

## CEG BGS Helps Simmons Machine Tool Corporation Adopt Lean Practices and Align Them With Its Accounting Practices



For 117 years, Simmons Machine Tool Corporation has been manufacturing specialized machine tools and automation systems that the railway industry uses for rail wheel set maintenance and production. The Albany company employs about 100 people at its North Broadway facility, where it designs and makes wheel re-profiling machines, axle lathes, wheel boring machines, wheel and bearing presses and other wheel shop equipment.

Simmons' typical machine takes between 3,000 and 8,000 hours to manufacture. Such labor-intensive work necessitated Simmons to be conservative in its pursuit of new business. So as the manufacturer updated its strategic plan in 2016, it partnered with the Center for Economic Growth's Business Growth Solutions (BGS) unit to determine what tangential business could be pursued with minor adjustments.

For Simmons COO David W. Davis, the question was

***"How do we take the skillset we're involved in, and how do we apply them to industries outside of ours?"***

Davis also questioned which singular opportunity his company should pursue out of the many available to it. "We can't do all three – we can't even do two," he said.

To find the answer, BGS helped Simmons secure \$12,283 in New York State Workforce Development Institute (WDI) and National Grid



A programmable robot grasps a bearing to be pressed onto a wheel set.

Manufacturing Productivity Program grants for training through the VIA Revenue Throughput Program (RTP). The program is an initiative offered by BGS and Value Prop Interactive, a Malvern, Pennsylvania strategic planning consulting firm.

VIA RTP is designed to equip small- and medium-sized firms with tools that help them identify revenue opportunities and priorities through a series of hands-on executive team engagements. This program improves executives' attention on common obstacles to growth, such as a lack of visibility (blind spots), focus or commitment. Through VIA RTP, Simmons was also able to score the opportunities it identified to help it target the best one to pursue, rather than having to rely on anecdotal evidence to drive that decision.

Over a series of months, several members of Simmons' executive team, including Davis, took VIA RTP classes. He quickly learned that the sales team was not getting enough face-to-face interaction with customers to learn of their changing needs in non-core market segments, particularly in South America.

Davis also discovered that Simmons was using the wrong pricing model. Traditionally, the manufacturer used cost-plus pricing, calculated by multiplying the burden rate by the hours of manufacturing plus the cost of overhead to get a total cost to which a profit margin is added. Davis realized this model does not take into account how other manufacturers are pricing similar equipment. He needed a market pricing model, where his company's goods are competitively priced.

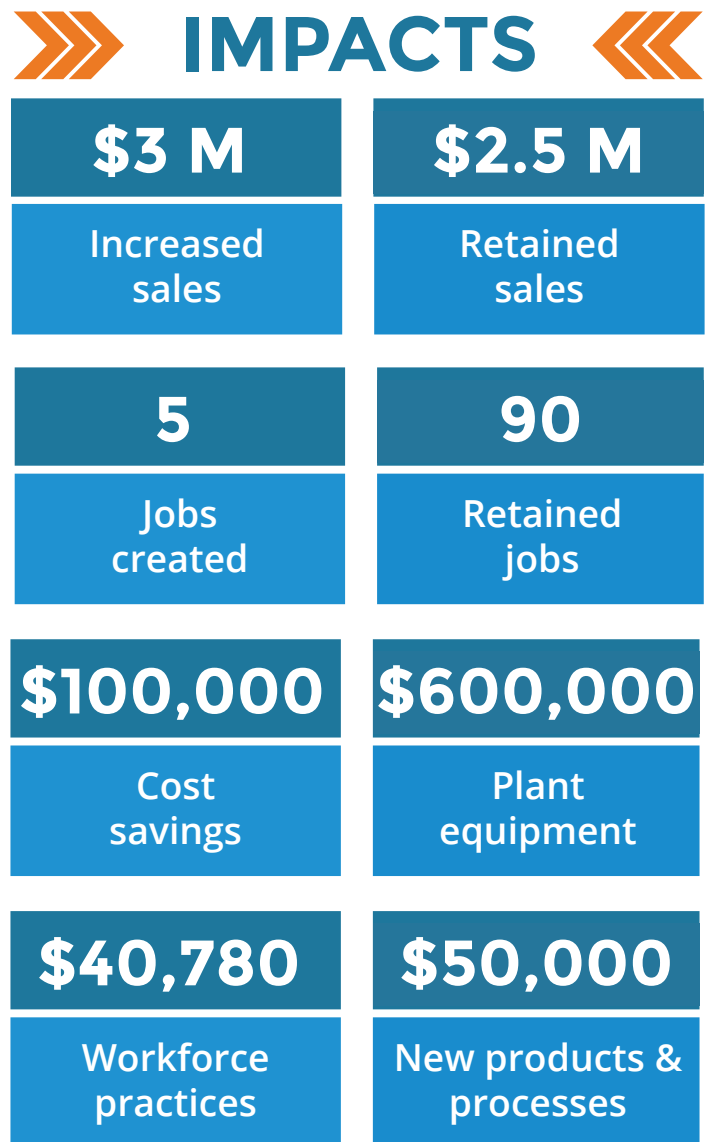
Adding to Davis's conviction that Simmons needed to revamp its pricing model was CEG's Lean Finance & Accounting Workshop, which was attended by the company's CFO and controller. The workshop, which is facilitated by the renowned Lean Accounting expert Jerry Solomon, shows manufacturers how traditional performance metrics do not align with lean practices. It also lays out the steps that are necessary to make both work in unison.

The Lean Finance & Accounting Workshop highlighted how the cost-plus pricing Simmons had been using actually penalized the manufacturer as it experienced success in implementing lean practices: the more the company reduced its labor hours, the more its burden rate went up. In 2016, BGS's project director for technology services, Tom Bell, helped Simmons become a leaner manufacturer through a series of workshops he presented on Principles of Lean Manufacturing, Value Stream Mapping, the 5S System and Lean Six Sigma Training.

"To be a really, truly lean company, not only does a manufacturer's production need to be lean, our pricing policy and product development need to be lean," Davis said.

**Project Impacts:**

A National Institute of Standards and Technology (NIST) Manufacturing Extension Partnership (MEP) survey found the suite of services Simmons received with BGS's support had the following economic impacts:



*All CEG members have access to BGS services, which include programming for lean enterprises systems, technology acceleration, quality improvement, cost reduction, new market expansion, management strategy and sales growth. To schedule a consultation with CEG BGS Director Michael Lobsinger email [michaell@ceg.org](mailto:michaell@ceg.org) or call 518-465-8975 X238.*