UTILIZING RETURN TO VENDOR FUNCTIONALITY IN PEOPLESOFT TO MANAGE VENDOR NON-CONFORMING MATERIAL AT LARSON MANUFACTURING

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Introduction:

Effectively managing non-conforming material from vendors creates an opportunity for increased product quality and reduced costs. Larson Manufacturing has implemented the PeopleSoft RTV processes and developed a company-wide system. The closed-loop program, which required minimal modifications, tracks materials and credits through Quality, Purchasing, Inventory and Accounts Payable. Formalized credit monitoring, automatic voucher generation and improved report detail contribute to a positive bottom-line impact.

Background:

Larson Manufacturing is a privately held company which sells home improvement products in the US and Canada with headquarters in Brookings, South Dakota. We have five manufacturing sites and 12 distribution centers throughout the United States. Prior to November 2007 each of the manufacturing sites tracked non-conforming material on unique systems that were not integrated with our PeopleSoft system. The processes included the use of Excel and Access, as well as, pen and paper. These unique systems created many challenges including a lack of consistent and consolidated reporting, credit validation and item tracking.

Concept:

We researched and tested the Return to Vendor (RTV) functionality in PeopleSoft to identify if it could be used to support a universal non-conformance process for Larson Manufacturing. The delivered RTV program provided the entire necessary framework to create a link between the Inventory Management, Purchase Order and RTV functions. Also included was basic reporting, as well as, voucher creation for Accounts Payable. These attributes along with the ease of navigation and use convinced us that we could adapt our process to the PeopleSoft program.

Development and Implementation:

In order to successfully integrate the RTV program and the non-conformance process we needed to fully understand the goals of the system users from five business units. This required feedback from the Quality, Inventory and Purchasing groups in five plants. As we listened to the business needs we tried to match them to the delivered functionality and identify a single go-forward process for all units to follow. When business needs were identified that could not be managed by the system, we did make minor enhancements and seek feedback from all of the users. This process continued until we were able to match the PeopleSoft program to the single non-conformance procedure.

The enhancements that we had to make in order to meet the needs of our team were minimal. First, we created a tag that included specific detail about the non-conformance and could be attached to the material. Next, we modified the existing RTV document page to include additional detail. Finally, we developed additional reports that would provide detail for discussions with our vendors. These changes required little programming effort, while greatly improving the output of this application.

The implementation process included training sessions, parallel data entry and staged final go-live dates for the business units. The training sessions started with large general presentations to all users. These were followed by more focused training at each of the sites with each functional group. At the site training we answered questions specific to the business unit and provided one on one training with the PeopleSoft users. After the training sessions, each business unit began to enter information into PeopleSoft in parallel with the existing system. As each business unit became comfortable with the new functionality we set cut-over dates and migrated users to the new process, while discontinuing the business unit specific programs. We found that this implementation process helped to reduce the transition anxiety for the users.

Benefits:
We have realized a benefit to the specific departments of Quality, Procurement, Inventory and Accounting. The reporting detail has enhanced communications with our vendors for the Quality and Procurement teams, which has improved quality and reduced non-conforming material. The Inventory management team has found that tracking non-conformance items and inventory accuracy have been improved by the system. Finally, the closed-loop system has been of great value to Accounts Payable, as they are able to track every credit until it is actually received from the vendor. This tracking has led to significant credit dollars, in excess of $28,000 following the first two months of implementation, received from the vendor that may have been "lost" or forgotten under the past systems. All of these benefits have increased profit in the form of reduced rejections, saved time and quicker, more accurate turns of credit dollars.

Conclusion:
The Return to Vendor functionality provided the framework for Larson Manufacturing to enhance their non-conformance process and bring it into PeopleSoft. The on-going benefits of this transition greatly outweigh the initial investment in training and minimal modifications required to develop the system.