

SPEED TO MARKET

The Newsletter for Job Shops and Order-Driven Companies

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Feature Article

Horizontal Management A Powerful New Paradigm for Job Shops



The term “paradigm” has made the transition from management buzzword to an accepted concept with practical applications when it comes to making money in business. Originally popularized by Thomas Kuhn in his book, *The Structure of Scientific Revolutions*,¹ a paradigm is generally understood to be a mental model, theory, concept, or conceptual framework. These terms are often used interchangeably.

The paradigm you choose determines what you see, what you believe to be true, and consequently how you act to achieve the results you desire. It’s obviously very powerful. When it comes to the management of job shops, a choice of paradigms exists. One is the traditional “organization as hierarchy” paradigm where the mental model looks like an organization chart with its lines, boxes, divisions among functional departments, and job titles. In this paradigm, the importance of the hierarchy is paramount. The management philosophy is command and control within a vertical structure where status, power, and authority are key values.

The alternative is the “organization as process” paradigm. Here the model is the series of steps required to convert “quotes-to-cash.” These steps generally include sales, estimating, winning bids, pre-production activities (e.g., purchasing, materials management, engineering, scheduling), floor operations, shipping, and converting accounts receivable into cash. This process is the foundation for horizontal management in an order-driven environment. Management’s objectives are to manage the process so that it flows smoothly and efficiently, and to reduce lead time by reducing delays throughout. The philosophy is teamwork across functional areas.

The organization as process paradigm, which provides the foundation for horizontal management, is better because it fits the quotes-to-cash business process, and enables it to be managed effectively. Converting quotes-to-cash is how wealth is created in these types of enterprises, so it makes sense to manage it. Also, horizontal management provides the proper perspective and orientation for cutting lead time which is the single, most powerful strategy you can follow to strengthen your competitive position, improve profits, and secure the future of your business. For more: [Seven Ways Cutting Lead Time Improves Performance and Profitability](#).

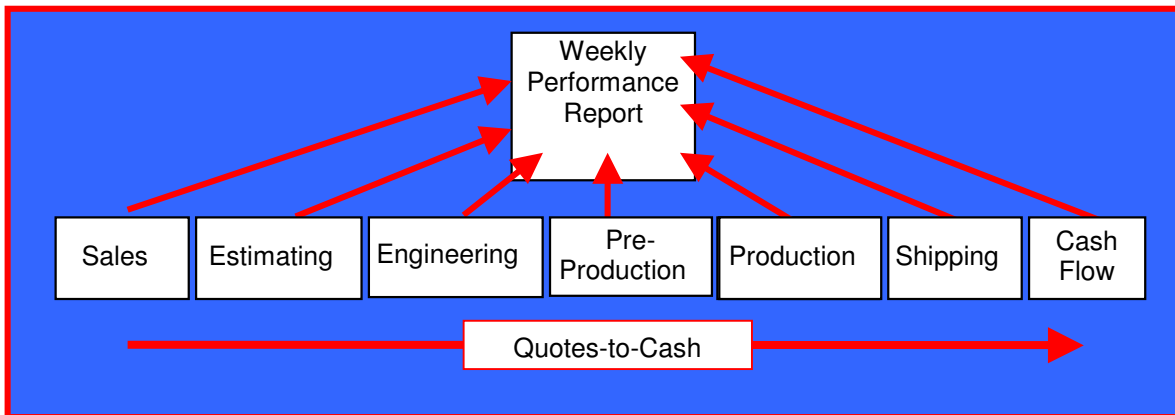
It’s important to recognize that the shorter your lead time, the more competitive your company. Why? Because in today’s just-in-time, lean manufacturing environment, faster service is more valuable than slower service. Job shops that can satisfy customers’ needs more quickly than their competitors will survive and prosper. Those that cannot will fall by the wayside.

Author Vincent Bozzone, a consultant who has worked with more than 300 companies, should be proud of this compact guidebook (Speed to Market). All in all, Bozzone will give you a new perspective on your business.

[Hallock C. Campell, Welding Journal, December, 1998](#)

Once you understand the critical importance of continually cutting lead time as a competitive strategy, you will also see how the quotes-to-cash paradigm enables you to achieve this objective. Imagine trying to cut lead time when your mental organizational model looks like a chart with boxes and lines. This would be laughable except for the fact that so many of you are doing it. A great many job shop owners and managers are trying to make their businesses grow and prosper, but are frustrated by a lack of results because they are using the wrong paradigm and don't know it. Using the wrong paradigm is like trying to cut a board with a hammer.

Managing the job shop business process horizontally requires data. *Speed to Market* uses a [Weekly Performance Report](#) to provide current information on every step in the process, and this enables it to be managed objectively. The following diagram shows how the business process relates to the *Weekly Performance Report*.



