

Total Company Involvement

Strategic Business Planning – *quantification of total company goals and objectives*

Strategic Production Planning – *set production rates by type of product*

Sales Planning – *establish sales goals by product family / brand consistent with strategic business plan and strategic production plan*

Marketing – *develop and communicate plans for new products, restages, and promotions consistent with sales plan, material availability and capacity constraints*

Demand Management – *manage the sales plan at the detailed SKU, salesman, class-of-trade and customer levels*

Master Scheduling – *schedule production orders consistent with material and capacity constraints*

Material Planning – *quantify / schedule raw material and component requirements*

Capacity Planning – *effectively utilize demonstrated production capacity*



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Total Company Involvement.....continued

Purchasing – *establish win-win partnerships with vendors*

Research & Development – *develop and maintain precise product and material specifications*

Engineering – *maintain accuracy of production routings, methods and rates; apply just-in-time principles to production processes*

Inventory Management – *maintain accurate records and good warehousing practices*

Production Supervision – *execute formal production schedules; reconcile results versus plan; get it right the first time, eliminate scrap and waste, total product quality*

Finance – *develop and maintain accurate costs; translate operational plans into financial plans; optimize financial performance by simulating operational alternatives; establish sensible internal controls*

IS – *support user-led implementation of real-time, integrated, MRP II software; encourage “computertivity”*

Human Resources – *support MRP II training and re-training requirements*

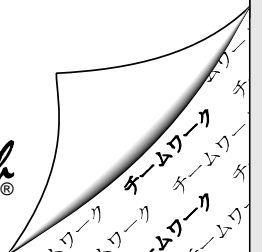
Senior Management – *build team commitment for continuous improvement; lead the cheering; provide MRP II implementation resources*



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What Are Some of the Key Symptoms of Using an Informal System?

- ❖ People rely on shortage lists or hot sheets.
- ❖ Inventory is too high (JIT or JIC?).
- ❖ Inventory accuracy causes some production problems.
- ❖ Bill of material records and/or inventory records are kept in multiple storage locations or in multiple formats.
- ❖ Information in the computer isn't real time all the time; changes occur too rapidly to keep the system up-to-date.
- ❖ Production runs are interrupted for higher priority requirements.
- ❖ Customers are sometimes disappointed by finished good delivery promises.
- ❖ Accountability for out-of-stocks, production shortages, and sales forecast deviations is difficult to define. (*Department A occasionally points a finger at Department B and Department B then points a finger at Department C.*)
- ❖ There is a consistent pattern of heavy end-of-month customer shipments.
- ❖ Unplanned overtime is sometimes needed; the rate of production varies during different times of the month.
- ❖ Supervisors and planners spend time expediting in the factory or warehouse.
- ❖ Buyers spend the bulk of their time expediting.
- ❖ Freight costs are too high.
- ❖ Financial plans are not integrated with operational plans.
- ❖ Vendors and/or some production areas have a "phony backlog."



Goals of the Formal MRP II System

- ❖ Improved customer service with lower inventories
- ❖ Deliver everything on time
- ❖ Factory productivity gains
- ❖ Perform valid operational simulations
- ❖ Communicate one corporate game plan
- ❖ Teamwork and even better employee morale
- ❖ Real-time control of the business
- ❖ Improved profitability
- ❖ Continuous improvement
- ❖ Just-in-time
- ❖ Total quality
- ❖ Competitive advantage

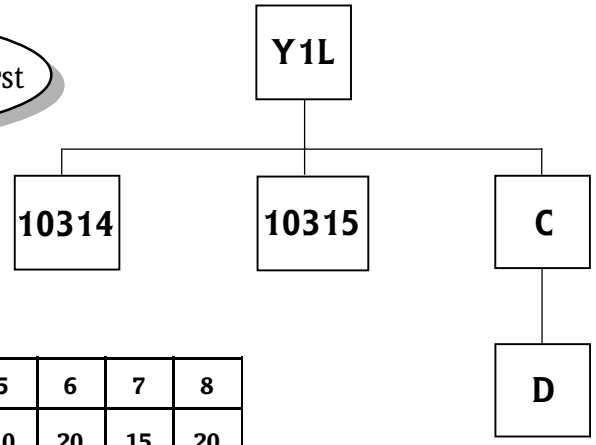


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Managing Engineering Change.....continued

C. Phase Out / Phase In using Phantom Code

Replace "C" with "D," but use up "C" first



Part Number: **C**
 Lead Time: 0
 Order Quantity: 1/1

	1	2	3	4	5	6	7	8
Gross Requirements	15	20	10	25	10	20	15	20
Scheduled Receipts								
Projected On Hand 100	85	65	55	30	20			
Planned Order Release								

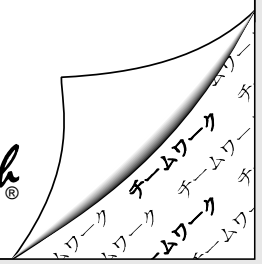
Part Number: **D**
 Lead Time: 4
 Order Quantity: 50

	1	2	3	4	5	6	7	8
Gross Requirements								
Scheduled Receipts								
Projected On Hand								
Planned Order Release								



Limitations: Only use when C is replaced everywhere and when replacement is simple one-for-one.

