



news & analysis

2005 will be a year of fine-tuning

By Bruno Schmitter

2005 will be a year of fine-tuning for the manufacturing industry. By all accounts, it appears that the worst of a very tenuous—and taxing—economy is behind us, and now we need to leave behind the survival mode to move proactively into strategic planning again.



Schmitter

We need to review and refine our operations, invest in the right people, relationships, and equipment. We need to eliminate internal obstacles and hurdles to success—strategic and process bottlenecks—and get rid of the “old iron.” The future for this industry looks bright once again. In fact, today, in 2005, this industry

is one we can recommend with honesty and confidence to our young people as an industry that holds a solid future.

But we must learn from the past to make 2005, and beyond, a solid financial success. During the past three years, customers have gotten used to beating down their suppliers with demands for deep discounts, kick-backs, and in some cases threats—yes, threats—to the point that went beyond “business” and approached breaching the “personal.”

Only limited investments in new equipment were made over the past three years. The result? The advantages of existing new, advanced technology were not adopted, jobs were not run efficiently, effective processes were abandoned, and quality assurance was often reduced to hand sorting and re-work. And profit? I know of too many parts makers that shipped their profit right out the door, drawn down by a spiral spinning way too fast and in a direction that squeezed them ever tighter.

Where do we start to reverse the negativity of the past in order to place ourselves in a profitable future? How about the abusive customer? We all know too well that as the economy has gotten better, many customers have not changed. Many of them are still mistreating suppliers, denying them a profit by demanding deep discounts and so on. Well, it might be time to fire them if they’re unwilling to do their part and help stop the bloodletting.

Suppliers then need to look inside themselves. Figure out what your margin has to be and stick to it. Use the right tool for the job. If the same job runs on multiple machines, you need to change the process strategy to get competitive and make a decent profit. That is the responsibility of plant owners—the CEO, president or general manager. There are very tough decisions every day, and they must be made at the top of an organization.

In the end, this is called leadership, in its most fundamental definition. Leadership will determine a company’s future. And leadership means that the “boss” needs to be involved, hands-on, and make the moneymaking calls. This is a responsibility far too important for any CEO to shirk. Investment in people, training, technology, equipment, and facilities—these are not considerations to be prolonged, postponed, or passed down. Unless you want to prolong, postpone, or pass down your future. *Bruno Schmitter is president and CEO of Hydromat Inc., St. Louis, MO-based manufacturer of CNC and non-CNC rotary and inline transfer machines. www.rsleads.com/501tp-165*