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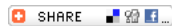
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INNOVATION: Change the procedure

By Steve Epner

Friday, March 5, 2010



Innovation can encompass many different ways of creating change. Some will be incremental, some may be disruptive. In some cases, there will be inventions, but in the five most common forms of innovation, there is no new product.



Steve Epner
 Innovation

Every time I hear “we have always done it this way” I cringe. Almost without exception, there will be opportunities to improve any operation, any procedure, or any method. Following is just one example to get your mind thinking.

Outside of the largest and/or the most sophisticated companies, few people have heard of Evaluated Receipts Settlement or ERS. It is a very simple concept, but one that is difficult for most business people to feel comfortable with.

In a fully implemented ERS environment, buyers and sellers eliminate their respective accounts payable and accounts receivable departments. Each trading partner also gets rid of paper shipping receipts and buyers no longer match receiving tickets with purchase orders and invoices. Heresy you say? Sounds impossible? Not really, it is being done in large industries every day.

Here is how it works. The buyer sends the supplier an electronic purchase order form. The seller’s computer checks it for availability and price. If everything matches, then a paperless picking ticket is sent to the warehouse and the order can be picked, packed, and shipped in less time than it used to take to get a P.O. by snail mail and route it through all of the required approvals.

Just before the order is shipped, a barcode is assigned to the package (a box, pallet, or even a whole truck). The barcode is electronically associated with the original purchase order and each of the items in the shipping container. Then the supplier’s computer sends the buyer’s computer an advanced shipping notice to tell it what is being sent, by what means, and the expected delivery time.

When the delivery is received, the buyer’s dock worker just reads the barcode and “automagically” the work is completed. First, electronic signals are sent to handheld devices telling the warehouse personnel what to put away and where. If anything is to be “cross docked” to go right out to fulfill an order, that is noted and any required paperwork is printed out and waiting.

At the same time, the entire order is received into inventory, the amount due the supplier is calculated by multiplying the number of items received times the cost in the purchase order, and an electronic payment is made to the supplier. A process that used to take 30 to 60 days

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is done in seconds. Handling multiple records, matching of documents, losing/finding and filing paper is eliminated, and everyone makes more money.

People tell me they cannot live without the float from holding their money for an extra 30 days. Maybe that was true at one time, but not today. Most suppliers will even give you a discount worth more than what little you can earn on your money. Plus, if you calculate the labor savings, you will find you make much more money in the end.

When business owners first hear about ERS cannot believe it works. The international auto industry could not afford to operate without it. Think about the difference it would make in your operating costs or bottom line.

Step back and look at all of your processes – especially those that have always been done a specific way. I guarantee there are opportunities waiting for you to innovate. Every one of them will make you more efficient and effective. Just be open to the possibilities.

Steve Epner is founder and president of the Brown Smith Wallace Consulting Group. The company assists clients with the integration of strategic business planning, information systems and tactical requirements. Epner currently is an Innovator in Residence at Saint Louis University. www.bswllc.com

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