

The inventory and service goals

[Business](#), [Management](#)



Calculating the EOQ would allow Andrea to determine the optimal quantity to order when it should be ordered, the total costs, the average inventory level, how much should be ordered each time, and the maximum inventory level. The materials requirement planning of the company is already implemented yet the results showed that it is not effective. The main cause of such ineffectiveness is the inaccurate information that is entered into the MRP. It is important for Andrea to consolidate and coordinate with other departments of the company in order to control not only what item is purchased and in what quantity but also the timing of its arrival and its intended production-consumption.

Furthermore, Andrea should consider planning a Just-In-Time (JIT) inventory system for the company. JIT is a means of meeting customer demands with minimum delay. It is referred to as the production of goods, assemblies, and subassemblies to meet exactly the customer's demand in terms of time, quality, and quantity. JIT goes further than an MRP. It controls not only the right item, in the right quantity, at the right time, but it also brings the SKU to the right place. Under JIT, an item appears exactly when it is needed - not before, not after. (Muller, 2003)

2. How should Andrea deal with the organizational issues presented in this case

The volatile demand may cause inaccurate forecasts, which is one of the main sources of backlogs and markdowns in a market-driven manufacturing environment. As the company attempts to produce at a faster rate, they require more advanced forecasting techniques to meet the demand at the lowest possible cost. A company should understand the dynamics of

demand first and investigate the main factors in the operation that causes fluctuation.

To eliminate the effects of fluctuation in the volume of demand, it is recommended that the company re-engineers its production planning process. Since the requirement for flexibility in manufacturing arises from volatile customer demand, the company should implement reactive strategies such as mass customization, accurate response, quick response, or postponement. (Sethi, Yan, & Zhang, 2005)

Effective communication is essential in implementing a computerized system that relies on information from different responsible persons. It is important that a team is created in the company that deals with the management of the supply chain where members are key personnel from different functional teams of the company. Such a team would regularly coordinate with each other in order to address problems and opportunities in production.

In order to address the organizational issues, it is important that all manufacturing activities should be integrated and the actions or decisions of each department should complement all other departments. The information should flow both internally throughout the organization and externally between suppliers and customers.