In sum, the performance and profitability of any order-driven business can be improved by choosing a process paradigm, eliminating delays from quotes-to-cash (cutting lead time), and implementing a *Weekly Performance Report* to manage the business process. Remember, the paradigm you choose has significant implications for your company's competitive strategy, management methods, and business success. Choose wisely.

- 1 Kuhn, Thomas K., *The Structure of Scientific Revolutions*, 1962, University of Chicago Press. Kuhn showed that scientific progress is not an ever increasing progression of knowledge similar to building a brick wall; rather, science progresses by using, and then discarding, dominant paradigms when they become obsolete. They do not go easily, however, and the overthrow of a dominant paradigm is akin to revolution in the field of science to which it pertains.

Speed to Market provides a truly impressive set of lessons guaranteed to reduce customer wait time 75% or more. Not only of value to line management, this easy-to-comprehend book provides any staff member with the knowledge needed to establish credibility with management while making a strategic contribution to their organization. Read this book now! Your customer is waiting!

Chris Emmons, President, Human Resource Professionals

Vincent Bozzone's new book, Speed to Market, provides workable and wise advice for job shops and clear analyses of their special problems. His message is clear, positive, and helpful. A well-read copy of Speed to Market should be on the desk of every job shop manager.

Kenneth D. Mackenzie, Edmund P. Learned Distinguished Professor, University of Kansas

To Tell or Not to Tell?



A typical question in job shops and order-driven businesses is whether to tell operators how much time they have to do a job, or to keep them in the dark. At a recent *Speed to Market Workshop*, we took an informal poll of participants and found about three quarters believed it was best to tell, and one quarter not to tell.

Don't Tell... The thinking here is that an operator will milk the job and take as much time as allowed, even if he or she can do it in less time. This point of view is rooted in the contentious history of the industrial revolution where management attempted to squeeze the maximum amount of production from each worker. Workers resisted, and sought to sabotage this effort because management would never be satisfied, and would always want more. In this never-ending struggle between management and labor, it's best not to give labor the advantage of knowing what management thinks is a fair amount of work because it limits the upside gain.

Do Tell... It's good to let workers know what is expected, is the thinking here, because having a goal is good, and knowing what it is increases the likelihood of achieving it. If the goal can be achieved in less than the estimated time, we expect the operator to move on to the next job and not milk the current one. (Unless, of course, the backlog is severely depleted which leads to operators stretching work out in order to stay employed. Management is often an unspoken conspirator in this because they don't want to risk losing good operators in a layoff, especially when they think more work is coming. This is not uncommon in order driven businesses where the flow of work coming into the shop is uneven and unpredictable.)

The objective, of course, is to produce accurate estimates of the various operations required to complete a job. These estimates are used to determine the cost, and so are the underlying basis for the quoted price. If estimates are more than the actual time required, the quoted price will be inflated, and we risk not winning the order. On the other hand, if estimates are less than the actual time required, the quoted price will not reflect the full cost, and we risk losing money if we do win the order.

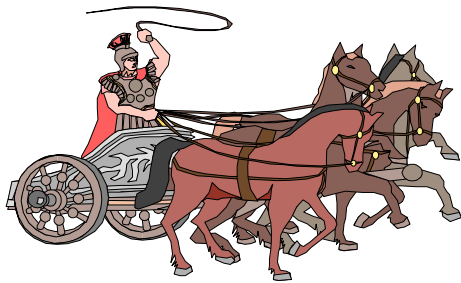
Improving the Accuracy of Estimates... Although estimating is far from being an exact science, it is important to continually work on improving accuracy. This can be accomplished with a feedback system that brings operators into the estimating process. However, operators cannot be included when they are perceived as adversaries, so management must examine its own attitudes first. If management harbors the dim view that production employees are out to screw the company should they have half a chance, then there is no basis for establishing the cooperative relationship between estimators and production workers that is required to improve estimating accuracy. It just won't work. And by the way, this attitude will very likely attract...or create...exactly this type of worker, so management's attitude becomes a self-fulfilling prophesy.

Educate Operators... On the other hand, should management adopt a more enlightened view, one that recognizes employees as assets for example, then the basis for a cooperative relationship exists. In this case, operators can be educated to understand the relationship between estimated costs, actual costs, pricing, and winning bids. It is in the operator's best interests to let estimators know when an estimate is too generous because it increases the price arbitrarily, and makes the company less competitive. A less competitive company wins fewer bids, and this jeopardizes jobs.

By the same token, too-low estimates drain profits and limit capital available for reinvestment. When less money is available to upgrade plant, equipment, and infrastructure, the company becomes less competitive. Again, a less competitive company wins fewer bids, and this jeopardizes jobs.

What appears to be a simple question of telling or not telling operators how much time they have to do a job has implications for a company's competitive position, and even its future longevity. It is not a question to be taken lightly.

When Customers Try to Run Your Business Let the Games Begin...



