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Manufacturers Use Technology to Help Weather the Economic Downturn.

By Alison Falco, President
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Too often the manufacturers will implement technology for financial reporting purposes but overlook efficiencies that can generate cash flow and reduce costs on the manufacturing floor. Accurate information that provides a business owner or manager the ability to make immediate decisions about his/her operation resulting in a boost to profitability is crucial during an economic downturn. If revenue is down and the market mood does not permit price increases, then profitability can only be realized by reducing costs. So you must ask yourself "What prevents me from 100% efficiency?"

Focus on "Faster and Better". Every asset, machine, tool and person you have must be accountable and cycle more quickly. An airline cannot survive when planes are not in the air producing revenue. Your business cannot survive unless you know where your assets are and how they can be used efficiently. Imagine being able to view where your tools and equipment are at any moment so that you can plan to transfer them to the next job. How important it is to locate a unique asset when it is required on another active job, avoiding any down time? What if you knew exactly how many hours were spent on each step in the assembly process and where the bottlenecks were? These situations and others cause accelerated costs and reduced productivity.

Take a Proactive Approach. Under normal circumstances a business owner/manager will review financial (accounting) information, overhead and direct operating margin at the end of a month or quarter. But these aren't "normal" circumstances. "Companies must plan their destiny and not look in the rearview mirror!" stated Bill Allen of W.A. Allen Consulting. "Instead of flying blind (until a workorder is completed) it's time to operate from a plan. Understand what prevents you from 100% efficiency."

Buy-in Happens from the Top-Down. Start by developing a culture that compels events to conform to your plan. Anything that deviates from the plan is an opportunity for cost-savings and efficiencies. Do you have too much time loss in non-direct labor areas (idle or down time)? By evaluating what interrupts the workflow on a daily basis, you will uncover areas that with improvement will provide an increased bottom line. It is up to the company to make a conscious decision to manage from a plan rather than react to circumstances, and to hold all employees accountable for following the plan. This transition will be easier if the technology tools available today are adopted. What technology can provide you the most reward? Evaluate your operations to determine where your technology dollars are best spent.

Reduced Down Time. Can you reduce or minimize the time spent looking for machines, tools and other assets or plan maintenance and calibration to avoid machine down time? A tracking system using barcode will show where your assets are at the time they are needed – who took them last or which job they were checked out to. An integrated maintenance scheduler will flag required maintenance as it is due and assure OSHA compliance.

Do you make shrinkage unacceptable? Proper control of tools and inventory prevents costs that result from hoarding, irresponsibility or downright theft. It is up to the company management to declare that shrinkage is unacceptable and to hold employees accountable for losses that are under their control. This policy is given “teeth” when you can effectively track your assets and inventories using technology. Can you identify bottlenecks in the production process – something that slows down productivity? Although you may not be aware of the bottlenecks in production, this is probably the single most important variable. What are your capacities for output and what is the optimal load of people, machines and tools to meet 100% capacity? How do you route the work to prevent idle or down time? A computerized system that tracks labor hours to a specific function within the assembly process and on the fly will help prevent these costly issues by identifying those points where workflow gets interrupted.

Does your staff spend unproductive minutes (or hours) manually recording transactions? Manpower that goes into manual recording and recordkeeping does nothing to increase revenue or control costs. Technology can provide the integrated systems control over asset use, capacity, maintenance, location – and do it 24 x 7. You don’t have to be one of the “big guys” to afford technology. Today, systems are available for a reasonable price that can help avoid many of the costs

consumed by inefficiencies in operations and can be purchased as stand-alone systems focused on one aspect of the business. The decision where to start depends on what areas you find are losing the most money.

Time and Attendance: A Time and Attendance software package will tell you who is working when on what job for how long, and produce reports for payroll. It can be set up to automatically account for start and end times, breaks, lunch, etc. to reduce the time your employees spend recording their time, and barcode scanning makes the input fast and easy. **Job Costing:** The Job Costing software adds the ability to track inventory costs plus the labor hours consumed against the specific job while the job is in progress.

Work in Process (WIP): WIP software is a subset of Job Costing, and tracks a specific work order through the production process. It will tell your scheduler and production manager the stage of each work order in the production process at any moment.

Inventory Control: An Inventory Control software package will account for your stock parts and tell you when you need to reorder. It can issue parts to a work order or job and confirm that the correct items have been pulled. It will keep track of finished goods inventories and report replenishment requirements. Barcoded inventory makes it quick and easy to take an inventory count.

Barcodes: Barcode technology has been actively used for over 20 years in manufacturing, distribution and retail to track inventory and jobs. The barcode terminals are similar to PDA's, and provide immediate and accurate information. There are barcode labels designed for harsh environments that are durable enough to withstand the dirt, grease and rough use that many environments experience and labels that can be printed on a laser printer. Barcodes can easily be added to work orders in the form of a laser "font", allowing parts, jobs, etc. to be barcoded on the work order.

Making the job of your employees easier by assuring that they have what they need to perform at their best reduces stress. Showing them that you are taking steps to increase the profitability will provide them more confidence in the company.

"Our...ability to readily locate critical tools, monitor routine maintenance schedules, and track broken equipment has saved countless labor hours and lowered the frustration level of our shop employees. By providing our employees an efficient method for obtaining, maintaining, and tracking tools and equipment,

the CheckMate Tool Tracking System has effectively helped lower our operating costs,” confirmed Thomas Hortman, Project Manager for AAI Services Corp., a Division of Textron Systems.

While technology won’t cure the credit crunch manufacturers are facing, automated processes that improve cash flow and keep lenders in the loop, demonstrating that the business “has its act together” can go a long way in convincing lenders that their risk is low. Contact Chuck pate chuckp@dsisales or 800-342-3999 X 216 to discuss your manufacturing processes. See more at <http://www.a-barcode.com/solutions/?gallerytag=i-manufacturing>.

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