

Organizing paper 41306



**ASSIGN
BUSTER**

Our Company is an Apparel Export House with a large number of worldwide clients. Since we export High Fashion Ladies Dresses, we have to constantly be innovative in product designs. This means change is constant and has to be efficiently organized to produce optimum results.

To achieve such Functional capability and efficiency, the Chairman mandated the management to organize all its operations that were spread over a wide geographical area. They were given a time frame of twelve months to complete this exercise.

This is the mid term evaluation of their effort to organize various functions within the company to bring about optimal utilization of all resources. The objective is to assess how far the management has succeeded in achieving the target set out for them.

The management had at its disposal the following resources to get organized with.

- Physical Assets – Plant & Machinery – Production facilities
- Finances – Working Capital
- Human Resources – Supervisory, Skilled and Semi-Skilled labour
- Knowledge – Good knowledge of Product requirement and Production Process
- Technology – Several small software packages for different departments.

On examination of the company the management discovered that the efficiency quotient was low due to following factors.

- There was lack of co-ordination due to the geographical spread
- There was always a delay in receipt of vital information.
- Decisions were either deferred or taken on assumptions in absence of facts
- Production could not be planned properly and either there was idle capacity or overbooking of orders
- This effected delivery schedules and caused customer resentment.
- Quotations were way off mark at times due to absence of actual per man-machine costing
- Human Resources were dissatisfied as there was no incentive to improve. Attrition was high and recruitment cost was exorbitant.

In this scenario the management asked of themselves the following questions:

- Mission: What are we trying to accomplish?
- Competition: How do we gain a competitive edge?
- Performance: How do we deliver the results?
- Change: How do we cope with change

(Mike Davidson)¹

It was understood that the way to achieving efficiencies lies in Technology upgradation. This was the most important, yet the weakest of all resources they had. To overcome this issue it was agreed that the best option was to have an integrated ERP solution and to discard the several smaller software packages. This would result in seamless flow of data from point to point and instant information will be possible. This would be the backbone of efficient organization.

An industry specific ERP was purchased, installed and implemented throughout the organization with a central database at the company Headquarters where all information became available to the management to help them in making informed decisions.

The immediate effect of this move was that the latest information became available throughout the company.

The management then decided to concentrate its efforts in organizing all the company resources with the help of the ERP solution,

The first step was to define the workflow between different departments. The ERP Project Managers assisted in planning a system and then provided activity based results in form of MIS (management information system) reports. These dynamic reports, that were prepared on the fly by picking data as soon as it was recorded, offered the management current status of each activity. They are indeed an end-to-end report management system.

(Syspro)2

These reports can be accessed from any location enabling management to spot problems quickly and address them without delay. This also reduced wasteful communication earlier required just to access the information. The Human Resource Department has been overhauled with the aid of the ERP system.

- The entire work force from managers downward is now trained to work on the ERP format
- Performance and Productivity have become the principal guidelines of future pay packets.
- This has generated higher self-esteem among workers
- Better teamwork has lead to better co-ordination between the middle management.
- Attrition has fallen sharply as workers see an opportunity in the company itself and relocation is no longer attractive

Production Planning and Control (PPC) was introduced at the various production units of the company. This resulted in identifying the resources available and then distributing the orders between them based on available capacity. The ERP could forecast this based on Knowledge Inputs like

- Output of dresses per style, size wise
- Number of dresses (or parts) produced per machine per hour
- Number of dresses (or parts) per worker per hour.

This resulted in eliminating idle capacity as better co-ordination became possible due to this unique information generating system.

In-Production wastages also came down due to pre-setting style requirements base on productivity. Capacity utilization was up by 10 percent.

Within the production units the Maintenance programme was also put through the ERP. Each machine was allotted a unique number and all its replaceable components were catalogued. All vendors of these components, whether local or overseas, were identified. An inventory was raised for each item with due respect to its delivery time. This ensured that any item was available at least 15 days ahead of its normal requirement. This resulted in scheduling of all maintenance in an organized manner.

To date the downtime, which occurs due to sudden breakdowns, has reduced visibly due to timely and mandatory maintenance and over a longer period the company is looking forward to zero downtime.

As costs became known at the PPC stage it, it became simpler to calculate intermediary costs like cost of a semi-finished product as well as the finished product as soon as the product came off the assembly line. Control over cost overrun can now be exercised at the Production stage itself. This offers an excellent opportunity for management to improve the bottom line.

A further possibility has now come up. Prior to this cost of a product was forecast either as a historical cost of an identical or similar item produced earlier, or in case of a new product, it would be based on inventory cost

alone. Now the element of production cost (even a process cost within the production programme) will contribute to making this pre-shipment cost or sample cost more accurate.

Money matters were at all times subject to unknown factors. With the implementation of ERP system and introduction of costing at all levels of Human resources and Physical Assets, it has now become easier to forecast financial requirements. It is now possible that this department can now manage itself more efficiently. Extreme situations, like tight cash flows or flushing with funds, will give way to a more stable cash management. This will certainly bring down the cost of funds as interest rates are bound to go north with a sluggish economy in sight.

The MIS reports, as stated above, are the greatest tool that have been developed and will certainly empower the management to take all challenges that come their way. It is interesting to see that the ERP providers have carefully addressed all areas that are likely effect the company's performance. This report will be incomplete without listing them and they go to show to what extent technology has been able to match the industry requirements.

- Status of individual Orders – Current stage of Production with prediction of completion date based on current productivity level of the individual order
- Production Status – both combined and for individual units
- Time & Activity Report – showing the now-status of each activity against planned targets

- Daily Production Report – for each individual order with productivity achieved per man-machine per day and per hour
- Wastage Report – created for each activity like dyeing, cutting, sewing etc. actual versus planned (showing savings or loss on this account)
- Sample Catalogues – with dynamic sample cost sheet (can do a fresh cost exercise by changing item values and prices on existing cost sheet)
- Cost Analysis – Immediately on shipment the analysis provides budgeted and actual cost broken down to Material, Production, Process, Labour, Machine, Shipment and Overheads. (Shown separately for each style/order)

The management has done well to adopt a model based on the concept of controlling results by controlling resources.

The conclusion of this review is that the management has shown foresight by adopting the Technological way to organize their functions and that this will pay off well for the company now and in the future

References:

1 Davidson, Mike. The Transformation of Management, Butterworth-Heinemann, 1996

2 http://www.syspro.com/Corporate/Global_External.asp?ID=52