

RIDING OUT

The Good Times

Happy days are here again, says the old song, and given the current economic numbers, one can scarcely argue. Productivity is up; unemployment is down; inflation is practically nonexistent; the budget deficit is shrinking fast.

So we can all kick back, put our feet up and let the good times roll, right? Well, not exactly.

Good times have their own complications. First, there's the nagging question of just how long they're going to last. We're seven years into a recovery, and common sense says that it can't go on forever. Should we prepare for more boom or for a big bust? Then there's the matter of our neighbors in Europe and Asia. Recently both of them, especially Asia, have stumbled badly. In this global economy, one trading partner's misfortune can turn into bad times for everyone with alarming speed. Stagnation in Europe and the free fall of markets in Asia are bound to affect our numbers here. The only questions are how and when?

There is no lack of answers out there. Anybody with access to a microphone, printing press or Web site is willing to tell us what's going to happen next. Unfortunately, the old wag about laying all the economists in the world end to end and still not coming to a conclusion still holds. Pare away the rhetoric, and the answers seem to boil down to, "It all depends."

One thing we can be reasonably certain of is that competition, often ruthless and cut-throat, is going to be part of the picture for some time to come, and no matter what the economic numbers, we are going to be under great pressure to be more efficient and to keep our costs down in order to keep our profits up.

Our customers in Asia and Europe, under the pressure of troubled economic times, can't buy as many of our products as we'd like to sell them, and they can't afford to pay high prices for what they do buy. The only way to keep these markets open is to keep prices—and, therefore, costs—down.

At the same time, these economies are under pressure to unload their goods here because we have become the customer of last resort. We have the money to buy the goods. And because overseas companies need cash now, they will have little option but to cut prices. They're going to be wheeling and dealing with a vengeance because they have to.

Monetary policy factors also play a part here. With our competitors' currencies devalued, their goods are cheaper than ours here, and ours are more expensive there. The result is the same: pressure on us to keep our prices low, our costs down and our productivity up.

Even if you only do business in the U.S., you can't really avoid the problem. Your customers may be trading overseas or competing against imported products, and they're going to have to pressure you to keep your part of their costs down. Whether your markets are here or overseas, these pressures mean you have to wring every dime of efficiency out of your operations.

The buzz word then for us should be modernize, modernize, modernize. If you're still debating about the wisdom of taking the next step, stop. The answer is clear. Do it now.

I've been repeating this mantra for years, but every day that goes

by confirms its importance. Our operations here (and, I would guess, most of yours) are already on the third, fourth or fifth generation of hardware and software. Every time we install an upgrade, once the initial break-in period is over, our productivity and efficiency—the keys to competitive success in this economy—go up. The same thing will continue to happen. The only difference now is that pressures to keep up are growing, and the time lag between important technological improvements is shrinking.

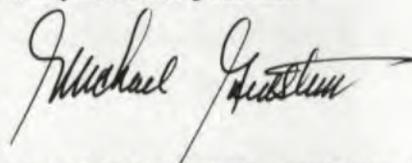
So the drill remains the same. If you already have CNC machinery, now is the time to look at the latest improvements. This is also true if mechanical machines still make sense in your operation. You should be looking at getting the latest models you can afford. Any piece of equipment that will increase your production and keep your costs down is worth the investment today.

Production machinery is not the only place to look for more efficiency. Examine your entire operation—all your processes and practices. Can they be streamlined? Made more cost-effective? Do your computers and software need upgrading? Your testing, sharpening, inspection or quality systems? What about your customer service operation? Your shipping? The pennies shaved from the cost of every operation performed and every part produced can add up to real savings.

And don't forget your people. Investment in training for efficiency and productivity is worth every nickel spent on it. Nor should you overlook that simple, low-cost, low-tech approach to shop floor productivity gains: Ask the people doing the work how to do it better and more efficiently. They usually know better than anyone else and will be glad to tell you without charging the five figures that are the going rate for some out-of-town consultants.

Sure this kind of thing can be expensive in the short term, and deciding on just the right investment moves for your company is a complicated issue. But boom times can't last forever, and if you can't afford improvements now, when will you be able to?

Keeping your footing in this complicated global economy is tricky. It will require a lot of hard work, close analysis and careful investment in the right equipment and people. You may find yourself working harder during these good times than you ever have before. On the other hand, it beats working just as hard or harder just to stay afloat during bad ones.



Michael Goldstein, Publisher and Editor-in-Chief



COMPETITION
—OFTEN RUTHLESS
AND CUT-THROAT—
WILL BE PART OF
THE PICTURE FOR
THE FORESEEABLE
FUTURE.