SPEED TO MARKET

A Newsletter for
Job Shops–Niche Manufacturers–Focused Distribution Systems
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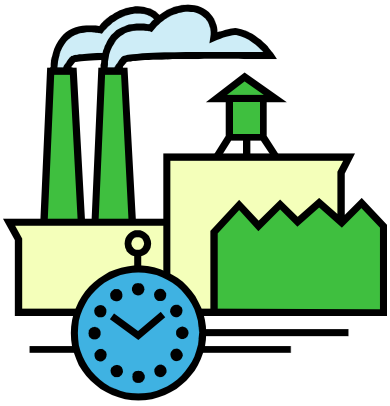
When Time Is Short…Kurek Delivers



What do you do when 95% of your business is automotive-related, your major customers are going upside down, and all you ever hear from the rest is "your prices are too high"?

Those of you who are familiar with the auto industry in Michigan know that Ford and General Motors bonds have been reduced to junk status, Delphi and several other major players are in bankruptcy or on the verge, one-third of the state's tool and die industry has been decimated, and the state's manufacturing workforce has declined by about 25 percent during the past 5 years (and is projected to lose another 28,600 jobs in the next two years). As a business owner, you would not choose this economic environment. However, if this is your home, and this is where your business is located, what do you do short of moving?

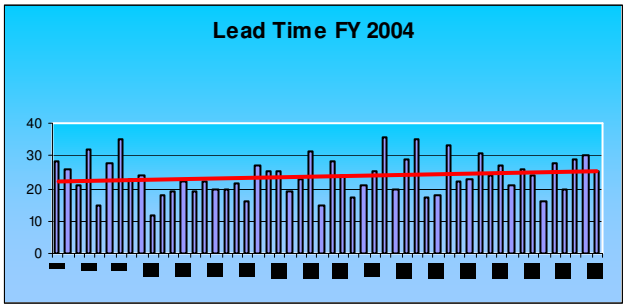
Well if you are Kurek Tool in Saginaw Michigan, you redouble your efforts to cut lead time, improve your on-time delivery performance, and go after quick turnaround time and materials work that pays a premium for fast service.

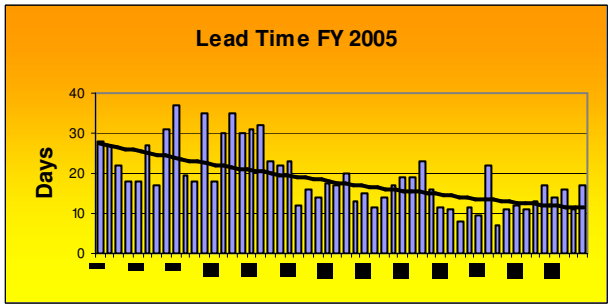
Readers of the *Speed to Market Newsletter* may recall previous articles featuring Kurek Tool. An article in the May 2003 issue described the situation we faced when Delta Dynamics first started working with them. An article in the June 2003 issue described the foundation that was put in place to provide Kurek with the systems, tools, and methods to run their business more effectively. And a third article in the October 2003 issue described what had been accomplished at the conclusion of our first project with them. These articles illustrate a chronological progression of change and improvement that set the stage for Kurek Tool's ability to survive and prosper in the difficult economic environment in which they now find themselves.

These articles also describe the steps taken to enable the next generation of the Kurek family to manage this business effectively. Now this transition is complete, and sisters JoAnn Kurek and Jane Kurek-Sills are at the helm with ambitious plans to grow the business and develop a unique identity and range of services.

