



e-Zine

Six Sigma in Inventory Management

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Since 2005 companies around the world have accelerated the application of Six Sigma beyond the realms of quality and design into virtually every business function. The fields of supply chain, operations and inventory management are no exception.

The role of Six Sigma in Problem Solving: Problem-solving methodologies can be thought of as running along a continuum, beginning with simple, gut-feel, “I think” types of approaches and moving towards more data-based analytical methods. As the problems to be solved become more complex, businesses must begin to collect data, examine it, look for patterns and trends, and ultimately apply structured statistical analysis tools. This latter state is the realm of Six Sigma.

The case study: So how does Six Sigma apply to supply chain and inventory management? This is best illustrated by way of example. Consider a company which purchases branded products for resale through a network of distribution centers. The company believes that minimum order quantities (MOQ) and long lead-times are contributing to lower than expected service levels on these products. The Six Sigma process holds that key inputs, called “X’s” are innocent until proven guilty of contributing to key outputs, called “Y’s”. In this case MOQ and Lead Time are the key X’s believed to contribute to the key outputs: backorders and cancelled orders. A structured statistical analysis of the company’s order data indicates that in fact supplier MOQs are “guilty”, but exonerates long lead-time as a contributor. Armed with these facts and other lessons-learned, the project team was able to identify key root-cause issues and implement an action plan which eliminated roughly 80% of customer service hits on these products while simultaneously reducing costs!

Whether you’re just beginning a Six Sigma program, or looking for ways to improve the utilization of Six Sigma in your Supply Chain, Operations or Inventory Management processes, SCC Inventory Consulting is prepared to assist with education, project support and leadership, or on-site consulting. Check out our web site (www.SCCInventory.com), or contact us directly, by phone at (321) 269-3407 or by email at Steve.Cimorelli@SCCInventory.com.