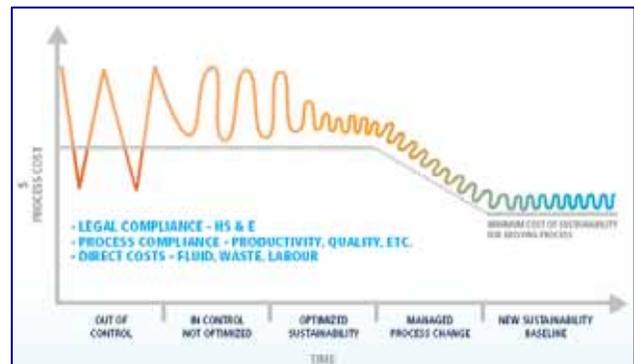


7 Reasons why Tier 1 Automotive Corporations are exposing themselves to unmanaged risk and excessive costs



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The Right Fluids, Managed the Right Way

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Introduction

Major Tier 1 automotive suppliers have given autonomy to individual plants, fostering a strong culture of innovation and competitiveness. With each plant being responsible for its own bottom line, this entrepreneurial approach has resulted in significant profits through aggressive cost management strategies. Corporate's role has remained primarily one of direction and growth, leaving plants on their own to manage production and cost.

Too much autonomy however can result in serious repercussions for the company overall when decisions are made that do not support corporate direction, expose the company to unmanaged risk or lack the specialized knowledge required to deliver a balanced approach. This lack of expertise and/or short term thinking can create environments where the plant itself is acting in a manner that puts the overall corporation in harms way. Whether that harm takes the form of environmental risk, Health and Safety risk, or lack of competitiveness by not being able to recognize cost overruns, corporations need to do more to ensure that each facility is following a best practices, sustainable business model.

When it comes to industrial fluid usage and disposal, the list of incidents where poor fluid maintenance practices combined with incorrect fluid choice has resulted in significant costs and loss of goodwill in the market place are numerous. Millions has been spent on litigation and lost productivity due to unmanaged risk. At the same time poorly managed costs due to lack of specialized knowledge, continues to erode the bottom line on a daily basis impacting the competitiveness and long term viability of these facilities.

Top Seven Reasons Corporations are exposing themselves to unmanaged risk and excessive costs:

1. Poor Process Control
2. Decisions based on "feeling" vs. data
3. Hesitance to Change
4. Poor Fluid Maintenance Practices
5. Poor Fluid Recycling Process
6. Heavy reliance on Product Supplier
7. Lack of an integrated Management Strategy



➤ Factor One – Poor Process Control

Most facilities use far more fluid than necessary, and expose themselves to significant risk by not establishing robust and meaningful control strategies for all their fluid applications. Fluid condition can change dramatically over time. A control plan needs to be specific to the fluid and the application. A management program that ensures that the control plan is being executed consistently and that any data collected is reviewed and used to define next steps is essential. In many cases, the “acceptable” range of fluid condition can be broad, not resulting in a fluid related “event” (i.e., dermatitis, tool breakage, rust, foam, Hypersensitivity Pneumonitis (HP), etc.) until extreme conditions are reached. The issue however is that this broad range comes at a price. Every day that a facility is running more concentrated than necessary, it’s using more fluid than required, driving costs up.

A tightly managed control plan eliminates excessive use while still ensuring that the fluids do not cross the major thresholds that result in fluid related “events”.

➤ Factor Two – Decisions based on “feeling” vs. data

As every manufacturer knows, analytical data is essential when responding to a quality concern, addressing a production issue or planning the next step. Though most facilities are excellent at collecting production, quality and financial related data, fluid analysis is rarely collected, compiled, correlated and interpreted due to the specialized nature of that interpretation. In a manufacturing environment, Fluid Management tends to require non-core expertise with non-core focus. Though fluid condition can dramatically impact production, availability and quality, most companies treat it as a necessary evil and never develop the required expertise in house to use the data available to drive daily decision making.

It’s the daily corrective actions taken based on data that result in minimized costs and managed risk.



➤ Factor Three - Hesitance to Change

Both the risk as well as the direct costs associated with product change is significant. As a result, companies are hesitant to make any product changes on the plant floor. Often product vendors are making bold claims about the benefits of their latest and greatest product, however the plant has no reliable means to evaluate, quantify and then manage the change to fully realize that benefit over time. Often a more expensive product that's managed using the same methods as the old product just tends to drive costs up. A less expensive product that gets consumed at 120% of the historical consumption rate offers no savings at all.

The challenge most facilities face is having the expertise and resources necessary to:

- 1) objectively evaluate the benefits of a product change, taking into consideration all the areas that that change can impact (concentration, carry-out, compatibility, change-out frequency, recyclability, waste treatment, etc.),
- 2) manage the conversion process itself through the inevitable issues that result and
- 3) keep the process in control over time so that the promised benefits are fully documented and realized.

