

# Quality management issues of shipping and receiving



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Quality Management Issues of Shipping and Receiving GM588 Managing Quality, Michelle Gardner October 16, 2011 Introduction Professional Flooring Supply (PFS) is a wholesale distributor of flooring installation supplies and sundries. PFS currently has 15 branches located in Texas, Louisiana, Arkansas, Oklahoma, Colorado, Utah and Idaho. Each of these locations serves as a distribution point for resale customers as well as a retail store front for flooring installers. PFS was founded in 1977 with a location in Houston and in Fort Worth Texas.

The company remained fairly small until 2005 when they began expanding rapidly. PFS in the past has always used a hub and spoke model when it come to distribution of inventory. The majority of the inventory will be shipped into the Central Distribution Center (CDC) and once a week the other branches will drive their delivery trucks to CDC to swap inventory. This inventory is used for stock items as well as special orders for customers. This system worked quite well until PFS grew past the geographical limits to make this possible.

This has led to a number of issues that are occurring in the shipping and receiving department. This area of the company is vital because it insures that our customers are getting the materials they need in a timely basis. This has to be the main focus of a supplies distribution company. Some of the areas where issues are occurring are: items not shipped to customers on time, inventory not received and located in a timely manner, incorrect inventory quantities resulting in lost sales. Problem The first area of concern is when customers are not receiving there ordered purchases on time.

Our customers have jobs they are trying to complete and base the completion of these jobs on when we can deliver materials to them. If there is a snag on our part in the delivery of those goods then this in turn causes our customers to look bad to their customers. These problems can occur in a number of different areas but two of the main areas of concern are with our back order filling and shipping of materials. Often customers will make order for materials that we do not currently have in stock. When this is done the system will place the quantity of items needed in to a back order status that is to be filled when the new inventory arrives. If the receiving department does not fill these backorders (via a manual process) then there is a chance that this allocated material could be sold to another customer. PFS also utilizes a number of LTL delivery services to deliver goods to our customers as well as our own delivery trucks. PFS will also ship inventory between branches to speed up the fulfillment of customer orders.

In this process often times items are entered into the system but often are not included on the shipments. This mainly occurs because PFS does not have a hard set timeline of when orders for shipment must be entered. This lack of a cutoff has resulted in branches trying to squeeze one last order in to make a customer happy but then results in a missed item that makes the customer unhappy. Another major area of concern is items that are not received and located in a timely manner. Each of the branch locations are often minimally staffed to save on labor costs.

Many branches will only have one warehouse worker that also serves as a driver. Many times inventory will be delivered to us by a supplier and then not promptly checked in once the inventory is physically received. If this

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occurs then a customer that walks into the front of the store to purchase an item may be turned away because the inside sales team may not know that we did in fact receive the needed inventory it just wasn't entered into the system yet. Another problem in this area is when the items are received in time but they are not located properly.

Again, the inside salesperson will see in the system that we should have the items available to sell but when they go to the area that shows to have the items they are not there. The person that put away the items did not take the time to make sure the items were located properly in the system. Finally, another major area of concern is when the inventory counts in the system do not match what is physically on hand in the warehouse. This can occur for a number of different reasons. The main cause however is poor cycle counting.

PFS has implemented the use of cycle counts to insure that inventory counts are done regularly to make sure everything matches and is correct. These counts are being done in the middle of the day when the warehouse workers are trying to pull inventory for deliveries, receiving in inventory, and picking inventory for customers who are there. As previously mentioned a lot of times these items are not located properly so this worker is rushing through the list trying to count the goods while performing all the other tasks and often times misses items that may be in stock, just improperly located.

That worker will then have to write-off that inventory causing the purchasing department to reorder the needed quantities to satisfy customer orders.

Literature Review The main focus of the solutions needed for PFS revolve around the management of the supply chain and how that can be made into

a more automated process that will lower the amount of possible manual errors. Talib, Rahman, and Qureshi discuss the similarities of Total Quality Management (TQM) and Supply Chain Management (SCM) and how they each are used in business processes.

