

An effective resource for financial analysis

Profit Improvement Process For

The Small Manufacturer

SAMPLE



Profit Improvement Process



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Profit Improvement Process for the Small Manufacturer

Client Discussion Points

The Small Manufacturer has a unique set of challenges. Product issues play a major role in the operation whether its parts or finished products, retail or wholesale considerations, inputs and outputs. Often, manufacturing calls for a heavy up-front financial investment for facilities, equipment and raw materials, legal fees to protect rights, marketing, etc. thus cash flow is frequently a major concern. The small manufacturer is also concerned about maximizing depreciation, minimizing tax obligations and taking advantage of available incentives or tax breaks. The industry is also heavily regulated by government authorities and reporting and liability issues have become a major consideration.

The implementation of best practice accounting and manufacturing process and procedures, in conjunction with state of the art technology tools, can mean the difference between filing bankruptcy and succeeding at a high level. As an Accountant, you can have a major impact on business success by walking your client through a few simple steps each month. The process is DOABLE for both you and your client and has been clearly outlined in this workbook.



Here is a summary of important issues that are very likely “pain points” for your client:

- 1 Generating competitive, timely and profitable quotes. Small Manufacturers are very concerned about putting forth a competitive and timely bid, but at the same time, not leaving money on the table.
- 2 Tracking exact costs in association with each order/job
- 3 Tracking Work in Progress (WIP) accurately and efficiently
- 4 Managing inventory levels of raw material and component parts necessary to complete a job. For many manufacturers who are trying to “run lean”, not having necessary inventory on hand to assemble/complete an order typically translates into missing the delivery deadline and losing the customer.
- 5 Scheduling jobs and workflow efficiently to ensure on-time delivery
- 6 Implementing processes and procedures engineered for scalability
- 7 Maintaining a pristine REPUTATION – The biggest pain point for most Small Manufacturers is maintaining a reputation for fair prices, on-time delivery and great customer service. Even one botched job for a big client can significantly hurt their chances of remaining in business for the long run or maintaining preferred supplier status with a customer.

WOW FACT

According to the Small Business Development Center, only 49% of small manufacturers are still operating after 4 years.



Initial Client Action Plan

.....
This is for your internal use.

Date: __/__/__

Client Name: _____

Interviewee: _____

Interviewer: _____

Initial Analysis Conclusion:

Initial Action Steps

Here are a few samples to consider, depending on the Client's most pressing needs:

1. Automate - Data is king in the manufacturing process, and it is critical that a manufacturer stay on top of all relevant data to make quick adjustments and stay profitable on each job. If they are not currently using industry specific software, their first step is to implement an automated solution. We recommend EXACT manufacturing software due to its price point, capabilities and ease of use. (For additional information, visit the Resource Section in the back of this module. The QExpress EXACT Rep will walk your client through the process.)

2. Update or Create a "How Customer Orders Are Processed" Written Policy - While comprehensive written process and procedures are important for every aspect of business, to try and tackle it all at once is overwhelming for the client. If they have the goal of getting one written process in place per month, it feels "doable" and is a realistic goal. This policy should track a customer order throughout the business. If they have one in place that is current, select another area of the business.

Profit Improvement Process for the Small Manufacturer Best Practices

Implementing Best Manufacturing Practices (BMP) allows companies to operate at a higher level of efficiency which translates into higher profit margins. BMP implementation also helps companies become more competitive and garner larger market share. Good manufacturing practices ensure the quality, efficacy and safety of product(s) and takes into account regulatory considerations. Modern manufacturing businesses can now access many available advanced technologies and tools, reasonably priced for the small manufacturer, that can mean the difference between success and failure.

“

A company has only so much money and managerial time. Winning leaders invest where the payback is the highest. They cut their losses everywhere else.

Jack Welch, Former CEO, in Winning

”

Common themes emerge in all highly successful manufacturing companies, both large and small. Developing a solid business plan, analyzing the main competitive threats, seeking out growing markets and pulling back from declining ones, taking full advantage of technology, continually researching ways to enhance both products and operations, and ongoing innovation in applying “best practices”.

“

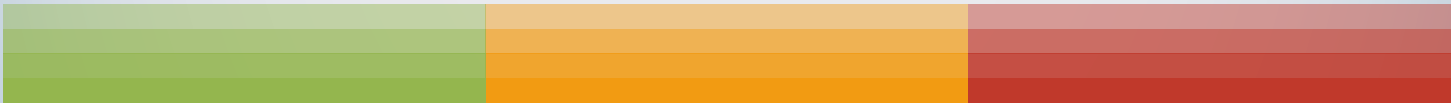
Best practices don't just happen by throwing a lot of money at your problems - it takes time, talent, energy, focus, commitment...

David Blanchard
Supply Chain Management Best Practices

Best Manufacturing Practices cover all aspects of production from starting materials, equipment and premises, staff training, scheduling, job costing, tracking Work in Progress, quality assurance, regulatory compliance and far more. Benchmarking is key. Creating metrics (Key Performance Indicators) by which to measure the results of the improved practice should be performed on a monthly or quarterly basis.

Resource Section

The Profit Improvement Process for Manufacturing was developed with the assistance and of the manufacturing experts at Exact Online. See more information about their powerful manufacturing software below.



Targeting business owners and accounting firms that understand the benefits of automation

Three business units focusing on key value markets and propositions: Cloud Solutions, Business Solutions, Specialized Solutions

For more information ask your PIP Accountant

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