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The Fate of Proaction When Economic Downturn Occurs

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Abstract: Putting aside the debate about whether we are emerging from our recession or not, let's examine what "an economic downturn" can and often does to a company. When money is tightened in today's industry, how does it affect decision-making? Do companies expense proaction for reaction? Are ethics compromised? This paper will outline observations the author has seen over the past twenty years and its impact on organizational Reliability.

We have all been through the peaks and valleys of economic roller coasters. Many of us work in very cyclic industries such as paper and steel where we learn to conserve our cash and maintain inventories to ride out the economic storms that are sure to come.

However, we are starting to see something different about our current economic climate that is not characteristic of past downturns. After almost three years of poor manufacturing economic performance, most of the financial indicators are now on the rise. We see capital spending loosening up. We see orders on the rise. We see earnings finally "beating the Street".

Usually we see a decrease in unemployment when manufacturing is picking up. This has been slow in coming as we emerge from this recession. What is different this time? In the past three years we have survived Y2K, the DOT COM collapse, a major terrorist attack on our country and a war on terrorism. Quite a ride in itself! All of these are one-time occurrences in our lives, so there is no precedent to judge the future on. We are exploring new territory here. How are we handling it?

Well, because consumer confidence is only just warming up, it may be a while for the manufacturing engine to really rev up. Many that are fortunate to be employed are still in fear of losing their jobs. They fear that either their jobs will be eliminated or worse, farmed out to a third world country.

Additionally great strides in manufacturing technology have also automated many operations eliminating the need for generally unskilled labor. Another factor is that recent polls show that around 58% of those who are employed say that once the economy picks up they will seek "other opportunities".

Conclusion – the recession we are coming out of has destabilized our workforces. As manufacturing picks up, it will be with an untrained workforce as many will be new in their jobs. While many companies expect reliable operations, research shows that it is much more difficult to have consistent operations with an inconsistent workforce.

Now let's dig deeper into the work environment and see what management's typically do to those that are closest to the work.

When money in a company starts to get squeezed, which funds are the first to go? In my experience it is typically money that is not directly related to making the product. This includes money for training and other proactive activities. Proactive activities include preventive maintenance, predictive maintenance and other Reliability Engineering activities. In many organizations investigative work to determine problem solutions are cut out and in some operations even reliability inspections are curtailed. So we find operations focusing on the failures of the day with the very few people they have. They are now operating for the short-term.

Let’s recap. Now we have a somewhat “green and lean” workforce focusing primarily on reactive maintenance. As the proactive Reliability activities are curtailed or eliminated, operating equipment (corporation assets) begin to degrade expensing future operational reliability. Ask anyone that has worked in a company with an active Reliability Engineering group what happens usually 2 to 3 years down the road when such a group is eliminated? Operations become a reliability nightmare because of neglect. Operating in this fashion can set a facility back 20 or 30 years technologically (probably more psychologically!).

Now, lets explore the impact that an economic downturn can have on ethics. All of a sudden we have no money in the budget for training, yet the need is great to provide unskilled people with certain mandatory skills to run the operation even at a minimum proficiency. How do we do that?

Derivative thinking suggests, “If I contract to train one person, then they can come back and train the others and I do not have to pay the training company any more money. I just bring the manual back and create our own using their material”.

Or in the case of software, we deduce that we really need a specific type of software, but getting a license for everyone would be cost prohibitive. But if we buy one copy or license and just copy it for the others we can make it through this trying time. Seems like a resourceful way to accomplish our objectives and live with the constraints laid out by the corporation.

However, this brings up ethical concerns. In the cases mentioned above, oftentimes there are intellectual properties infringements involved, which can cause large legal liabilities to a corporation. I find that most employees at the floor level are not doing these types of things maliciously. They are well intended in their actions as they are trying to keep the costs within the budgets allotted by their corporations. On the flip side, the legal departments of these companies do not intend for employees to create this additional liability risk. As you can see the conditions imposed on operations is creating an ethics issue that is usually unintended.

I have never understood why, during an economic downturn, companies would not invest more money in Reliability? After all, Reliability is all about getting the most out of assets with a minimal amount of cash outlay – getting the most with what you have. Isn’t that what we would want during a tight period – higher Reliability without any large expenditures?

Robert J. Latino is CEO of Reliability Center, Inc. Mr. Latino is a practitioner of root cause analysis in the field with his clientele as well as an educator. Mr. Latino is an author of RCI's Root Cause Analysis Methods© training and co-author of Basic Failure Analysis Methods© workshop. Mr. Latino has been published in numerous trade magazines on the topic of root cause analysis as well as a frequent speaker on the topic at trade shows and conferences. His most recent publication is titled "Root Cause Analysis - Improving Performance for Bottom Line Results" He can be contacted at 804/458-0645 or blatino@reliability.com.