



President's Note...

This month **DBMEXECUTIVE** delivers a 2-page case study in industry change. Many businesses struggle with inventory accuracy but never give it a second thought. Primera Plastics did. They saw the chance to get themselves out of the inventory glut and they took it—with the help of DBM.

The Background

In 2005 DBM Systems Inc. was called to assist Primera Plastics, an injection moulding company in Zeeland, Michigan.

Founded in 1994, Primera owns a 106,000 square foot facility with over 130 employees, and annual sales in excess of \$20 million. Primera supplies automotive interior trim and office furniture products to companies such as Herman Miller and Magna Donnelly.

Primera is a proud company, visible both in the cleanliness of their facility and the quality of their products. In 2007 they were given three major industry awards including the prestigious US Small Business Administration award as Business Person of the Year for owners Noel Cuellar and Ethan Barde.

But in 2005, Primera had an inventory problem that threatened the existence of the company. Inventory was out of control. "Chaotic," was how John Wiechertjes, Material Manager described it. "Everyone did what they needed to do for the day," Wiechertjes said, "Each night I'd lay awake, worrying if I'm making the right stuff."

Things came to head when a \$300k inventory adjustment in year-end statements was questioned by their bank. Noel Cuellar, President of Primera Plastics said, "We were lost. We got to a point where we were no longer a small company."

As Mark Lemon, Receiver and Cycle Counter recalls, "When I first came in every single rack location was full, material was on the floor, and you could barely drive a high/low up and down the aisles."



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How do I count this?

"We were scrambling," said Noel Cuellar. "[We] didn't know what we had in inventory,

Primera Plastics: A Case Study in Inventory Accuracy

by Marg Pearson

problems with old revisions numbers, customers complaining." The bank threatened to pull their line of credit. "We were lost," he repeated.

Bob Buresh, General Manager, recalls a conversation between himself and a scheduler this way:

"Why don't you look on your computer and see what it tells you?"
 "We don't use the computer. Things are never accurate, so we never use it."
 "So how do you know if your inventory is accurate?"
 "We walk through the warehouse and count it."

The Initial Meeting

In 2005 DBM launched The FIX and called upon Primera Plastics in Michigan to gauge their interest.

The Controller, Chris Feenstra invited them to an introductory meeting in early March, to discuss how DBM could help Primera Plastics with its inventory accuracy. Duncan McLeod and Dave Searle of DBM attended the meeting.

"DBM helped our team to really understand IA," said Bob Buresh. "Primera didn't have a clue about inventory accuracy as an organization."

The DBM team listened as the Primera executives shared their problems. DBM made some notes, they went on a tour of the plant.

Later, back in the boardroom, Duncan described what he saw while the Primera executives slowly nodded their heads in agreement. Duncan then described a new service that DBM had put together called The FIX, where, through a series of well-defined steps, DBM would help companies regain inventory control and ultimately business control. Duncan explained the importance of stopping to fix problems as they occur. "If it's broke, fix it, but not alone," was what he explained to the Primera Team. Dave showed the Primera executives a series of animations from DBM's eLearning courses on inventory control, showing how organizations typically get out of control, out of sync, and lose money and eventually business because inventory is not being managed.

Duncan proposed the FIX to Primera. The steps to help Primera improve and get their business back on track were laid out as follows:

1. **Executive Education.** All the upper management needed to go through the executive training course. This would provide them with a vision of what happens with and without inventory accuracy.
2. **eLearning - General Training.** Put all people who touch inventory and need to understand inventory accuracy through the courses. This would help to get over the cultural paradigm of blame and accusation that had begun to take over the company. Get everyone to understand that inventory

accuracy is a program that they are all involved with. Executives, Managers, Accounting, Quality, Production, Warehouse, Engineering—everyone has to take part and ownership.

3. **Redesigned Flow.** Time needed to be spent understanding how material flowed into, through, and out of Primera. Perform a gap elimination study, discover best practices for transaction control points.

Find out where the control of inventory is lost and fix it.

4. **Specific Training.** Explain to each area what their responsibilities are. How they fit into the flow of inventory through Primera. Help them understand the cost to the organization of carrying too much inventory, and why it happens, and how they can fix it.
5. **Problem Solving.** Use real issues to teach people how to use problem solving techniques to anticipate problems before they arise.
6. **Zero System Modifications.** Use the ERP system they had already invested in, but use it consistently and correctly. Transactions would still be manually processed, but they would be processed at the right time and place in the material flow.
7. **Outsider Importance.** The Task Master role. DBM was not politically aligned with any department in Primera. They are impartial. They can push harder and faster to get the job done because they have the experience, and no other responsibilities with the organization.
8. **Key Tools.** Create a DataMeter—a simple on-line measurement system that DBM would provide. Status indicators of inventory. Again, avert problems before they arise.

The goal that DBM set to achieve with the Primera team: 95% inventory accuracy. No physical inventories. Inventory accuracy problem solved.

DBM left. Primera thought about the proposal. John Wiechertjes said, "[We] needed people who knew what they're doing." DBM was called.

The Project

The turn around time for the project was 8 months. Primera could not afford to wait any longer than that for the results they needed. Timelines were drawn up and agreed to, schedules realigned, and Primera employee training started. The project was a go.

Four days a week, for the next 8 months, Marg Pearson of DBM was the Task Master of the Inventory Accuracy Project at Primera Plastics in Zeeland, Michigan. She drove the six hours, there and back, each week, without fail.

