



Grow Your Profit: A White Paper June 8, 2019

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As Quality Director and VP of Operations he was able to identify and address a series of quality-related solutions that proved instrumental in delivering substantial customer satisfaction, reduced scrap, employee training, retention and morale that led to higher profit and shareholder value.

Grow Your Profit

By Melvin Valkner, CPA

Overview:

Many companies struggle with poor or inconsistent quality and issue too many Return Material Authorizations (RMAs), have dissatisfied customers and employee turnover with a negative effect on profit. There are several causes that create such a downward spiral.

The good news is that there are proven ways to enhance quality, increase customer satisfaction, and stimulate employee morale and retention while generating higher net profit.

Problem:

I was hired as Quality Director of a manufacturing company where adherence to quality standards had been neglected for some time resulting in “observations” that threatened the firm’s ISO Certification, Pharma business, and hindering the growth of all types of new business.

It quickly became apparent there were many causes, not just one or two, which contributed to inadequate quality, excessive RMAs and lower profit: Incomplete work orders, lack of basic knowledge of raw materials and effect of process upon raw materials, unmotivated staffing, poor communication, deficient machine maintenance, and other things all of which had to be individually addressed.

Background:

The key to understanding various issues in depth was personal inspection and developing trust with the Shop Floor staff, particularly the Supervisors. Reviewing their concerns along with my assessments within the plant quickly disclosed many items in need of correction.

Highlights of my findings were:

- 1) Hoses used to vacuum resin from rail cars had cracks in them allowing moisture to be pulled into manufacturing process,
- 2) Basic knowledge of raw materials was never provided to Supervisors or the Shop Floor,
- 3) Raw materials of different grades were mixed in silo holding areas,
- 4) Work orders were disorganized and missing key information that even the most experienced Supervisors did not know,
- 5) Communication between 24/7 shifts was inadequate with infrequent meetings.
- 6) Employees did not have a comprehensive training program with knowledge of what was important to the company and how to advance,
- 7) Employee morale was in an all-time low with no empowerment for change,
- 8) Machine maintenance was in a continual mode of crisis management,
- 9) Disordered boxes of scrap material resulted in comingling different types of plastic. When recycled and returned to the plant it was of unknown quality and performance.
- 10) Up-to-date work procedures were not always accessible by Shop Floor and revisions were not trained on prior to implementation,
- 11) Shop Floor quality slogan was a joke mocking, “On the Core, Out the Door.”

Solution:

The first item of business was to shut the plant down for 24 hours exclusively for Pharma training. Demonstrating the importance of quality got everyone's attention.

Management approved my request to chair monthly supper meetings offsite for all Supervisors (two alcohol drink limit, except zero alcohol drinks if they were scheduled for work after the meeting). An agenda was prepared. The idea was to get Supervisors to share their thoughts and get them involved in making improvements. After all, they knew better than anyone of the immediate changes needing to be made. The first three meetings were informative but not pleasant as there were years of frustration in need of venting. Detailed notes for improvement were kept. As Supervisors saw their suggestions implemented the meetings grew much more responsive and productive.

I instituted Conformance Portal Quality and Learning Management Software (QLMS) that delivers online company-based training and competence verification for all Shop Floor employees, 24/7 communications (much like an internal Facebook capable of involving the President, CFO, VP of Operations, Quality, Safety, HR and individual departments), document control, corrective action tracking, maintenance tracking, and much more. In addition to superb training and testing employee morale skyrocketed as they became more involved.

Quarterly meetings for all shift personnel were held onsite with lunch provided to review vital changes since the last meeting or to underscore key processes. Speakers from vital suppliers were brought in at no charge to illustrate resin properties and how they interact. The company paid for consulting time from a specialist in our industry to assess equipment and processing needs. Seminars were held with industry experts.

I created a written plan of advancement and what was required to advance in both pay and responsibility. Responsiveness to training showed who was seeking promotion. Personnel changes were made shifting personnel.

Safety procedures were initiated as well as a number of improvements: High-quality resin hoses were bought and used, different materials were kept separate, scrap box instructions were posted so recycled materials were uniform, machine maintenance became routine and less crisis oriented (cannot completely eliminate all crisis), and work orders were completely revamped for clarity and completeness.

A contest was held for a new, easy-to-remember quality slogan.

A "Scorecard" was developed for monthly monitoring of key metrics on a month-to-month and cumulative basis all compared to company goals that was reviewed monthly by management without fail.

Conclusion:

The effects of the changes made were staggering. Customer returns were soon cut in half saving the company \$144,000 annually. Yearly scrap savings grew to \$160,000. ISO and Pharma observations went to zero. Sales grew. Over time annual profit went up 10-fold. Capital investment went up. Employee bonuses were paid. Employee retention and morale went up.

Without a doubt, a sustained emphasis on quality improvement leads to higher profit. The results clearly show quality improvement did not cost the company money but rather enabled the company to enjoy higher sales and profit.