

Project management – a vital skill for successful SME manufacturers

In our experience at TXM poor project management can have a devastating impact on your business and its customers. Extended customer supply interruption, loss of key employees, project cost overruns and loss of hard won revenue frequently result. It is also our experience that relatively few Manufacturing SMEs in Australia manage major projects well. It is a sad comment that of nine suppliers involved in a recent project that TXM managed with one of our clients, only two delivered on time. They were the two Chinese suppliers.

*by Tim McLean,
Managing Director of TXM.*

What is a project?

A project is an major activity within a business which is outside the usual day to day activities of the business. Projects can include tenders for new business, major sourcing exercises, technology or systems upgrades, plant relocation or major capital upgrades.

By definition, projects are outside your normal day to day activities. They therefore require additional dedicated resources. If you ask the people who are responsible for

running your day to day operations to manage the project as well, then something will suffer. Either the management of the project will be poor or the support of ongoing business will be compromised. The first step in project management is, therefore, to identify the human resources needed to carry out the project. This will include a single project manager who can be responsible for overseeing all aspects of the project. If you assign the project to your existing management team, then you need to make sure that you provide them with additional support and resources to enable them to manage the project and run the business. This can be achieved a number of ways; an external project manager such as TXM can be hired, routine tasks can be delegated to lower level staff (although those staff may need additional support to cope with the extra workload) and/or temporary staff engaged. In a tender, the bottleneck may be in programming or engineering so make sure you consider these areas too. Your normal workload will NOT go away during the project so you need to plan for additional resources if you are to complete the project successfully. If you are unable to properly resource the project then you should consider not proceeding with the project.

Planning, planning, planning!

Good planning is critical to a successful project. Microsoft Project is a good tool to help develop a project plan. MS Project has many functions, but the main things you will want to see are the dependencies between tasks. These help you identify the overall time required to achieve the project and the key milestones along the way. You can also see the “critical path”, which is the sequence of tasks that will take the longest to complete. It is important to ensure that all deadlines on this critical path are met on time. It is also important to realise that the the critical path can change as the project proceeds. Therefore, regularly review the project plan to ensure you are on track. A key cause of project problems is the failure to make timely decisions. Make sure that everyone knows that the key project milestones are not negotiable and ensure that decisions are made on or before that date.

The second aspect of planning is managing risk. Things go wrong in projects and you need to plan for them. Develop a list of the things that might go wrong, the likelihood of that occurring and the steps you could take to mitigate those risks. Risks can include customer supply interruption, delays in regulatory approvals, cost over-runs, delays in customer product approvals, industrial disputes, loss of key employees, or many other issues that will be specific to your business. Generally risks can

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be simply mitigated, but thinking about them systematically can prevent unexpected disaster, and huge costs. However, just with any risk assessment, it is worth quantifying each risk and determining how large and medium risks will be mitigated.

The third element of planning is the budget. Every project involves expenditure which will be out of the ordinary for your business. For a relocation, there will be capital and relocation cost and it is worth getting quotes or budget estimates for these. For a new business project there can be very significant costs involved in quoting and preparing documentation. As well, when you win new business the ramp up of the additional work can cause very significant impacts on cash flow. You may also find you need new capital equipment to process the work and funding this extra capital needs to be considered when costing the job. More than one small manufacturer has been sent to the wall by winning business and not being able to fund the growth. This can become particularly acute if the project is delayed (JSF anyone?). You therefore need to prepare a cash flow forecast and allow for the likely risks in your budgeting.

Communication

Beyond all this, a key reason why projects fail to meet expectations is poor communication throughout the project. Set up a routine project meeting at a regular time every week. Keep minutes in the form of an action list and make sure that actions are completed in a timely fashion. If the project involves new business, then make sure you have regular contact with your customer. You should present your project plan to your customer and get their feedback. It is also important to make sure that you understand the customer's key milestones and that they understand yours. This communication needs to be in writing as well as verbally so that you can refer back to it as the project proceeds.

In summary

Good project management need not be difficult or complex. However it is time consuming and involves a degree of business discipline. As I have seen all too often, the results of poor project management are extremely costly. On the other hand, developing good project management skills can reduce your capital costs, build stronger customer relationships and greatly reduce the stress on you and your business involved in big projects. **AMT**

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New approach to customs duty refund audits

Curlett Cannon & Galbell (CCG) Pty Ltd customs duty and tariff advisers in Melbourne has announced a unique and expanded service for importers of automotive and manufacturing components. For qualifying businesses, CCG provides an onsite Customs Duty Refund Audit



service. This is an evolution of their in-house import file audit service aimed at giving high quality tariff and import duty advice. The audit service can provide ongoing savings, as well as recovering overpaid duties. The service will be of tremendous value to entrepreneurs, business professionals, and small businesses.

"This development shows our commitment to the automotive distribution and manufacturing industry and we believe this service can decrease a company's import costs by thousands of dollars a year," said Tony Bell, CEO of Curlett Cannon & Galbell.

Bell believes that the recent state of the economy has prompted many organisations to seek ways to reduce corporate spending wherever possible. Spending on duty/GST is an area that offers substantial savings opportunities, but it still remains one that is often overlooked by corporate executives and management. "If the products you are importing are incorrectly assessed and classified or if tariff concessions have been missed, you are either over paying duty or risk a customs fine," continued Bell.

"Based on our 35 years of experience in the custom tariff auditing field, we estimate that over 96% of Australian importers pay more than necessary", says Bell. "In this environment of comparatively low import duties, the majority of businesses focus on minimisation of freight costs, and overlook duty charges, which can be a considerable amount when you consider that our government receives about \$5.8bn per annum from import duties."

"We are passionate about our dedication to providing a personalised and professional service -- and stand behind our word with a proven track record. Our goal is to accommodate all customers in paying the lowest legally available duties in compliance within the Australian Customs laws and regulations. We understand that we are not just recovering considerable sums for reinvestment in your business, we are reducing your ongoing duty liabilities well into the future", Bell added.

"The audit service is a no refunds identified, no-charge basis. You get peace of mind that you are paying the lowest legal amount of duty. Naturally there maybe some resistance in your organisation to this approach, but the improvements to the balance sheet can be significant," Bell concluded. **AMT**

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