13 To Do's to Manufacture Like a Boss

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Global Shop SOLUTIONS ERP SOFTWARE

We simplify your manufacturing.™

Everyone has a story. Most people like telling their story. And if they are a business owner, buckle up, because they have some of the best stories. Some people tell their stories and you think, "I'll never get those 5 minutes back," while others speak with incredible detail, emotion, and energy.

With the latter, you are brought into the moment and literally feel as if you were there. In simpler words, you want more.

SO WHAT DOES THIS HAVE TO DO WITH MANUFACTURING? A LOT.

Every part manufactured has a story – the story of how something is made, how much something costs, how much something can be sold for, and if you make it again. A good manufacturing story will be filled with precise detail, perfect accuracy, and guide your future based on a truthful history. And this means your customers will want more. Why? The answer is simple – if you are manufacturing like a boss it means you:

- Master the four key transactions: Purchasing Receipts, Issuing Material, WIP to FG, Shipping/Invoicing.
- Know your costs (freight, labor, outside services, overhead, other, material) with accurate precision.
- Price your parts competitively and profitably.
- Quote your jobs correctly with speed and accuracy.
- Reduce your risk by knowing and not guessing.

When you are doing the above you are making parts faster, making parts better, watching it all in real time, and knowing exactly what everything costs – otherwise known as "manufacturing like a boss". So let's get back to basics and manufacture like a boss with these 13 to do's.

1 Prepare to win.

Manufacturing can be won or lost in how prepared your company is, not just a person.

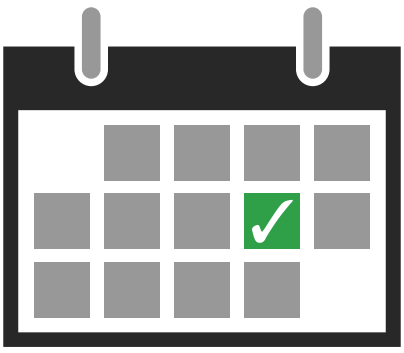
- Employees must be well trained to accurately capture data. Garbage in, garbage out.
- Employees must hold each other accountable. If you see something, say something.
- Employees must understand daily processes and how each action impacts costing. If you do not know, ask first.

2 Accurate bills and routers.

When a work order is generated to drive how much and how long it will take to make the parts, the accuracy of the bill of materials and routers impacts runtime, setup, lead times, and quantities. If the lead time is incorrect, it will tell purchasing to order material at the wrong times, leading to overstock of product or expedited fees to get product in.

3 Realistic due dates.

If the due date on a work order (often driven by sales) is entered for a week from now, but it takes several weeks to make the part, you are setting yourself up for failure. Purchasing will be scrambling to order material, supervisors will be adjusting labor, and you likely won't be profitable on the job. To make matters worse, you may have to bump other jobs and your customer will be upset if it does take longer to make than promised. A double whammy.



4 Correct cost and conversion factors.

Cost on a purchase order (PO) line should be known at any given time. If the cost or conversion factor on a PO is incorrect, everything downstream from the PO receipt to the cost on the parts being shipped will be incorrect, including financial implications.

5 Timely PO receipts.

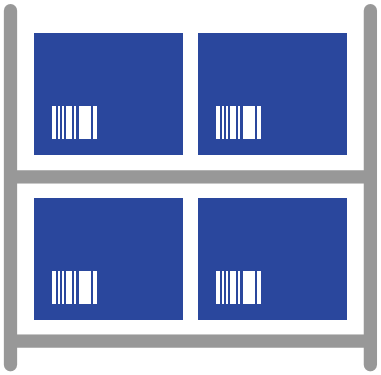
If material is on the shelf but a receipt has not been completed, this will lead to problems. Employees may cycle count the parts in because it's on the shelf, but not in the system. This can lead to loss of traceability on any material requiring certification, heat, lot, bin tracking or serialization. When the PO receipt is done, then the parts are cycle counted back out.

6 Issue material on time.

Inventory control is imperative. If material has been taken from the shelf, but not issued to the work order, this leads to problems. Parts may be promised sooner than what can happen because it looks like the material is available. Employees may cycle count the parts out because they cannot see the material on the shelf. And if the finished good is moved to inventory without the material issued, the value of that product will be under costed, which leads to incorrect profitability.

7 Watch your cycle count adjustments.

Cycle count adjustments have an inverse relationship with inventory control. The more cycle count adjustments happen, the less inventory control there is. This means the parts are not being issued correctly to work orders, WIP to FG is not being done, etc. This leads to incorrect costing on work orders.