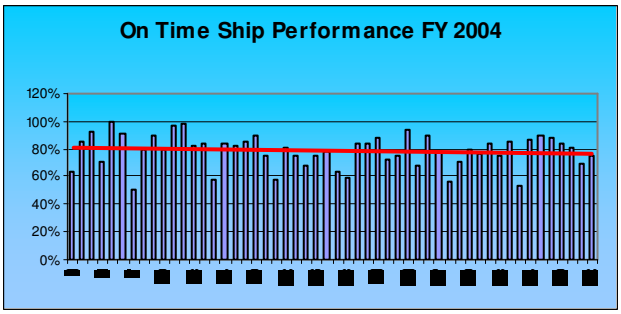
Warning Signs on the Horizon: At the beginning of 2005, it was clear that something had to be done differently to compete in an increasingly demanding auto-driven environment. A comprehensive strategy was developed based on the theme, *When time is short, Kurek Delivers.* This phrase had a double meaning…not only was Kurek committed to cutting lead time and meeting delivery promises, they also physically picked up and delivered customers' orders to eliminate delays in other shipping methods. They kept the company truck on the road virtually all the time…to pick up and deliver parts to customers, to pick up and deliver parts to heat treating, to pick up steel and other materials from suppliers, and to pick up and deliver work outsourced to other shops. All of this had a tremendously positive effect on reducing lead time by taking transportation delays out of the production system.

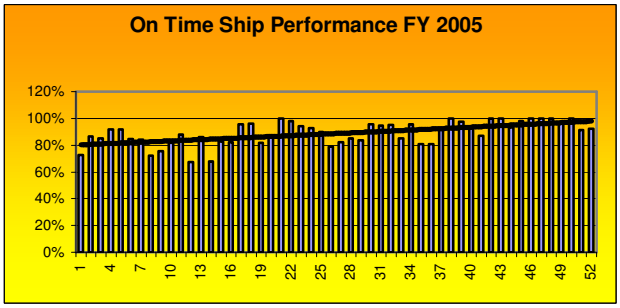
You can see from the following graphs (generated from their Weekly Performance Report) that lead time was gradually increasing in FY 2004, and then was reduced from 30 to 10 days on average during FY 2005.





At the same time, on-time delivery, which was already high, improved even more from an average of 80% in FY 2004, to a consistent 90-100% in FY 2005. This was accomplished with a new scheduling system and new leadership on the floor.





Not only did we measure on time shipping performance, we also measured the degree of lateness when it did occur. In other words, "How late is late?" Of the 226 late jobs (out of 2156 shipped), the average number of days late was 2.4 per job.

This level of performance enabled Kurek to increase higher margin time and material work from an average of 25% of total revenues in FY 2004 to 35.8% of total revenues in FY 2005. The following graphs show the pattern of time and materials work as a percentage of total sales for 2004 and 2005.

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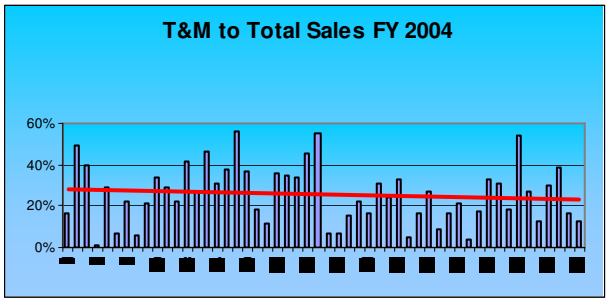
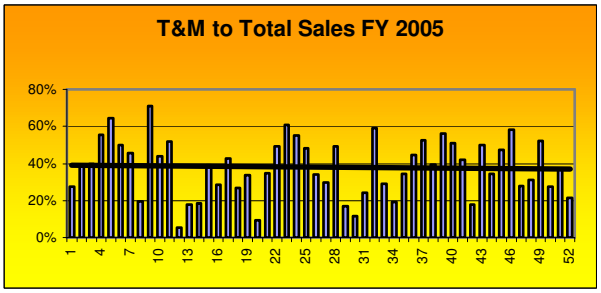




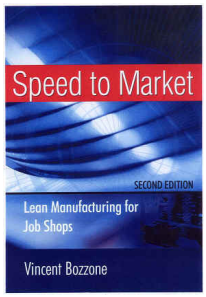
Productivity and Profit Improvement: Compared to FY 2004, revenues increased by 30% and profits doubled. Productivity, measured in dollars shipped per labor hour paid (less materials and outside services) increased by 14.8%.

Reduced Projected Losses: We implemented a procedure for closing the loop (comparing estimated to actual job costs as a method for driving continuous improvement), and reduced projected losses by approximately $31,500. This is an area targeted for further improvement in FY 2006.

