management. One of the factors that cause the difficulty of managing the outsourcing is the law issues that arise in reporting issues for controlling the vendor's performance and preparing a proper contract. In fact, some of the vendors will reject the business due to the quality shading offered or reduce the marginal in quality to reduce the cost of production. Thus, it has hardened the difficulty of the outsourcing practice. Other than that, the other factor of causing difficulty of practicing outsourcing is the wide variety of outsourcing arrangements. It is impossible to establish a single method for solving all the conflict between vendors and the organisation. The complexity of the contract and quality of services provided must be according to different situation and thus it increase risk of outsourcing. In order to overcome the risk, the organisation needs to identify the risk assessment which included three dimensions: supplier market, costs of switching and citizen sensitivity (Emanuele Padovani, 2008). The dimension of supplier market is representing the degree of competitiveness of supplier in the market. There are different

amount of supplier in the industry due to the barrier exist. For example, there are many vendors of outsourcing in printing business but there are only few vendors in recycling industry. The lesser the number of the vendors in the market, the lower the bargaining power of organisation. Thus, the number of supplier in the market directly affects the risk taken by the organisation. Meanwhile, cost of switching is also playing a major role in deciding the risk taken of outsourcing practice. There are some specialized resources involved in the outsourcing can be hardly switch from one vendor to another. It will have the difficulty or substantial costs needed to pay to switch the vendor. For instant, teachers as main labour in the industry who identify the need of students, developed the syllabus for students and established the relationship is hardly to be switch. If that is necessary, the organisation need to pay high amount of cost to provided the same quality of service. Thus, the switching cost of outsourcing could be very high and it disables the organisation to switch during urgent time. In addition, citizen sensitivity is also one of the factor need to be considered in order to lower the risk of outsourcing. This is due to citizen are the final clients to purchase the goods or services. Their satisfaction on the goods or service is mainly the consideration instead of the outsourcing practice in the term of reputation of the vendors, delivery time and quality of goods and services provided. As a result, the organisation must consider how the citizen would be affected if a vendor with low performance if the outsourcing practice is conducted. The three dimensions are significant to lower down the risk in order to conduct the outsourcing practice. The low risk outsourcing practice comes with high competition in supplier market, low switching cost and low citizen sensitivity

in order to achieve the successful. Therefore, the organisation should identify the degree of these dimensions before conducting the outsourcing practice as it has higher probability to achieve the goal. Furthermore, vendor is very important to be chosen in deciding for outsourcing according both technical features and also service level guarantees. It is useful to establish a options to compare which vendor to be cooperate with. Based on the research stated entitled " Journal publishing systems: outsource or inhouse?", there are several factor need to be considered in order to choose the proper vendor. First of all, the general information is the size of vendor and the resources level can be provided by the vendor. This is important because the vendor size and ability to deploy resources has the great influence on the technical features and service level guarantees; the larger the vendor size and greater the ability to arrange resources, the better the technical features and service level guarantees and vice versa. However, the price of vendor is also depending on the firm size as it has positive with the service provided. Besides this, navigation and interface is also one of the factors to be considered. Navigation and interface is the factor that representing ease of use of the system, customisation and accessibility access standards that provided by the vendor. This is the factor where it is stating the flexibility of the system provided by the vendor as the higher the flexibility, the easier for firms to apply the system provided by the vendor. Meanwhile, the other factor is the supporting from vendors. This is the factor where it shows the level and type of support will be offered to the firm or end user. The period of time is available for supporting and how quickly the vendor response is the major consideration for firm in order to choose the vendor because it affects

the end user satisfaction on the product. The other factors involve the specific strength of the vendors. Different vendors might conduct different strength while providing the service. Some of the vendors emphasis on quality, while some of them emphasis on the period of time taken to finish the job task. So, it depends on the firm needs toward a vendor which the strength is matched. Therefore, this is also one of the factors that influence the firm to choose the vendor. In order to make the recycling manufacture more economically feasible the company should increase the profit and reduce the operation cost. According to Kondoh, Kurakwa, Koto, Umeda & Takata (2006) many green businesses cover multiple life cycles which company cannot execute the entire task by themselves. That's why it is very important for the company to make the right outsourcing decision for cost reduction. Through outsourcing can reduce the company operational costs by applying the rule expansion of the business scale. There are few advantages of the outsourcing which are flexibility, outsourcing enable the companies to transform part of their fixed cost into variable cost which increase the ability of the company to adapt. Secondly expertise, outsourcing allowed the certain outsourced process which involved activities which requires more advance knowledge to be operated more effectively by the specialist who has more advanced knowledge. Lastly progress, outsourcing allowed the companies to solve the working climate problem by reducing the workload of the employees which certain complicated process where being outsourced (Business Services)According to Mark, Zhaohui & Nagesh (2007) company should consider two main decisions criteria if the company have taken the recycling into consideration, which was whether the

