

Trimming fat off a business

■ Companies find a leaner operation is more profitable

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Driven by a sputtering economy and dropping profit margin, many companies are looking for creative ways to turn around their businesses without resorting to layoffs.

Emerging as a powerful tool in their search for an effective strategy is lean manufacturing, says Rebecca A. Morgan, president of Fulcrum Consulting Works Inc. in Cleveland.

Morgan, a business consultant, says the lean manufacturing concept, as the phrase indicates, aims to cut the fat in companies.

The philosophy, which was developed by Toyota in the 1950s, calls for controlled production and streamlining of communication from chief executive to the machine operator.

Many industries are saddled with huge inventories, tying up large investments.

Eventually, the surplus stock could turn obsolete, causing financial loss.

Under lean manufacturing, only the essential quantity of stock is kept and it is replenished as the goods are consumed, said Morgan, who has a master's degree in economics from Wichita University.

Citing an example, Morgan says if a person with a quarter-cup of water drinks it, the same amount of water can be poured back if needed.

This is better than if the cup is filled to the brim because after drinking a quarter-cup the consumer is likely to throw away the rest of water if they're no longer thirsty.

Traditionally, businesses want to continuously use their high-priced "automation monuments" because they want the maximum output for their investments.

"They think higher utilization is better," she said, noting they keep their machines running, despite having an over-stocked warehouse. "In lean manufacturing, you run machines only when you need."

This concept began to gain popularity in the United States in the 1990s.

But it has yet to be embraced by industries, she said.

Overcoming the 'fear of change'

Another benefit of lean manufacturing is the flexibility it gives companies to modify their products to suit customers' specifications.

[Vince Slusarz, vice president of manufacturing for Newbury Township-based Kinetico, a water treatment systems manufacturer,] said he and other officials were concerned when Morgan suggested a few changes [in their operations.]



Rebecca A. Morgan, president of Fulcrum Consulting Works, Inc. with one of her clients, Vince Slusarz, of Kinetico.

The hesitation was due to the "fear of change," Slusarz said. "Every company has a parochial view of doing."

However, the company decided to take the risk and it paid off, according to Slusarz.

Underlining the importance of consultants, Slusarz said, "Outside experts bring fresh perspective. When you get the same people doing the same thing, you tend to limit the scope of improvement."