They state “ The extant review of literature revealed that adoption of TQM and SCM could deliver a number of potential benefits to the organizations. Previous studies linked organizational performance, business performance, employee satisfaction and customer satisfaction with the TQM and SCM implementation. ” (Talib, Rahman, & Qureshi, 2010). In Table 4 below they show a number of the benefits to a company when TQM and SCM are used (Talib, Rahman, & Qureshi, 2010) Table 4: Benefits of TQM and SCM| TQM| SCM| Increased financial performance| More accurate costing|

Improvement in the morale of the company| Increase in coordination between departments| Establishing a process of continuous improvement and innovation| Increase in coordination with suppliers| Increased customer satisfaction| Increase in coordination with customer| Improvement in employee involvement| Increase in customer service and responsiveness| Speedier new products introduction| Improved supply chain communications| Long-term relations and affinity| Reduction in risk, inventory and product development cycle time processes| Commitment of employer towards continuous change| Reduction in the duplication of inter-organizational processes| Dee C. San (2006) gives great insight into how inventory can be optimized. Her group set out to try and create better customer satisfaction with the products they sold. The first thing they did was to put a team in place that would take on the project. This team would then develop the <https://assignbuster.com/quality-management-issues-of-shipping-and-receiving/>

charter to the project. This charter would layout each member's role and the phase of the project. One important area San discusses is the role of the customer in the project, " Obtaining the customer's voice is a key step of the initiative. It is important to know who the customers of the process are, and what's important to them. " (San, 2006)

In a paper about TQM and SCM and their role in a company that needs a Flexible System the authors discuss how these three systems are now being more commonly integrated to provide a total solution for businesses. In the paper the author's state, " Adding the ' Quality' component to supply-chain management involves addressing the influence and relationships between supply chain management and the natural environment. Similar to the concept of supply-chain management, the boundary of TQM is dependent on the goal of the investigator. " (Siddiqui, Haleem, & Wadhwa, Jul-Sep2009). They also discuss how the integration of these systems is becoming more important integration is and how consumers are demanding things faster. They state, " Today's businesses have become extremely complex.

The interplay of the three Cs, namely, consumers, competition and convergence, has thrown open new challenges for organizations all over the world. Customers are demanding more variety, better quality and service, including both reliability and faster delivery. " (Siddiqui, Haleem, & Wadhwa, Jul-Sep2009) The main area for quality management at PFS is primarily with the warehouse area of the company. Jordan Brandes has some great information on quality with regards to the warehouse in a recent paper.

Brandes has a conversation with Michael Hetzel where Mr. Hetzel states " To

control quality in the warehouse one must control the conditions of storage, and how the product is handled,” says Michael L.

Hetzel, vice president, Americas, for the McHenry, Ill. -based third party quality services provider Pro QC International “ All product types require their own QC protocols based on the critical, major and minor effects of non-conformances, potential causes of defects, methods of identifying defects and the customer chain to the end user, the inspection plan is developed out of this. ” (Brandes, Jan/Feb2011). This discussion is key to PFS because of the variety of products that PFS carries. In an article by Robert Trent (2001) he discusses involving TQM into SCM. He presented a model that I found to be very accurate for the way PFS handles its supply chain.

He presents exhibit 2 below and states, “ Along with each principle is a selected set of activities that, if fully executed, will ensure that the company truly practices TQM in their pursuit of quality upstream in the supply chain” (Trent, May/June2001) PFS is primarily considered a small business in the grand scheme of things. There are much larger businesses out there that are pushing forward with quality management. In a paper discussing quality management for Small and Medium Enterprises (SMEs) the authors state, “ SMEs are lagging behind in implementing the Quality Management Tools” (Singh, Bhardwaj, & Sachdeva, 2009). For a smaller company to be able to compete with the larger companies for business quality management is going to need to be an area of focus. In a recent interview, Gentia VP of Marketing Scott Silk disucsses the need for a balanced score card for quality management.

He states, “[Much] of the whole concept behind Score Card has to do with a concept called MBOs, or management by objectives. A lot of the Score Card concept is objective driven. But it's objective driven based on multiple levels in the organization. So if the CEO has five key objectives that his board of directors is going to be measuring him on, [and] you broke those objectives down to his first line level of vice presidents, for example, they would have four or five key objectives that they would need to achieve. Some would be similar to the CEO's, but they would [also] be different than the CEO's. If you then boil it down to the director level, they have a series of objectives.

