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A Message to the Little Guys

Encouraging small and midsized businesses to align action and strategy

I saw several magazine articles recently that drew my attention to "Next Generation Manufacturing," a survey of more than 2,500 companies conducted by the American Small Manufacturers Coalition and the Manufacturing Extension Partnership centers. The survey and report reveal some rather disquieting information. It appears that there is a "serious gap" between the strategies that manufacturers recognize as critical to future success and actual progress in implementing those plans.

Of course, it's human nature to postpone or ignore those tasks that are necessary and good for us, but also costly, unpleasant, or inconvenient (losing weight, quitting smoking, getting that warehouse under control). Overlooking these essentials can be deadly, and that is precisely what the report points out.

Small and midsized companies are at the bottom of the scale in all categories. The report concludes: "In a country where 282,000 small and midsize firms comprise the backbone of the industry, this is a significant threat to U.S. competitiveness and the viability of these companies."

I don't think this is an exaggeration. Smaller companies are challenged continually in their efforts to compete with large domestic ones and overseas competitors. Failure to implement modern strategies makes it more difficult.

What are these strategies? Some of the basic points include

- investing at least 5 percent of sales revenue in new product development or research and development
- providing each employee with at least 20 hours of training annually
- devoting at least 5 percent of sales dollars to capital equipment.

Additional key areas are customer-focused innovation, engaging people (fully using human capital), process improvement, supply chain management and collaboration, green and sustainability, and global engagement.

These last two topics—green and sustainability and global engagement—were the least recognized and enjoyed the smallest amounts of achievement among smaller firms. Green issues are easy to ignore until customers and government agencies apply pressure, as they are doing increasingly. Leaders at larger companies have discovered that green efforts can payoff in lowered expenses and more business opportunities because of a budding market for recyclable, energy efficient, and low-environmental-impact products and processes.

The report summary makes a good case: "Global markets are growing much faster than the domestic market, large buyers such as Wal-Mart are aggressively driving green metrics throughout their supply chains, and foreign and domestic governments are putting regulatory restrictions in place that demand green compliance. It is difficult to imagine the manufacturing world of 2015 without a significant adoption of best practices in global engagement or green/sustainability.

Many world-class strategies can be introduced at little or no cost. For example, three key areas where company actions are not keeping up with strategies include

- having at least half of the company's employees participate regularly in empowered work teams
- engaging people in improvement methods
- actively involving customers and suppliers in continuous improvement and product development.

These efforts require a change in management approach, but not necessarily investment. Often, improvements developed by employee teams or in collaboration with partners can generate real cost savings that can be used to fund additional advancements.

Also interesting is the fact that one-quarter of the surveyed professionals expect a leadership succession within 5 years, while 29 percent more think a shift may occur: According to the report, "This transition represents an opportunity to inject new ideas, energy, and skill sets into these firms, but also represents a significant risk where a succession plan is not place."

Lack of adequate measurement systems is another issue. Less than half of the respondents had no measurement of process improvement or only informal assessments. Company decision makers are well advised to institute metrics immediately to identify areas for improvement and establish a baseline for measuring progress.

It's not too late. American manufacturers enjoy a culture of innovation; a supportive infrastructure; a talented and dedicated workforce; and, at least for now, a favorable currency exchange. Per the report, "The next generation manufacturers of the world will grab market share and reap the profits when a recovery occurs, while the unprepared will miss opportunities and lose customers." **|||**

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View "Next Generation Manufacturing" at www.smallmanufacturers.org