



A white paper by Sally Waterston  
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## WE DON'T MAKE WIDGETS

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Over the many years that I have worked in IT I have heard people use their non-production of the ubiquitous widget as a justification for not moving forward or a reason for hanging onto the status quo; 'we can't collect our costs properly by product (or customer, or location) because we don't .....'. 'We can't put in an ERP system because we don't....'; 'we can't change our bespoke system because we don't ...', 'we can't employ lean manufacturing because we don't....' There is often an emphasis on the 'we' as in 'because we don't make widgets' – the implication being that we are unique in this.

Obviously the widget (or lack of it) has much to answer for which lead me to consider what the definition of a widget was. The Microsoft Office thesaurus defines it as a 'thingamajig' or a 'doodah'. 'The Oxford English Dictionary' ( 2nd Edition; published by Clarendon Press Oxford) is a rather more academic source in which a widget is defined as follows:

*Widget: 'An indefinite name for a gadget or contrivance esp. a small manufactured item.'*

The dictionary goes on to explain that the word was in common parlance in the 1930s but that the first documented use was by Eugene Lyons in his book 'Assignment in Utopia' published in 1938. The book reports '*Every time the percentage of widgets turned out by her factory rose her features shone*'. It is interesting to note that the 'she' referred to in this quotation was Russia in the early days of the Communist era.

Perhaps then we can be allowed to define a widget as not special; rather grey; boring; utilitarian; not deserving of a name, and definitely not unique. Echoes of the 1927 Fritz Lang film 'Metropolis' come to mind.

It seems that there is a perception somewhere that there are hundreds - perhaps thousands - of UK companies manufacturing products, all of which are identical to each other; all simple and straightforward and all easy to cost, measure and produce and (this is significant) all lacking in uniqueness and ultimately all very boring. Not only is this patently untrue now, I think that times started changing a long time ago and have gathered pace over the last twenty years.

In the 1970s when I first worked for a manufacturing company, life was simple. The cost of making product was straightforward - predictable quantities of raw materials (costed at standard cost; with variances hoovered up for analysis) and standard labour costs. Indirect costs could be managed separately and although it was often challenging to know which products had the highest margin and whether some were subsidising others, there were fewer costs to flex. Granted the costing was often done by cost accountants on paper using the ubiquitous adding machine or even antique comptometers - but predictability was the essence of life and measurement was straightforward.

In 1985 Michael Porter (*'Competitive advantage'*) identified a value chain model which comprised a sequence of activities which could then be found in most organisations and through which value was added to the product or service which was being sold. The objective of the organisation would be to identify the discrete steps in the supply chain and to ensure that the revenue generated at each stage is greater than the cost.

Twenty years later, it has become progressively more challenging for most manufacturing companies to model their processes and to attribute specific cost allocations across activities in legacy ERP systems. Competition from overseas has driven creativity. Products are made abroad and imported, or they are provided as part of a complex service. The value chain includes more elements than could have been envisaged twenty years ago. Products are designed in cooperation with the customer, or even with the customer's customer. Products sometimes are supplied as part of a service offering with many value-added features. Manufacturers build products on their customers' sites; they install them; service them; provide bespoke software to run them and track them. The supply chain is shortened as companies perform processes which would previously have been the responsibility of suppliers and customers further up and down the chain.

There are a few exceptions to this - products which are too heavy or fragile to ship from overseas; products where raw materials are unique or local or have a short shelf life (such as lead, or food) or products which have a history of UK production and which are promoted as such. Even these have added value - the promotions for

Scottish whisky or for British made shoes all add costs to the value chain which must somehow be collected and attributed.

Nowadays a company which provides a customer-specific product which is then installed and serviced may have many additional disparate costs to predict, collect, measure and analyse. There may be design costs; customer-specific raw materials; special equipment; specialist subcontracting; distribution; after sales - and that is all on top of the actual manufacture.

It is not surprising that ERP systems are changing. The old ways of planning and running MRPII depend on predictability and replication. More and more companies must now look to project-based systems to model the processes within the company and to collect costs across the value chain rather than just on the shop floor. Some companies are looking to model different parts of their supply chains in different best of breed systems and to glue them together with System Oriented Architecture. Life is becoming more complicated to model but as long as there is an acceptance of this, and understanding of the issues it is all possible and has been done before - with or without widgets.

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