

Increasing Cash Velocity using Theory of Constraints - PART 15

Increasing Throughput -- Other Considerations

In previous sections we have covered raw materials and how to reduce them. We also need to cover WIP (Work In Process) and finished goods inventory. DBR Scheduling* reduces WIP by releasing raw materials at the rate at which the constraint can consume the raw materials. Demand Pull* can also be used to reduce finished goods inventory. If we make to stock, or use a replenishment system to supply our customers, then we can minimize the amount of finished goods we carry while at the same time increasing the probability that we will have on hand what is needed. When DBR Scheduling and Demand Pull are implemented, we see a mean reduction in all inventories of about 50%. All of this, of course, helps us to further reduce cash-to-cash cycle time.

* DBR Scheduling and Demand Pull as defined in Goldratt's Theory of Constraints

to be continued ...

Here's to maximizing YOUR profits!

"Dr Lisa" Lang

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