product being disassembled before recycled and who perform the recycling process. When come to think of a solution for the recycling processes which do not bring obvious benefit to the company, outsourcing will be the quick and relatively low cost solution. There is a major strategic implication beyond cost that the company have to considered before making the decision to outsource recycling, which is whether the outsources suppliers have experience in recycling activities and whether the supplier are actively in participate in recycling process. There is four type of recycling option which is outsourcing recycling without disassembly this was a low cost, low risk and low return option and probably the easiest solution for the company to implement. It is because the recycling provider already has the necessary equipment for the process and companies no need to invest more money on recycling process. Secondly, outsourcing recycling with disassembly in this process the material recovery rates will be increased and the recycler involved in product disassembly will able to indicate the whether there is adequate demand. Thirdly, In-house recycling without disassembly was a decision to own the recycling process but owning the process will increased the unnecessary fixed cost. However this option will also provide some benefit, it allowed the company to gain control over their intellectual property and reduced the risk of irresponsible manner of the supplier. Lastly, In-house recycling with disassembly this is the option required long term justify the investment in product and process innovation which incurs the highest cost of investment but also provides the greatest opportunity for the company to alter the existing supply chain. In this new era of economic, recycling is naturally driven by the economic necessity as the company may

gain environmental benefit of being useful and positive by product. The main drive for recycling of waste was its residual economic value. In develop country the formal sector is experimenting the models that allowed them to used the strength of the informal sector to streamline the supply chains. According to Mondi a global paper manufacturer can gain their economic opportunities by outsourcing its recovery fibre or waste paper. Owner-driver scheme is a method which enables the company to empower employee to transport goods for the company. The company used the owner driver scheme to encourage the formal employees to create their own paper pick-up and delivered it to the company. Besides that, owner-driver scheme also create opportunities for empowerment, encouragement and economic development for hundreds of people which directly or indirectly received the benefits in the form of employment, increased income, skills transfers and enterprise development. According to Modi by outsourcing its supply chains the Modi recycling will be able to reduce its costs and increase the productivity by paying the service provider on the volume basis rather than on the fixed salary basis. In addition to, the one-driver scheme could increase its social economic footprint to help the formal employees by allowed the formal employees to involve in creating and managing their own business and grows as stand-alone businesses. Home Appliance Recycling Law is the new law provides for a collection and recycling system, which require the home appliance retailers to take the responsibilities to collect the used home appliance and the manufacturer to take responsibilities to recycle the used home appliance (Home Appliance Recycling Law). According to Matsuo (1999), the waste process which involves dumping in the landfills or

crushing it will not be available anymore due to the rising of the processing costs and scarce of landfill. Under these circumstances, the home appliance recycling law was formulated to reduce the waste produced, improve the effectiveness of recycled resources and enable the environmental protection from the pollution. Under the new law the recycling process will require to be started from every retail store to manufacturing collection sites. Due to this reason a problem have occur, there is only one or two manufacture per town which responsible to do the collection from the retailer this has increase difficulty for the retailer to transport the used home appliance to the manufacture. Other than that, the discarded products require to be held in a temporary storage space and arrange according to the manufacturer. Due to this logistical problem many small retail stores have outsourced the recycling operations. By using outsourcing method the retail stores can reduce the cost of the inventories and transportation cost. Due to the implementation of the new law it is predicted that the outsourcing market will become more and more competitive. Because of that the lager the outsourcer is the more competitive advantage will be gain by the outsourcer. According to Municipal research there are several problem faced by the recycling manufacturer which are failing to deliver due to the vehicle breakdowns and challenges in collecting the recyclables material separately. In order to solve the vehicle breakdowns problem the manufacturer must have enough operational vehicles to avoid overloading and to ensure continued service. There are several option to deal with the problem which are used the vehicle only for the meant purpose and lease the vehicles or outsource the process of maintenance and repair of vehicles to other service

company with the agreement that the company have to make sure there is no vehicles breakdown problem. For example, City of Tshwane's vehicles will make sure that the minor repair of the vehicles will be done immediately and outsources the Hydraulic and other specialised repair. The second problem faced by the manufacture is the challenges in collecting the recyclables material separately. In order to solve this problem the manufacturer should employing contractor to collect the recyclables material then the responsibility will be shift to the contractor. The manufacturer should outsource the collection process to the company which have the ability to collect the recyclables material separately. According to the Municipal system act a municipality can only outsource the services in term of section 78(3) the manufacturer has to consider the direct and indirect cost and the benefit associated with the project, the capacity of prospective services provider to render the services and the view of local community and organized labour.

## **4. 0 Discussion & Conclusion**

Operation management is types of project create value by converting the input to output in term of services or goods and including few very important strategies and that include company productions process, and also facilities layout.

