

# MANUFACTURING MATTERS

Interview with  
**KEITH REILLY**  
MANAGING DIRECTOR  
ALFATRONIX



In a series of interviews with the directors of Dynamics Consultants, 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.



IT'S ALWAYS GOOD to hear of a real-life example of sending coals to Newcastle, and Keith Reilly is just the man to supply one, having just sold 10,000 units of his British-made product to a customer in Hong Kong.

Reilly is the managing director of Alfatronix, providers of converters and power supplies for the communications, automotive and marine industries. He believes the increasing costs of buying from China are providing more opportunities for British manufacturers, both in the home and overseas markets. Furthermore, customers like the fact that they can have influence over the design of their product, which he says Chinese manufacturers of volume cannot offer.

"We also have a reputation for meeting the relevant international standards, whereas it can be very difficult to establish what standards, if any, the Chinese products meet or what confirmation testing was carried out," adds Reilly.

The company's 'start products' are DC voltage converters that help operate radio communications, data tracking, visual displays or navigation equipment on lorries, buses and other vehicles. Its other product area, and the one with the biggest growth potential, is USB chargers for use by bus passengers. Reilly explains that bus companies are

increasingly trying to make bus travel more attractive and agreeable by offering facilities like free wifi and USB charger points. "These facilities are increasingly becoming a must-have rather than a nice-to-have," he says.

One of Reilly's aims has been to expand production capacity in order to create economies of scale. Alfatronix now employ some forty people working five production teams, and there is scope to expand further. "My thinking is that we would be able to put more through the existing hosepipe as demand increases," he says.

He was inspired by the Japanese manufacturing model. "They made better quality than us at lower prices. Either they were simply better than us or they were doing something different."

He was influenced in this regard by the work of American engineer and statistician W Edwards Deming, who, post-war, is credited with having made a significant contribution to Japan's reputation for innovative, high-quality products, with ideas for improving product design and testing to ensure uniform product quality. Reilly explains his take on this: "I set about controlling operations in such a way that rather than finding faulty components, you produce in such a way that you won't be creating any faulty components. If you

monitor variations in quality, you can eliminate them."

Testing for product quality and identifying any problems can be a relatively simple process, given good controls, he says. He draws an analogy to cars. "To test that a car functions you don't need to take it out on the road. By testing key factors in a controlled environment, you can reliably predict the performance of other aspects of the design."

Some manufacturers over-complicate things, Reilly believes. Does every company need a forward planning system for material supply" he asks. "A business can operate in the same way as a household - one tube of toothpaste in use and another in reserve. By operating a simple two bin Kanban system, material can be ordered when it is needed and supply automatically adjusts to meet demand. If you go on holiday, you simply don't order any more toothpaste. If you start selling less of one product or more of another, the two bin system simply adjusts the regularity of re-ordering accordingly. It's all down to the discipline of staff, their common sense, and their ability to make some kind of decision: are we making a hundred or a thousand units, and have we got enough stock or do we need to order more."

Reilly says a versatile workforce which is given freedom to make decisions is crucial. "To enable teams to be more productive, you just tell them to take whatever action they need to in order to ensure the product is always available."

According to Reilly, simplification will reduce the time it takes to change from making one product to another and ensuring that there are always enough components and materials in stock.

Alfatronix supply most orders within one or two days. "A lot of customers don't need or even want such fast delivery," says Reilly, "but if that is our modus operandi as a manufacturer, it means we will always be able to get the customer out of a hole if they have an emergency requirement. There was one time when a company buying from a German supplier suddenly found that they needed a quicker response than the usual four weeks it would take for their order to arrive, so they decided to buy from us instead. And then it happened again. Now we have them as a customer."

Another point of difference is that Alfatronix does the product design and development as well as manufacturing. "The essence of the success of the business, any business, is to react to what customers want, and then that flows down into new product development.

In the UK something like 90% of suppliers have no influence over the characteristics of what they are selling, but we are able to take feedback and act on it to improve the product. It means we can aim to surpass what customers want as we can produce what we know they would really like as opposed to what they think they want."

Staff at Alfatronix work on an annualised hours basis. This means that if stocks fall below a certain minimum the staff put in extra hours to catch up, and if stocks are at a maximum, they can go home early. The hours they work are recorded and balanced out over the course of the year. The benefit of this is that the staff get the security of being fully employed, while the business gets the flexibility of being able to increase capacity quickly without paying overtime – and the advantages of having an established, engaged workforce.

Reilly finds it relatively easy to find good shop-floor staff, thanks to the "enthusiastic, well educated, hard-working" Polish community. "Without them," he says, "life would be harder." Even so, finding qualified engineers is "extraordinarily difficult", he adds. "They all want to work for Dyson or Rolls-Royce."

But the issue, he says, is a broader one

of not enough young people studying engineering. "Engineering degrees are as challenging as any other – and engineering as a career combines the academic with the creative, yet it isn't seen as glamorous. That needs to change. If you ask those who are actually in engineering, they will say it's very exciting that something they make goes out into the big world. But young people are not sufficiently encouraged to go into this sort of work which is actually needed by the economy. Schools tend to push the more intellectually able children into professions like law and medicine."

He thinks that the government should give financial incentives to young people to study engineering and other subjects that are most needed in the workplace, so they wouldn't accumulate student loans for courses that wouldn't lead to career openings.

Another issue for Reilly, and for British industry generally, is premises. Land is expensive and in short supply, making it difficult to build new factories, and companies are tied into long leases when they rent. "It's very different in Germany," observes Reilly. "Quite often, businesses are based in small towns where they are the main employer; they own their land and they have space to build extensions. But in the UK the terms

of leases hold you back so you have to decide what size you will be in several years' time because there won't be the chance to move. It can be difficult to get out of a long-term lease, so moving to bigger premises can be additionally difficult and expensive. Also I couldn't contract the business either, if I wanted to."

Thinking about the future, Reilly refers to the way that two seemingly very similar companies, Ikea and MFI, had such different trajectories. He sees it as a cautionary tale. "One became a global player and one ended up being sold for a quid," he muses. "It was all about the management, having the right product available, being willing to learn about new ideas and be lean and agile."

Reilly is proud that £5million turnover Alfatronix is competing globally and continuing to grow. In a footballing analogy, he describes the company as being somewhere on a manufacturing league table between a Manchester United and a Bournemouth. "How good you are ultimately defines where you are," he suggests.

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