



Entrepreneurial Economy: Change the Rules

Michael Bleau has served manufacturing and consumer-related industries since 1986. Prior to forming Industry Scope, a strategic b2b and b2c sales and marketing consultancy, in 2002, he held executive positions for several automation and press manufacturers. Michael regularly consults with manufacturing companies on strategic planning, sales and marketing, brand and product development, PR and sales-channel development.

Industry Scope

tel. 810/397-1429

mbleau@industry-scope.com

www.industry-scope.com

Having made it through the fray, now may be the best time to refine your stamping offerings or overhaul your entire approach to the business. Historically, post recessionary economies represent some of the best times to start new business ventures. Encouraging entrepreneurial thinking within your workforce can be a catalyst to new opportunities. Taking a fresh perspective by questioning everything you do, why you do it and how it came to be may create some uncomfortable conversations with individuals who tend to be averse to change, but the payoff exceeds a few bruised egos.

To really dig deep takes an unwavering commitment by management. Your company also may benefit from an outside perspective that isn't restricted by political or emotional equity—someone who isn't concerned with tipping the sacred cows. Recognizing and embracing alternative strategies can be a challenge that may simply escape longtime executives and employees who may have had little opportunity for exposure to other approaches—you don't know what you don't know.

A recent conversation with a retired stamping executive highlighted the importance of making the hard choices, challenging the status quo and reaping the rewards of changing the rules governing the way we do business.

Frank Maday has a long history in stamping, having served his tool and die apprenticeship at Chrysler, then becoming a tool and die manager at VW, tooling and QC manager at Budd, tooling manager for Ford Walton Hills and

then, where our story begins, as VP of engineering at Mayflower Vehicle Systems' U.S. operations. The few years leading up to 2000 were taxing on Mayflower's European operations, specifically its vast operation in Gaggenau, Germany. In early 2000, Maday was named managing director for the division, where he immediately began dissecting the multiple-plant campus' \$65-million business to better understand how it was losing nearly \$8-million annually.

As a Tier One automotive supplier, Mayflower produced stampings and finished assemblies for European automakers, including catalytic converters and exhaust systems. To understand the cost structure, Maday implemented detailed value mapping exercises to break down material, labor and general overhead costs on a per-job basis. This quickly uncovered a number of jobs that were generating losses with each part shipped. After assembling the details, Maday led efforts to approach customers in an attempt to justify piece-price increases. In those cases where the customer refused, Mayflower tactfully gave back the non-profitable work. This helped, but it did not solve the basic problem of having too little opportunity and too many competitors driving prices down.

In a game-changing move, Maday shifted Mayflower's basic focus of being a Tier One supplier to becoming a Tier Two supplier. This had the immediate effect of growing its customer base from around six to more than 30—effectively converting competitors into prospective customers. Further, it placed Mayflower at the top of the Tier Two

competitive food chain. Its experience as a Tier One supplier better prepared the company in terms of equipment, capabilities and processes. Its overall capability surpassed that of the other Tier Two suppliers it was now competing against. It also changed the nature of how it conducted business.

The company was able to shutter unnecessary and consistently unprofitable engineering centers, and to thin bloated middle management by creating self-directed teams—all told, a reduction in headcount by 20 percent. By concentrating on the elimination of all non-value-added elements, improving work flow and methods and refocusing their business into a Tier Two operation, the company quickly ended its losing streak. Within 18 months it recognized profits

of \$4 million on sales of \$60 million.

Encouraging entrepreneurial thinking and sparking some bureaucratic controversy can be productive. Consider the following:

- In business there are no sacred cows; challenge everything. Assume nothing and ask “Why?” “Why not?” “What if?” etc., then listen. Questioning enables you to break the status quo and consider new possibilities.
- Look outside, benchmark, learn from others and find fresh perspectives.
- Keep your people on their toes, drive out complacency and reward innovation.
- Understand the origins of your business processes and challenge their current validity. What worked in the past may hold no value today; again,

challenge everything.

• Kindly pass along to unwitting competitors your customers who cost more than the value they bring. Let your competitors become the charitable organizations of your industry.

• It’s easy to grasp expressed needs, try to recognize the market’s latent needs.

• Take a page from Maday’s playbook and flip the playing field.

As you embark on the post recessionary economy of 2010 recognize that you’re in the position, possibly the best of your career, to recast your business into something stellar. Don’t let this moment pass. Identify and take advantage of this opportunity, invent, redefine and break free from the things that constrain you.

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