

## On the Use of Big M Method in Modeling Production Process: A Case Study of NARICT, Zaria

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### *Abstract*

*In the National Research Institute for chemical Technology (NARICT), optimal control of production and distribution has a fundamental role to play. One inevitable area where production planning has proven useful is in the allocation of scarce resources to meet certain production demand, also in the distribution of finished goods to different demand location at a minimum cost. In this study, the particular scenario presented concerns NARICT with potentials for production of multiple items under different facilities was considered. The items produced are distributed to number locations whose demands are known. Three integer programming models were analyzed to address the production planning problem, while the modified version of simplex method was used as the numerical tool for the computation of the optimal solution. The optimal solutions were verified using the Windows based Quantitative System for Business (WINQSB) package. The results obtained showed that not all items should be produced if a minimum cost is to be achieved (i.e. some item should have zero production units).we see that if demand is known at a starting point our decisions are not exposed to uncertainty, since the demand determines the actual distribution of quantities and consequently the minimum distribution cost. Adequate production planning is essential to ensure less operational cost and increased profits.*

Keywords: Optimization, Production Planning, Linear Programming.

### 1.0 Introduction

Optimization is a vital instrument for decision making process based on past experience which can affect the present and the future. Most decision making is part of the unending history of actions. Earlier choices affect the present, while current decisions may influence the future and so on. One of the important tools of Optimization is "Linear Programming" (L.P.). A Linear Programming Problem (LPP) is specified by a linear, multi-variable function which is to be optimized (maximized or minimized) subject to a set of stated restrictions, or linear constraints. The function which is to be optimized is called the objective function. The Simplex method, also called Simple Technique or Simplex Algorithm was developed in 1947 to solve problems of this type in [1] an American Mathematician. It is the basic workhouse for solving Linear programming problems till date. Though there have been modifications to the method, especially to take advantage of computer implementations, the essential elements are still the same as they were when the method was invented [2,3].

Production and distribution company are often faced with decisions relating to the use of limited resources. These resources may include men, materials and money. In other sector, there are insufficient resources available to do as many things as management would wish. The problem is based on how to decide on which resources would be allocated to obtain the best result, which may relate to profit or cost or both. Linear Programming is heavily used in micro-economics and company management such as planning, production, transportation, technology and other issues. Although the modern management issues are error changing, most companies would like to maximize profits or minimize cost with limited resources. Therefore, many issues can be characterized as Linear Programming Problems [4].

In this paper, we formulate production processes as integer linear programming and present relevant solution approaches for the models formulated. The modified version of simplex method was adopted and tested on the production models, and the results obtained showed that the method is highly reliable and efficient. The remainder of this paper is organized as follows;

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### 3.0 Model Formulation

Let  $x_{ij}$  denote the quantity to be distributed from location of a certain warehouse  $i$  to another demand point  $j$ ; the optimization problem will be formulated as model P2

$$\begin{aligned} \text{minimize } f &= \sum_{i,j} c_{ij}x_{ij} \\ \text{Subject to: } & \sum_j x_{ij} = w_i, \quad i = 1, \dots, m \\ & \sum_i x_{ij} = d_j, \quad i = 1, \dots, n \\ & x_{ij} \geq 0 \end{aligned} \quad (2)$$

Where,

$c_{ij}$  = denote the distribution cost from warehouse ( $i$ ) to distribution point ( $j$ )

$d_j$  = demand at distribution point  $j$

$w_i$  = Capacity of each warehouse or (supply point).

### 3.1 Model of Production Planning with Lost Demand and Inventory

We consider a case where a factory is planning for the production of three items, this item requires three available resources and then we formulate a model for the factory so as to maximize profit as in Model P3, i.e.

### 3.2 Model P3

$$\begin{aligned} \text{Max } Z : & r_1(d_1 - u_1) + r_2(d_2 - u_2) + r_3(d_3 - u_3) - \\ & cp_1(p_1) - cp_2(p_2) - cp_3(p_3) - cq_1(q_1) - \\ & cq_2(q_2) - cq_3(q_3) - cu_1(u_1) + cu_2(u_2) + cu_3(u_3) \end{aligned}$$

subject to :

$$a_{11}p_1 + a_{12}p_2 + a_{13}p_3 \leq b_1$$

$$a_{21}p_1 + a_{22}p_2 + a_{23}p_3 \leq b_2$$

$$a_{31}p_1 + a_{32}p_2 + a_{33}p_3 \leq b_3$$

$$p_1 - q_1 + u_1 = d_1$$

$$p_2 - q_2 + u_2 = d_2$$

$$p_3 - q_3 + u_3 = d_3$$

Where,

$r_i$  = profit for item  $i$

$cp_i$  = cost of producing item  $i$

$cq_i$  = unit inventory holding cost of item  $i$

$a_{ik}$  = type of resources  $k$  required to produce item  $i$

$b_k$  = amount of resource  $k$  available.

