

# SMART BUSINESS

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## Language barrier

**Smaller manufacturers can walk the walk but often can't talk the talk.**

**By Kim Palmer**

In the never-ending search for quality standards and higher productivity, smaller manufacturers and suppliers often encounter the most challenges.

According to the Aberdeen Group, companies on average spend 50 percent of every production dollar on supplied goods. Large manufacturers, in an effort to control costs, pay more attention to the quality and timeliness of supplied goods and are implementing quality standards and initiatives to track results.

That leads to a trickle-down effect, as larger companies implement quality initiatives, then expect suppliers to adhere to the new standards.

"Your clients need to know your quality standards, so they audit (your shop)," says John M. Cachat, president of IQS Inc. "When different OEMs (original equipment manufacturers) change their process ... the little guys have to follow."

Take, for example, the automotive world. Ford requires its component suppliers to quantify its basic manufacturing and shipping processes. Those suppliers, in turn, demand the same from their suppliers.

This continues down the line to the small, multiperson machine shop, where the expectations put a squeeze on them, because in this highly competitive and consolidated environment, they have to listen to their customers.

"It is no longer good enough to provide the customer a high-quality product, fairly priced and on time," says Cachat. "Now you must prove you have a system to do that over and over and over."

The leader in system and quality management for manufacturers is ISO registration, but for many smaller companies, that process is too long and expensive. These shops are audited and fail because they haven't implemented the very specific ISO initiatives their customers want.

"They are making great product, but they may only be a 30-person shop," says Cachat. "But their customers come to them and say, 'You really have to do ISO.'"

Even though many smaller manufacturers employ business practices similar to those of their customers, the customers may not know it, in part due to the language ISO employs.

Cachat argues that although ISO is the standard because it "attempts to deliver generally accepted manufacturing practices," the specific language -- such as when suppliers have processes audited by larger component suppliers or OEMs -- can confuse suppliers.

"In these audits ... the owner doesn't understand the questions -- ISO language is a language in and of itself," he says. "They ask the same stuff, but in different ways in audits."

Cachat and his company try to take a pragmatic and affordable approach to ISO registration and quantify existing processes by the smaller manufacturers.

In some cases, these processes have always been done. But while most manufacturers have automated accounting systems, they don't automate basic operating processes -- processes that include shipping quality assurance, engineering change requests, maintenance schedules and basic intraoffice communications.

"If they are in business, they are doing something right," says Cachat. "They just need to organize what they have in place."

Cachat breaks down what he calls a quality information strategy into language every business owner can understand while teaching them the language their customers want to hear.

According to Cachat these basic principals apply: Listen to and respond to the customer; have an inventory process; prevent mistakes and calibrate systems; set up suggestion systems; and train, listen and respond to employees.

In the end, he argues, quality initiatives save money and increase productivity, and most successful businesses already have them in place

"Call it whatever you want, but find the business process," he says. "And show your customers that business model." How to reach: IQS Inc., (440) 333-1344 or [www.iqs.com](http://www.iqs.com)

## Quality costs

When it comes to manufacturing, quality cost can have a profound effect on the bottom line. John M. Cachat, president of IQS Inc., says there's a direct link between quality of product and financial performance.

It all comes down to quality processes, and, according to Cachat, any process can be evaluated and measured on the basis of:

- \* Time it takes to complete
- \* Actual cost of the process
- \* Quality of the end result

Evaluating these processes, as well as what Cachat refers to as "hard costs," will identify inefficient or redundant activities.

Hard costs are identified by evaluating:

- \* Manufacturing quality costs -- machine calibrations, maintenance and rework
- \* Customer management costs -- customer service and follow-ups
- \* Supplier management costs -- shipping quality, product problems
- \* Document costs -- product orders, engineering changes, and reports

Just by quantifying the process and identifying the problems, a company can create and maintain performance objectives.

"You can only improve what you control. You can only control what you measure. You can only measure what you define," Cachat says.

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