

Efficiency

How does your plant rate?

Strengths, weaknesses

In a world of limited resources, we cannot implement all the great ideas we have. We do not have the time, the manpower and, most of all, the financial resources. We know we need to prioritize, but how do you compare buying a new CNC machine with hiring a designer or developing new distribution channels? If you ask the managers of the different departments, each will point to his or her project as the most important.

In our tool box I found this profile-based efficiency rating plan (below). There are probably more sophisticated

methods available, but this simple method is still valid as an assessment tool. Especially in situations where the core group of managers is in disagreement, this chart can be the ice-breaker to help them switch from territorial thinking to corporate thinking.

Experience shows that managers of a business unit, when evaluating their company, arrive most of the time at the same or at a similar profile. It does not

make much difference if the scores of the Layout are 40 percent, 35 percent, or 50 percent, respectively. They all agree it is "not good."



Sepp Gmeiner

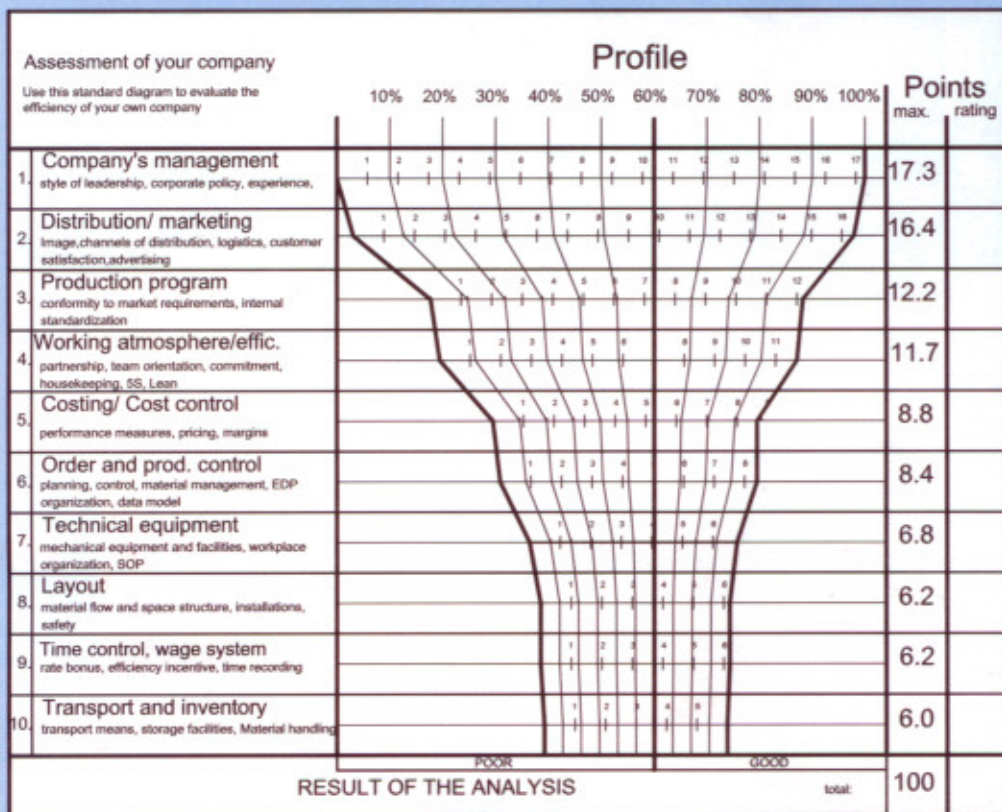
Sometimes, however, on one item the group will score the complete range from very good to extremely bad. Well, I always believe that if people decide based on logic, they will come to the same or a similar conclusion if they have the same facts.

So my first question would be: Do they have the same facts? Do they communicate among themselves? Working out these differences improves the team and will benefit the overall goal of the company.

If we have exhausted all reasoning and logic, there could be different agendas, extreme territorial behavior or something else in place. Getting closer to these issues probably helps too.

However, this is a tool, and as such it can help, but it will not fix everything. The use of this profile is not restricted to people of one management level. It is interesting how employees not included in the information-sharing of the core group have an opinion of how well the company is set up. Their results will be similar.

The key of the chart is the weigh-



It is interesting to note that profile items 7, 8, 9 and 10, technical equipment, layout, time control and wage system and transport and inventory, only account for 25 percent of the total score. This is the shop floor, the people and the equipment. Nearly 58 percent is assigned to management, sales and marketing.

ing of the different categories. As a technical person, I was surprised that the items 7, 8, 9 and 10 amount to only 25 percent of the total score. This is the shop floor, the people and the equipment.

Cost Control, Order Management, Scheduling and Data Management (items 5 and 6) amount to about 17 percent of the score.

The lion's share of 58 percent is assigned to management, sales and marketing.