And [then to] the manager level, and down to the truck-driver level, as an example, if you were Federal Express. The problem with managing and communicating strategy to most companies is [that] by the time you get down from the CEO's objectives to the front-line worker objectives, there's no connection between the two. What the Score Card allows you to do is something called cascading, which is interlinkages between the objectives throughout all layers in the organization. So if I as the CEO say, 'These are my objectives,' I can make sure that [in] every layer of management down to the front-line worker, there are proper linkages in the strategy. [ (SILK, 1998) ] In an article about six sigma, the author gives us the five stages in a typical six sigma project. Those stages are: define, measure, analyze, improve, control [ (Homrossukon ; Anurathapunt, Aug2011) ]. The authors go on to discuss each of these stages in more detail and the steps needed to achieve the desired results for the project. Analysis The root cause of the issues that PFS is experiencing is because the current process is very manual and there is not enough support staff to handle the multiple roles needed to ensure



customer satisfaction. There are currently too many areas for a single person to cause inaccuracies in the system that will affect multiple stores or customers.

I understand the desire to keep labor cost low but there comes a point where PFS will see diminished returns from the continued errors with customer satisfaction due to this labor shortage. Assuming at first if labor is not going to be increased then there needs to be a solution that can solve the problems. This solution will first need to allow for the quick and accurate put away of newly received inventory. Once this inventory is received and properly located, other areas, such as back order fulfillment, new sales, and deliveries can be successfully completed. There also needs to be a quick and accurate way for the warehouse workers to pick the inventory or make any adjustments to the counts as they are working.

If they see an error in a particular location they can either correct that location immediately or flag that item for a more in-depth count at a later period when more attention can be given to the problem. The other missing piece to these issues is the monitoring of the processes. Right now there is not a standard monitoring process. Problems are dealt with when they occur and forgotten about once they are fixed. Often times these issues will not even make it up the management ladder until there is a crisis. Our management team has tried to implement audits into the process but the branches are given notice of when these audits will occur so they can prepare for them. This kind of defeats the purpose of the audit since it is intended to find issues that can be corrected.

Following the guidelines of TQM PFS needs to stop bonuses these branches just on sales and add a portion of their bonus on the quality of their branch process as well (Evans ; Lindsay, 2009). Recommendations Based on the problems stated earlier and the research done, I feel that PFS needs to adopt a quality management process into their supply chain management. This process needs to start with the owners and top management. There needs to be a team developed with representation of all involved to set the standards on what will be deemed acceptable. I think the first thing that needs to be done is to move from a reactive mode to a proactive model of daily inventory management (San, 2006).

In order to be more proactive and correct the current know issues, PFS in on the verge on implementing Electronic Data Interchange (EDI) with our main suppliers and a new Inventory Warehouse Management System (IWMS). These two combined system will make the whole supply chain management process more electronic and less prone to manual input errors. This will help PFS focus on the following areas of improvement: increased efficiency for pulling and staging inventory for customers, increased customer satisfaction with timely deliveries, and faster order fulfillment with timely receiving and accurate inventory counts. As this new technology is being implemented PFS needs to rollout a companywide focus on TQM.

I think with the true adoption of TQM PFS can get away from the culture of reward by showing what others are doing wrong and change that to a culture where is someone has an idea for a better solution they can bring that up without fear. This will also mean that PFS will need to develop additional teams and training that are solely focused on helping everyone involved in <https://assignbuster.com/quality-management-issues-of-shipping-and-receiving/>

the supply chain process the tools they need to be successful. I think that once the TQM culture has fully been accepted then PFS can move to using a Balanced Scorecard. Using this model will help PFS and its employees better understand what needs to be achieved with its processes.

It will also allow PFS to use the Balanced Scorecard as a tool for strategic management. Now when new processes or idea are brought to light they can look objectively and how they will score based a set number of values.

Reflection The main area I now have more clarity on is how to integrate quality management into our supply chain management. For a while I have known that there are issues that need to be fixed. Without the background to understand the root causes of these issues it was hard to implement a process that could correct the whole system. We would keep trying to fix the main items that were causing the most issues first without looking at the process as a whole.

As the Controller for the company this has also research has also given me a better understanding of how to implement these changes into the organization. Before, I would just attack the problem head on and develop a solution that I felt was right. I now understand that I need to get multiple people involved and allow them a forum to discuss the areas of the process I may not be 100% clear on. Overall this exercise has been very beneficial in deepening my understanding of how quality management should be used with regards to Professional Flooring Supply. Bibliography Brandes, J.

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