It seems that one of the most harmful side effects of management fads like ISO, Six Sigma, and even Lean is the imposition of these schemes on suppliers by customers. The logic is seemingly straightforward ("it worked for us, so it should work for you too"), but is actually flawed. Why? Because a customer's understanding of system dynamics is not sophisticated enough to take size differences, the business process, and other critical factors into account. We have written extensively, for example, in *Speed to Market* and elsewhere, about how Toyota lean does not fit job shops. (See, for example, [Leapfrogging Lean: The Special Case for Lean Manufacturing in Job Shops](#) in *Fabricating Equipment News*, May 2001.)

The problem is that customers think they are acting to improve performance and profitability by requiring suppliers to adopt these systems. They believe the current fad (and the next one, and the next one) will save money, improve quality, and generally make you a better supplier. The reality, however, is that exactly the opposite often occurs as the following report from one of our colleagues in the field illustrates.

The customer rolled in unexpectedly and tied up management for 2 days. They brought six people to "audit" us in terms of our adherence to lean policies and principles. Imagine the waste in their organization if they can afford to send six people in to audit a small shop like ours. They burned up 12 days, plus I don't know how many of ours!

We did poorly again, but better than before due to their influence.(I'm being sarcastic.) We were at a 32% level, now increased to the lower 40' s. Unless we get to 66%, we will be dropped as a partner-supplier. We do about \$4.0MM with them, with a promise of \$1.7MM more if we are good.

Their game is clever-- they "show" us how to save costs-- then demand a split of the savings. If we don't do what they want, they will take their business elsewhere. But we have agreed they are correct in their assessment, so what is the problem? The problem is what they are telling us to do makes no sense! There are no savings to split. It's just plain old coercion under the guise of helping. "Give us money, or we will take our business elsewhere."

The Japanese have disconnected price and cost with price being set by the customer or market, and cost being set by the supplier. This customer has tied the 2 together. They set the price, and then tell us how much the cost can be reduced by doing what they say.

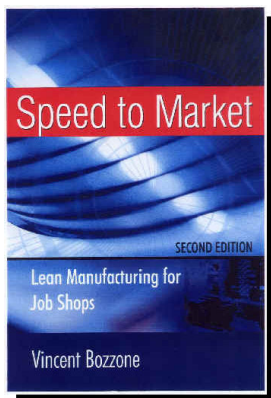
The general manager wants to please, so he unilaterally comes forward in the meeting and shows the customer a 20% savings in set-up time that no-one else in management has previously seen. But I know that set-up time hours are manipulated by the shop to keep efficiency in the range where no disciplinary action will be required, so the metrics are flawed. Guess what? We are about to post our flawed metrics to the people who know they are flawed. Once again, management looks stupid. There are no real savings, but perhaps we will move a couple of more points up the customer's scale.

There is no doubt interference by customers in businesses they know nothing about is arrogant and foolhardy. Our advice? If you are unfortunate enough to get stuck with ignorant customers like these, and can't drop them, try to be neither angry nor subservient (for example, tell them it is too costly and wasteful when they "drop in" for an audit, and to schedule it properly). The best thing you can do is find real ways to improve, because in the end it is not points on some arbitrary scale that will determine whether or not you are competitive in the marketplace. Rather, it will be your ability to deliver superior value in terms of price, quality, and speed to market that will enable your business to grow and prosper. And should you consider engaging consultants to help you, make sure they know the difference between your business and a giant corporation.

Speed to Market is dumbfounding in its practicality. It makes you wonder why more how-to books aren't written this way. [Kathy Molloy, Editor, AMOD Designer's Forum](#)

News and Notes

Update on Job Shop Management 101... In the last issue of this Newsletter, we reported partnering with Lawrence Technological University, Mott Community College and the Genesee Valley branch of the Michigan Manufacturing Technology Center to offer a practical job shop management program to companies in Michigan. We conducted an introductory session on March 11 at Mott, and a number of job shop owners and managers who attended agreed to implement *Speed to Market* in their organizations with us. This program is unique because it combines classroom education with implementation "back home," thus ensuring learning is put to practical use and results are achieved. Also, because the program is sold to companies (not individuals), a company can send as many people as they want for the same price. When all the key people are involved, successful implementations and results follow. [Program details.](#)



New Articles Published... What would happen if you held lead time constant and varied capacity? This theme is explored in, "Do You Know How to Play the Accordion? Managing Capacity in a Job Shop Environment," in the March issue of [Forming and Fabricating Magazine](#). Also, don't miss "Want to Increase Sales? Quote Faster!" in the February issue of [The Fabricator](#)

Speed to Market is based on the simple proposition that an organized, company-wide approach to reducing lead-time is the most effective strategy in strengthening a company's competitive position. It is an easy read and contains detailed, step-by-step, how-to-do-it information that can turn any shop into a winning team.

[Larry Olson, Editor, Modern Applications News](#)

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