

HOME

JUNE FEATURES

- Offshore Outsourcing: Make Sure It's Worth It
- Spend Visibility – The Next Frontier of Enterprise Sourcing - Because what you can't see can hurt you
- Why Common Sense Purchasing via Relationship Building is the Key to Supply Chain Success
- Supply Chain Execution: From the Six-Week to the One-Hour Enterprise
- MRP concepts & logic – time for a refresher?
- Hot E-mail Tips for Time Efficiency - Part 2

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MRP concepts & logic – time for a refresher?

By Lindsay Harding

How familiar does the following sound? Your company's MRP system was set-up magnificently during the early eighties, the expert consultants set your batches and time fences correctly for your business - *as it was then*. Your attention had to be diverted to other activities in the following years, training in MRP fundamentals was not provided and the planning team changed over time. The products, markets and demand patterns also began to change and the system parameters over the years were not updated in conjunction with these changes. Our confidence in the system's integrity dwindled as we used it less. We had a web of legacy systems evolve, which had to be imported into the company's new ERP system, which has not generated the results we were expecting. If any of this does sound familiar it may be a case that a training refresher in MRP could substantially benefit you. Consider the following key refresher areas of MRP to assess if some extra training would be beneficial.

Understanding of wider implication during new product introductions and retirements can reduce obsolescence exposure considerably.

Whilst certain high tech industries endure short product life cycles and constant new product launches, obsolescence avoidance and minimisation are a crucial role symptomatic of the industry. There are however other businesses which incur excess obsolescence as a result of not managing the detail of data particularly in product retirements. Some tuition in some simple concepts may likely assist the planning team in positioning some safety net procedures. What is more soul destroying than a Machinist walking past a skip in the car park and spotting some items he *recently* manufactured to fulfil a demand placed upon him? – these things do happen.



Modern ERP systems incorporate the same mechanics, therefore implementations will run smoother and potentially increase ROI.

Modern systems are fast, cutting out much of the drudgery of the 70s and 80s when planners were given a pile of MRP requisitions on line printer paper a foot deep on a Monday morning which were worked on through the week, until the next had appeared the following Monday – like painting the Forth Bridge, thankfully those days are gone. Allowing the system to perform much of the rescheduling itself (often everything beyond set time fences), it is important the user is competent in what it is doing and why – to ensure the business is confident in results and recommendations. If there is any question of a gap in knowledge, or a belief a refresher would benefit, this should be incorporated into the implementation pre go-live project plan. Bad data imported from your old MRP system into your new ERP system will result in more bad data – just faster!

Substantiate any claims from vendors that their schedules are volatile, explaining the reason for (and the reduction of) urgent 'spikes'.

Appropriately pitched overviews with suppliers may likely assist in their understanding of how sudden changes in demand occur – such common examples include chasing an item which was *urgent* last week, but we wish to cancel it this week following a returned batch hitting stock. Very basic stuff, however small suppliers not versed in the 'black or white' logic of such systems would likely become more understanding with such explanations – currently believing the business can't make up its mind what it wants. In fact, as companies in certain industries are encouraged to explore increasing the re-cycled element in their end products, such scenarios may well increase.

Identify when and where MRP is appropriate as a replenishment mechanism – including understanding that this decision may alter during the product's life cycle.

There are times when MRP is an inappropriate, over-complex replenishment mechanism. Following a growth stage, as demand smoothes with the item



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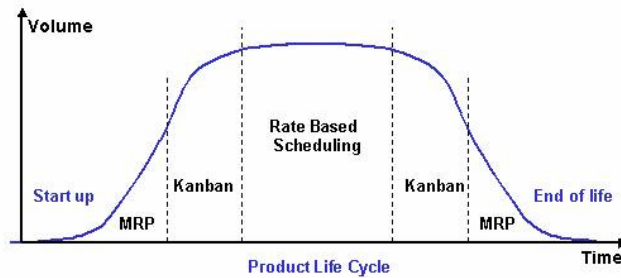
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- May 2004
- April 2004
- March 2004
- February 2004
- December 2003
- November 2003
- October 2003
- September 2003
- August 2003
- July 2003

becoming a regular runner, yes remove MRP control and manage with simple visual systems. However, the Planner's role should encompass monitoring the life cycle trend of the item, eventually as demand falls becoming less uniform, removal of shop-floor Kanbans is likely necessary – re-establishing MRP control (setting lead times, lot sizes and time fences accordingly – and re-setting them again as demand continues dwindle)

Source: adapted from

D.Ralston, *IOM Control*



Prevent an accumulation of bad habits being handed down as individuals occupying the planning role change over time.

There are numerous companies who conducted extensive training in MRP fundamentals many years ago – at a time when the organisation was able to say to customers "our plan is fixed for the next 'x' weeks / months, you can have it on(date)". Becoming customer driven as opposed to plan driven has resulted in a complete mindset change – which needs to continue changing as customers become ever more demanding. The way in which time fences are set are now governed more by external forces. To remain competitive, demand windows must meet (and ideally exceed) customer expectations with actions positioned in manufacturing to ensure they can be met.

Re-enforce the crucial role of house-keeping of system parameters and data integrity to ensure maximum value from, and ongoing credibility of, the system.

Accurate data facilitates superior decision making within the business which benefits all. For example, If a machine is running slower than spec, whilst the root cause should clearly be targeted for correction, the MRP system should be changed to reflect reality. If not, assumptions regarding forward workload can be corrupted – with possibly incorrect reporting of performance & productivity, and inappropriate decisions regarding overtime authorisation.

The same applies with yield percentages, vendor actual lead times etc – whilst improvement teams should be addressing their improvement, we must ensure the system reflects the true state – else knock on effects include incorrect delivery promises being given to our customers on the strength of ATP (available to promise) displayed on the system.

Provide empathy from adjacent functional processes (Warehousing, Production, Quality, Technical etc) to ensure alignment with the company's supply chain management.

As the boundaries of system control increase, the implications of errors become more widespread throughout the business. It is now more imperative than ever that supporting functions are aware of the consequences of short-cutting the system (e.g. forgetting to transact out samples taken from the shop-floor or whatever)



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