

Materials requirement planning essay example

[Business](#), [Company](#)



Materials Requirement Planning

MRP system is very important in predicting the future demand of a company's products. Businesses can therefore plan on appropriate time to acquire raw materials and produce products so as to benefit to the maximum. Small businesses usually may incur higher overhead costs as compared to the gross income. Therefore the main objective of small businesses is to reduce its expenses as much as possible (Philip, 2011). What the president means in his statement that the business is too small to afford MRP system is that acquiring and installing the system in the business is expensive and as a company that is trying to minimize its expenses, this is not a recommended course of action.

In addition to purchase of the system, the company is required to hire a specialist who is to advise the business on the use of the system. Since the system is new to the business, the employees have to be trained on the use of the system. All these activities involves expenses reduce the profitability of the business (Sheldon, 2012). The president means that the company is not in a position to bear these costs and at the same time remain profitable in the business environment.

Systems sometimes fail to function appropriately after some period of time. This means that if the business uses the system and then it fails, the business would end up making wrong decisions. When the wrong raw materials are purchased, there will be problems in manufacturing and the customers will not be effectively served (Philip, 2011). The business may end up wasting a lot of resources. The business loss can be so big that the business is likely to close down. In this regard, there is a high risk of small

businesses using systems since any problem can lead to closure of the business. Therefore the president could have meant that the business cannot afford the costs associated with losses caused by failure of the system. In conclusion, there are many costs associated with use of an application system. There are purchases costs, costs of training employees, costs of hiring specialists and the costs associated with failure of the system (Sheldon, 2012). Therefore the president means that the business cannot afford these costs. Small businesses usually need to reduce their expenses as much as possible and this could be the meaning of the president's statement.

References.

Sheldon N, (2012) Can You Afford a Software Failure? Retrieved from;
<http://www.ctsguides.com/software-failure.asp>

Philip J. (2011) The Enterprise Shops for Packaged Applications. Retrieved from; <http://www.uniform.org/publications/ufm/jan96/packaged.html>