

Modern Electronic - Warehouse Case

Sample Scope Document

Statement of Purpose:

Modern Electronic Inc., is a US based company, founded in 1965, with strategic plans for expanding into the South American market place. The company manufactures electronic and ships to their primary clients who are large Retail Box Stores and online Internet resellers. Modern Electronic Inc. is a publically traded company, their shares traded on the NASDAQ exchange with current sales of 1.7 billion, generating 450 million in profits annually.

Currently customer orders are taken by a customer service representative using a new order system where the CSR checks for the availability of inventory using a separate old inventory system and places a reservation against that inventory. The shipping team at the warehouse prints the pick list and shipping papers from their inventory system, the warehouse personnel also record inventory as it arrives from the manufacturing sites. After orders are picked and the prepared for shipment, they are loaded onto the carriers trucks for delivery to the customer which the shipping personnel confirm in their inventory system so that the CSR's can check if needed. Modern Electronic Inc. has recently accepted too many orders in which the product inventory was unavailable, which resulted in \$30MM orders canceled. In an attempt to reduce the customer cancellations due to inventory shortages, the plants are experiencing interruption in their production schedule due to rush orders requests, which is now costing the company a loss due to the raise of rates. Over production and surplus of inventory can equally be costly to the organization as the product's technology shelf life is limited. Carrying a surplus inventory means it has to be sold at a discount if more than 9 months old and scrapped if older than 18 months.

In summary the continued use of the rush order process to adjust for the inventory short falls to cover the customer orders has dramatically reduces profit margins and it has taken a toll on the overall profitability in the Southwest Production region. The CEO has told the Director of Southwest Production to sponsor a top priority project over the next 6 months to address the high level of rush orders, customer cancellations and loss of profitability. The project team is going to analyze the operational processes and technology solutions currently in place. 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 analysis team plans on interviewing agents involved in the process to gain insight and understanding of his/her role in the organization. With the process flow and the internal knowledge of the core business rules, we will design an efficient solution to fixing Modern Electronics operational challenges. The team will document 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:

- Increase item tracking accuracy by 10 percent after 9 months of operation with implemented solution(s)
- Reduce order to ship time by an average of 4 days after 3 months of operation with implemented solution(s)
- Eliminate rush orders by 55% decreasing annual order expenses by 25% by the end of the second fiscal year
- Reduce the number of master production schedule interruptions by 40% a week over the next 6 months following implementation of solution(s)
- Reduce average shelf time of product by 10% by end of first fiscal year

Risks:

Project Risk	Probability	Risk Response	Impact
Employees will be unable to learn system quickly enough.	Medium	Mitigate - 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	Avoid - 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	Mitigate - 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	Avoid - Stock inventory based on sales per day by using new system, so shelf-life doesn't exceed 6 months.	Medium

Assumptions:

- A New inventory system will be implemented as part of the recommended solution
- Employees will work after-hours to learn new system
- All required SME will be available to support the project
- Sufficient project funds will be made available

Constraints:

- Customer service department has no interest in changing out their new ordering system
- Project must be complete in six months
- Operation cannot be impeded by any of the recommend solutions.