

DAVID A MARSHALL CONSULTING INC.

Monthly Leadership Newsletter

How to Work With A Manufacturing Consultant

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HOW TO WORK WITH A MANUFACTURING CONSULTANT

Manufacturers that want to work with a manufacturing consultant can easily find someone who will walk into your business, pick your pockets, and leave, never feeling a sense of ownership of the outcome.

But very few consultants can actually deliver on the improvements they promise, so the best way is to pay a manufacturing consultant is based on the improvements they produce. If they're so confident about their results, then they should put their money where their mouth is.

Of course, to do that, you need to give them plenty of access. If you're going to hire an expert, don't limit them as to what they can do. Remember, if you're paying them based on their improvements, you want to be able to pay them as much as possible, because it means you're making so much more.

To figure out how you're going to actually pay them, come up with a measurement system. For example, let's say a consultant says their ERP software package will improve productivity by 10%. If that's how they calculate the ROI to sell you on the product and their services, then pay them from the results. Give them a percentage of the improvements.

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After all, if they're that confident in their software, shouldn't they be willing to take that risk with you? The truth of the matter is that most consultants, particularly software people, will sell you a package and then sell consulting hours, and they'll license each work station so they've got a perpetual income. They then leave the actual work up to you.

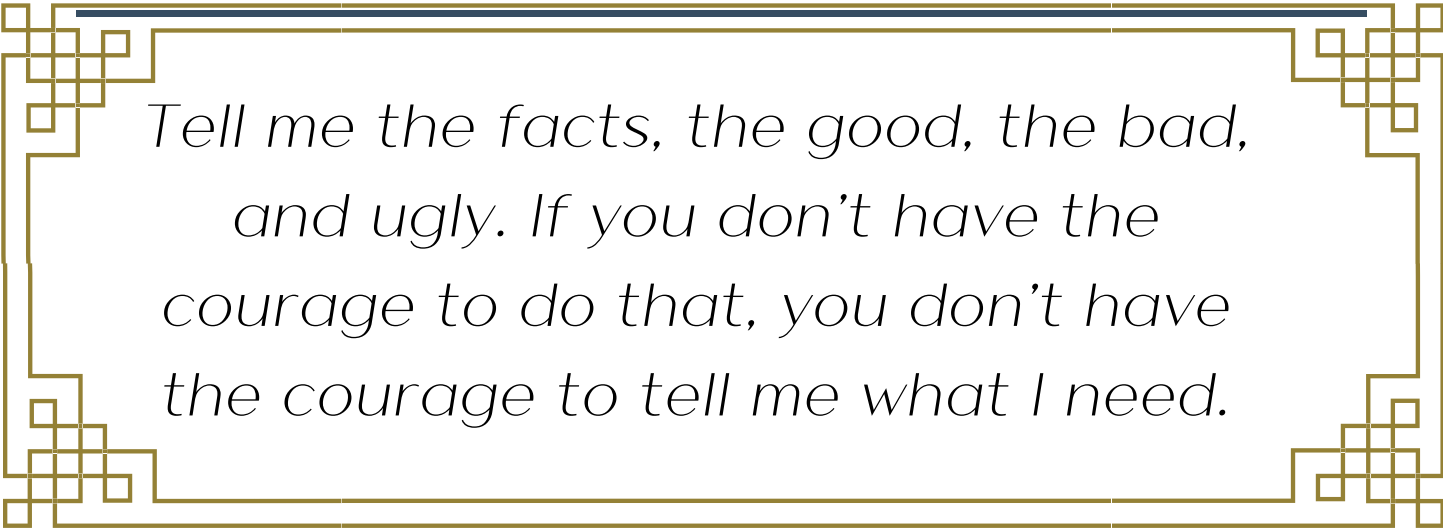
Any training and education costs extra, and they're generally not interested in whether your employees actually take to the new software or not. I've been ripped off this way a few times by software consultants. What would you not give them?

First of all, I wouldn't give them an open-ended contract under any circumstances. You need to ask for clear deliverables. Make sure you know what you're supposed to get and what you're paying for. Because manufacturing is — or should be — a highly measured and monitored endeavor, the manufacturing consultant should be able to predict what kind of measurable results their work is going to bring.

They should be able to look at your current production levels, and give you an estimate on the improvements.

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Of course, to do that, many of them will quote you an investigative cost and an implementation cost: "It will cost \$100,000 to do the investigation and \$200,000 to implement the program." And along the way, during the investigative stage, they'll find that there are some issues and areas to work around, and that the implementation will actually cost \$500,000 or even \$1 million.

I learned early on — and the hard way — that the manufacturing consultant should just bear the cost of the investigation in their overall price. If they think they can improve your business, and they know the cost is going to be anywhere from \$300,000 to \$1 million, they need to tell you that up front.

You don't want any surprises, and they should have either known this or expected it in the first place. Some of the best implementations I've ever had was to interview the vendor and tell them point-blank, "Don't tell me what I want to hear. Tell me the facts, the good, the bad, and ugly. If you don't have the courage to do that, you don't have the courage to tell me what I need." Continued Page 5

"In every case, the vendor that had the courage to tell me the truth was usually not the lowest bid, but I went with them anyway. I remember one vendor was very persuasive with her honesty. We were implementing a warehouse management system, and the consultant I was dealing with was very candid and forthright, and very experienced in implementing her system elsewhere. She pulled no punches.

She said, "You're probably going to lose some people, hire some new people, train them all, and then retrain them." Right up front, she was honest about the difficulties we would experience, and she didn't gloss over what it was going to mean for us. It ended up being one of the slickest and easiest implementations we've ever experienced. The whole implementation process took 6 – 9 months, and it happened exactly like she said: She was right on the money.

You need to look for that kind of forthright honesty in your next manufacturing consultant if you want to not only be able to manage your expectations, but you can better manage the costs and even ensure a smooth implementation of their changes.

About David A Marshall

David Marshall is a Senior Manufacturing Executive with Corporate Culture Development and Operational Excellence Expertise. David most recently was President and COO of Robroy Industries and Board Member where he oversaw this manufacturing organization with four locations in the USA producing high quality electrical products and oilfield products. During his tenure he worked hard on implementing cutting-edge technology into these facilities during renovations of several of the plants and build out of one ultra-modern 130,000 square foot manufacturing facility in Texas.

With David guidance, these companies saw a remarkable seven record years of profitability; eleven consecutive years with profitability exceeding 20% of revenue; and more than \$300 million added to the equity of the business since going private in 2001. David earned his MBA from the University of Virginia: Darden School of Business.

He currently consults manufacturers looking to achieve operation excellence. His motto is: "If you can't measure it, you can't manage it."

He has been a manufacturing executive, as well as a sales and marketing professional, for a few decades. Now he helps companies turn around their own company by making the right decision. If you would like more information, please visit my website and connect with me on Twitter, Facebook, or LinkedIn. <https://damarshall.consulting/>