

GOLD!

*Justification for an effective ERP solution exists throughout every company;
finding that justification can be easier than you think*

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Just over 150 years ago, the 49ers discovered gold in California. That discovery, as we all know, ignited a spark that drove tens of thousands of people to seek their fortunes. All of us, at one time or another, have fantasized about making a discovery like that and becoming rich. In manufacturing companies, those riches have existed untapped for years just waiting to be mined. In company after company, managers and executives have the opportunity to unearth the wealth that exists in their own businesses once they have the tools to extract that GOLD. An effective, well-implemented, Enterprise Solution like INFIMACS II® is exactly what management needs to accomplish that goal.

For a number of reasons, companies put off the implementation of an effective ERP solution and fail to seize these opportunities. One reason for this is they don't realize how large the strike that exists in their company really is. Another reason is they are not sure where all the opportunities exist. The following list of areas and opportunities that exist in most manufacturing companies can help you stake your claim.

Inventory Reductions

Improved planning will reduce inventory in stores and work in process. You will be planning what you build and building what you planned, instead of doing just-in-case planning.

Implementation of Inventory Management Processes such as Demand Flow and Line Side Scheduling

These supply chain management practices provide major reductions in inventory, indirect purchasing costs, space, handling, and reduced exposure to the negative impact of engineering changes.

Improvement in Incoming Quality

Increased visibility and better communication between Quality, Purchasing, and Suppliers early in the process will reduce the number of rejected lots at incoming and therefore, the resources required for inspection.

Dock-to-Stock Inventory Implementation

Most suppliers really do want to make the parts correctly. For a number of reasons in their businesses and in yours, they are not able to do this. The improved communication an integrated system will provide the Quality and Purchasing organizations can make Dock-to-Stock a reality. The results will be reductions in the indirect costs associated with Quality Assurance, handling, and inventory.

Improvement in Throughput Time from Receipt of Components to Stores Put Away

Many companies have days and days of material in the incoming, receiving, quality, and put-away loop. Better visibility of what is there, combined with a way to measure it and resolve issues and improve processes, can generate additional reductions in the inventory that exists here.

Inventory Accuracy Improvement

Without integrated, real-time tools, inventory accuracy improvement is extremely difficult. A high level of inventory accuracy will reduce expediting and the need for safety stock. It will dramatically increase efficiency in stores and result in less excess and obsolete material.

Customer Service Improvement

Additional sales are normally the result of improved customer service. Customers who receive their orders complete and on time will favor that performance with

increased business. Delivering orders complete and on time has side benefits in other areas of the company. They include reduced outgoing freight, reduced expediting, and reduced handling in shipping, as well as improved indirect cost in customer service and accounts receivable.

Reduction in the Time Required to Respond to a Customer RFQ and Improved Accuracy in Generation of RFQs

A system where historical and current item and cost information are integrated together will result in a reduction of the indirect costs associated with generating and tracking RFQ's and quotes. A single system with these capabilities that is used by everyone will generate more consistent RFQ's. The bottom line will be more consistent margins due to the improved accuracy of quotes or more contract awards because bids are based on real costs as opposed to guesses.

Direct Labor

When planning improves and schedules are achieved, efficiencies increase because there is a reduction of job starts and stops caused by parts shortages. Better planning will result in a reduction of overtime, which is usually driven by late receipt of required parts. For businesses that have a high component of setup to run time, better planning and scheduling will mean less broken setups and job costs much closer to the original bid.

Indirect Labor

Every indirect department sees a favorable impact from improved planning and execution. More complete shipments will reduce the Accounts Receivable Load per dollar of revenue. Less parts shortages and implementation of more effective inventorying processes reduces the costs in Purchasing, Stores, Receiving, Quality, and Accounts Payable.

Time to Market

Better planning in Design Engineering using project planning tools and engineering change management results in increased visibility of costs and schedules status as well as a reduction in the number of emergencies during development for Purchasing and Prototyping. When designs are completed on schedule, there is a potential for

increased sales volume because the market window is maximized. Better planning will also mean a reduction in development costs and more stable margins during product introduction because true costs are known in advance of product pricing.

