

## Reducing the Damage of Expediting

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No company today wants to turn away an order. Business is far too competitive and uncertain to lose any order and risk losing a customer. The struggle is universal across many businesses and industries. It does not matter if you are a large, medium, or small business. Everyone has to expedite sometime. We don't want to be put in that position; the fact of life in business means that if we don't expedite someone will be unhappy. This includes the business that is forced to expedite.

So what do we mean by expediting. Take the case of a company that is supplying bridgework to dentists. They have a continual backlog of orders and as a result they have to cut into the manufacturing process occasionally to fill a "rush" order. Emergency is loosely defined depending on the impact the customer has on your business or how much you like him. So, what can the business owner do to cut into the backlog? The knee-jerk reaction is to expedite, to have the employees work faster, or rearrange the production schedule to accommodate a special customer. The charge is "Drop that for now. Work on this instead, and get back to that when you can." Of course, after some period of expediting, the employee never seems to get back to that job. The result is that expediting becomes a way of life – the norm, rather than the exception.

Another reaction to the situation in which many companies find themselves is to set up additional supply sources, to replace or backup the current suppliers. That may be a logical solution to supply issues that cause you to expedite but it is expensive and a real hassle. You have many more suppliers to manage and your production area may have an issue with using different materials than those they are used to. If you are forced to work with more suppliers, you may actually see a decline in service levels since you have more orders and schedules to manage, not to mention that you have split your buying power.

Perhaps you can't eliminate expediting but how can you reduce it? There must be another way. Obviously the desirable strategy would be to maximize the acceptance of new orders without getting into a backlog situation. Forecasting systems may be helpful with long term or seasonal trends but they don't work well at a local level, where the rubber meets the road. Since end customer behavior is unpredictable, a forecast driven system sometimes ends up with the wrong inventory at the wrong place at the wrong time. What can we do about making an improvement?

IDEA has many tools it uses to help the situation. IDEA practices a discipline that is called the Theory of Constraints (TOC). We implement solutions that bring order to your environment. The purpose of any improvement is to provide a means to drive continued improvement over the long term. It must last and provide a change that brings

improvement to your service levels and improve sales. It provides permanent resolution to the conflict of holding more inventory versus holding less inventory. And, it results in fewer emergencies and situations that require you to expedite and reprioritize. Your service to your customers improves measurably as does your bottom line.

Here are a few ideas that you can try on your own. You want to improve flow. This is a Lean concept as well as one of the basic tenants of TOC. To enhance flow, make sure there are much more often goods on the way. Reduce on hand inventories to the point that every time there is consumption a new order needs to be placed. If you develop shortages you either failed to order (create flow) or lacked a big enough buffer against heavy short-term demand and late delivery. If your analysis suggests the former, clean up your act and order frequently, if the latter, increase the pool of inventory you hold. When you find the sweet spot, availability will be greatly improved without emergencies. This is only one side of the coin, however. Its obverse is typically double your current inventory turns. That's right, better availability and lower inventories come in the same package. You can't get one without the other.

<b>IDEA'S WAY OF THINKING</b>	<b>IDEA'S METHOD</b>
<ul style="list-style-type: none"> <li>• <i>Neither an accurate forecast nor changing vendors is required for success</i></li> <li>• <i>There is a way to both increase sales and reduce inventory</i></li> <li>• <i>Supply chains sell less when clogged with inventory</i></li> <li>• <i>In the long term, unless the supply chain sells more no link can sell more</i></li> <li>• <i>We must help clients gain buy-in internally and with supply chain partners</i></li> <li>• <i>The majority of our fees are based on improved return on inventory</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Verify the existence of inventory imbalances and the benefits of moving from a "Push" to a "Pull" system</i></li> <li>• <i>Gain top management buy-in to the assessment and support of the approach</i></li> <li>• <i>Build knowledge and understanding across the supply chain, at all levels</i></li> <li>• <i>Utilize systems that deliver actionable information, integrated with existing software</i></li> <li>• <i>Work with you until expected results are achieved</i></li> <li>• <i>Share the tools and know-how to continually improve results</i></li> </ul>
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