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## ERP / DRP AND LEAN MANUFACTURING ARE NOT COMPATIBLE.

### Introduction

Over the past 10 years a great number of businesses ranging from SME's to Blue Chips have been rolling out or updating their Enterprise Resource Planning (ERP), Distribution Requirements Planning (DRP) and Advanced Supply Chain Planning solutions (APS). There are a variety of reasons for this intense activity, ranging from the need to consolidate IT following an acquisition, through to the desire to improve the IT capability in order to implement a particular supply chain strategy.

When the dust settles after the implementation many businesses, having spent a lot of time and money, are left with a very inflexible IT solution whose core planning principles are rooted in the thinking of the late 60's, and not compatible with the agile, flexible, supply chain processes required to be competitive today.

It seems that our understanding of what is required to build a competitive supply chain has evolved considerably over the past 40 years, however the range of IT solutions available to support our ambitions has not.

This white paper examines the key elements required to build a successful and low cost supply chain, how the majority of IT offerings fail to support these key principles and how a new approach to planning can enable the benefits of Lean Manufacturing without throwing away your IT investment.

### The problem with Forecasts

Fundamentally, most ERP/DRP systems provide a very robust operational platform, on which the majority of a business processes are supported, from Finance to HR. Where they are weak however, is in the provision of planning tools. Most come equipped with a basic MRP (Material Requirements Planning) engine, and the more advanced ones may supplement this with predictive safety stock planning or re-order point logic, usually under the guise of an Advanced Planning Systems (APS) module. Or to put it another way, your multi-million dollar IT super-car has a tractor engine lurking under the bonnet. The fundamental flaw with all of these MRP variants is that the starting point for all calculations is a Forecast.

Most planners know that the best Forecasts are 70% accurate at best. APS systems may buy a few percentage points of improvement in exchange for a hugely disproportionate monetary investment, but have categorically failed to deliver the advertised benefits. The real problem is that MRP then compounds the situation by using this imperfect forecast to precisely raise planned orders and set predictive levels of safety stock. What this does is push wildly unplanned and unpredictable levels of inventory, effort and cost into our supply chain.

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