To do the countdown:

10. Transport and Inventory

How is the material transported within the factory? By means of gravity roller conveyors and scissor lifts, or by means of pallets and pallet jacks? Is inventory in racks with easy access, or does it pile up in multi-rows?

9. Time Control, Wage System

Is there an incentive system — moni-

toring or otherwise? Are the hours used controlled by labor variance, efficiency charts, etc.? Is overtime controlled?

8. Layout

Does the layout reflect optimum process flow of the current product? Are "Lean" principles applied? Are safety measures taken into consideration?

7. Technical Equipment

Does equipment get modernized? Is new technology applied? Does the company spend more than 30 percent of sales on capital equipment? Is the equipment suitable to produce the product required by the product strategy?

6. Order and Production Control

How automated is the order processing? Are the systems able to handle the product variety and mass customization? How seamless do the data flow from sales to the shop floor and machines?

5. Costing/Cost Control

Does the company understand the cost and margin of the different product groups? Are expenses sufficiently controlled and optimized? Is procurement getting the best prices?

4. Working Atmosphere

Is there a sense of teamwork and partnership at the company? Is there good housekeeping (5S)?

3. Production Program

Does the product meet the market requirements? Is the company a product innovator? Is there internal product standardization? Is the product in tune with the manufacturing capabilities?

2. Distribution and Marketing

Does the company have a clear strategy? Is the entire organization aligned with this strategy? Is the strategy working?

Continued on next page

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800 Classic



800 Classic



900 Cesa



860 Aspen



8 Light Mullion Door



810 Square Corner



820 Devi



860 Aspen



870 Contessa



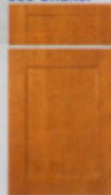
8 Light Mullion Door



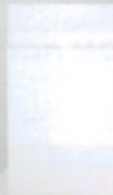
830 Slab



850 Shaker



840 Bella



900 Cesa



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1. Company's Management

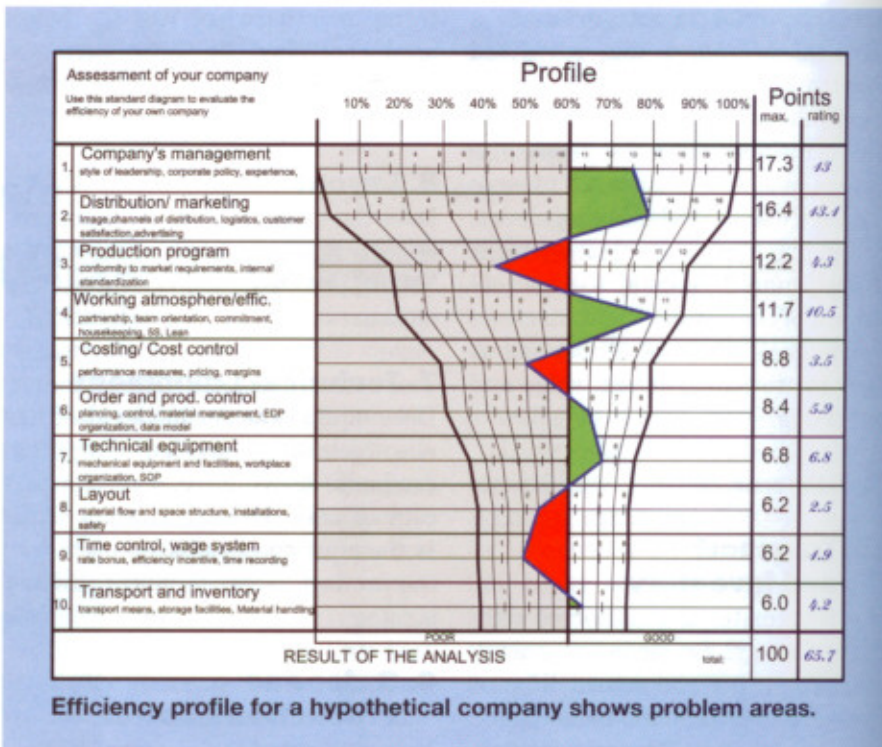
A leadership style which moulds the employees into a strategic force has proven to be one of the greatest assets. Weaknesses in this area means that the whole company is weak.

Looking at the score of a sample company (right), we see the following:

Numbers 3 (Production Program), 5 (Costing/Cost Control), 8 (Layout) and 9 (Time Control) are below the critical 60 percent threshold and need to be addressed. Especially if consensus is achieved among the company's core group, one major step has been accomplished.

Now that we have a focus, we can concentrate on how to find a solution and how to implement it. It could also be seen that an improvement of 10 percentage points in the company's management and/or distribution and marketing is worth equal to 25 to 30 percent improvement of the layout.

Such profile-based assessments of



Efficiency profile for a hypothetical company shows problem areas.

a company's performance are a valuable tool. It is not precise as engineers would like it to be, but it is a clear indicator where the weak points are and

where focus needs to be applied.

Sepp Gmeiner is a partner with Lignum Consulting.

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