

Chapter 3

Case on How to Improve of Supply Chain Productivity

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Introduction

Efficient supply chain management is crucial for survival and success in a stormy world. “Supply chain management is about developing a process to respond to the different requirements of each customer. Customers are driving suppliers' practices. Being successful requires logistics effectiveness. Supply chain management should be an integral part of the company's drive and direction. Its represents the way to customer retention and growth, competitive advantage and profitability. Successful supply chains have top management approval and support”(inpressco.com).

Case study

MHJ Sdn. Bhd has been established around for donkey’s years. It is about 12 years in an egg supply in Pahang, Malaysia. The mission of company is strive to be one of the best supplier especially in G. area residents in Pahang state to provide high quality an egg to meet customer demand and satisfied end user. The main supplier is PQL Farm Sdn Bhd, one of Malaysia's

leading chicken egg producers, currently providing close to 3,000,000 eggs daily for the nourishment of Malaysians. As a wholesaler they work as hard on building good relationship with their supplier and customer. They supply an egg either by credit or cash on delivery to their customer

Turnover and absenteeism of worker MHJ Sdn. Bhd is higher and quite difficult for them to sustain their skilled and experienced workforce in production line. As we known worker is very important to company as a key when building an effective and successful business supply chain.

Employee absenteeism is one of the common workplace problems in today’s workplace, facing employers. Absenteeism problems facing by MHJ Sdn. Bhd can range from employees not calling in or not showing up for their shifts, taking sick leave when well, and exhausting their available leave every month, to requesting extra time off and establishing forms of

abuse. Therefore, as employer, MHJ Sdn Bhd must be careful how they deal with employees absenteeism.

Besides, most of operation employees were quit from job. Employee turnover is an portion of change that directly shakes the bottom line. High-performing employee need to feel that they are being challenged and are moving forward in terms of professional growth and development. No one wants to feel like they're in a dead-end job. Observation by Author found that MHJ Sdn Bhd workers often voluntarily leave a job due to the relationship they have with their direct managers. Generally, if the work relationships are well established and motivating, employees will accept average wages and routine or even highly stressful work. Without that relationship element, employees will have a nomadic eye.

Many factor that contribute to this situation such as the stressful environment of working, the more unsatisfied among the worker that will lead to delays in process and distribution schedule. In other word, they will not fulfil the need of consumers as they wanted at the right time. As such, it is important to identify the motives of departing workers and devise an effective preservation strategy.

Authors also found that this company have an errors of communication from top management to bottom line. It's always happened the information between their workers not deliver correctly and effectively. Communication is debatably one of the most important business skills, no matter what your industry. Distorted information or the lack of information such as inaccurate demand data or forecast from their customer can ripple back upstream through the supply chain and magnify demand variability at each stage. This phenomenon, is known as a bullwhip effect that can result in poor customer services, missed production schedules and delays of time to distribute an egg to their customer.

MHJ Sdn. Bhd as wholesaler is responsible for having adequate in-process inventory available to maintain production flow. Therefore, the communication is crucial to successful in supply chain and they can respond to customer's rapidly without any delays and disruptions. According to Abu Bakar et. al. (2002) and Leenders, et. al. (2002) involving the buyer and the supplier in the early stages can lead to upgrading in design, processes, redesign, or value analysis. They should communicate efficiently and effectively with their both supplier and buyer in early stage to make sure all the supply chain process become more successful without any troubles.

Even MHJ Sdn. Bhd used a method First-In, First-Out (FIFO) for their product, but have some of worker ignored this method when processing and moving an egg to transportation when they want to distribute it to customer. Generally the procurement clerk put a label that consist grade of an egg (A,B,C,D,E), date received and supplier name at each pallet to ensure all production worker alert about the expired date and to sustain the quality of an egg. Expired

date of an egg after received from supplier is 45 days. Regarding to Besterfield (2004), quality is not the responsible of any one person or functional area. As Leenders, et. al. (2002) explains it is everyone's job and quality has always been one of the key issues in supply management.

Usually, when the procurement clerk not monitor the warehouse, the worker take advantage to take newer inventory. Under FIFO, the goods you receive first are the goods you sell first. This action will lead to expired for older inventory, high potential defect to an egg such as damage and cracks, reduce quality and the grade of an egg also mixed in one pallet. This will happen if the older inventory delay too long in warehouse and can increase cost of holding in warehouse for their product.

Another problem found is errors in forecast that can lead to transportation risks such as delays, damage from handling/ transportation and re-routing of distribution schedule. Accurate and timely demand plans are fundamental component of an effective supply chain. Forecast accuracy is critical for proper allocation of supply chain resources. In accurate demand forecast often would result in supply chain imbalances when it comes to meeting customer demand.

At the end, inaccurate sales forecasts affect production schedules and inaccurate production schedules can affect the suppliers' ability to meet the buyer's needs (Dowlatshahi, 1999). Inaccurate orders because forecast errors not only annoy customers by disrupting their operations, they also generate returns; and returns are expensive to handle. MHJ Sdn Bhd should be aware about this matters because inaccurate forecasts means they will lost their sale, lost their loyalty and potential customer, excess in inventory and so on inefficiencies.

Last problem found is regarding the health and safety of employees in workplace. Safety and Health at work is about securing the safety, health and welfare of people at work by reducing risks, and protecting them and others from harm or illness arising out of work activities by taking the right precautions.