Reduced Scrap and Obsolescence

Improved visibility in all departments with respect to scheduling and engineering changes will result in reduced scrap and obsolescence throughout the entire supply chain. Many times changes occur, and poor visibility and communication cause operational departments to continue buying, building, and shipping obsolete parts that eventually require rework or end up being scrapped completely. An effective, integrated system will help keep these changes from being overlooked, and this can eliminate procurement or fabrication of parts that have already been made obsolete.

Reduced Manufacturing Lead Time

Better controls and visibility can drive reductions in design, procurement, and manufacturing cycle times. All of these will reduce manufacturing lead-time, which can help increase sales. Reduced manufacturing lead-time further reduces the supply chain, lowering indirect costs and exposure to obsolete inventory caused by engineering change.

Better Tracking and Reduced Cost of Expendable Tooling

Systems capable of tracking expendable tooling can produce savings by reducing down time due to tooling shortages. Expedite charges for tooling and freight can also be reduced. Lost and missing tooling can be reduced, saving the indirect cost associated with the time required to locate or replace those items. Additionally, usage tracking can help reduce scrap caused by overusing tools.

Improved Accounts Receivable Processes

Integrated systems allow for improvements in the timing between shipment and invoicing, more accurate invoicing, and less communication being required between the customer and Accounting. The bottom line result is that fewer resources will be consumed and cash being received sooner.

Timely Implementation of Engineering Change

Reduced scrap, fewer rework charges from suppliers, a reduction in wasted manufacturing resources, and lower indirect costs associated with fixing problems that should never have happened in the first place are the positive benefits of properly managed engineering changes.

Reduced Freight Charges Caused by Invalid Delivery Promises to Customers

Improvement in the ability to make valid delivery commitments reduces expediting and freight costs associated with trying to minimize past due deliveries to customers.

Improved Coordination of Changes with the Customer

Elimination of incorrect shipments – wrong items, wrong revisions, wrong dates, and all the costs associated with errors – can be avoided with the tools an effective enterprise solution provides.

Improved Purchasing/Accounts Payable Efficiency

Elimination of nonproductive communications, and the indirect costs associated with invoice processing due to purchase order problems and receiving issues, can be tracked down and eliminated with an effective, integrated system.

Reduce Freight Charges Caused by Expediting (Incoming/Outgoing)

Valid customer commitments, improved scheduling, and inventory accuracy drive down all costs associated with expediting.

Reduction of Purchase Orders and/or Work Orders with Invalid Schedule Dates (Past Due Orders)

Without effective system tools, purchase order and work order due dates that become invalid because of other schedule changes are usually left as they were scheduled originally. These orders ultimately end up with past due required dates. As a result, they consume production capacity both internally and at suppliers because the people working on them do not know they are not really needed. The capacity that is consumed by building these unnecessary items could be used to make things you

and your customers really need and want. Building the right products and receiving the right parts at the right time will save money throughout the organization.

Reduction of Early Purchase Order Receipts and Projected Receipts

Changing schedules can leave some items with schedule dates that are earlier than necessary. Without effective internal systems and good communication, suppliers have no way of knowing the validity of the dates on the orders they have. When suppliers make and deliver parts in advance of their real need dates, the result is increased inventories, wasted capacity, and potentially reduced customer service.

Elimination of Adjustments Necessary to Tie the Perpetual Inventory Dollars to the General Ledger

In a company without an integrated system, there is no way to make sure the perpetual inventory ties to the general ledger. The adjustments that can occur are usually accrued for, but that reduces a company's ability to make investments that could improve the overall profitability of the operation (like an Integrated Company Operating ERP System).

Reduction in Work Order Component Shortages

Work order component shortages can result from poorly managed engineering changes, inadequate inventory accuracy and improper supplier priorities. Whatever the cause, they increase indirect costs in every department from the shop floor to accounting. Direct costs also see an impact in terms of increased overtime and inefficient production.

Reduction in Warehouse, Receiving, and Shipping Staff Levels, and Space Requirements

As a result of better planning (receiving parts when they are really needed, producing products when they are really required, and shipping orders complete to customers), the costs associated with all of these activities can be reduced.

This list may not look like the maps the 49ers used to stake their claims, but it will put your company on a trail that will help you justify your ERP solution project.



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