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Almost everyone is in agreement that education and training has value, both in terms of reducing costs as well as capitalizing opportunities.

But this viewpoint may lead you to believe that NOT training does not have costs or risks, that at least you will maintain the status quo. In actuality, NOT training is costly and contributes to a downward spiral of performance.

Specifically, the costs of not training are;

Increasing excess and obsolete inventories

Growing administration staff

Growing indirect labor force

Unnecessary program development

Increased upgrade/migration costs of information systems

Slower response time to market demands

Poor customer service

Lost sales

An increasing number of non-value added activities

## How it is today

For a few minutes, consider how you use your ERP system today and compare to the environment depicted below.

*Week 1 of Month*

It's the first week of the month. The master schedulers have gathered the forecast spreadsheets and are inputting forecasts and inventories into the master schedule spreadsheet. By next week, a production plan will be proposed.

*Week 2 of Month*

The production plan has been approved in aggregate. The master scheduler is typing in the MPS orders into MPS Order Maintenance to drive MRP. In addition, open customer orders and inventories have been updated in the master schedule spreadsheet and a 'hot list' has been created. This 'hot list' will be distributed to Production Control.

*Week 3 of Month*

MRP has completed successfully. Production Control has printed the Suggested Work Order Report and reviewed the 'hot list'. There are already too many open orders in the work center but it's too late to pull them back. Several of the orders were not scheduled for three weeks from now but will be pulled in. The newly required orders need material status to determine if they can be supported.

All the work orders for the next week have been input/released and pick slips printed. Due dates are not changed because there are just too many of them. The pick slips, contained in a folder, have been issued to the warehouse who now begins the picking and staging process.

As the material handler performs a pick, any items not found are written to a log. The picked items are pulled together and located in a staging area. The logs are returned to Production Control and a 'shortage report' is compiled. Purchased items are segregated and distributed to Purchasing.

Purchasing has printed the Suggested Purchase Order Report and is placing orders. Most are under lead time. Quantities are 'massaged' to reflect optimum purchase quantities.

*Week 4 of Month*

The Directors of Marketing, Sales and Operations and the Controller meet to discuss customer service and spiraling costs of inventories and operations. Customer Order shipments are being missed and production schedule adherence is poor because of component shortages. Instead of the planned 12 times turn of inventory, the reality is 2 and excess and obsolete inventory is over budget. Overtime is authorized (once again) to meet the numbers for the month.

Following the meeting, the Director of Operations instructs the Materials manager to find ways to streamline the processes. The materials manager meets with the IS manager to begin development of a shortage report that can take the input from the Schedule Spreadsheet and give advance notice to material shortages. The concepts discussed are passed to the programmer analyst. Programming begins. Estimated completion, two weeks then another two weeks for testing and rollout.

*This environment is going downhill, fast. Remedies will be in the form of developing replacement systems and processes based on islands of information. Efforts and activities will be applied in NOT using the integrated system. Only by refocusing on the integrated system can lasting improvements be made but this is prevented because resources are using and developing stand-alone, non-integrated processes and procedures. There is no time to fix the problems, just enough to create new ones.*

## *How it should be*

*Day 1 of Month*

It's the first day of the month.  The forecast generation has run and the forecast planner is reviewing the exceptions.  Updates will be input tomorrow and then the Rough Cut will be run for presentation at the Sales & Operations Planning Meeting.

*Day 3 of Month*

The new production plan has been approved.  The 'Super Planner' is reviewing the MPS Generation which is run daily and includes daily customer order status.  Existing MPS orders that required re-scheduling were identified with the exception messages.  But these are very few since most have been converted to Auto Accept.  The daily MRP will reflect the new plan tomorrow.

*Day 4 of Month*

The 'Super Planner' has reviewed the exception messages to MRP.  No work order changes are required since the only area that still requires orders are only issued two days in advance.  All other areas have been converted to a pull execution system.  There are a couple shortages appearing in the Shortage Report (SF0360) but should be no problem.  All purchased items that were due further than two weeks out have been automatically rescheduled by MRP and communicated to the supplier via Vendor Schedule Reports.  The changes have no effect on the stockroom since all items are now replenished to the floor instead of discrete pick lists.  It's amazing that with 30% less material handlers, the inventory accuracy has come from 70% to 99% at the location level.

Self-Directed Operational teams continue their weekly meetings to further improve and streamline operations using the standard functionality of our system.

IT is reviewing the requirements to upgrade to the latest version.  Technical effort and risk should be very low as most of the code is 'vanilla'.  The biggest impact will be modifications to queries.  This will allow more time to devote to integration of the engineering system to manufacturing.

Purchasing is working on new product development, alternate sourcing and cost reduction.  The new packaging specs alone will save 20% in material handling costs.

VP of Operations, Marketing, Sales and Finance held their monthly review meeting on the golf course, again.  A small celebration for the growth of sales, increase in Customer Services levels and reduced inventories.  The CIO has not joined the foursome, instead attending a conference on leading technologies on the horizon.

## *Summary*

It's true that education and training are key elements to raising the sea for all boats.  It's also true that it is the ballast that prevents the dive into murky waters.  You cannot afford to NOT train.

*About the author*

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