$d_i$  = amount of demand for item  $i$ .

$p_i$  = amount of output of item  $i$ .

$q_i$  = inventory of item  $i$ .

$u_i$  = amount of unmet demand of item  $i$ .

Where, the values for the variables  $r_i, cp_i, cq_i, a_{ik}, d_i$  and  $b_i$  for  $(i = 1, 2, 3)$  are known. Thus, the model developed above will be used and from the available data; parameters would be substituted to get the optimal solution.

**4.0 Illustrative Problems**

**4.1 Cost Minimization and Optimal Control of Inputs**

National Research Institute for Chemical Technology (NARICT), Zaria produces four types of goods namely; belts, sandals, boots and bags. the manufacture of these items is constrained by a budget of N100, 000. To engage in the production of these four items NARICT uses three resources; raw materials, labour and over-time. NARICT needs 5,000kg of raw materials, 180 personnel and 250hrs over-time to produce 1000 units each of the four items. The resource requirements for each item and the cost are given by Table 1.

**4.2 Profit Maximization and Optimal Control for Three Inputs**

NARICT is planning for production of three items namely; industrial boots, belts, and bags. The manufacture of each item requires three resources. These raw materials are number of workers, overtime and varying stock. The amount of the three raw materials required is illustrated in Table 3.the amount of available resources and the demand for each item are represented in Table 4 and 5.

The cost of production, the unit stock holding cost, and the profit for each item in each time state is illustrated in Table 6

**4.3 Solution of the Problems**

**Data Presentation**

We present a summary of data required for the problem in 4.1 and using model P1 we formulate an appropriate integer linear programming and further solve it using modified version of the simplex method (Big M Method).

**Table 1:** Data of the Cost Minimization and Optimal control of inputs

Items	Raw Material (Kg)	Labour	Over Time (hrs)	Cost (₦)
Belts	500	15	40	5000
Sandals	1200	22	18	6000
Boots	1800	18	20	4500
Bags	1300	30	20	5000

The problem involves determining the optimal production combination of these four items that will generate a minimum cost. Now, we formulate the mathematical programming and optimization problem as follows;

$$\begin{aligned}
 \text{minimize: } & 5000x_1 + 6000x_2 + 4500x_3 + 5000x_4 \\
 \text{Subject to: } & 500x_1 + 1200x_2 + 1800x_3 + 1300x_4 \geq 5000 \\
 & 15x_1 + 22x_2 + 18x_3 + 30x_4 \geq 180 \\
 & 40x_1 + 18x_2 + 20x_3 + 20x_4 \geq 250 \\
 & 5000x_1 + 6000x_2 + 4500x_3 + 5000x_4 \leq 100000 \\
 & x_1, x_2, x_3, x_4 \geq 0
 \end{aligned} \tag{3}$$

We apply the Modified version of Simplex method (Big M Method) to the problem above and thus have a reformulation as follows;

$$\begin{aligned}
 \text{minimize: } & 5000x_1 + 6000x_2 + 4500x_3 + 5000x_4 + (0)y_1 + (0)y_2 + (0)y_3 + MA_1 + \\
 & MA_2 + MA_3 \\
 \text{Subject to: } & \left. \begin{aligned}
 5000x_1 + 6000x_2 + 4500x_3 + 5000x_4 + S_1 &= 100000 \\
 500x_1 + 1200x_2 + 1800x_3 + 1300x_4 - y_1 + A_1 &= 5000 \\
 15x_1 + 22x_2 + 18x_3 + 30x_4 - y_2 + A_2 &= 180 \\
 40x_1 + 18x_2 + 20x_3 + 20x_4 - y_3 + A_3 &= 250 \\
 x_1, x_2, x_3, x_4, y_1, y_2, y_3, S_1, A_1, A_2, A_3 &\geq 0
 \end{aligned} \right\} \tag{4}
 \end{aligned}$$

Where,

$y_1, y_2, y_3$  are surplus variables

$S_1$  is a slack variable

$A_1, A_2, A_3$  are artificial variables.

