

## INNOVATION

### Time to stand Inventory Management on its head?

Inventory management is replete with lots of tried and tested practices, which are often rusted onto the framework of the way people run their businesses.

They are very difficult to shift and can be very difficult to change. Unfortunately this seems to be especially true in Australia. It might be time to look at things anew and really challenge the status quo.

#### Why bother?

You can answer this simply. Are you happy with your level of excess? How much do write-offs and write-downs damage your bottom line? How much do emergency stock transfers burden your costs? How much time do your staff waste fighting your systems? How often do you miss out on a high gross margin sale? How much value-sapping time is taken up by following up late POs?

If you can answer that you have none of these sorts of problems then maybe you don't need to bother.

But are you sure? Are there opportunities that you are missing out on simply because you are not even aware of them? Are you insisting you need more people when a better tool might improve productivity five-fold? Have you thought through the technologies and ideas that might totally disrupt your business model and the effectiveness of your supply chain? Well, just maybe, it is time to take a fresh look.

#### What to challenge?

Many of the old text-book techniques are very simple. They have serious deficiencies in many cases but people can understand the assumptions and the methods. Today however we have computers and systems that can handle a million SKUs and millions of SKU locations and optimise them by considering dozens of variables.

So what sort of things are we now able to challenge? Well, maybe:

- You examine excess once a quarter and then do so at least six-12 months too late when the problem really will hurt you. Or better, you can review every pocket of excess and every PO and stock movement that could use that excess, every night, with a full business case to see where the stock can be best located and used. Why not?
- If you have multiple importing warehouses, can you dynamically reconfigure your supply chain on the fly to consider the most economical way to balance shipping, carrying and order processing costs across your network? Bulky cheap goods might be best imported directly to target warehouses,

whereas you probably want your inventory planning system to automatically import small expensive products that are easy to transport but costly to carry into a central warehouse from where they can be redistributed, maximising your return on investment. Why not?

- You can automatically release all your branch stock movements, confident that the system is meeting your business strategies and implementing your inventory management policies, dramatically reducing staff time. Why not?
- If you have constraints on stock and supply, then can you rely on the system to allocate stock to the locations that are most likely to use it, and also consider any common quantities that might apply as it fair shares the available stock? Well why not?
- You can easily analyse millions and millions of order lines and derive information that can help refine your inventory settings – common quantities, matched items, lead times ... used well you can translate recognised patterns into real improvements in your inventory investment. This is well beyond what any human intelligence can develop. Rather than waste thousands of hours on transactional trivia, why not add value at the strategy and policy level? Can't do this? Why not?

You can of course go on with such a list. The point is that being satisfied with the status quo is not a sustainable way to run a business. You need to stay ahead of the pack. You need a list.

#### How to turn things upside down?

If you are going to turn things upside down, it all needs to start with the right attitude. Everyone has to embrace the mantra of "Yes, we can do better!"

That requires leadership and it requires a culture that is happy to raise problems and ideas, and individuals and teams that relish the challenges of understanding opportunities and designing and implementing new solutions. It is important that management create a climate curious for issues and thirsty for solutions. It cannot be good enough to just do your job, you need to redesign your job.

That requires education and awareness of potential opportunities. Have you and your staff been exploring what others have been embracing? Are you following the orthodox path or are you happy to stray from the supply chain and inventory management norms?

It requires rigour. You have to be prepared to fail every so often, but you don't want to make too much of a habit of it. If you don't fail on some initiatives, you have not been testing the



boundaries enough. You do need to maximise your change management effectiveness. That requires thorough analysis of the problems, comprehensive design of solutions and game planned implementation scenarios and strategies.

Of course you don't need to reinvent the wheel every time. If there is a tool that does review excess movement opportunities every night, or can dynamically reconfigure your supply chain then why not take a good look at it. Do the analysis and due diligence but maybe by adopting innovative practices and the right tools, you can steal a march on your competitors.

Of course not everyone can stand on their head. Some of us struggle to balance. For some having support available can help provide the confidence to tackle change, the sort of support that professionals like Horizon Inventory can provide. However it has to start with one very important Aussie attitude – "Have a go."

For further information consult  
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