

# SIMPLE SUGGESTIONS CAN HELP REDUCE MANUFACTURING COSTS

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I've run across some simple and often overlooked ways to improve operations that can trim as much as 15% to 20% of manufacturing costs. The best part of all is that these improvements can be implemented and realized in less than a year. Here are seven suggestions that manufacturers should try over the coming year:

**1. Have the purchasing department rebid** the highest-cost parts and materials reduce the number of vendors and initiate vendor stocking where vendors hold inventory for their customers.

**Results:** Often a 10% reduction in the cost of materials and a 25% reduction in raw materials and purchased-parts inventories.

**2. Reorganize to reduce the number of management levels** at each plant to no more than four. Research shows that the best companies have three, usually self-managed, hourly teams. Use six to eight as the ideal span for salaried employee reports and 15 to 25 for hourly employees. The wide range in hourly is a direct function of the geometric disbursements of people. Be sure that each plant has no more than one salaried employee for every 10 hourly employees.

**Results:** A 10% to 30% reduction of white-collar employees is possible, depending on the situation.

**3. Redesign the layout of the factory floor** based on product flow. Start with the high-volume products first, especially where equipment can be dedicated to their production. If capacity is an issue at the start of the program, farm out production requirements to subcontractors.

**Results:** A significant reduction in inventory investment by 50% to 80% for the products where this is applied and included in the inventory-carrying cost and the elimination of material handling, damage and obsolescence. It is possible to achieve 10% to 20% improvement in direct labor efficiency, a 50% reduction in the cost of quality and an 80% to 90% reduction in manufacturing lead-time.

**4. Implement a setup and changeover-reduction program** or make better use of existing capacity especially where bottlenecks occur

**Results:** A 15% improvement in direct labor efficiency because extra capacity is available to produce product. In addition, a 25% reduction in indirect labor cost is achieved for the setup-and changeover-time improvement.

**5. Revise production planning and scheduling procedures** to reduce the number of orders on the shop floor and eliminate or drastically reduce planned wait or queue times between operations in the planning and routing system.

**Results:** A 15% lower work-in-process inventory and improved carrying costs. This also results in improving manufacturing lead-time.

**6. Start a program to simplify products and processes.** Design products with inputs from manufacturing and get market and hourly employees involved. Use marketing for ownership, hourly employees for ideas and both for teamwork.

**Results:** Product-cost reduction of more than 10% with some benefits accruing during the year.

**7. Redefine roles and responsibility** to make production personnel responsible for quality as well as routine maintenance.

**Results:** A 50% to 70% reduction in inspection costs and improvement in process reliability.

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