Table 2: Summary of Results of Cost Minimization and Optimal Control of Inputs

	Basic Variables	Entering Basic Variable	Leaving Basic Variable	RHS Value	Min. Ratio	Obj. Function Value
Iteration 1	$A_1$	$x_3$	$A_1$	5000	2.7	5430
	$A_2$			180		
	$A_3$			250		
	$S_1$			100000		
Iteration 2	$x_3$	$x_1$	$A_3$	$\frac{25}{9}$	$\frac{175}{31}$	$\frac{2920}{9}$
	$A_2$			130		
	$A_3$			$\frac{1750}{9}$		
	$S_1$			87500		
Iteration 3	$x_3$	$x_4$	$x_3$	$\frac{75}{62}$	$\frac{25}{14}$	$\frac{2280}{31}$
	$A_2$			$\frac{2280}{31}$		
	$x_1$			$\frac{75}{31}$		
	$S_1$			66330.6		
Iteration 4	$x_4$	$y_3$	$x_4$	$\frac{25}{14}$	150	$\frac{645}{14}$
	$A_2$			$\frac{645}{14}$		
	$x_1$			$\frac{75}{14}$		
	$S_1$			64285.7		
Iteration 5	$y_3$	$y_1$	$A_2$	150	1000	30
	$A_2$			30		
	$x_1$			10		
	$S_1$			50000		
Iteration 6	$y_3$	$x_4$	$y_3$	230	3.83	0
	$y_1$			1000		
	$x_1$			12		
	$S_1$			40000		
Iteration 7	$x_4^*$			$\frac{23^*}{6}$		40833.3
	$y_1$			2150		
	$x_1^*$			$\frac{13^*}{3}$		
	$S_1$			59166.7		

Data for Profit Maximization and Optimal Control of three inputs

Table 3: Required resources of production

Total required Resources $a_{ik}$	Production output requirement		
	Industrial Boots	Belts	Bags
No of Labour	10	7	5
Overtime	2	3	2
Varying stock	10	20	30

**Table 4:** Amount of available Resources

	Production Output Requirement
<b>Total required resources <math>[b_k]</math></b>	
No of Labour	60
Overtime	250
Varying Stock	60

**Table 5:** Amount of Demand Resources

Production requirement	Demand
No of Labour	500
Overtime	600
Varying Stock	500

**Table 6:** Cost of Production, Cost of Unmet demand, Unit Stock Holding Costs and Profit

Production Requirement				
	$p_i$	$cu_i$	$q_i$	$r_i$
<b>Industrial Boots</b>	30000	4000	1000	60000
<b>Belts</b>	20000	3000	2000	40000
<b>Bags</b>	30000	6000	3000	60000

Now, applying Model P3 and from the data on the Table 3 to 5 we formulate our maximization problem as follows;

$$\text{Max } Z : 60000(d_1 - u_1) + 40000(d_2 - u_2) + 60000(d_3 - u_3) - 30000 p_1 - 20000 p_2 - 30000 p_3 - 1000 q_1 - 2000 q_2 - 3000 q_3 - 4000 u_1 - 3000 u_2 - 6000 u_3$$

subject to :

$$10 p_1 + 7 p_2 + 5 p_3 \leq b_1$$

$$2 p_1 + 3 p_2 + 2 p_3 \leq b_2$$

$$10 p_1 + 20 p_2 + 30 p_3 \leq b_3$$

$$p_1 - q_1 + u_1 = d_1$$

$$p_2 - q_2 + u_2 = d_2$$

$$p_3 - q_3 + u_3 = d_3$$

(5)

Where,

$p_1$  = Amount of output of industrial boots.

$p_2$  = Amount of output of belts.

$p_3$  = Amount of output of bags

$q_1$  = Amount of stock of industrial boots

$q_2$  = Amount of stock of belts.

$q_3$  = Amount of stock of bags

$d_1$  = Demand for industrial boots.

$d_2$  = Demand for belts.

$d_3$  = Demand for bags.

$b_1$  = Amount of labour available

$b_2$  = amount of Overtime available

$b_3$  = Amount of varying stock

$$\begin{aligned}
 \max z : & 84000000 - 30000p_1 - 20000p_2 - 30000p_3 - 1000q_1 - \\
 & 2000q_2 - 3000q_3 - 64000u_1 - 43000u_2 - 66000u_3 \\
 \text{s.t.} & 10p_1 + 7p_2 + 5p_3 \leq 60 \\
 & 2p_1 + 3p_2 + 2p_3 \leq 250 \\
 \text{i.e.,} & 10p_1 + 20p_2 + 30p_3 \leq 60 \\
 & p_1 - q_1 + u_1 = 500 \\
 & p_2 - q_2 + u_2 = 600 \\
 & p_3 - q_3 + u_3 = 500 \\
 & p_1, p_2, p_3, q_1, q_2, q_3, u_1, u_2, u_3 \geq 0
 \end{aligned} \tag{6}$$

