



Improving Operating Performance

By Mike Hulser

Boosting quality, reducing costs, and speeding production offer opportunities to improve your bottom line in any economic climate

No matter what the current state of your business is, you can always improve one or more of three things:

- The quality of the output.
- The cost of the output.
- The delivery or speed of the output.

Let's take a look at each of these three aspects of a production framing business.

Quality

If you can improve the quality of an operation's output while holding both cost and delivery/speed relatively constant, you are making the operation more effective, which should directly drive greater profitability, perhaps in terms of a potential selling price increase.

When quality is the subject,

most people think in terms of product or service quality, which is very important. In the business realm, however, there is a vast array of opportunities to improve quality. Particularly when you use the term process quality, you can broaden your look as to where and how to improve:

- How about the quality of the financial data at the end of each month? Can't its quality—its content, format, presentation, explanation, and clarity—impact the effectiveness of your operations? Absolutely. Sales and margin by product type, customer, and salesperson are powerful additions to your financial statements. So is inventory composition and agings of both receivables and payables.
- How about the quality of corpo-

rate policies and procedures? Same answer. For example, does your business have a clear delegation of authority policy that shows who has the authority to approve and execute various actions (purchases, capital expenditures, employee hiring, raises, etc.)? How about a current, accurate, and complete organization chart, clearly showing who is responsible for what and the interrelationships?

The list of possibilities for potential quality improvement is literally endless—recruiting, employee evaluations, compensation practices, inventory control, purchase order control, fringe benefits, communications, etc. You are surrounded by opportunities to improve quality and thus positively affect profitability. All you have to do is look.

Cost

Again, with all other things being equal, an improvement in cost should directly drive an improvement in profitability. At a minimum, margins should improve. Also, your ability to pursue accounts that might have once been deemed "marginal" is enhanced.

Similar to the Quality discussion above, the notion of cost often all too quickly gets narrowed down to product or service cost. These are both primary concerns, but you are also surrounded by sizable costs that needed to be managed and optimized:

- **Personnel Cost** - How do you get more important things done with the same or fewer number of people? In a challenging economic environment, such as the current one, with the ability to give employee raises sharply limited, how do you keep your best people motivated and fully engaged?
- **Occupancy Cost** - How can you get more output/sales/work done using the facilities you already have? If you are underutilizing, can you rent space out to another business?
- **Marketing Cost** - Are you getting the best return (sales and margin growth) possible with what you are doing? Could you reduce expenditures and get the same result? Could you change the media or the message and achieve even greater sales and margins? Do you know which programs

are actually causing revenue and which are not?

Other opportunities for controlling costs including looking at the expense of such items as:

- **Holding a management meeting** - Have an agenda and stick to it. Don't let the meeting drag on. Invite only those you need to accomplish the objective. Make sure all are heard.
- **Unloading a container** - Push to get it done quickly, getting the materials into production, but try to avoid overtime pay. Also try to move the materials only once, if possible.
- **Implementing a new system or website** - In these arenas, how much you spend might have nothing to do with the functionality of what you get. Think hard about your needs and requirements.
- **Delivering product** - Try to combine trips, including picking up inbound materials. Don't send

two people if one can do it.

- **Physical inventory** - Can you take it during off hours so that you don't need to shut down production? Better yet, how about implementing cycle counting and eliminating the physical inventory altogether?

Delivery or Speed

Last, but not least, is delivery. Or, more generically, speed. All other things being equal, when you increase your speed, you can make a direct contribution to effectiveness and, therefore, profitability.

Speed has always puzzled me because many owners and managers don't readily think of it in terms of a critical opportunity to improve the performance of an operation. It is a big one. Some examples of potential speed improvement are:

- If you hold a metrics-driven weekly management meeting on Wednesdays, try Tuesdays or—better yet—Mondays. Maximize

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the time left for corrective action.

- Push to get monthly financial statements delivered in five to seven business days instead of weeks later. If the score is important, you want it now. Again, this maximizes your corrective action time.
- Reducing factory production cycle time will result in either more sales and/or lower cost. Keep pushing material through the process. Constantly be looking for product that is not moving, that is laying around waiting for something to happen. The faster you can send material through the factory, the less chance you have for damage, pilfering, misplacement, etc.
- Cutting product "order to receipt" cycle times can have the same effect.

There are a number of other opportunities to improve and/or capitalize on speed:

- *Physical Inventory* - Minimize the time your production process is down.
- *Unloading and putting away a container* - Keep the material moving.
- *Getting a new system or website up and running* - Push for completion. When it is close to being done, get it in play and perfect it on the run. If you wait for perfection, you will never be satisfied.
- *Responding to system/computer issues* - The system is the heart of most modern business. Therefore, system problems are, in effect, heart attacks. Deal with the issues quickly before they become fatal.

- *Producing a catalog, newspaper, or other promotion* - Don't let people get fooled into thinking the promotion is the result. More sales is the desired result. Push to get it done. Often, the longer you chew on it, the less exciting it becomes.

When you consider all of the above, it is pretty hard not to come to the conclusion that all businesses have ample opportunity to improve their operating performance by focusing on improving the quality, cost, and speed of key processes. ■

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