Early on, some tough decisions had to be made. One partner was dead set against the intrusion of DBM and the project, so he was bought out. Some responsibilities changed.

DBM used the Kolbe A-Index Assessment and Team Success Seminar on the Primera team to help them understand where their own



Primera Plastics: Continued...

by Marg Pearson

thinking/doing strengths and weaknesses were, and also those on the team around them. A better understanding of people makes it easier to resolve conflicts. This information, helped make a stronger team.

"There were some resistances," said Don Holtrop, "but DBM was accepted quickly."

The project progressed quickly. "I didn't expect the employees to delve into it like they did," Noel Cuellar remarked. "[Originally] one or two people owned the system and we were at the mercy of those people. Now everyone can see."

Job specific training started. DBM's series of eLearning modules: Inventory Accuracy, Cycle Count, and Problem Solving were shown and made available to the Primera Team.

Bob Buresh remarked: "One of the keys to the success of IA: make sure many people go through the class. Understanding is key." Primera sent over 35 people through the eLearning modules.

The project progressed. Inventory became predictable. Redesigning meant changes to existing norms, existing ways to doing things. "In the beginning we didn't have an understanding of why inventory accuracy mattered. [Now] we understand why it must be accurate, and we have changed the scheduling system to use the accurate inventory," said Bob Buresh.

Scheduling

John Wiechertjes uses MS-Excel as his master schedule. The schedule is printed on an 11x17 sheet of paper, and distributed around the plant. The problem is that the schedule is independent of anything else happening in the plant. As the demand changes, John has to constantly re-tailor the plan, and manually add in new inventory numbers.

"Now I can use the system," John said. "It's easier to do my job now when I know that the inventory is accurate."

John puts the success of the changes this way: "Now I can give customers a straight answer. I trust the system. I had to do a lot of extra steps before I could give the customer a straight answer."

John added, "We are running 90% utilization on the machines. We must run the right product or there's weekend overtime. We often

ran 6 days a week. After DBM, we now run 5."

But the change he is most proud about is in inventory. "Our inventory levels have dropped. We started at 8-9 weeks inventory [on-hand] between raw and finished. Now, we just dipped below 5 days." He smiles. "I'm more confident in my decisions."

"The strides and milestones we have hit help us maintain profits...why wouldn't someone want to do this?" - Noel Cuellar, President, Primera Plastics

Roles

Projects always need support, and support comes from people.

"My role was a mentorship, helping people understand the need for IA, and what were value-add and non value-add tasks. The goal is to make money, so how do we get rid of non-value add activity?" This was the

moral. It has shifted. We are in this together, it's not us against them."

Observations on Success

A successful project lifts the spirits of everyone involved. At Primera Plastics, you can see it everywhere you go. The cleanliness of the operation. Empty inventory racks. Awards on the walls. The annual employee picnic. These things all reflect a company that came from a near disastrous past, and quickly turned things around to enjoy a more promising future.

"Once a week we cycle count raw material, 250 locations. High 80s to low 90s accuracy each week. Each person on each shift has risen to the occasion. [We] want to do a good job and make things right," said Mark Lemon.

When asked how DBM affected the sense of change in Primera, Don Holtrop replied: "When I think of DBM and what they have done for this company, the thing that comes to my mind is inventory accuracy."

Ethan Barde echoed the thought: "Inventory Control is key. People were not held accountable. With DBM's help, IA is now a priority for the business. I thank DBM for the support and the success that we are going to have in the future."

When asked whether the project has resulted in inventory dollar savings, Bob Buresh said, "Now we can start tracking inventory levels against sales. Now we are reducing numbers—we have recovered

over \$400k cash in inventory in the system. DBM helped us get to where we are a lot faster than if we had tried this on our own. An outside expert is a better catalyst to keep project focus than your own people."

The final response goes to the President of Primera Plastics, Noel Cuellar: "Success is a

roadmap. You need a plan and a map. This system is what I'm putting my name to."

To find out more about DBM and The FIX, and how we can help you with your own inventory issues, contact DBM, at 1-800-863-6625. Or visit us on the web at www.dbmsys.com.

System Measure	Inventory Accuracy				Master Schedule		Vendor Schedule		Customer Schedule		Education
	FG	INT	RM	CG	MSA	MSS	VSA	VSS	CSA	CSS	PWKWTAD
Primera	100	NA-2	100	100		Frozen Firm		Frozen Firm		Frozen Firm	PWKWTAD

LEGEND: ■ Good ■ Caution ■ Poor ■ No Data ■ No Goal

Click on a measurement for more detail

Inventory Accuracy goes green with 100% accuracy in cycle counts!

response of Bob Buresh.

Ethan Barde, Owner/VP Sales and Marketing, added: "My role has been to support the team. Make them understand that it is the right thing to do, and we are going to get there." This belief has been echoed by many people on the team.

"Management has been fully supportive of the changes," said Don Holtrop. "This afternoon, I'm going golfing with suppliers. That rarely happened in the past."

Noel Cuellar said, "Mentally we want to succeed. Employees wanted this to work. My job is to give them the resources they need to succeed. This [project] is one of them. You can sense it in the



A rack with empty shelving space!

"We now pick up dollars, not just nickels and dimes." Noel Cuellar, President, Primera Plastics



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