

Cost Analysis Process in Manufacturing Industry

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Introduction

- In the common conflict of interest, there exists between daily operations/manufacturing, sales/marketing, and cost and finance.
- These conflicts can contend to be as healthy; however it cannot be avoided in all types of manufacturing environments. Even though these facts may be right, but for last 35 years-
- I have experienced a different opinion that I would like to share with you all, today.

Introduction to Mid Size Manufacturing

- Within the mid size manufacturing sector, and the limitations of its size, it is not necessary to have most of the state of art technology or technical expertise.
- Rather in general these mid size manufacturing companies will grow up with years of struggles.
- These experiences that will lead these companies to change course and follow the best practices for the company.

Introduction Continued

Manufacturing Process

- Manufacturing companies mostly either markets their product directly to the consumers or they produce and process raw material, parts and components for the large manufacturing facilities.

How This Relates?

- In our manufacturing life we have within past the decades of 50's as reconstructions and builds, to the 60's as mass production, and the 70's (after oil crisis) as retooling and miniaturization.
- Then in the 80's significant changes had improved in that there were quality and improvements, which continued into the 90's in where new technology was developed and dot.com boom that expanded these newfound technologies.
- Then the year 2000's was the decade of outsourcing services, manufacturing and technologies'.

What the Future Holds?

- Now the current decade 2010 will be era of cost reduction and competitiveness and next 2020 decade will be for those who can survive with the cost competitiveness in the global market.
- In these days with the slogan of “Globalization and the World is flat.”
- The Future of Manufacturing Companies in USA are experiencing the steep competitions on cost competitiveness especially in the area of high labor and overhead cost .

My Experiences.

- In my present and past association with a number of manufacturing companies where I worked as “ Cost Man” and have confronted these problems in the process flow and have tried to overcome it.
- To ease the burden of such cost problems; My main tools have been utilizing discussions with related departments, analyzing basic issues, with some changes in process.
- Furthermore, you need to constantly monitor such problems and record the data, and then finally train the personnel so that these issues are resolved.

Learn from the basics

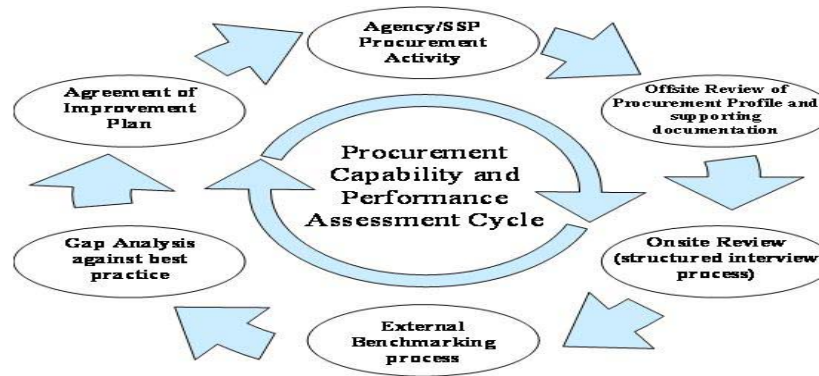


- How it works.
- Know your product strength and weakness.

Optimize the scheduling



- Human life is an art.
- Manufacturing is science and its logistics work like war field.



Procurement Policy

- Analyze past present and future.
- Explore substitute items

Process control management.



- Good process write up and instructions.
- Manage efficiency
- Process should be true result oriented.
- Learn from the mistake.
- Automations always help.
- Good reporting and documentations.

Labor management



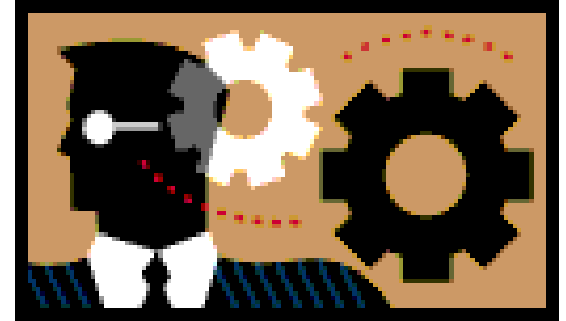
- Know your labor and their capability.
- Labor efficiency depends on specific machine vs. man.
- Train labor on process, product and machines' capability.

Wastage Control



- The biggest offender is due to lack of training.
- Lack of initiative and the presence of ignorance.
- Where possible recycle all waste products.
- One's waste could be others business' raw material.
- Treat any wastage and inefficiency just as - throwing money away from your own pocket.

Conclusion



- No cost is good cost if the real data and information is not there.
- Just changing BOMs and Routers – means change over of cost buckets.
- Rather increase of efficiency and reducing the waste makes a real big difference in the profitability.
- Cost accountant needs to be innovative in collecting data and facts of manufacturing process.