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PROCESS STRATEGIES IN OPERATIONS MANAGEMENT

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Introduction

A process strategy is an organization's approach to transform resources into goods and services (Heizer, Render & Munson, 2020). Process strategy is critical to a company because the selected process will have a long-term effect on cost, the flexibility of production and quality of goods produced. There are four (4) approaches to transform input into valuable output: product focus, process focus, repetitive focus, and mass customization.

Types of Process Strategy

The main characteristic of Product Focus is large quantity in production, low variety of products and it is product-oriented base. The facilities such as equipment, tools, machines, workstations, layout, and supervision are organized according to the types of products. The machines used in product focus are specialized in producing few products, high technology and expensive. The fixed cost is high due to the expenses of machines or equipment, but the variable cost is low because the product is produced in high volume (high facility utilization). A company need to hire less broadly skilled workers (operational workers) because the workers just monitor the high-tech machines, and the job instructions are standardized due to the low variety of products. The raw material inventory for this approach is low (few inputs) and finished goods inventory is made to forecast and stored for the future demand (standardized product). The examples of products produced by using the product focus are sugar, mineral water, steel, electricity, potatoes chip etc.

The second approach is Process Focus. Its main characteristic is the low quantity and high variety of products. The facilities are organized around the activities and processes. A company which uses this approach need to find highly skilled workers because there are many types of goods to produce and many services to offer and the instructions for each job or process are not standardized.

Examples of the company using this approach are universities, hospitals, tailors, restaurants, banks, libraries etc. The equipment or machines used are general purposed because of many types of products produced. As an example, tailors used sewing machines to sew many types of dresses such as baju kebaya, modern baju kurung, traditional baju kurung, baju melayu, trousers, blouses, school uniforms etc. The fixed cost is low because a company used general-purpose equipment, but the variable cost is high due to the small volume of product (low facility utilization). The raw material inventory for Process Focus is high (many inputs used) and finished goods inventory is made-to-order based on customer demand (customized product). The scheduling process for this approach is very complex because of the differences in activities or processes.

The third approach in process strategy is Repetitive Focus. The main characteristic of this approach is the use of modules. Modules are parts and components that are pre-prepared in product-continuous process. Modules can help a company to produce many options of the product. For example, fast-food restaurants such as McDonald's can serve many types of burgers with the modules of the bun, patty, cucumber, onions, cheese and many more. The automobile industry is another example of repetitive focus which use modules to produce types of models for cars or motorcycles. The facilities in the factory are organized in the assembly format. Just-In-Time inventory is applied in this approach and the finished goods are make-to-forecast.

The last approach is Mass Customization. Mass customization definition refers to a business concept of offering customized products and services to meet the individual customer's requirements. It gives businesses a competitive advantage and boosts their economic value. The main characteristic

of this approach is the high volume and high variety of products. It is rapid, low-cost production and produced customized product. Mass Customization is a challenging approach because it requires sophisticated operational capabilities. It must integrate with Product Focus (high volume), Process Focus (high variety) and Repetitive Focus (modules) to fulfill the unique customer requirements. It requires many job instructions hence flexible workers are important. The fixed cost tends to be high and variable costs are low (high volume). This approach needs sophisticated scheduling to accommodate customized orders from customers. Examples of companies that used this approach are Dell Computers and Nestle.

Conclusion

Process strategy is one of the ten (10) decisions in operations management. Operations manager should understand the characteristics of each type of process strategy and match it with the company's product design. Therefore, a company can produce the product in efficient and productive ways.

Pearson.

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