Now, using the modified version of simplex method, we reformulate the program as;

$$\begin{aligned}
 \max z : & 84000000 - 30000p_1 - 20000p_2 - 30000p_3 - 1000q_1 - \\
 & 2000q_2 - 3000q_3 - 64000u_1 - 43000u_2 - 66000u_3 + 0(s_1) + \\
 & 0(s_2) + 0(s_3) + MA_1 + MA_2 + MA_3 \\
 \text{s.t.} & 10p_1 + 7p_2 + 5p_3 + s_1 = 60 \\
 & 2p_1 + 3p_2 + 2p_3 + s_2 = 250 \\
 & 10p_1 + 20p_2 + 30p_3 + s_3 = 60 \\
 & p_1 - q_1 + u_1 + A_1 = 500 \\
 & p_2 - q_2 + u_2 + A_2 = 600 \\
 & p_3 - q_3 + u_3 + A_3 = 500 \\
 & p_1, p_2, p_3, q_1, q_2, q_3, u_1, u_2, u_3, s_1, s_2, s_3, A_1, A_2, A_3 \geq 0
 \end{aligned} \tag{7}$$

Where,

$s_1, s_2, s_3$  are slack variables added to the constraints with  $\leq$  sign.

$A_1, A_2, A_3$  are artificial variables added to the constraint with the equality sign.

Table 7: Summary of results of Profit maximization and optimal control of three inputs

	Basic variables	Entering basic Variable	Leaving basic variable	RHS Value	Min. Ratio	Obj. Funtion Value
Iteration 1	$S_1$	$x_2$	$S_3$	60		0
	$S_2$			250		
	$S_3$			60		
	$A_1$			500		
	$A_2$			600		
	$A_3$			500		
Iteration 2	$S_1$	$x_8$	$A_2$	39	597	-60000
	$S_2$			241		
	$x_2$			3		
	$A_1$			500		
	$A_2$			597		
	$A_3$			500		
Iteration 3	$x_1$	$x_1$	$S_1$	39	6	--25731000
	$S_2$			241		
	$x_2$			3		
	$A_1$			500		
	$x_8$			597		
	$A_3$			500		
Iteration 4	$x_1$	$x_3$	$x_2$	6	347	-25980000
	$S_2$			238		
	$x_2$			0		
	$A_1$			294		
	$x_8$			600		
	$A_3$			500		
Iteration 5	$x_1$	$x_7$	$A_1$	6	294	-25980000
	$S_2$			238		
	$x_3$			0		
	$A_1$			294		
	$x_8$			600		
	$A_3$			500		

Iteration 6	$x_1$			6	500	-44796000
	$S_2$			238		
	$x_3$			0		
	$x_7$			294		
	$x_8$			600		
	$A_3$			500		
Iteration 7	$x_1$			6		-77796000
	$S_2$			238		
	$x_3$			0		
	$x_7$			294		
	$x_8$			600		
				500		
	$x_9$					

#### 4.4 Discussion of Results

From the results obtained in problem 4.1 any short of supply of raw materials the optimal production will be significantly affected. Therefore a raw material combined in a proportion that gives optimal profit is essential. Similarly from the second problem 4.2 there is a holding cost for goods, the optimal production and profits is dependent on the holding cost of the goods.

From the optimal solution of the problem 4.1 given by  $\left\{\frac{23}{6}, 0, 0, \frac{13}{3}\right\}$ , we observe that this is not of an integer form, therefore we approximate to the nearest integer values. The solution becomes  $\{4, 0, 0, 4\}$ , this is because the program is of the integer nature.

To ensure that the production, expenses and profits remains at optimum, the following should be considered;

- (i) 4 x 1000 units of belts and bags should be produced.
- (ii) No units of sandals and boots should be produced.

If production of other items must be made (i.e. boots and sandals), the most sensitive inputs which are raw materials and available budget must be increased. The amount of output of industrial boots should be kept at 6000 units to maximize the profits of the factory while other items should be kept constant at zero.

#### 5.0 Conclusion

This paper has succeeded in using the concept of integer linear programming to model various production and distribution problems which arises in everyday living. We also demonstrated how the modified version of simplex method approach (Big M method) could be used as a very reliable and effective tool for obtaining the optimal solution to diverse integer linear programming problems.

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