Caution: Test cost of sales roll-up!

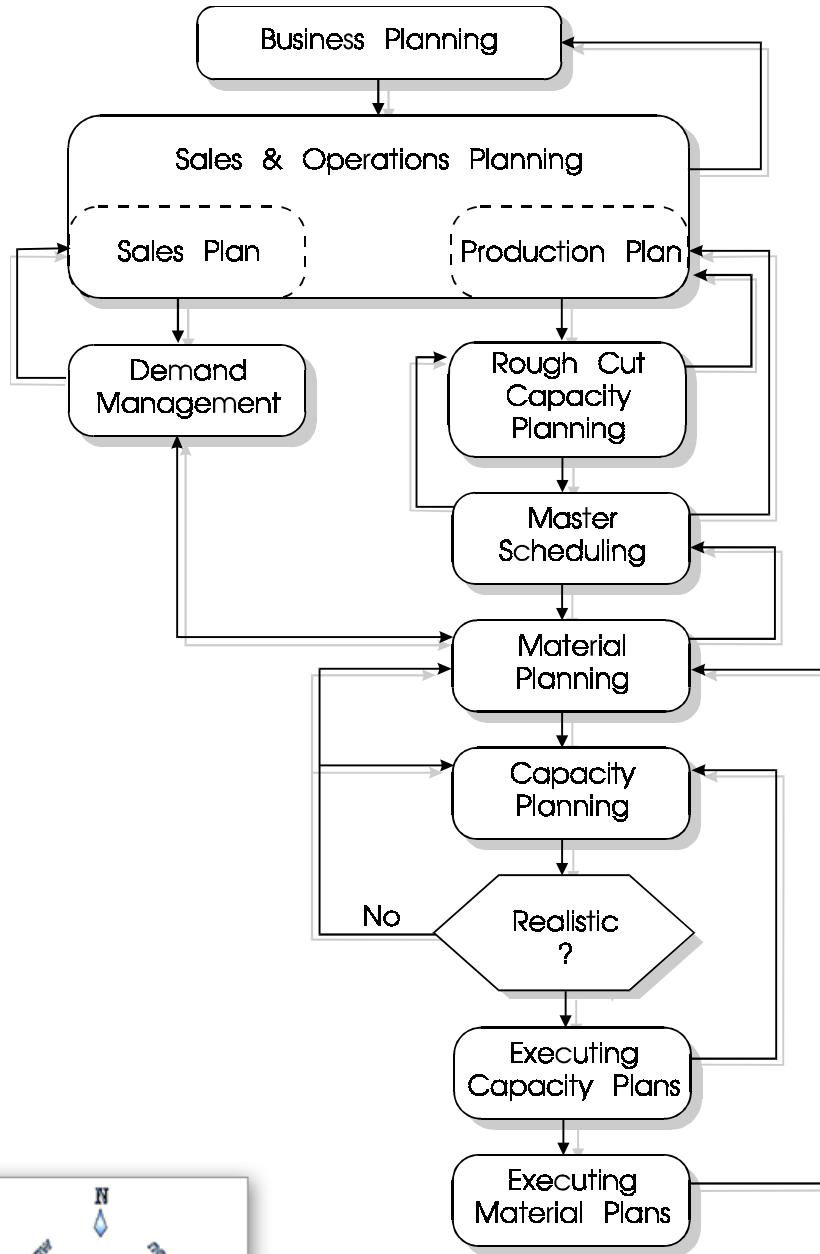


Typical BPCS Assessment Implications

- A. The potential ROI from the system investment has not been realized**
- ❖ *BPCS user understanding is likely to erode further.*
 - ❖ *People unfairly criticize BPCS.*
- B. Data from the BPCS system can't be relied upon**
- ❖ *Planning information may be "dangerous."*
 - ❖ *Information quality is likely to erode further.*
- C. People are working too hard**
- ❖ *There's no time for new things ... people are working overtime just to do their regular jobs.*
 - ❖ *Redundant data management may be causing frustration.*
- D. The integrity of system design is a real concern**
- ❖ *Significant expert-level attention / effort may be required to sort things out.*
- E. The profitability of the enterprise can probably be improved**
- ❖ *Managers don't have the right handles to adjust their operations.*
 - ❖ *Focus tends to be on audit / correction rather than innovation.*
- F. The company is buying / making things which are not really needed**
- ❖ *We're out of stock on things we need and other stock is dusty.*
 - ❖ *Historical information is suspect and/or hard drive resources are not well used.*
- G. Substantial opportunities exist to improve the company's competitiveness**
- ❖ *The ROI from investments to move to a formal system is typically enormous.*
 - ❖ *The cost of delay is typically substantial.*



Sales and Operations Planning



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