

Modern Electronic Inc. - Distribution Warehouse Case

You have recently been assigned to a project that is focused on improving warehouse distribution operations. The Director of Southwest Production, has ask you to move this project to the number one position on the work schedule and will serve as your primary point of contact for decisions and funding. She pointed out that customer service has taken so many orders for products not available for immediate shipping that they have had \$30MM in orders cancelled by the customer when they found out that delivery would be late. The plants are unhappy because their master production schedule is interrupted about 20 times a week with rush orders. The carriers are raising rates because it takes so long to load their trucks as the warehouse tries to locate the needed product. Having the wrong inventory also costs the business as the product's technology shelf life is limited, which means it has to be sold at a discount if more than 9 months old and scrapped if older than 18 months.

Customer orders are taken by a customer service representative using a new order system, the CSR then checks for the availability of inventory using a separate old inventory system and places a reservation against that inventory. Customer service department has no interest in changing out their current system - and has indicated so to the senior management and project sponsor. The shipping team at the warehouse prints the pick list and shipping papers from their inventory system. 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.

When there is a pending order and no inventory, the customer service team calls the plant and asks them to make a rush order. Rush orders are delivered to the warehouse and often loaded directly onto the carrier's trucks. Paperwork is often created manually to ensure prompt delivery. While this process to handle short falls in inventory is effective it is clear to management that the profit margins are dramatically reduces when these type of actions are taken and it has be taking a toll on the overall profitability of the Southwest Region.

Additional Information Gathered from Initial Interviews:

- Company Name is "Modern Electronic Inc.", founded in 1965
- A US based company, rapidly expanding into the South American market place
- Publicly traded company on the NASDAQ, current annual sales of 1.7 billion, with 450 million in profits
- Overall Inventory Record Accuracy is around 80%.
- Primary clients are large Retail Box Stores and online Internet resellers
- The CEO has told the Director of Southwest Production that she has 6 months to finish this project and get her house in order. The CEO is looking for continued improvement for another 6 months before deciding the directors fate
- The Director of Southwest Production has made this a top priority and assures all available resources under her responsibility will be made available to support this project
- At this time the hurricane season is in full force and the order volume is a peak
- While the project is a top priority, operation cannot be impeded by any of the recommend solutions.

Assignment:

Write a scope document to share with your project sponsor to ensure that you have understood the assignment correctly. Please write the following parts of that document:

- The problem statement
- Up to five SMART Objectives
- Risks (project and business)
- A list of all relevant assumptions and constraints.

You may use the Project Scope Template located on the Blog site.