



Assuring The Payback Of Technology Investments

By Miles Free, Director, Industry Research and Technology

mfree@pmpa.org



This is the first of a two-part article on technology payback. Part 2, entitled "Answers: How?" will appear in the April issue.

Part 1: Answers "Why?"

Your shop has good quality; you have a quality management system. Your shop has good reliability; you have management systems for assuring worker safety, scheduling equipment availability and careful stewardship of financial resources.

Your shop has competitive prices; you have implemented best manufacturing practices, including lean operations and reduced machine setup times. Plus, your people are ruthlessly attacking waste.

So, of course you have profits. Ahhh, you do not have a system for assuring profits?

In today's world of increasing prices for supplies and raw materials, one of the best

opportunities to find hidden profits is to assure that our companies are recovering the full, expected payback from our investments in technology. You have systems to monitor raw material costs, inventory turns and machine setup and cycle times. Do you have a system to assure that you are getting a full payback of your investments in technology?

Perhaps your firm has invested in a new EDM capability. Because you can now make your special form tooling in-house, you are able to shorten leadtimes to your customers. Do you have a system that shows *how* you have shortened leadtimes on your current quotes?

Are you currently quoting significantly shorter leadtimes than you had been quoting before the investment? If not, there is no payback, just a higher cost of doing business. Can you show that since you have added the EDM capability, you have a higher rate of successful quotes attributed to the shortened leadtimes? This is profitability engineering at its most basic.

Do you have a system that audits your internal systems (work instructions, process control

plans, routers, and so on) to assure that the newest technology and optimized methods are in place? This is profitability engineering.

Some shops have an accounting means to audit times or costs on a job, cost center or departmental basis. But these are seldom as enlightening as the profitability engineer comparing current performance to prior achievements or the standards used to quote or estimate the job. The study should also include comparison to your shop's current quoted standards. Your shop does have performance standards, doesn't it?

Do you have a system that audits your internal systems (work instructions, process control plans, routers, and so on)...?

Comparison to equipment nameplate capability and purchase order covenants of performance for the equipment involved should also be done. The gap between your technology's capability and its current level of operational attainment is where your hidden profits will be found.

Is there a profitability engineer in your house?

Allied Machined Products...continued

organization, whether they're a direct competitor of yours or not." says company sales manager Brian Early.

Mr. Wetton summarizes, "If you're having trouble machining a certain type of material or a part, somebody will answer your

question and tell you what they did to solve a similar problem. They'll even tell you where they bought the equipment, how they used it and who to get a hold of. It has always been that way. That's probably the most unique thing about PMPA... the way members share information. Whether it's on

the Listserve, over the phone or at the conferences, information gets shared."

Allied Machined Products Corp. is located at 4 Westec Drive, Auburn, Massachusetts 01501-3041. Phone: (508) 756-4290. Fax: (508) 754-1276. Web site: www.alliedmp.com.