

5.5D: Production Planning Activity



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5.5 PRODUCTION PLANNING: ACTIVITY D

Read the case study information below and answer the questions that follow.

AN EFFICIENCY DRIVE AT JUST IN TIME PRODUCTIONS



Anna Hallstead is the owner and managing director of Just in Time Productions, a firm that specialises in producing PowerPoint presentations and speech writing services for busy executives. Their unique selling point is their incredibly fast turn-around. A busy and stressed executive who needs to make an important presentation to a group of prospective clients can contact Just in Time Productions the night before and a

tailor-made presentation will be ready for them the next morning. This fast turn-around requires highly efficient staff who are very productive because presentations and speeches cannot be delayed by their clients.

Mrs Hallstead has seen an opportunity to meet client demand for quickly produced research reports and report editing. There are two options that she is considering. Firstly, outsourcing (subcontracting) the work to another business or a group of freelance workers who can hopefully ensure the fast turnaround demanded by Mrs Hallstead's clients. Secondly, expanding her current team by recruiting and developing new teams of staff who could effectively produce the new report writing and editing work being demanded. If this option was to go ahead, additional office space and administration support would be needed, so fixed costs would increase by an estimated \$25 000 a month.

The following data and estimates have been prepared for Mrs Hallstead and her finance team to analyse and help with this very important strategic decision:

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Current average monthly sales and staffing figures for Just in Time Productions

Average total sales (\$)	Units sold (per month)	Staff employed
240 000	600	8

Option I: Purchasing reports and editing services

	Price (\$ per unit)	Expected monthly demand
Research reports	399	80
Editing services	199	120

Option II: Internal expansion

	AVC (\$ per unit)	Expected monthly demand
Research reports	200	80
Editing services	125	120

Source: www.BusinessManagementIB.com

QUESTIONS: 25 MARKS, 45 MINUTES

1. Define the term **labour productivity**. **[2 marks]**
2. Calculate the labour productivity rate using sales per worker. **[2 marks]**
3. With reference to Just in Time Productions, examine the benefits of high productivity for organisations. **[5 marks]**
4. Examine the likely determinants of productivity at Just in Time Productions. **[5 marks]**
5. Distinguish between **cost-to-buy** and **cost-to-make**. **[3 marks]**
6. Recommend to Mrs. Hallstead as to whether her firm should produce the new services itself or purchase these from subcontractors. Use both quantitative and qualitative considerations in your answer. **[8 marks]**