

# The practice implementation of just in time inventory (jit)management system

[Business](#), [Management](#)



PRESENTATION ON :

THE PRACTICE IMPLEMENTATION OF JUST IN TIME INVENTORY (JIT)MANAGEMENT SYSTEM IN PROCTER AND GARMBLE LTD. NIGERIA. THE PROBLEMS AND CHALLENGES

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Executive Summary

This study reflects on the implementation and practice of Just In Time ( JIT) Inventory management system in manufacturing organisation with particular reference to Procter and Gamble Ltd. Nigeria. It examines the four main inventories that can be identify with manufacturing company which are Raw material, Work In Process (WIP), Maintenance or spare parts and Finished

goods. This discussion will have its focus on the finished goods in the Warehouse since that is where Procter and Garmble Ltd channel the Just In Time inventory system. This finding also identifies the causes of failure of JIT due to poor implementation. The resulted problems and challenges such as Wastage due to damages, obsolete and expired stock, pilfering and inaccurate stock count were also discussed. In conclusion findings has shown that to have a proper inventory management system in manufacturing company, JIT inevitable and must be fully implemented along the four main inventories in as much that the activities of one affect the other. To minimise wastage and other associated cost of inventory management, Re-engineering are one of suggested solution.

#### COMPANY

#### DESCRIPTION.

Procter and Garmble Ltd started operation in Nigeria as a trading company with the importation of consumer goods such as Ariel detergent, diapers for babies and sanitary pads. Due to growth, wide acceptability and demand for their product and also to serve their customer better, they embark in local production and become a manufacturing company in Nigeria in the late 19th century. They introduce additional product like Bonux detergent, safeguard toilet soap, all in difference sizes ranging from (30gm, 90gm, 250g, 500gm, 1kg, 2kg ), Candies (Vicks Blue, Vicks lemon & Vicks Apple.), Oral B Toothpaste and toothbrush among others were also introduce. With more than 8 store keeping units( SKU) and over twenty-four brands, proper management of inventory become a challenge and with the existing Sage pastel (Accounting package.) which included Inventory module. the management of the company see JIT as the best solution.

## INTRODUCTION

Inventory management is one of the most important, and at the same time most challenging jobs in any manufacturing business. All manufacturing units aim at one thing and that is to minimize the expenditure and costs related to ordering and carrying out inventory. The carrying out of inventory costs comprise warehouse costs i. e. rent for the storage facility where the inventory is placed, salaries of the employees who manage the warehouse, and certain financial costs that are incurred on the insurance of goods in the inventory and any possible damage to it. Bringing down these costs is an important part of inventory management and one of the systems in place for this is the JIT system. The Just-in-time (JIT) inventory strategy is an inventory management strategy that aims to have as much finished product or intermediate goods as required by a company at the right time, thus reducing inventory costs and wastes without negatively impacting customer supply (Slack, Chambers, & Johnston, 2007). JIT system is a computer based perpetual Inventory system that tracks and calculates availability, lead time, and usage to deliver the least amount of products needed " Just in Time" to reduce on-site inventory costs. To apply this inventory management strategy, a clear understanding of how much raw material is needed at any given time to maintain proper flow of production should be there. For this, the time taken by the raw material to reach the manufacturing facility from the supplier should be known and secondly, the life of the raw material should be clearly determined beforehand. Once this information is handy, procedures should be formulated to ensure that the raw material arrives just in time, before the production starts so that little or no storage time is

needed. Another thing that is needed to properly implement the JIT inventory system is that there should be good coordination between various points of a production process.

There should be constant transmission of signals from one point to another regarding the status of production. Due to this clear and constant communication, each point of the manufacturing process will know when to order for inventory and how much to order so that it arrives just in time and in the required quantity. This is where the importance of the system lies. It ensures that there is neither wastage of time during the production process, nor there is any wastage of capital or production capacity, thus leading to faster production. When the production is fast, the finished goods reach the market fast too, thereby reducing the " waiting time for the customers.

This research focuses on the case study of JIT implementation in a manufacturing company as a means of analyzing the positive and negative aspects of JIT implementation as well as potential pitfalls. However, the organization must also be able to avoid the potential pitfalls of JIT, including inappropriate inventory management levels and increasing waste due to inappropriate business processes.

