

Necessary Requirements for a Reduction in Inventory

First, let me state that a management team that simply issues “an order” to reduce inventory does not work. People seem to resist any order to reduce inventory levels.

There are several ways to get control of inventory and all should be explored. Organizational structure and the attitude of management are two factors that must be explored, and then a particular means to reaching the objective chosen.

On a small scale anyone can affect inventory reduction programs daily by making this part of their daily routine. For example, the daily procedure may be to have the purchasing agent/manager working with suppliers to get them to reduce lead times, or a manager over production who implements a inventory reduction goal or reducing work – in-process inventories in a plant. Projections of sales of immediately needed inventories are major ways to improve inventory efficiency therefore saving the organization thousands of dollars in the costs of carrying inventory. Successful implementation along with accomplishments in individual cases will motivate others to believe that inventory reduction is an attainable goal that is worth pursuing. One disadvantage to this approach is that it is a fragmented attack on overall inventory investment, and only certain portions of the challenge(s) are scrutinized and solved.

Another way is to establish a formal group or use an existing group to be responsible for the control of an inventory reduction program. Inventory control is or should be a item that every business focuses on daily with procedures and decisions made in every area of a business. The unseen but mighty operating areas of influence of the separate departments must be overcome.

A specific group should be established for carrying out management’s overall inventory control objectives. It can be by forming a separate section within a established operating department or it may even be that a independent inventory control group should be established. Which ever case, it requires three organization elements for success of an effective management program: people, polices/procedures, and responsibility assignments.

Jerry W. Williams is a well trained executive who offers his services as a business consultant. Having worked, as an executive in the banking industry, starting and growing businesses, and working in both production and retail environments, he is qualified to consult on the ways to grow a business externally and internally. Visit www.JerryWWilliams.com for more information.