

Resource Utilisation.....Your Path to Greater Profits

When a business first begins, it tends to operate with a fairly wide operational focus simply because in the early stages of any enterprise, while there should be and probably is, a direction forward based on a product or service that is pre-determined, very often the owners need to remain aware of every opportunity that may present.

I wouldn't doubt that many a new enterprise has chosen to alter its direction in some shape or form to cope with opportunities they uncovered as they progressed.

However and regardless, much of this slow 'direction finding' has the result of an accumulation of various items, tools, systems and processes that possibly end up as being quite redundant to the tasks that eventually become the direction of the new enterprise.

Over time of course and despite best intentions there will not only be an accumulation of all sorts of 'odds and sods' but even with the best of intentions both storage and functional equipment will be placed in ad-hoc positions that may have originally been actually planned, but more than likely would have simply been placed as being 'best available space.'

In manufacturing operations perhaps more than other businesses, the impact to bottom line through inefficient placements can be far larger than thought, where a time and motion study alone will readily overcome much inefficiency related costs. Relocation to suit work-flow, staff efforts and effective use of space is a study worth undertaking, where I have experienced recoveries greater than 30% on flow times and costs.

Another interesting study is based about 'resource utilisation', which is obviously 'how much use is this piece of equipment (or staff member) providing during any working week'?

Whether new, established or thriving, my studies found that often up to 80% of a facility's productive assets don't actually get used for productive output for more than 20 hours per week.

Obviously the ideal situation is that all productive assets are in use for the entire time that your business is open for business, but we all of course realize that some assets are idle simply because there is only an occasional need for them specifically and sometimes the business has extra productive capacity but not enough work incoming.

Both of these situations is obviously not the most desirable, but from my studies and more to the point was that none of the 100 manufacturers I interview for this study, actually realized the extent of their potential output or the extent of their idle-asset lost productive value.

Although I won't bore you all with the maths of this study, let me assure you that the potential net result to each business was, on average, an ability to increase their

incoming revenues by another 200% under normal sales and production, or more than 150% through a 25-40% discounted rate of output. In the first case the bottom line would nearly double and in the second case, interestingly, it proved to be more.

I appreciate here that the last paragraph may create some astonishment among manufacturers, and also some concerns that you may not be able to locate the amount of sales you would require to utilize all your resources anyway...but this is the where you would be in error.

For me, my study had to reach a conclusion or solution, as indeed it did.

My conviction is that each and every option uncovered had a simple and potentially profitable resolution that in many ways was able to provide exceptional additions to the bottom line, regardless of preset routines.

For the purposes of this article let it suffice to say that at the earliest opportunity every business owner/manager should calculate the time that each and every piece of productive equipment they have, is used for the purpose intended, and to consider ways to utilize these resources fully.

If the assets cannot be better utilized by more incoming orders or component contract work for others, then possibly the asset should be sold or leased to another, with what little work it is currently used for.

At the very least a fixed cost item will be supplied and valuable floor space recovered for better amortization on what equipment has high use.

With those assets that must be retained, often advanced batch output can be initiated to create stocks for draw-down assembly, which can lead to a more efficient manufacture and a far quicker output.

If the flow through a production area is considered in these ways there is no doubt that a huge amount of highly profitable efficiency can be created with very little effort or any radical adjustments.

The invested cost of raw materials to cope with a component stockpile I have always considered a good investment, simply because I have never known raw materials to reduce in price, so providing a good expense buffer. These stocks will require a comprehensive insurance cover.

For you to ponder:

The Illogical Logic of Failure

If you go about your life believing deep down that you are not worthy to be where you're aiming, or that you will probably not succeed, the great contradiction in life is that **you will succeed.**

You will indeed succeed in your deep belief that you will fail!

Think about it.

It is not what you want that will come to be, but what you truly believe you can achieve, that comes about.

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