Managed Process Change is essential to drive continuous and sustainable improvement.

➤ Factor Four – Poor Fluid Maintenance Practices

When the technology is properly suited to the fluid and the fluid contamination, fluid maintenance can significantly extend the usable life of the product. Managing contamination levels within a closed loop operating sump has a number of benefits to the operation. Properly implemented, fluid maintenance can significantly reduce fluid consumption rates, volume of waste generated, reduce the amount of labor and production downtime required to change-out a system, as well as impact health and safety issues resulting from poor air quality due to excessive contamination.

Improperly implemented, fluid maintenance can drive fluid and waste costs up.



➤ Factor Five – Poor Fluid Recycling Process

On-site fluid recycling can save companies thousands of dollars in fluid and waste cost on a monthly basis. Incorrectly implemented and managed however, recycling can cost the facility 10 times more than the potential savings. Fluid that is sent back into the process that does not meet specification can create Health and Safety issues, process performance problems and potentially negatively impact equipment.

The technology needs to be properly suited to the fluid and the contamination to be able to recycle to a specification that meets the performance requirements. Fluid collection, segregation, treatment and distribution all need to be part of the engineered design.

Specialized knowledge that establishes testing and validation of the recycled fluid quality is essential to ensure that the fluid continues to generate measurable savings to the plant over time.

➤ Factor Six – Heavy Reliance on the Product Supplier

Often the end user does not have the expertise in house and relies heavily on a trusted product supplier to make suggestions and recommendations associated with product choice and management method. Unfortunately even the best of intentioned suppliers are not able to dedicate the necessary resources to the site and do not have the specialized knowledge and support systems necessary to be able to keep systems in control and improvements driving forward. In a resource limited manufacturing environment, often suppliers are able to suggest what the end user “should” be doing, but are not able to make it happen.

Often “testing for free” from the product supplier does an acceptable job at avoiding major events associated with poor fluid condition; however it does not offer the frequency and corrective actions necessary to truly optimize fluid and waste costs.



➤ Factor Seven – Lack of an integrated Management Strategy

A well managed manufacturing facility does an excellent job at integrating all the various departments and processes associated with building a widget. Quality, production, HS&E, maintenance, etc. all work together to cost effectively deliver a product that meets specification. Fluid Management's job is to ensure that it is cost effectively delivering a fluid in a condition that is acceptable to the manufacturing process in a cost effective manner. All the same departments are impacted, however the specialized knowledge required to cost effectively deliver the fluid differs from the core set of skills that exist in a manufacturing facility.

When it comes to Fluid Management, companies tend to manage various cost centers independently of the entire process. True cost savings, true sustainability comes from managing the entire process, not the stand alone costs alone.

Treating all aspects of fluid management (testing, analysis, CA's, fluid maintenance, fluid recycling, fluid change-outs, waste treatment, product selection, product distribution, training, etc.) as an integrated process, offers the opportunity to drive overall costs down significantly.

Conclusion

Optimizing the fluid use process requires specialized knowledge combined with standardized methodologies. When Corporate allows each of its facilities to manage its own fluids, its own way, the company as a whole is exposing itself to substantial risk and excessive costs. Poor fluid condition leading to Health and Safety issues has shut plants down, led to Millions of dollars in litigation and cost corporations immeasurable goodwill with its employees, shareholders and customers. Quality issues like rust, pitting, poor surface finish, dimensional tolerances etc. interrupts production and can cause substantial down stream issues. Poor fluid condition can impact operating conditions, drive perishables up, and generate excessive waste.



To avoid the “events” that can and do occur with fluids, most facilities use more fluid than they actually need. This hurts profitability and unnecessarily drives the cost of manufacturing up. Across a corporation, these excesses can have a major impact on the bottom line.

Based on the risks and potential reward associated with fluid usage and disposal, corporations need to take a serious look at standardizing how fluids are managed at each of their stand alone locations. Though some individual plants may have developed the expertise in house and have dedicated the required resources to manage the risk themselves, most plants are making do with what they have, hoping that they will not cross the line into a fluid related “event”.

About Zimmark Inc.

Started in 1984, Zimmark has been operating throughout the United States and Canada helping suppliers in the automotive industry who use industrial fluids to manufacture their products. We service clients that are actively seeking progressive means to manage risk, increase their profitability, and become more competitive in today's highly volatile market. Working with Plant Management and Corporate Directors, Zimmark provides a standardized set of best practices methodologies that systematically drive improvement over time. An integrated approach that brings management metrics, process control and cost reduction to fluid usage and fluid waste, our cost effective model delivers measurable results to the facility.

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