### **Importance of the company's production processes**

Company's production processes is the collection of methods and technology to define that how the product to be made or manufactured, and process are very important in all the business and we cannot avoid the process of doing



business. In order to deliver all the outcome or product, we should follow every process that is needed by the product itself because if we miss out on one of the processes, it may lead the whole product line to failure because we don't follow the process accordingly, for example, manufacturing a car, normally the company will test the car and make sure everything is alright before they hand the car to the customer, but in case that they miss out on this process of testing the car, it may increase the chances that the car received by the customer is defective. Therefore we must make sure that the entire employee knows and understands the process well because this can improve staff awareness and avoid the entire mistake from happening.

#### **4.1 Importance of the company's facility layout**

Next we will discuss about the facility layout, facility layout is an arrangement of different aspects of manufacturing in an appropriate manner as to achieve desired production results (MSG, 2008) and to ensure that all the processes are running smoothly and also provide optimum work space, create a safe & comfortable working environment for the workers and also can provide a proper safety measure for the worker. For example, company A does not have a proper facility layout in their factory and it may make the factory become very messy and this will increase the movement of workers and reduce the production capacity of the firm because the workers are unable to obtain all the facilities that they need immediately and also reduce the space capacity of the warehouse or factory.

## **4. 2 How outsourcing increase company efficiency and effectiveness**

Sometime, when the firms are not doing well in certain part or they want to avoid certain type of cost, problem and some burdensome regulation, they may consider using outsourcing strategy. They will actually outsource some less important task to the outsider so that they can focus on their crucial work because every business have limited resources and every worker also have limited and outsourcing can reduce their burden so that they can focused on their core services and products. Other than this outsourcing also can improve the cost and efficiency savings of the company because some products or services actually very complicated in nature but the nature of the firm are actually preventing them to performing it at consistent and reasonable cost. For example apple corps, they are more specialized in designing and not good in manufacturing all this electronic gadget, therefore apple have choose to outsource manufacturing to Foxconn, which is the world largest electronic contract manufacturer from Taiwan that are specialized in manufacturing electronic product. In addition to, outsourcing also can increase company staffing flexibility because some operations of the company may have seasonal and also cyclical demands to bring in extra resources when we needed and can easily release them when we are done. For example, Apple Company, they only held product launching event twice a year and they will outsourcing this event planning to outsider so that this outsource company can help apple to organise this event at fixed period of time at consistent cost.

### 4. 3 Recommendations

After we have done the visitation to the factory , we have realize that actually there are some disadvantage in the production process of the company and there are including costing of the company are very high , high in work process inventories and low utilization of organisation inventories One of the issue the facing now is costly problem, costing can be define as one of the fundamental of every business and its very important in operation because this is the most important factor that determine the profit of the firm, A company can actually continue to keep stock for the raw material that frequently used but reducing the amount of stock keeping for the raw material that seldom in used in order to save cost on this. But , due to sometime we still need to use that raw material although we do not used it so frequent , we can actually consider to purchase that materials from other when needed or have insufficient of material in our warehouse. In addition to, it also can help the company make more space out from their warehouse and we could save a lot with this instead of getting another bigger warehouse to store all the raw materials needed. Another critical issue of company facing is about high work in process inventories. Work in process inventory is the inventory of good that are still in process stage but not finished yet, and high-work-in-process-inventory can be beneficial and harmful as well. The beneficial is that we can provide customers finish goods much quickly because we already have all this semi-finished goods on hand and we can convert them into finished goods quickly and this can increase the efficiency as well and its can be harmful because we need a lot space to store them. Although the company main focus on process strategy but

actually we can try to reduce work-in-process-inventory in order to help the firm to achieve lean manufacturing and this also can help the firm to reduce the costs in another hand. Other than this, we need to accurately determine the bottlenecks resulting in increased yield, for example, we can add additional machines in the parallel to in order to increase the firm throughput capacity . In addition to, the company also can optimize the manufacturing process in order to increase or improving one or more process performance measure of the company. The following issue facing by the firm are low utilization of organisation inventories , utilization of organisation inventory are define as how the employee get used to the inventories or the facilities that provided by the company to them . Since different product may have different type of process and need different type of machines. Therefore, this will be the main cause that not all machines are fully utilized because the machines required to manufacturing them are different. In order to reduce this waste, the firm can actually reduce the variety choice of product to customers. Because when we offer more choice of product , we will need more facilities and inventory and all this inventory may not suitable and necessary to be used for other products, For an example, plastic A and plastic B problem as mention early, actually we can refer to the demand and the sales of both product, if the sales and demand for product A is much more higher than product, we can actually more focusing on product A and cancel the production line for product B or change to another product that using same type of machine and inventory in order to prevent the low utilization of facilities and this can beneficial the company

by fully utilize all the machines and at the same time, it's also can makes the company looks more specialized in producing certain product.

#### **4. 4 Conclusion**

Process and facilities layout are very important to all kind business and we must organise them accordingly in order to make sure that our company can operate smoothly. Outsourcing is one very powerful tool that can reduce the job task and can help us to reduce many different kind of cost, such as machine, training, equipment and also some troublesome regulation and so on , but we have to uses wisely and avoiding misuse of this because it might bring negative effect to our company.