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## SITUATION ANALYSIS

The marketing environment for Procter and Gamble represents a great opportunities. It also contains some challenges regarding some of their

product which are yet to gain acceptability but the company believes this can be overcome through aggressive marketing strategies. SWOT analysis of the company was conducted by marketers to highlight Procter and Gamble strengths, weaknesses, opportunities, and threats. Operating in a country with over one hundred and sixty million people, P &G has built some impressive strengths while looking forward to new opportunities. Its dedicated Management and Staff, the continuous growing number customers, and financial resources place the company in a good position to grow. As P &G considers expansion of its product line and extension of its network to neighbouring company for new markets, the firm will have to guard against the failure to recognize the scope of its business and continue to maintain the quality of its product. As the company plans for new products, its management will also have to guard against competitors who attempt to imitate its products. However, building strong distribution channels and relationships with consumers, retailers, Wholesalers, Distributors and suppliers of raw material should help in competitive advantage over competitors.

#### FINDINGS AND ANALYSIS

Findings has shown that JIT does not achieved its desired objective in Procter and Gamble due to poor implementation. The JIT was not in full operation. It was focus on the finished goods which serves as inventory in the Warehouse.

#### POOR IMPLEMENTATION AND PRACTICE OF JIT

As earlier discuss, JIT was in operation but only focus on finished goods and not applicable to production department where the goods are being

manufactured. Every manufacturing company have four main inventories which are Raw material, Work in Process (WIP), spare parts items and finished goods.

The Production Produces based on the available raw material without taking cognisance of the size of the warehouse, customer order and demand for the product and without considering that the company has some non performing stock (stock with low market demand). the production department work in isolation without align or having knowledge of the situation of their warehouse and order generated from customers through sales and marketing department are not use as a basis of production. Also the staffs did not received adequate training about the JIT system. Most of them don't see it as user friendly but have the perception that JIT will serve as threat to their continuous existence as staff in the nearest future if the system is fully implemented and practice. for instance, in the warehouse, the stockhandlers believe that if JIT is in full operation, the size of the warehouse will be reduce because there will be no need to keep large quantity of stocks and this may result to lay off of some of the stockhandlers.

#### PROBLEMS AND CHALLENGES

Due to poor implementation and practice of JIT, the aims of the policy was defeated and this put the company into financial mess. The working capital were tied down due to large quantity of non performing stock lying down in the warehouse without market demand. The warehouse become more expenses to manage. Another problem encounter by P & G is damage and wastage. Due to availability of raw material that are more than required

quantity, there is no proper monitoring and usage. In the finished good warehouse, some old stock have loose their form and are no longer in good saleable condition due to seal broken. Furthermore, due to long time production some stock have become obsolete and expired. They have loose their quality and effectiveness and cannot serve any useful purpose to both the organisation and the customers. Also there are problem of inaccurate stock count due to the warehouse situation. There is no proper stacking pattern for SKU and some of the non performing stock have loose their form to the extent that accurate stock count become difficult. The stock handlers also see the situation as an opportunity for Pilfering . However, all this problems resulted in a great financial burden and there is need for urgent solution to the confronted challenges.

## CHALLENGES

One of the challenges face as a result of the problems is Warehouse space. Due to inefficiencies experienced the need for bigger warehouse become necessary in other to accommodate and meet the standard set to for the operation of warehouse. Also, there is need for more stockhandlers, inventory officers and facilities such as forklift for smooth running of the warehouse.

## RECOMMENDATIONS AND CONCLUSIONS.

This findings has shown that the implementation of JIT inventory management system should be fully put in place by the management of P & G. In doing this, the first step will be creating a way to gather data to provide forecasting capabilities for the Production department. The Second step in JIT



inventory management will be business process re-engineering in order to increase the simplicity of the business processes. The goal of business process re-engineering is to identify areas of waste and inefficiency within the organization and improve working processes to reduce these inefficiencies prior to implementing JIT . The Third step will be to implement business analysis systems, such as data collection systems and automated ordering and inventory systems, in order to allow for effective JIT ordering, or upgrading systems in order to allow for the collection of this data (Slack, Chambers, & Johnston, 2007).

## CONCLUSION

If the firm does engage in this activity, it may be able to reap significant benefits, including the reduction if not elimination inventory waste, reduction in Warehouse size, minimize the number of human resources (stock handlers), reduction in use of facilities and other cost of keeping stock, thereby save the company a lot of money that can be diverted to other areas of business opportunity.

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