

MANUFACTURING MATTERS

Interview with
MIKE PUNTER
MANAGING DIRECTOR
PARAFIX



In a series of interviews with the partners of Knill James, manufacturers talk about their ambitions and reveal the issues which are mission-critical for them to address in achieving their goals.

The interviews will be brought together as a report to be published by DECISION magazine and then as a digital book.

ON THE WALL AT Parafix Tapes & Converters, there seems to be a tree. On closer inspection, it is in fact a schematic display, where everyone can see it, showing the key performance indicators, foremost among which is return on invested capital.

"It helps with staff engagement to share information in this way, says managing director Mike Punter, who also shares the minutes of the monthly board meetings.

Manufacturing at sites in the UK and Hungary, the company produces adhesive products which are so strong, they are used by customers to fix together parts (such as electronic automotive components) that would otherwise be riveted or welded – creating a bond which can be broken only with a saw or laser.

The "phenomenal" potential growth in electric and driverless cars could be a "massive opportunity" which will help achieve a three-year plan of 20% annual growth.

Despite that, Punter prefers not to dedicate too much production capacity to any one sector or customer, although the machines can be, and often are, set to work predominantly for certain customers. Healthcare is a case in point, with two clean rooms permanently devoted to making wound dressings.

This is predominantly automated work, though still with some human supervision and hand finishing.

That said, Punter believes the USP of Parafix is knowledge, an understanding not just of the substrates, equipment and processes needed for particular purposes, but of the customer's industry. "That knowledge is important," he says, "because customers want to talk to experts who also speak their language."

That focus on knowledge extends to the company's website, which aims more to educate and inform than to sell, though Punter credits the website for delivering exports which represent 60% of sales.

The automotive industry in particular is demanding in terms of knowledge. "They have an expectation that we supply not only products but also the knowledge that goes with processes," explains Punter. "They want us to give a view on how to optimise production flow for example."

Technology is deployed by Parafix to ensure that the exacting requirements of the company's two main customer sectors – automotive and healthcare – are consistently met. On the shopfloor, cameras produce a 'picture' of the shape of the product which computers measure against predetermined standards. Any irregularity is picked up on straightaway

and the machine stopped immediately (or it's flagged to be reviewed later).

Punter joined the long-established but then loss-making business as MD "for the challenge" after getting bored in early retirement from a career in distribution. By addressing the issues that the then £4million turnover business had with stock levels and poor OTIF (on time in full) delivery, he managed to turn a profit, and then borrowed £4million to buy out the owner. Turnover is now touching £18.5 million.

Addressing the issues the business faced when he joined was "nothing clever", says Punter, just good business practice. "I love cricket and rugby and I've learned from sport how to compete and win, and how to learn from losing," he explains. "I've worked for corporates too, and that instils certain disciplines in you, such as the importance of KPIs."

The business employs 350 people across the two sites and indeed, the stable workforce was one of the aspects that appealed to him when he first got involved in the business. He noticed that staff turnover was low and many staff had come through recommendation from family members.

"That said a lot to me," Punter recalls. "Nobody would recommend a company

to a friend or family member if they didn't enjoy working there."

The weakness was that the staff "only knew what they knew" so Punter got advice from process improvement experts to enhance the skills base. Long-term that means attracting the next generation into industry. He agrees that young people have not traditionally seen manufacturing as an attractive career choice but says that's changing. To encourage an understanding of manufacturing among students, Parafix have established relationships with local schools which could lead to their students taking apprenticeship places with the company. "There are some bright kids out there," Punter observes. "This girl approached me after I gave a talk at a school and asked if I would consider taking her on. She had planned to go to university to do a degree in engineering but had decided to get a job instead. She has been a grade A student apprentice and is now doing an HND."

Punter is also committed to putting staff through NVQ training, because he says employees thrive if they are given the opportunity to enhance their skills and knowledge. "People typically do things the same way they have always done, but we now have a team with the mentality that understands process improvement," he explains.

Parafix try to be innovative and pro-active in other areas too, for example, looking for ways to reduce environmental impact (such as using water-based rather than solvent based adhesives) and by urging universities to include education about adhesives on their engineering courses.

Knowledge transfer partnerships with the University of Sussex have been useful. "In one project we are analysing the data from the machines to identify the optimum level for each job, which will improve costing capability," says Punter. "Another initiative was around workflow, which in a manufacturing company can be as efficient as a drunk spider on a Friday night. So we changed our throughput and moved every machine in the factory; that reduced the process time per month by four days."

To reduce production bottlenecks, as far as possible, the raw materials, components and tools are now delivered to the machine operator rather than the operator having to leave the production line to fetch them. An operators' output is monitored against plan and against the output of others.

However, with an investment in two £1million machines and two more on order, one of the constraints on growth is funding. To accelerate growth, Punter has seriously considered taking private

equity investment and says he would be willing to part with say 25% of the business if that would achieve it. But he has been discouraged by the cost of the money offered by one potential investor – much higher than a bank loan, he says. "And, seeing the potential of the business, they wanted to over-lend, which worried me."

Another use for capital might be to obtain more premises for expansion. Suitable manufacturing premises of the right size and quality are in short supply in the south, but Punter knows of some land on a nearby site on which he'd like to build.



The specialist manufacturing group at Knill James provides in addition to audit and tax services:

- Strategic development and business improvement consultancy services, encompassing 'lean manufacturing' guidance.
- Advice on profit maximisation through examination of product and unit costing and implementation and management of stock control systems.
- Assistance with evaluation of proposed investments and examination of options for financing decisions.
- Production and analysis of benchmarking reports, examining Key Performance Indicators against peer group and competitors.
- Advice on optimisation of factory plant and machinery tax allowances.
- Guidance on Research and Development Tax Relief.
- Management of cashflow especially where exposure to exchange and interest rate volatility is involved.
- Assistance with management accounting systems and the production of internal financial reports.

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