Observation in MHJ Sdn Bhd found that accident risk is higher when they used material handling or machinery such as hand pallet and forklift in warehouse for moving and processing customers' orders into transportation, means that unloading and loading a product. This situation can also lead to delays of delivery and time, defects to their product etc.

Their employees influence health and safety through their own actions. They are often the best people to understand the risks in their workplace. As an employer they have to manage health and safety sensibly in their business, and involving the employees is at the very heart of this.

Conclusion

As a conclusion assessing supply-chain performance leads to documentation of problems and opportunities. MHJ Sdn Bhd should have a policy and measurement for the key parts are

necessary to understand and take control of their supply chain. Inventory should move, not sit in plants and warehouses. Inventory speed is key to company profitability and shareholder value through supply chain success, They also must consider to buyer and supplier relationship to make their supply chain network successful.

Teaching Note
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This case will discuss on how to improve efficiency of supply chain performance in MHJ Sdn. Bhd. Author found several problem in this company that can impact their supply chain process. The problem such as higher turnover and absenteeism, communication error, problem with FIFO method when loading and unloading inventory, forecasts errors and problem regarding health and safety in workplace.

This case study are designed and suitable for diploma students who take Operation Management subject. The students will apply supply chain management topic to the situation in order to make specific recommendation. This case can also help them to have further understanding on this subject. This study concludes that the overall problem can lead to delays, defeat or damage on product, decreased labour productivity, disruption, cost handling that will give big impact to supply chain process.

Lecturer can do discussion about this case with students for 50 minute during the classes. Lecturer can provide example of REAL sample answer and ask more question for students to create more discussion. At the end of classes lecturer may use a few minute to make conclusion and conclude the answers.

Problem solution

1) Forecast accuracy

MHJ Sdn Bhd should reviewed the sales predict from time to time for the design purposes due to the uncertainty of the market demand. The production processes would have adequate capacity to process the volume of products that customers want with the help of periodically review of trades forecast. The capacity of products that must be process or move according to the sales forecast, whereby the production processes and equipment are chosen based on the concern of the cost and the best income.

2) Supplier and buyer involvement

The relationship between the supplier and buyer affects the level of supplier involvement in the product development. Therefore, MHJ Sdn Bhd should consider and know when and

to what extent a supplier should be involved, next to the capabilities and culture of the supplier. It is because the quality and the productivity of technical communication are vital to effectively working with suppliers on product development.

3) Stock locator system

The following important increase in functionality is to add a stock locator system. This is essentially the capability to manage an inventory of storage locations in addition to an inventory of products. With this capability a software system can do more than trigger financial transactions but can finally support warehouse operations by directing warehouse activities to/from storage locations.

By using tracking software or internal spreadsheets, MHJ Sdn Bhd can monitor the whereabouts of their inventory. This will help them know how much of their product they have, how much they need, as well as if anything happens to it (damage, decay, theft, etc). It is important their staff knows how this system works so they can effectively log information, as well as participate in routine inventory assessments.

4) Turnover & absenteeism

To solve this matter, MHJ Sdn Bhd need to look their company's policy. They should be clearly written and disseminated to all employees. In addition, they should make sure to train all supervisors and managers to ensure that the policy is being fairly applied.

Other, they need also to ensure their company's leadership is engaged. Take a proactive approach to employee relations and make sure the manager do as well. Create opportunities for the leaders to spend time together discussing goals, sharing success stories and providing feedback that reinforces your mission, vision and values. By accepting the common reasons for high employee turnover, they will be better able to protect the business from a similar fate.

5) To become a better communicator

Current communication is a skill that should practice. Observe how others reply to your communication to clue you in on areas for improvement is a better to avoid error in communication. MHJ Sdn Bhd as employer should be develop a good listeners to their staff in all level. Instead of truly listening to what the person is saying, we interrupt, prepare the response, or think that they already know what the speaker is going to say next. It's impossible to understand what someone needs or wants if they don't give them their undivided attention.

They should develop and communicate to their suppliers what you are doing, why you are doing it and what you expect of them.

Health and safety

The supply-chain manager are answerable for ensuring suppliers and their products maintain safety and quality standards. There are various way to solve this matter. MHJ Sdn Bhd should educate and train their staff and put safety and health as a standing piece on the agenda of routine group meetings where your employees' views can be fed back to you, and so there is always an opportunity for safety and health subjects to be picked up.

Other, they can set up work clusters to tackle specific health and safety issues and discover ways of making a alteration. The employees involved in the cluster should be directly involved with the issues being looked at so they can really contribute to solutions. If they have had success with worker involvement tackling safety issues then consider other issues. Engagement with their staff is a powerful way to tackle musculoskeletal harms, work-related stress and other health difficulties where social and psychological issues contribute.

Case practice

In a real practice, the owner of MHJ Sdn Bhd agreed to improve their supply chain productivity by practicing above recommendation. The managing director said that, they faced all the problem and quit difficult to them to solve this problem. After provide suggestion to him, he found that all suggestion is good for his company to gain more profitable and to improve their supply chain network. Refer to our interview, he also said that, with this solution they can build a good relationship internally and externally whether with their employees and buyer and supplier. This study can practice of operation management, quality management, inventories management, human resources etc.