

“A Special Treat for a Rainy Day”

Jim Callaghan was a wisened inventory management practitioner who had taken a liking to the new, young, materials manager promoted over his head during the implementation of the MRP system. The system was 18 months down the track from “go-live” and everything had gone well. The management, however, were getting anxious about inventory which had shown only marginal signs of reduction. The materials manager, who was the implementation manager and major champion of the project, was in the hot seat. “Don’t worry young man” said Jim, “I’ve got a special treat that I’ve been saving up for a rainy day. It looks like that day has arrived” It was late Thursday afternoon and as Jim was leaving he said to the young materials manager....”make sure you are free for a late night tomorrow .”



On Friday morning Jim came into the materials manager’s office with a massive computer report and dumped it on the desk. “what’s that?” said the bemused materials manager. “There’s gold in there my boy” replied Jim with a wry smile that told the youngster that he should pay attention.

The report showed the complete details for 634 works orders, all of them greater than 1 month overdue. (This was a company that released about 12 works orders per day on average) Most people in the production control group, including the materials manager, were aware that the overdue “pile” was large and they had been planning for months to get somebody to do a clean up. It was also known that the majority of these were leftovers from the early days of the implementation and were long since “dead”, meaning that they were no longer required and probably raised by mistake in the first place.

“Tonight we’ll sit here and just cancel these buggers...” said Jim, “...every single one of ‘em”

“But what if some of them are actually needed? Shouldn’t we sort through them and re-schedule those that are?”

“We’ll let the MRP generation do that over the weekend” said Jim, wondering if this young fellow really knew what MRP was invented for!

The materials manager, who felt a little exposed by Jim’s reply and was moved by the guilt of allowing such a build up of past due orders to linger on the system for so long, decided to donate a long evening to show willing.

It was well past midnight by the time that all of the 634 orders had been cancelled. The process was lengthened by the system's machinations toward de-allocating the long list of components tied to each of the released works orders. These were the days before massive computing power! The pair left to go home with Jim Callaghan seeming very pleased with the night's work. The materials manager was not so sure.

"We won't say a word on Monday, we'll just sit back and see what happens" said Jim with a grin that was positively evil.

By Monday morning the materials manager had forgotten all about Friday night's exercise and was getting on with the normal start to the week.

At about 10.30 the purchasing manager came in with that look of disaster that he had perfected since being forced to go along with the MRP implementation, which he had no confidence in from the outset.

"We'll have to re-run the MRP" he said with the usual urgency laced with false sincerity...

"Why?" said the materials manager.

"I've arranged for all users to be off the system by 12 o'clock and it will take about three hours. We'll stay back in purchasing to about seven to get today's orders out. I've ordered Kentucky Fry"

"But why?" said the materials manager, who by this time was standing, a result that the purchasing manager had also perfected.

"Because the guys are sick of pizza"

At this time Jim Callaghan appeared and asked the purchasing manager what the problem was.

"After each MRP run we always see about \$700,000 of releasable orders looking out about a month" said the purchasing manager. "Today we are only seeing about \$150,000, and, what's more, there's almost \$300,000 worth of suggested cancellations that we don't usually see either!"

"I suggest that you carry on with the MRP output the way it is" said Jim, casting a wink at the materials manager.

Over the following two months the reduction in company spend totalled \$1.2 million dollars. The general manager and the finance director were both convinced that something had gone dreadfully wrong and were afraid that the supply lines were being dried up. The purchasing manager had worked day and night trying to prove this, driven by a manic desire to discredit "the system". Much to the purchasing manager's chagrin however, there were no major shortages.

Within two months over a million dollars had gone out of inventory but nobody, including the materials manager, was game to claim a breakthrough. Old Jim Callaghan just went on with his daily duties quite unperturbed.

What had happened, of course, was that the material allocated to the 634 "dead" works orders had become available stock, so the MRP calculation had taken this windfall of stock and applied it to the un-satisfied demand. The result was a

greatly reduced net requirement....as well as a reduced need for component orders already in place, hence the cancellation messages.

Jim Callaghan revealed after his retirement that he had performed this “trick” in no less than four companies, each time with the same result. It was little wonder that, although not recognised by the profession, Jim was a trusted adviser on inventory management related issues to many managing directors in the manufacturing industry. Word spreads quickly at Sydney’s golf clubs!