

Dysfunctional Warehouse Case

Statement of Purpose:

Sealant and Adhesives Inc., is a privately owned expanding company targeting primarily large home improvement chains and local hardware stores products. The company recorded over \$6.5 million in profits resulting from \$700 million in revenues and plans to invest in the global market to increase these earnings. To accomplish this, the company CEO is looking to improve warehouse operations which have lead the company lose millions of dollars in lost revenue due to ineffective and inefficient operations.

Recently, the CEO had told the General Manager that she has 6 months to finish the project of getting her house in order. The CEO is looking for continued improvement before deciding if the General Manager is qualified enough. The General Manager has made this project his top priority, however, its hurricane season and orders are at their peak. The General Manager of North America has also relayed the message of improving warehouse operations. Sealant and Adhesives, Inc. has recently taken too many orders in which their product was unavailable, which resulted in \$20MM orders canceled. The plants are also experiencing interruption in their production schedule due to rush orders. This is costing the company a loss due to the raise of rates. The customer service and shipping teams are also keeping track of inventory with their old system, which gives the company a reason to implement a more updated version.

The project team is going to approach the operational issues as if we are the customer. The team would like to be guided through the current ordering process from start to finish, viewing each step from both the customer and staff point of view, to identify opportunities for improvement. The team plans on interviewing agents involved in the process to elicit as much information as possible to gain an understanding of his/her role in the organization. With the process flow and the internal knowledge, we will design an efficient solution to fixing S&A's operational challenges. The team will documents the current as is state, identifying the core requirements along with recommendations for process improvements and potential software prototype solutions if applicable. At the conclusion of the project the analysis / design team members will present their finding and turn over the project artifacts for the sponsors review.

Objectives:

- Implement new inventory system in 9 months from the project start date
- Reduce order to ship time by an average of 4 days
- Eliminate rush orders by 55% decreasing annual order expenses by 25%
- Merge inventory and order system into single integrated system
- Reduce average shelf time of product by 10%

Risks:

Project Risk	Probability	Risk Response	Impact
Employees will be unable to learn system quickly enough.	Medium	Reserving shifts after hours of operation and paying employees overtime as an incentive.	High
Customer service does not co-operate with implementation of new system.	Low-Medium	Offering the customer service employees increased pay, if more revenue is gained from new system.	Medium

Business Risk	Probability	Risk Response	Impact
Orders increase (hurricane season) as new software is implemented.	Medium	Schedule the IT people to install system after hours of operation, so orders don't become backed up due to loss of hours.	High
Increasing inventory and having the shelf-life of over 6 months, resulting in a loss.	Low-Medium	Stock inventory based on sales per day by using new system, so shelf-life doesn't exceed 6 months.	Medium

Assumptions:

- New inventory system will be implemented
- Employees will work after-hours to learn new system

Constraints:

- Customer service will not cooperate properly
- Not all employees will be convinced to learn new system after their shift