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Case Problems

CASE PROBLEM 15.1

Just ERP

Just Sofas (JS) had begun the year full of promise with a new facility, restructured manufacturing process, and high hopes for its new ERP system. Most of the domestic furniture manufacturers had long since gone overseas, but JS believed being close to the customer gave it a competitive edge. The workers had rallied behind President Ruffner's idea of guaranteed four-day deliveries on customer orders. And for a while, the promo had worked. Then orders began pouring in and the scheduling system imploded.

It was for just such a case that Ruffner had sought out an ERP system—to automatically handle customer orders, factory schedules, and supply chain coordination as demand varied. Ruffner had carefully chosen the ERP software package used by all the large corporations he knew of, reasoning that if successful companies had chosen this vendor, who was he to choose otherwise? Implementation had proceeded carefully as well, one might say painstakingly slow, as the IT staff started with the finance module and worked down through sales and marketing, order fulfillment, production planning, MRP, capacity planning, and finally scheduling. Actually, the scheduling module was still having the kinks worked out and the bill of materials file had not been updated to the current catalog offerings, but everything else seemed to be working fine.

Ruffner had included statements about the ERP system in his earnings reports for the past three quarters, noting that “productivity wanes as new IT system is being implemented,” “earnings down as company adjusts to new ordering system,” and “scheduling glitch causes backlog of customer orders.” For this quarter, he was trying to put a more positive spin on “only 5% of orders shipped on time due to incomplete jobs waiting for materials that were not ordered as they should have been.” He supposed a more innocuous “new scheduling system still not up to speed” would suffice. What Ruffner really wondered was if the company could survive another year like this one.

1. What capabilities of an ERP system would be useful for a company like Just Sofas?
2. Describe the environment under which the ERP system was being implemented. Was due diligence conducted in choosing the ERP vendor?
3. Does Ruffner understand the relationships between strategy and operations? Why or why not?
4. What problems contributed to the disappointing results of the ERP system? How would you suggest that Just Sofa proceed next year?

CASE PROBLEM 15.5

Hosuki

Hosuki, a small car maker, competes with larger manufacturers by building cars to order. The company has invested heavily in technology and close partnerships with suppliers. Customers enter their orders and choose their options on the company website. Hosuki's ERP system responds with an estimated cost and completion date. After the customer approves the order, Hosuki sets to work.

Quick response for Hosuki is dependent on collaborative manufacturing with its trading partners. A virtual bill of material for a typical car appears below. Notice each item is color-coded to its supplier and indented beneath its parent assembly. Hosuki has full visibility into its suppliers' ERP systems to check on-hand quantities and order progress. These data are essential in quoting accurate due dates. Most of the car's components are purchased. Hosuki makes the car body, assembles major subassemblies, and completes final assembly and testing. The body stamping machine operates eight hours a day; setup times per item and run times per unit are given in the next column.

Since the suppliers produce in high volume, the lead time for an order is the same regardless of the quantity of the order. In contrast, with limited sales volume and limited space, Hosuki assembles its cars in batches of 10. Each assembly process takes half a day.

Supplier B		
Seats	6	2

Supplier C		
	OH	LT
Wheels	20	1
Rims	2	2
Tires	10	5

Supplier D		
	OH	LT
Frame	10	2
Windshield	5	4

Supplier E		
	OH	LT
Engine	5	5
Transmission	10	6

Supplier F		
	OH	LT
Radiator	10	1
Battery	5	3

Hosuki's Body Stamping Machine			
	Qty	Setup (hrs)	Runtime (hrs/unit)
Qtr Panel	4	2	0.5
Hood	1	1	0.2
Fender	2	2	0.3
Roof	1	2	0.2
Doors (LH, RH)	4	2	0.2

key: **OH** = on hand quantity
LT = lead time
Qty = quantity per next level of assembly