

By Dave Turbide, CFPIM, CIRM

Little Did He Know ...

Using your system to prevent surprises

The phrase “little did he know” plays a critical role in the movie *Stranger than Fiction*, starring Will Farrell. In the film, Dustin Hoffman’s character, a literature expert, explains that “little did he know” is a very powerful literary device that can have great implications for the character involved. It generally means that there is some huge change (usually bad) that is about to befall the poor wretch and about which he is completely unaware.

Allow me to transfer that concept to the world of manufacturing.

The plant manager was going about his daily business, thinking things were running quite smoothly. Little did he know, because of several seemingly insignificant bill of material errors and an extensive use of backflushing, he was about to run out of a critical component. This turn of events will shut down the line for almost a week.

The company chief financial officer had just signed off on the latest financial report. Little did he know that the upcoming audit would find manufacturing costs had been severely undervalued, and the company was in real financial trouble.

I could go on, but I think you get the point. What you don’t know can definitely hurt you. And the longer it goes on, the bigger the impact of that unknown factor when it does make itself felt.

The real purpose of information systems (enterprise resources planning and its cousins) is to store and manage data in such a way that company managers can use them to make plans and execute the company mission.

These systems are only as good as the data that feed them. And if the systems don’t know about a situation, they can’t warn you or help you find a way to correct or compensate for the problem.

Measuring for improvement

Over the last few years, there has been a lot of interest in measurement systems—business intelligence, executive information systems, performance management systems, and more—much of it driven by the requirements of the Sarbanes-Oxley Act of 2002 (SarbOx), which makes it a criminal offense to not know what’s going on within the company.

The good news is that SarbOx has driven company leaders to improve their use of the information systems already in place, helping leaders make significant gains simply because they are detecting developing problems earlier, preventing the “little did he know” factor from hiding serious issues.


On the negative side, SarbOx compliance has been expensive and traumatic for a lot of companies, and some leaders have yet to recognize the value of the information and the early warnings. They simply are complying with the letter of the law without appreciating the value of the information.

Another negative is that company leaders not affected by SarbOx, those at smaller and privately owned companies, may not have gotten the message. They may not realize that their larger competitors may be experiencing performance improvements that will make it harder for smaller companies to compete in the future.

To get started on enhanced reporting, it is not necessary to go out and buy a lot of sophisticated software. In most companies, there’s considerable reporting capability already in the existing systems. It just isn’t being used as effectively as it could be.

Also examine your data collection process. Are inventory movement and usage being reported accurately and quickly? Do you have a cycle counting program in place to validate the process and measure accuracy? Are you maintaining at least 98 percent accuracy? If you are using kanban or other nonsystem techniques, do you have some way of monitoring the process to make sure it is performing as it should?

In addition, consider shop floor activity. Are you collecting time and completion information, where appropriate, in a timely and accurate manner? Is your scheduling system giving you useful status information and updating schedules and priorities based on solid reporting? Can you easily know where a particular job is and when it will be completed?

Things change. Even the best of systems—manual, physical, or electronic—must be adapted and periodically checked to see if they are still in line with the reality of plant and warehouse operations. The best systems will tell you (very early on) when something is changing. It’s up to you to recognize the significance of the change and take appropriate action to prevent a “little did he know” situation. 

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