8 Finish your job.

Most of our customers tell their employees – if it is not in Global Shop Solutions, then it didn't happen. Operations must be closed accurately when completed. If the estimated material is greater than the actual amount needed and the operation is left open, it will continue to call out for the remainder of the material to be issued leading to incorrect demand. And it will continue to show on dispatch lists and incorrect costs will move.

9 Have a plan.

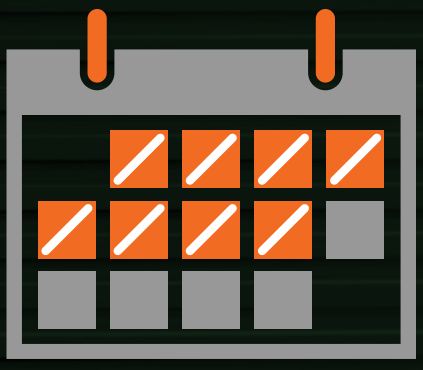
Inspect as you go instead of at the end, as the cost of quality increases with each operation performed on bad parts. This leads to a higher cost of goods sold (COGS) from the extra cost applied. A plan to handle rework or bad parts on work orders where the bulk of the parts have been completed should be in place.

10 Track labor and perform daily balancing.

Labor is the 800-pound elephant. First, when it comes to indirect labor, use common sense. There will be indirect time if employees work on several work orders a day and some employees like shipping, maintenance, engineers, parts movers and office employees will have higher indirect costs than others. If employees should have a lot of direct time but show a considerable amount of indirect, it typically means they are not logging work orders correctly resulting in jobs being under costed. If there are employees who should have some indirect and don't, it typically means they are staying logged into work orders while they are finding their next job resulting in those jobs being over costed.

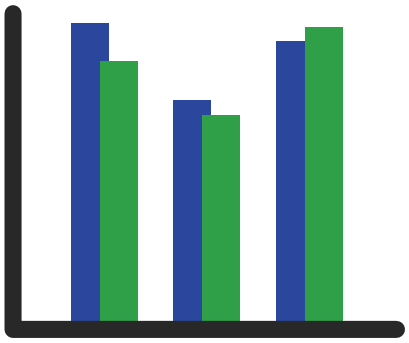
Second, track direct labor and perform daily balancing every single day. It is better to find labor mistakes as soon as they happen so the cost is corrected immediately. For example, an employee forgets to log out of a work order at the end of the day on Friday before a long weekend. When the employee comes back on Tuesday and notices they didn't log out, they will likely log out then. If they don't tell their supervisor and daily balancing is not performed for several days—the work order they were logged onto is over costed. Chances are the part has moved into inventory and has been issued to another work order or is shipped resulting in incorrect costing ricocheting through the system.

11 Close work orders on time.



If parts are on the shelf but the work order is not closed, there is a chance the parts will be cycle counted in. Parts cycle counted in have no traceability and when the work order is eventually closed, on hand increases and the parts have to be cycle counted back out. This leads to incorrect inventory history, failed traceability, and incorrect costing, not to mention a bunch of wasted time fixing the inventory count.

12 Performance matters – compare estimates to actuals.



If the bills and routers (To Do #2) are accurate, then estimate vs. actual can be used for analysis. If there are operations that are drastically different, it means either the bills/routers are incorrect or someone applied too much or too little labor/material. Having something to base costing on is imperative as there is no way to know if cost is correct without a proper baseline being established.

13 Stop guessing and start knowing.

If you are doing daily balancing every day, employees are logging in and out of jobs correctly, material is issued accurately, operations are being closed, WIP to FG is being done, and parts are shipped correctly – you will be job costing like a boss. It is too late to notice bad costs after the parts are shipped. Everyone should strive to handle job costing by exception rather than after the jobs are complete. Simple exception reports can be created to help identify when material has not been issued, when operations are not closed, and more. These reports are typically created based on the type of parts being created, the amount of rework or scrap being processed, and if there are "if necessary" operations that don't have to be processed.

In any line of work it is easy to lose focus. Days become weeks and weeks become months, and suddenly we find ourselves working harder for the same results. Typically, this means we have stepped away from the success that got us to the top of the mountain and need to get back to basics. The 13 To Do's listed are designed to do just that. We've been in the business of simplifying manufacturing for over 45 years, and we've helped thousands of manufacturers just like you take their manufacturing from good to great. Find out where you stand by visiting our website and taking the **Manufacturing Health Test**. Then call us to help you manufacture like a boss.

ABOUT THE AUTHOR

Adam Grabowski is the Director of Marketing at Global Shop Solutions. He is responsible for translating the company's business objectives into successful brand, marketing, and communication strategies to drive awareness, revenue, and loyalty.

To learn more about getting the 13 To Do's to Manufacture Like a Boss, call 1.800.364.5958 or visit www.globalshopsolutions.com.

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