



Management Services

Management Solutions  
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**Management Consultants to the Precast Industry**

## RESULTS IMPROVEMENT BULLETIN

*PRECAST BUSINESS RESULTS IMPROVEMENT BULLETIN*

*Precast Business Results Improvement Bulletins are published by MJS Management Services. Additional bulletins that summarize current management challenges and solutions for the precast industry can be found at [www.mjsmanagement.net](http://www.mjsmanagement.net).*

*MJS Management Services is a consulting firm that works exclusively with clients in the precast industry to improve business performance and results. For assistance with this or other management challenges please call 206-388-5209 or contact us by email. Visit our web site for a full description of the services we provide.*

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### **REDUCE YOUR COST STRUCTURE**

Cost structure is a major challenge and opportunity for precasters. Think of the impact that a cost structure reduction of 3%, 5% or 10% will have on profits and market share expansion.

Below is a helpful list of action items for cost structure reduction. Creating a list is straightforward, achieving reductions is far more difficult – requiring the ability to challenge the status quo, creatively identify alternatives, overcome resistance and strong negotiating skills.

Some questions to ask:

- Have all of the major elements of your cost structure been thoroughly reviewed? Could some of the areas listed below be given more attention?
- Does the team assigned to examine costs have the skills necessary to achieve the target results? Have processes been noticeably improved?
- What are the results? In which areas and by how much is your cost structure this year less than last? What is the target for next year?

**MJS Management Services brings a proven methodology to help you identify and implement meaningful cost structure reductions.**



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## **Cost Structure Reduction - Action Item Starter List**

### **Labor hours**

- Reduce hours by streamlining process and eliminating redundant activities
- Minimize rejects, rework and repairs
- Manage overtime
- Manage turnover and training
- Manage absenteeism
- Streamline and better manage maintenance activities
- Improve scheduling to better utilize hours
- Improve project management and communication to reduce project problems

### **Labor rate**

- If the labour supply and demand situation in your market allows, negotiate a low wage rate increase
- Implement a two tier wage structure
- If labour demand is very low negotiate wage and benefit freezes or roll backs
- Find opportunities to lower benefit costs

### **Salaried hours**

- Improve the productivity of key salaried groups such as sales, engineering and finance/administration.
- Confirm that the investments these groups are making in technology are producing the desired returns

### **Design**

- Challenge and train designers to design for materials, production and construction efficiency
- Standardize
- Pre-influence customers to specify or accept economical designs



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### **Materials and Services**

- Develop closer partnerships with suppliers and ask them to help solve your problems
- Increase the amount of time your senior managers spend with their equivalents at key suppliers
- Aggressively ask suppliers for price support for key projects, broaden the definition of key projects
- Assign an executive to set targets then work with the purchasing group to negotiate price reductions, freezes or discounts. Give your suppliers targets. Measure how successful you can be.
- Include services suppliers in your review (maintenance, bonding, insurance, bank, legal, accounting) – check the rates charged and their productivity
- Break out of old patterns and entertain quotes from alternate suppliers
- Manage incoming material freight costs
- Test incoming materials (as per ISO) to ensure suppliers are meeting quality and consistency expectations
- Minimize inventory – materials, spare parts

### **Energy**

- Manage overall energy use, identify conservation measures
- Manage peak consumption, stagger shifts if cost effective

### **Overheads**

- Contract out to provide flexibility
- Take a zero base approach to overhead review – re-justify all overheads
- To open up new options ask the question “do we need the level of service now provided by our overhead departments? To what extent would the business be impacted by offering a lower level of service at a lower cost?”



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### **Facilities and assets**

- Sell or lease excess facilities
- Sell excess or obsolete equipment that is expensive to maintain
- Review lease or mortgage rates to ensure they are not higher than current market
- Review property and other facility taxes
- Review insurance coverage
- Review depreciation policy