

Watch out for the 'no brainer'!

Former Nissan pioneer, **EDWARD HANDYSIDE**, director of North East based management consultants and National Training Award winners Forward Vision International Ltd, with some sage advice for manufacturers



A WHILE ago I visited an engineering plant somewhere in the region. In the boardroom we were given a presentation from its manufacturing director. It

comprised details of the company's history and a colourful display of its innovative product range and the most perfunctory outline of the company's processes and disciplines. The talk ended with an exhortation: 'Finally, I would add: you're nowhere if you are not in China right now... outsourcing to China is a no-brainer in terms of cost... China is where it's at!' (So, be there or be square, Daddy-o!)

Then, came the plant tour. We were clearly meant to be impressed and we were. What we were treated to was... let me put it tactfully... a plant that dripped improvement opportunity like a honeycomb ripe for the pressing; an exemplary model of all seven classic categories of operational waste of which some thirty to forty per cent was redeemable without the need for capital investment of any kind.

This was a company that, in pursuit of lower labour rates, had recently shifted half its manufacture of heavy, fabricated products to the other side of the world, incurring huge shipment costs, longer production lead times, and a massive increase in working capital requirements and had made itself far more vulnerable to quality and delivery problems.

Was it worth it? Who can tell? It's not my purpose here to question or disparage any bold decision taken in pursuit of better company performance. But somehow I doubt that the directors of this company had seen what we had seen when taking their radical decision.

About the same time a lady running an SME up the Tyne Valley making some unique and wonderful products - 80% of which are exported,

finally succumbed to her financial adviser's urgings that she should move most of her manufacturing capacity either to Bulgaria or Slovakia. The tragedy is of course that, however adept he may be at reading a balance sheet, her bean counter has scant experience of manufacturing processes and disciplines and therefore can have little notion about what her operating costs could have been.

A big part of the problem is too much reliance on 'standard costing' as a bench mark for our performance. We monitor our performance against long-held assumptions of what our spending should be on labour, materials, overheads, scrap and rework and then work ourselves into a lather over every marginal variance. Spurred on by the exhortations of our bean counters, the improvement game becomes one in which we fret and argue about our continued failure to find the elusive five or ten per cent by which we judge ourselves to be regularly underachieving.

What we fail to question of course is the budgetary standard itself: and the treasure house of improvement potential that can be revealed by simply re-examining our operations and processes and questioning our existing way of doing things.

Identifying and eliminating this waste is rarely rocket science. Value Stream Mapping, 'brown paper' exercises, situation analysis are all simple tools that almost anyone can pick up and run with and that help us learn how to see things as they truly are.

They also afford us an opportunity to explode some fairly primitive manufacturing myths that the best firms have long since discarded:

- That investment in finished stocks is the only way to respond to stringent delivery expectations;

- That high levels of labour and machine efficiency need correspondingly high levels of in-process inventory and working capital investment to sustain them;
- That it is impossible to run our machines any faster or to set them up any quicker than the equipment supplier advised us;
- That equipment reliability is purely a function of its age;
- That machines will always break down and that the only issue is whether our own people or an outside contractor is the cheapest option for fixing them when they do;
- That low labour costs are synonymous with low wages (and therefore low skill levels);
- That labour flexibility comes not from flexible working practices and a better trained work force, but from engaging an outside agency who'll supply us daily with an infinitely variable quantity of desperate and hungry immigrants (and no questions asked!)

All of us who are either proprietors or custodians of businesses are obliged to do whatever is right for their survival and prosperity- and if that means moving all or part of it offshore then so be it. But we owe a duty to take such decisions free of ignorance; to question our assumptions and take nothing for granted; to look behind the balance sheet, get up from our backsides, take a look in our factories and examine first what is real and what is possible; to take the trouble to understand our businesses and not simply become indolent followers of fashion.

To do any less amounts to a gutless and witless betrayal of our business, our industry and our economy and of all those who work in it to create our country's wealth- as well as giving a completely different connotation to the phrase: a no-brainer.

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