

Cracking the WIP

Over the past few months I've talked with several different gear manufacturers who are in the process of upgrading their gear making equipment with modern CNC machine tools. Each of these manu-

facturers has come to the realization that in order to stay competitive, he needs to streamline operations and become more efficient.

I know that sounds obvious, but in each of these cases, the journey toward modernization hasn't been quite so simple, nor the decision to invest so easy. Each of these gear manufacturers is extremely successful in his area of expertise, having developed a reputation for quality, earning business that others struggle to keep.

Up until now, they've done so largely by relying on high-quality, highly productive manual machine tools, operated by expert machinists who understand all the nuances of gear manufacturing.

Investing in new equipment requires overcoming a number of hurdles. For these manufactures, one of those hurdles was the fact that their older machines still produce quality gears. Another is the fact that those machines are all paid for. Why change things up when what they have is so clearly profitable?

But perhaps the biggest hurdle to overcome was the perceptions of their own employees about what a successful manufacturing operation looks like. Many of the operators, managers and owners at these gear companies have grown comfortable in their old ways of thinking and doing. They see skids and pallets in front of every machine and smile because they know that their capital equipment is busy. When gears are being cut, they're making a profit. By the old way of thinking, stacks and stacks of work in process (WIP) were a good thing. Those stacks signaled a healthy demand for a manufacturer's capabilities. For the operator on the shop floor, they signaled job security.

So when the owners and managers finally come to realize what those stacks *actually* represent—an enormous investment of time and money that's completely tied up and not doing any productive work—they still have to overcome the apprehension of the employees who aren't sure about concepts like just-in-time or lean manufacturing.

But they *are* overcoming it, at least in the cases of the manufacturers I've been talking to. More importantly, they're realizing that applying the just-in-time concept results in freeing up substantial sums of money. Instead of investing in inventory and work-in-process, these manufacturers are finding that they can instead invest in newer machine tools and automation that further improve their efficiencies and capabilities.



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And their employees are finding that fewer pallets in front of their machines is actually a positive sign. Employment at these companies hasn't shrunk, it's grown. In fact, as the companies have become more productive and efficient in their operations, they've been able to take on more work, and they've needed more employees. But instead of just standing by machines, human resources have been redeployed in more productive and efficient endeavors. Formerly hesitant employees are happy to be learning the new skills required by the new machines.

I know many of you out there still rely on older machines. *Your* employees may be uncomfortable with change, and the cost of new machine tools is a substantial hurdle all by itself.

But it seems like the time for investing is now. For most of us, business is pretty good. Except for those serving certain industries, manufacturers have steady work, solid order backlogs and good expectations that the economy will stay on track. We witnessed this first-hand at IMTS, where we saw a steady stream of manufacturers looking at the latest technology. Attendance at IMTS reached 114,000, nearly a 14 percent increase over the previous show in 2012. The exhibitors we talked to were delightfully satisfied with both the number and quality of visitors, and we talked to a number who sold machine tools right on the show floor.

If you didn't make it to IMTS, you should at least consider whether now is the right time to look at upgrading your equipment. Take a look at the latest offerings from our advertisers, who are the leaders in their fields, offering the best quality and latest technology. Then take a look at your own shop floor. If there are pallets and skids stacked in front of machines, try not to see job security. Instead, recognize all the money that's tied up there, and try to imagine what else you might do with it.