



6 Ways Manufacturers Can Improve Warehouse Efficiency

by Greg Pasiadis, CPA

Improving efficiencies in manufacturing warehouses starts with a little cleanup and sticking to established processes and inventory production controls. You might be a business owner of a private company that does not have to be compliant with the Sarbanes-Oxley (SOX) law, but designing a strong control environment, especially for inventory management, can only increase the value to your business. Here are some tips to better warehouse management:

1) Appoint a control owner

Define a control owner of your inventory management, such as an operations controller or inventory control manager. If you have neither, consider promoting an employee who can take on the responsibility or hiring someone for the role—it will be well worth the investment.

2) Design your inventory process

First, you'll want to automate and align your process with your general ledger. Next, track your process in real time utilizing inventory management systems. Determine whether you are going to implement periodic cycle counts or wall-to-wall inventory counts. If you are using cycle counts, be sure your process ensures that all items are counted within a year (ABC categories). Don't forget to review the process being followed by your control owners.

3) Implement perpetual counts

If you're currently only performing periodic physical counts, challenge your company to stretch the process to perpetual inventory counts. Have your control owner (Step 1) review all variances identified during perpetual counts, and ensure appropriate adjustments are recorded to the general ledger for more accurate valuation of the financial statement balance. Track inventory items through tags and count sheets, with locations, and update them as much as possible within the general ledger system. The perpetual process will lead to more efficient inventory management and less stress at year end than a periodic physical count.

4) Be clean and be Lean

Take the time and use the necessary resources to keep the warehouse as clean as possible, not just for regulatory reasons, but because a clean warehouse results in organizational and improved process. Integrating Lean Six Sigma concepts into your production process will create velocity, improve quality and address operating improvements and efficiencies by utilizing a 5S strategy of Lean Six Sigma.

5) Write it down

Document processes and keep documentation updated each year based on positive and negative results of your warehouse management. A narrative documenting your processes helps not only with consistency, but smooths any transition of personnel by documenting a script or game plan on periodic steps to warehouse management.

6) Think SOX

Even if you're a private company or small business, implementing a controls environment with SOX in mind not only mitigates the risks of material misstatement but enhances the value of the company for bottom-line impact or potential exit planning (selling the company or gaining investors).

Think of it this way—a warehouse should not only run efficiently, but also in a self-sufficient manner. As a business owner, you want to be able to focus on strategies and forecasts, and not worry about the organization of your warehouse. After all, you'll want to know you can leave for a vacation and know that processes are in place to mitigate the risk that something can go wrong. Take these tips as a challenge to tidy up your warehouse management. The value of your company will increase, and you'll be able to sleep better at night.

Questions about how you can improve your **manufacturing** operations? Contact Greg Pasiadis at 440-449-6800, or *[email Greg](#)*.