

## **COMPANY HEADING into TROUBLE**

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In the early 1950s, US manufacturers did not listen to noted scholars such as Dr. W. Edwards Deming and Dr. Joseph Juran about some of the changes they could see necessary especially in the areas of quality control and manufacturing excellence. The Japanese invited them for lectures, which lasted for many years, they listened to their theories, adopted their methods, and within ten years became leading contenders of quality products in the world.

### **Why Companies Fail**

It is difficult to understand the hesitation of many manufacturers in taking advantage of the many economic advantages that productivity-enhancing technology offers. The major opposition to introducing advanced manufacturing technologies has been the fact that many companies look at it as a cost and not as an investment in their future. They do not consider advanced technology and its many hidden benefits have on the entire company's competitive position in the marketplace.

### **Warning Signs**

Almost everyone has been affected by the economic conditions in North America, especially manufacturing. There are many warning signs to indicate that things are beginning to deteriorate and radical changes are necessary quickly or the road downhill accelerates at an alarming rate.

#### **1. Outdated Manufacturing Systems**

At one time manufacturers thought that if it is not broke, don't fix it. Unfortunately, this is still the opinion some manufacturers follow today and they are still using machines and processes equipped with 10 to 20 year-old technology.

#### **2. No Long-Term Business Plan**

Some critics of industry say the single most important cause of deteriorating productivity is management failure. They claim that corporate management, made content by decades of Western dominance, were caught unprepared by the surge of foreign competition and were ill-equipped to raise the performance of their firms to match it.

#### **2. No New Technology Upgrades**

Management must take the lead for change from those companies who are updating machines, technology, and processes to become more productive and profitable. Those

companies who resist change by “*Saying our processes have been good for us in the past*“, may not be in business for very long.

### **3. Excessive Mistakes, Scrap, and Rework**

Scrap and rework is costing manufacturers thousands of dollars every day in the cost of the material, the time it takes to bring a product to an acceptable level, and how it affects the delivery schedules to the customer. The commitment to quality is becoming the way businesses are attracting customers and reducing the waste of unquality things.

### **4. Loosing Long Established Customers**

When orders from long-time customers become infrequent or when quotations are not successful, it should be a warning sign that the customer could be lost unless dramatic changes are made in our operation.

Common early signs of customer problems are:

- An abnormal number of customer complaints.
- If the business is loosing customers or find existing customers cutting down it is a sign of bigger problems to come.
- Look for ways to improve the service (quality, price, and delivery) to meet or exceed the customer’s specifications.

### **5. Neglect of Human Resources**

Manufacturers have long recognized the importance of skilled and highly motivated workers in preserving and enhancing the capabilities of industry. The assistance of a skilled and dedicated workforce is essential to get the greatest benefits of any new technology, without which we cannot survive in the manufacturing world.

### **6. High Turnover of Employees**

A high turnover of personnel should set off alarm bells. Management should seriously consider what their leaving will have on the effect of the company and on the moral of those still left.

### **7. Large Inventory Based on Speculation**

During the days of mass production, a large number of parts were made at a time when the system was geared up to produce similar parts or assemblies. They were stored until someone needed them or they could be sold resulting in waste in materials, time for manufacture, record keeping, and the cost of a storage place.

### **8. No new Products or Customers**

The money spent on research and development should be looked at as an investment in the future of a company. Failure to develop new products is a sure sign of a stagnant company, which will eventually see their market share and their profits decline.

#### **9. Company's Line of Credit at its Maximum**

- If there may be a possibility of defaulting on a bank loan, set up a meeting with your bank manager and be honest with your problem.
- Provide a time frame, expense cuts, sales projections, market analysis, and when and how payments can be expected.

#### **10 . Excessive Price Cuts**

There may be a reason for cutting the prices of goods and services at times to improve the cash flow, but an increase in productivity must accompany it to maintain the profit margin.

- If the prices are slashed more than you would like implies desperation on your part.

#### **Management Decisions**

The most common reason for business failure is poor cash flow and most companies have cash flow problems at some point. Many blame the economy, the unions, or the rapid changes in technology for the industry. The real problem is that management has made bad decisions in the past or no decisions at all. To *stand still* in this technological age is to *fall behind*.