



Issue

The purchase order placement cycle is too lengthy and will not effectively support a high volume and repetitive manufacturing program. Current PO placement cycle times often result in inefficient purchasing manpower allocations as well as material deliveries not supporting planned stock dates.

Breakthrough Strategy

- Measure** Since an effective data collection system did not exist, the first step was to collect detailed historic records on PO's from the previous business year. PO placement cycle time specs were created. Process capability indicated material was late 23% of the time.
- Analyze** Pareto charts by dollar threshold values were created. A common problem area amongst all four categories was the process span time from supplier selection to actual entry of the PO. A hypothesis test was performed to alleviate concern that dollar value thresholds had an impact on PO placement cycle time drivers.
- Improve** Review of data and brainstorming pointed to three problems causing long cycle times: buyer workload distribution, lack of a preferred supplier base, and inadequate purchasing software. Work teams were organized to manage buyer workload issues. A preferred/certified supplier program was started, and on-line procurement forms have been made available.
- Control** A management report series has been developed to report monthly on departmental and individual metrics. Performance goals were introduced to buyer annual performance plans.
- Results** Overall process capability improved. Average cycle time dropped from 17 days to 11 days. Material deliveries improved from an average of 23% late to 16% late.
- Savings** \$105,000 annually in decreased buyer manpower requirements.