



# manufacturing kitchens in an increasingly tough market place

I have been travelling both the North and South Island this year talking with owners and production managers of kitchen manufacturers, shop fitters and joiners about industry issues and my pet subject - factory productivity.

The common message I received was "with numbers of quotes dropping and forecasts for the economy not looking bright - now more than ever do we need to be totally time and cost focused. In the past we focused on times and costs relating solely to the factory. But we have recently extended our focus to all areas of our business particularly the direct costs involved in manufacturing each kitchen, namely: 1) office costs, 2) factory costs 3) delivery and install costs and 4) job slippage costs"

At Empower Software we have taken this advice on board. We now recommend to all kitchen manufacturing clients (ie. who use Empower time tracking software with PCs on the factory floor) that they adopt the following four initiatives:

## Initiative 1

Consider setting up Empower to time track the following '14 jobs and direct costs' involved in manufacturing each kitchen. In doing so you will see exactly where time and money is constructively employed and where labour times and costs are "slipping away". See the following report which highlights all the respective times and costs:

### Example – Woods Kitchen – Seaview Rd - Job #117 (Empower - Back Cost Report)

	Budgeted Hours	Actual Hours	Difference In Hours Act/Bud	\$ Dollars @ \$65/hour O.H. cost
<b>Office</b>				
1 Design – Design for client quote	1.0	0.9	0.1 under	\$6.50 gain
2 Design – Measure, rprogram	2.6	2.6	0	0
3 Order materials	0.5	0.7	0.2 over	\$13 loss
<b>Factory</b>				
4 Cut	4.0	4.2	0.2 over	\$13 loss
5 Point to point (CNC)	2.2	2.2	0	\$0
6 Edge band	1.3	1.7	0.4 over	\$26 loss
7 Assemble	20.6	22	1.4 over	\$91 loss
8 Make top (if applicable)	7.2	8.2	1.0 over	\$65.00 loss
<b>Deliver and install</b>				
9 Load	1.5	2.0	0.5 over	\$32.50 loss
10 Deliver	2.0	2.6	0.6 over	\$39.00 loss
11 Install	8.0	7.5	0.5 over	\$32.50 gain
<b>Job Slippages</b>				
12 Variations (client changes)	0	0	0	0
13 Rework (staff mistakes)	2	2.7	0.7 over	\$45.50 loss
14 Unforeseeable fixes (eg subbies damage to units etc)	1	1.6	0.6 over	\$39.00 loss
	Budget Hours	Actual Hours	Difference Hours	\$ Dollars \$65/hr cost
<b>TOTAL TIME</b>	<b>53.9</b>	<b>58.9</b>	<b>+ 5</b>	<b>\$325 loss</b>

With the Empower system these actual times are reported "Live" the minute the kitchen is completed.

## Initiative 2

Your sales manger be responsible for overseeing the costing of all kitchens. Accordingly your sales manager is responsible for the accuracy of budgeted times for each kitchen and for the 14 jobs and processes involved in each kitchen. Your production manager be responsible for delivering the Actual times for each kitchen and for the 14 jobs and processes involved in each kitchen. Your sales manager and production manager to meet weekly to "back cost" all kitchens completed that week to ensure Actual times did not exceed Budgeted times – for each kitchen and for each of the 14 jobs and processes involved in each kitchen. Where actual time does exceed budgeted time both the 'Cause of the Problem' and 'Answer' in each case should be recorded in a weekly productivity journal.

Problems are simply either; 1) the kitchen was either undersold by not allowing enough budgeted time in the quote (the sales manager's problem) or 2) the factory took too long to produce it (the production manager's problem). It is only by carrying out this review that most areas of slippage in time can be substantially reduced. This review is a critically important 'Continuous Improvement' process for your core business, which in manufacturing, is managing your labour times.

## Initiative 3

As general manager of the business you review with your sales manager and production manager the "back costings" of all kitchens completed during the month. And also review the 'Cause of Problems' and 'Answers' recorded from weekly meetings (outlined above in initiative 2). It is only by carrying out this review that there is "top down" and "management wide" awareness of labour times, focus on meeting all times, daily productivity and job profitability.

## Initiative 4

Your production manager and general manager meet with all factory staff and office staff involved in design weekly to discuss all actual times that exceeded budgeted times on kitchens and the 14 kitchen processes. This meeting addresses production problems – that is, where the job was budgeted with the correct labour times but where the actual times significantly exceeded the budgeted times. Empower reports the staff involved in each overrun of time. So each staff member who were involved in jobs that overrun time be asked to advise on the cause of the problem and the proposed answer. This review drives factory staff and management wide continuous improvement of factory productivity.

A DVD video of NZ joinery companies talking about how they have adopted these four initiatives is available to anyone on request. The DVD is free of charge. I welcome your call - 027 2284211 or seansos@ihug.co.nz.

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