

# *Increasing Manufacturing's Profits*

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# What's Today's Focus?

- *Increased profits*
- What we'll cover today
  - **Profit vampires** – what is sucking the profits out of your organization today
- Net result – you'll have actionable tactics you can implement, *now*

# Biggest Profit Vampire = waste

## 1. Waste from Over Production

-mountains of inventory no one wants.

## 2. Waste from Queue Time

## 3. Office wastes

- Scatter
- Discarded knowledge
- Useless information
- Wishful thinking
- Blocked communication
- Hand-offs

## 4. Admin wastes

- Inventory of paper
- Overproduction – reports no one ever reads
- Re-entering data
- Excess motion – walking across building to copier

# Create Raving Fans

- Many manufacturers have forgotten how to produce Value for Customers
- Goal is to give the customer “what he wants,” “when he wants it,” and “at the price he wants.”
- How?

## Lean Thinking

# History of Lean Thinking

- **Henry Ford** – father of lean manufacturing Model T, “Today and Tomorrow” -1903-1922.
- **Dr. Shingo** – zero defects, process vs operation 1940-1950. While the world was improving efficiency of machines, Shingo was looking at the entire process
- **Taiichi Ohno** – brought LEAN to Toyota  
Got his ideas from a new supermarket where, as the shopper removed or purchased items, those items were quickly replaced
- **Shingijitsu Group** – 5 day Kaizen
- **Womack & Jones** – Value Stream Mapping & Lean Enterprise Institute

# MUDA = Waste = Profit Vampires

- Activities which absorb resources but create no value
- Mistakes which require fixing
- Production of items (inventory) no one wants
- Movement of goods without any purpose
- Groups of people downstream standing around waiting because an upstream activity has not yet delivered on time
- Goods and/or services which do not meet the needs of the customer.

# Biggest wastes

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**Where is YOUR biggest waste?**

# Antidote to Muda (Profit Vampires)

- Lean thinking:
- “doing the right thing in the beginning, so that one does not have to redesign, rework, increase cost, etc....
- Not Cost Reduction, but rather

**Eliminating Waste**

# Lean Thinking starts with

a conscious attempt to define Value in terms of specific products through a dialogue with specific customers."

**DEFINE VALUE for  
EACH PRODUCT FAMILY!**

# Lean Thinking

- **Remain competitive through endless pursuit of waste elimination**
- Not cost cutting
- Not cheaper materials
- Not lay-offs
- Not cutting suppliers' margins
- Not cost avoidance
- Not "point improvements"
- Not a tool like Six Sigma

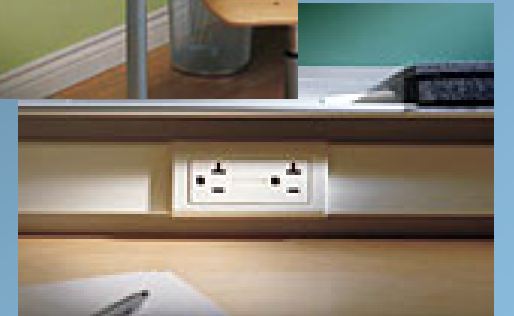
# *Wiremold* Case Study

1. Privately owned
2. Product: Wire Management Systems
3. Sales: \$250 M in early 1990's
4. Simple machinery: molding machines, stamping presses
5. Unionized - 24 different nationalities, 1400 employees

# *Wiremold* Case Study

## *Profile:*

- Low-tech product
- Low-tech tools
- Unionized, immigrant, non-English speaking, aging workforce with limited skills.



# Sept. 1991 – Profound Crisis

- Declining sales
- Old, deteriorating assets
- No profits

# LEAN Thinking Improvements

Sales per EmPLY	\$90K per EmPLY	\$190k per EmPLY
Throughput	4 weeks	1 day
# of Suppliers	330	70
INV Turns	4	15
Sales		Increased 250%
Oper Income		Increased 600%
Space (sq. ft.)		Cut in half
Profit Sharing	1%	8%

# Pratt & Whitney Case Study

- June 1990: Record Profit of \$1 Billion on \$7 B sales 51k employees
- June 1991: Military business slowed down. Spare parts business off 37% 2 Strong Competitors: GE and Rolls Royce
- December 1992: \$283 million Loss  
**\$1.3 Billion swing in profits!**

# What's the connection?

- What did a small private manufacturer and a large public conglomerate have in common in the early 1990's?

**After decades of downsizing and rightsizing, TQM'ing and reengineering, and cost cutting, they had both lost sight of**

***VALUE FOR THE CUSTOMER***

# Beyond manufacturing process

- Lean manufacturing was first
- What's next?
  - Lean Financial Systems
  - Lean Order Taking & Scheduling
  - Lean Product Development
  - Lean Supply Management (Macro Mapping)
  - Lean HR

*An Action Plan:  
Six Steps to a Healthy Lean  
Organization*

# 6 Steps to a Healthy, Lean Org

1. Eliminate WASTE
2. Learn to THINK differently! Discard old Paradigms...Create new ones!
3. Look OUTSIDE the walls of your business!
4. Focus on each product family and its value stream
5. Eliminate activities which are waste and do not create value for the Customer.
6. Enhance the value and eliminate the waste by creating flow, and pull from the customer.

# How can You Implement?

- **Need leadership commitment to change**
- **Need an action plan**
- **Need step-by-step process**
- **Need to maintain momentum**

# Quoting Warren Buffett ...



**“It is not  
necessary  
to do  
extraordinary  
things to get  
extraordinary  
results.”**

- World famous investor
- One of the wealthiest men

# Contact The Success & Profits Coach

- We'll help you identify lean opportunities
- We'll work with you to identify the potential cost savings
- We'll help you develop the plan and then hold you accountable to achieve it.

**For more information, contact:  
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