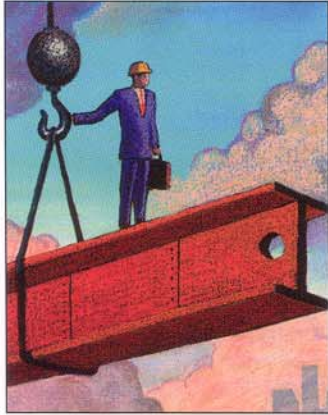


Doing Expansion Right Pays Off in the Long Run



With economic growth resuming, now is the time to think about how effective plant layout and design can make the difference between a ho-hum ROI and substantially larger profits.

By Hal Ettinger

Changing the layout of your existing operations or designing an effective plant expansion will reduce production costs and help you meet the demands of future markets. Can it really have an impact? Well, consider this tale of two Midwestern printing operations.

The owner of the first company—the largest commercial printing company in his mid-sized heartland city—had turned years of hard work, long hours, determination, and focus into a very successful operation with nearly \$17 million in annual sales. Its dominance in its market was unchallenged.

Unchallenged until seven years ago, that is, when a second company, considerably smaller at less than \$9 million sales yearly, hired an industry

consultant to review its layout and operations in light of current and anticipated production requirements.

The second owner soon thereafter found a building across town, compared the seven-acre site's potential to what the consultant's review had concluded, and bought the site, making plans to renovate the building and move his entire printing operation to the new location.

Unfortunately, it was the first company that should have done the relocating. It was not only big, but getting bigger, and, in fact, was choking on operating inefficiencies in a building that left little if any options for accommodating continued growth.

Instead of reviewing relocation alternatives, this owner made a quick decision to purchase a building adjoining his existing plant. Given that facility's odd configuration and the city's building set-back requirements, as well as its utility easements, the acquisition had little, if anything, to recommend itself.

Costly Mistakes

Although they had mapped different routes, both companies had embarked on expansion plans that were to take them into the next millennium.

Three years after they made these moves, the bigger company's sales had increased by 11%, and its profits by 14%. Not bad. But the smaller company's sales had increased by over 30%—and its profits by 133%. It seemed clear that within a few years it would

no longer be smaller.

Sadly, this story—a true one—is all too common, for owners who diligently and painstakingly research every aspect of a new press or collar before buying often fail to take the same approach to relocation or expansion planning. If you're considering a move in the near future, be sure to avoid these common—and costly—mistakes:

- *Passing up critical review of existing plant layout, plus current and anticipated needs, as part of the planning process.*

The Result: Lost opportunities. Without a critical review, the limitations of existing plant layout and of less-than-optimal production meth-

“The company will not obtain best value for dollars spent.”

ods are likely to be repeated, and the chance to achieve higher levels of efficiency and, thus, greater profitability are likely to be lost.

A little bit of evaluation and planning upfront go a long way, both in the construction process and, later, in the plant's operating efficiency. Money not invested in planning and layout design is often lost later, many times over, by plant inefficiencies and excessive energy and maintenance costs.

- *Failure to take full advantage of the construction marketplace.*

The Result: The company will not obtain best value for dollars spent on construction, selection of contractor(s), or building schedules.

- *Starting an upgrade of an existing facility, a renovation, or an expansion of the building now occupied with-*

out complete and accurate drawings.

The Result: The company is likely to incur additional cost during construction and expensive delays in completion.

- *Proceeding without sufficient input from managers and supervisors.*

The Result: Alternatives that could lead to better plant efficiencies are often overlooked, and opportunities are missed for buy-in from employees and management.

- *Underestimating the importance of how the building speaks to employees and customers.*

The Result: A negative impression for employees and customers alike—a considerable marketing disadvantage.

- *Failure to take advantage of new construction methods and materials.*

The Result: Construction costs are increased and schedules lengthened. Plant maintenance costs are greater than need be—a recurring cost.

- *Adopting an inflexible design that limits the ability to take full advantage of new equipment and changes in technology.*

The Result: Early obsolescence, material handling nightmares, and less-than-optimal output from production equipment purchased in the future

- *Being your own project manager.*

The Result: Takes you away from the job you're most effective at, replaces it with a job you do less well, and ties you up for longer than anticipated, causing your primary job to suffer. ■

Hal Ettinger's RBE Company provides plant layout design to printing companies throughout North America. For more information, contact NAPL Consulting Services at (800) 642-6275.