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PROCESS QUALITY ASSOCIATES INC.

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"We engineer the quality of your success"

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Circulated to people interested in improving their products and processes

Releasing Cash Tied Up In Inventory

Streamlining materials management generates significant improvements in cash flow. By stocking lower levels of raw materials, work-in-process, and finished goods, a company's quality assurance efforts will become far more effective. This ultimately increases the quality of products delivered to the customer.

Studies show that carrying costs for inventory are up to 50% per year of its purchased cost. This includes purchase price, foregone interest, borrowing cost, depreciation, handling, storage, warehouse, fire insurance, damage, waste, degradation, etc.

To improve your inventory operations and material flow:

- **RE-ORGANIZE YOUR INVENTORY.** Break down your inventory into meaningful groups that reflect how and when items are used and how much they cost.
- **PRIORITIZE INVENTORY NEEDS.** Do an ABC analysis to identify the "A" group that account for the majority of your purchase \$ or are strategic to your business. Then cut costs by managing the "B" and "C" groups at a reduced level of internal service.
- **BALANCE NEEDS WITH COSTS.** When ordering stock, calculate annual usage costs and on-hand balances so that you can monitor how quickly specific items are used and replaced during the year.
- **LOWER INVENTORY HOLDING LEVELS.** Establish predictable lead times for acquisition, manufacturing, and distribution to avoid overstocking or paying a premium for stock needed in an emergency.
- **UPDATE WASTE ALLOWANCE POLICY.** Periodically review your production scrap and spoilage allowances for reduction opportunities.
- **PARTNER WITH YOUR SUPPLIERS.** Consider just-in-time delivery. Negotiate inventory consignment; have them invoice you only for items used.
- **REVIEW CUSTOMER SERVICE POLICY.** Consult with them to determine their expectations and priorities.
- **ANALYZE AND MEASURE INVENTORY.** Monitor service, turnover, inventory budgets, item-oriented inventory status reports, and exception reporting.
- **KEEP SALES MANAGERS IN THE LOOP.** Ensure they stay in constant contact with the inventory department as a means of anticipating fluctuations.
- **GET TOP MANAGEMENT INVOLVED.** Propose changes in achieving key organizational goals, such as return on investment and more effective quality control.

For A Program That Works, CALL PQA

ISO/QS-9000: Process And People Improvement

The first steps into ISO/QS-9000 resemble those of Total Quality (TQ). It is important to support the process development of ISO/QS-9000 with the people development of a good TQ process, as follows:

- Develop a just-in-time education plan that gives people the needed skills in process mapping, procedure writing, measurement and auditing.
- Create a communication system based on the team briefing concept, which ensures open communication throughout the company. Ensure that information generated by the team flows down and across the company, and that feedback from within the company flows back into the leadership team.
- Implement a recognition system that will encourage people to change their behaviour. You must endorse new behaviours such as designing and following new procedures, keeping measurement data, and working as teams.

Teamwork is a natural evolution from these people developments. Investing in the development of team skills will bring rewards in more effective process management & will build life-long habits in your people.

The Seeds Of The Quality Movement

The seeds of Total Quality were sewn back in the 1920s when Dr. W. Edwards Deming and Joseph Juran worked with two of the great names in industrial history: Walter Shewhart, the father of statistical process control, and Elton Mayo, famous for the Hawthorne experiments at the Western Electric plant in Chicago.

Deming and Juran both saw that, in order to improve an organization's operation, you needed to balance improvements in its processes or hard skills (Shewhart) and in its people or soft skills (Mayo).

After World War II, the U.S. was the only major power with an intact economy. Deming and Juran found their quality improvement theories irrelevant to U.S. business leaders. They were interested in quantity, not quality.

Deming found a more appreciative audience in Japan, where he was conducting postwar census work. He was invited to speak about his views during a now-famous dinner in the early 1950's.

The Japanese business leaders listened, the rest is history.

The Japanese listened, do you want to listen to more?

Call PQA