



Inventory Management *Gaining a Competitive Edge*

Is your Inventory an Asset or a Liability?

It is estimated that the annual investment companies make in inventory represents between 20% and 40% of invested capital. And although inventory appears in the asset section of a company's balance sheet it unquestionably acts more like a liability. After all, inventory ties up cash, takes up space, requires handling, deteriorates and is sometimes lost, damaged or even stolen.

Inventory is the result of a number of business activities, decisions and sometimes mistakes. While most companies understand that inventory can become a liability if not properly managed, many inventory strategies and reduction programs fall short of expectations. More often than not this is because the scope of the strategy is too narrowly focused or the reduction program is executed out of sequence.

Right Part, Right Place, Right Time:

In defining the appropriate inventory management strategy, it is important to determine the balance between customer service and inventory investment. The goal is to find ways to reduce inventories without affecting your ability to serve your customer. To do this companies need to assess the entire value chain in a sequence that brings incremental improvement as the program progresses. The following outlines the programs, sequence and techniques *Synergy Resources* executes in order to help our customers implement a strong value chain in which they can deploy a solid inventory strategy that meets their objectives and expectations.

Programs and Sequence:

- **Understand Your Customer's Tolerance Level**
- **Strengthen Your Supplier Performance Program**
- **Streamline Your Companies Quote to Order Process**
- **Improve the Predictability and Execution of Your Production Schedule**

Techniques:

- In order to "*Understand Your Customer's Delivery Tolerance Level*", Synergy Specialists conduct on-site interviews with key sales and operation level employees. Delivery expectations contribute heavily to the segmentation of make-to-stock, make-to-order and adapt-to-order or configured-to-order products. This process also segments and addresses those critically important engineer-to-order products. Using tools developed by Synergy Resources we then conduct an analysis of existing inventory levels, review product and material planning lead times, safety stock levels/replenishment levels and supplier delivery performance from which the team is capable of developing a realistic approach to inventory reduction and management.
- To help "*Strengthen Your Supplier Performance Program*" Synergy Continuous Improvement Specialists conduct a hands-on workshop that will help you develop the framework for your Supplier Performance Management Program. The workshop covers the key topics of supplier management including; Supplier Qualification, Supplier Assessment, Definition of Supplier Ratings and Levels, Supplier Performance Monitoring, Data Collection for

Performance Measurement (Scorecards), and Supplier Certification Criteria. Our hands-on approach delivers the training and tools needed to support the program and concludes with an educational program roll-out session attended by your selected strategic and critical level suppliers.

- BPM (Business Process Mapping) is the recommended approach to assessing existing business processes. This is an interactive, cross-functional workshop where Synergy business professionals work with process owners and employees to assess your existing business processes. This workshop will then help to reveal specific improvement opportunities as well as gaps and/or risks in the current processes. During the workshop the team will also clearly outline the desired future state of each process and the specific short and long term actions needed to achieve this improved state. We then provide the hands-on support to deploy these re-engineered process in order for your company to “Streamline Your Companies Quote to Order Process”
- Production scheduling is expected to satisfy two fundamental objectives: prediction and execution. However, often the level of demand or complexity means that the outcome from an execution-led system is not clear or communicated with the speed required. In most cases these “push-systems” create conflict by forcing over-production. This causes bottlenecks, increased WIP, extended lead-times, contributes to material shortages and brings the type of chaos to the shop floor that leads to conflict and late deliveries. Continuous Improvement Specialists from Synergy Resources repeatedly find that Manufacturers today needs to both optimize scheduling systems or tools and supplement them with continuous improvement techniques that enable manufacturers to make fast,

reliable predictions about capability and capacity. These techniques also help to establish processes that allow for quick response to customer demand. The Synergy facilitated program to “Improve the Predictability and Execution of Your Production Schedule” is a hands-on workshop that involves the analysis of the current condition, outlines opportunities for improvement and then works with your employees to provide the training and assistance needed to meet the two fundamental objectives: prediction and execution of your production schedule.

Summary:

To gain a competitive edge in the market, companies today need to have an efficient and effective inventory management program. Left unattended, inventory can quickly change from a company asset to an unwanted liability.

For companies serious about improving their overall business performance and with the resolve to take the necessary action, Synergy Resources offers a unique combination of products and services: Strategic Business Services, Software Application Services, Continuous Improvement Services, Quality Services and Technical Support to help companies achieve sustainable business performance improvement.

Synergy Resources really stands out in their quality, attentiveness, and competence. No other ER P vendor that I contacted has spent the time and effort with us that Synergy did, and delivered both strategic business consulting and an implementation plan that address all of our concerns. As a small business manufacturer that is looking to grow significantly in the next five years, I believe that Synergy Resources will be a valuable strategic partner.

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