

HOW TO SUCCEED IN A DOWN ECONOMY

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Unfortunately in this slow economy many companies do all the wrong things!

The buzz around industry is layoffs. The knee-jerk reaction that the uninformed usually take! Many companies react as though there will never be a rebound. Staying afloat during an economic downturn is difficult, but it's not impossible. Panic is the first instinct and with it comes the rash decision to reduce the workforce. Even though the labour cost of most manufactured items is less than 10% of the selling price, it is the first item to be affected. People at the helm forget now it is the people

The second mistake is when a company arbitrarily freezes all spending. No regard is taken to justify continuing with certain expenditures. All the good that has been accomplished with training programs and continuous improvements are negated! Not to mention the moral, it too is negatively affected. What the employees now see is just another flavour-of-the-month situation. "The company doesn't really want us to change, when they tell us that these training programs will make the company lean and strong, now must be dropped." They say that we don't have enough money to do the right things now and get lean, so in the future we won't have to regress back to where we were before we embarked on these lean programs.

When the economy rebounds the workers will be even more skeptical of resuming the training programs, knowing that they can't be too important because management keeps starting and stopping these lean programs every time the economy burps. Yet in reality these programs can change the future, they can make companies more productive and profitable. They should be continued! Show the workforce the importance of being lean. Show all the employees the commitment by management is positive, not affected by temporary cyclical movements of the economy! Total commitment will be

totally accepted by all as the way to growth and market dominance. The true importance of these betterment programs will be emphasized.

The third area affected is in R&D, or in some cases expenditures for new tooling and equipment. Least cost manufacturing has to be the driving force behind tooling and equipment. If orders are diminishing, then possibly a new piece of equipment is not needed, but what about when the economy improves? Will you be able to take advantage of the increased potential, or are you only geared for the temporary condition? Instead of spending money on equipment that may not be needed in the future, why not research new methods and processes?

If people are not needed to produce goods because of a downturn in the economy, then use these people to make improvements to the areas that will come back, to where the profits can be maximized.

In slow economic times, we should be looking at all the products that we produce. A few simple questions should be asked; "Do we know what the manufacturing cost is for every part we produce?" And, "What products do we produce at a loss?" This information can guide us to the areas that we need to improve or eliminate. Why make products to be sold at a loss? Not what you want to do in tight times.

Many companies do not know what the individual manufacturing cost is per piece. That is because they still manufacture in batches, with methodology based on process, rather than by product.

Some current realities:

1. Quality is no more a differentiator - it is a basic requirement of business
2. Technology, process information or for that matter any information is no longer exclusive
3. Customer has real choice now and demands quick feedback
4. Customers have also become far better informed and much more demanding in terms of service quality

5. Technology is forcing speed (chips in every product). Customers want quick reactions especially to failures.
6. Speed is and will continue to be a competitive advantage.
7. Success, like everything else, has a price. We often don't succeed simply because we are not willing to pay that price.
8. Kill Procrastination before it kills you.
9. Always remember that change is the only permanent thing in the world.
10. Empowering people through Training is the best way for productivity.

Most times the savings in raw material costs can amount to millions of rupees. Use up the excess inventory by producing only what the customer wants, when they want it. This can pull you through most cyclical downturns.

Keep the people, but instead of running production, have them improve the production system. Kaizen and Quality Circles can play a positive role to increase productivity and marketing expansion. Cross train individuals at all levels. Establish a formal Kaizen suggestion system. Be prepared for when the economy improves. You will have a head start on the competition!

In most manufacturing companies less than 5% of labour activities are 'value-added'. 95% of what is done by most workers adds no value to the finished product directly and are being done to accommodate the inefficient methods being used, as well as perpetuating obsolete administrative positions. The higher the ratio of indirect to direct tell you how efficient a company is.

Of course the stock value is usually the force behind making the rash decisions. After all, the stockholders always want immediate action! By laying off employees and curtailing spending, it gives the appearance that management has everything under control, when actually they are hurting the company in the long run by negating progress and regressing back to the way things were at some time in the past.

What are the right things to do? They are:

1. Eliminate all waste in the business. Waste comes in ten major forms:

- Overproducing
- Wasting time
- Transporting
- Over-processing
- Inventory (WIP)
- Excess motion of operators and workers
- Scrap and rework
- Human under utilization
- Improper use of computers
- Working to the wrong metrics

2. Establish a Lean Strategic Plan and strive for the following:

- Takt time production
- One-piece flow
- Pull system

3. Continuous Improvement in the utilization of People, Materials and Machines.

What is Kaizen

Kaizen is a tool originally used by Toyota to foster continued improvement within its Toyota Production System. It began as "Quality Circles," a means of factory shop floor employees solving quality issues within a structured team framework, using specific new tools. It is now used around the world by many companies and has been adapted to suit their individual needs and customs.

Kaizen in the United States usually refers to an event of from three to five days of intense improvement activities directed at a specific area of a business

Whatever the name, it is a process based on improving Quality, Cost and Delivery, by the elimination of waste in its many forms. Its main tools are the implementation of One Piece Flow, Working to Takt Time and developing a Pull System.

Kaizen events are a way of accelerating improvements to improve worker productivity, helping management to find new ways to gain substantial savings in time, space and labour output. To collapse lead times, reduce work-in-process dramatically, reducing scrap and defects while minimizing the need for capital expenditures.

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Kaizen is never meant to be the method of getting rid of workers, instead it is a tool of growth.

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Kaizen is a way of unlocking the talents and abilities of workers and allow decisions to be made at the lowest level in the organization, in the quickest time, |

The results are real, proven, documented and confirmed.