

Seven Steps to Cut Manufacturing Cost Without Outsourcing

America is rich with manufacturing business, but unemployment rates keep rising as work is being sent offshore. This Outsourcing trend is not only bad for the economy and the labor force, but it may also prove bad for business," says Rebecca A. Morgan, president of Fulcrum ConsultingWorks, Inc., a manufacturing consultant skilled at finding creative solutions to complex business problems.

"Outsourcing is an easy but not always best way to cut costs. Manufacturers must realize that when the labor structure is changed, other operations aspects change. A decision to outsource should be a strategic decision more than a financial one," Morgan says. "Companies want to point to a line on the P & L to show that costs have been cut and the labor line is a quick fix. But the key to effective cost reduction is to address both the business processes and manufacturing processes," she adds.

Morgan offers some free tips to help manufacturing companies thoroughly and effectively manage cost-reduction efforts without resorting to outsourcing initiative:

1. Invest in maintenance of your equipment. Unplanned machine downtime is much more expensive than planned downtime.
2. Don't make across-the-board budget reductions. It's highly unlikely that equal cuts in every area will have equal impacts on the company overall. "Fair" is not the objective; "effective" is.
3. Consider the long-term impact and goal. Labor may be the easiest, quickest target but improving processes may have greater long-lasting positive impact.
4. If a capital expenditure is justified based on labor reductions, make sure the labor will really go away or be used elsewhere profitably.
5. Before increasing the rate of output from a piece of equipment, make sure you understand the impact of that increase on other equipment and on inventory flow.
6. Question everything. Much of the work we do is because "we've always done it this way." Don't do things that cost more than the value provided, unless legally required. Use the time to do something that matters.
7. Visual, simple, and real-time information communicates quickly and effectively in many cases. Don't make it fancy unless there are real benefits to doing so.

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