Expanded and Developed the Customer Base: As part of an outreach-marketing program, Kurek made sales calls on 36 new companies in the last six months, which resulted in 77 RFQ's received and over $6,000.00 in business won from new customers. This is part of a diversification strategy to reduce reliance on the auto industry. Over the course of the year, Kurek initiated sales contacts with 116 existing customers to solidify relationships and ensure continuing business from these firms. All new and existing business relationships require an ongoing developmental effort, which is planned for 2006.

New Website On Line: Kurek designed and implemented a new website (www.kurektool.com) which will give them added visibility and credibility in the marketplace, as well as an efficient means for communicating with customers.

Kurek's new president, Jane Kurek-Sills put it this way: *Speed to Market* is not a magic bullet or quick fix. It takes time to educate everyone in new ideas, and to develop and implement the strategies, systems, policies, and procedures that underlie the performance and profit improvement we are experiencing. Vince Bozzone and Don Utter, the two Delta Dynamics partners who work with us most closely, always have our best interests at heart, and have given us the confidence and knowledge to move this business forward into a much more competitive position.



Written specifically for owners and managers of custom manufacturing job shops, Speed to Market: How to Cut Lead Time and Increase Profits in Job Shops and Custom Manufacturing Environments, is a book that provides a roadmap for companies. Its strategy results in more sales, lower costs, improved cash flow, and better bottom line profits. Modern Casting Magazine.

I'M FROM THE GOVERNMENT AND I'M HERE TO HELP YOU

Has your business been adversely affected by international competition? If so, you may be eligible for help under the *Trade Adjustment Assistance Act*, a Federal Government program that is designed to help companies compete with foreign rivals.

TAA partners with manufacturers by offering 50/50 cost sharing of projects aimed at improving a firm's competitiveness. Specifically, the funds are applied toward the cost of consultants, engineers, or other outside professional service providers engaged on behalf of the firm to implement improvement projects in areas such as manufacturing engineering, marketing systems, training, quality, and finance. **This assistance enables a firm to make improvements to its competitive situation faster and more aggressively than it could on its own.**

You may qualify for the program if you have experienced declines in sales and/or employment at least partially due to import competition. Total assistance is based on the number of employees or sales revenue. The program will pay up to 50% of the cost of these projects, with a maximum share of $75,000. Eleven offices around the country administer the program.

Delta Dynamics can help you develop a customized improvement strategy for your firm, as well as provide program design, project management and implementation support to ensure improvements are made and results achieved. Call us today at 248-333-0482 for more information.

News and Notes

NADCA
North American Die Casting Association

We delivered a presentation to **Chapter 3 of the North American Dies Casting Association** in Grand Rapids, Michigan on Thursday March 16, 2006. The subject was Speed to Market Technology with an emphasis on how to cut lead time in job shops and order-driven businesses. It was a good turn out and lots of fun. Many thanks to event organizers Ron Holland, Chapter Chairman, and Steven Wiegerink for their invitation and gracious hospitality.

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Carpe Diem…Seize the Day

Have you ever noticed when a day starts poorly, it's difficult to recover, and production and productivity suffer? Conversely, when a day gets off to a good start, the momentum seems to carry through, and production and productivity are high for the day?

I first noticed this when working in a frozen food plant in Ohio. When problems caused line starts to be delayed, or to run at less than standard speed, production for the day was lower than on those days when things got off to a good start. It seemed we could never make up for the morning losses, no matter how well the plant functioned for the balance of the day.

Lessons from a frozen food plant: The approach we took to improve productivity was to establish shut down and start up routines similar to a pilot's checklist, which is used to make sure all safety, and operational items are covered at the beginning and end of each flight. For example, it was necessary to clean and sterilize all the equipment that was used in the production process every day. We made sure that procedures were developed that exactly met FDA and company requirements, and that personnel were thoroughly trained in cleaning routines. For example, motors and electrical equipment were protected from water during the cleaning process in order to eliminate electrical failures. In the morning, a pre-start checklist was developed that supervisors from maintenance, sanitation, and production used to check each line. Having the three supervisors linked "arm in arm" so to speak as they checked and inspected the lines increased the detection of potential problems, as well as reduced the time to correct them. Needless to say, there was a significant improvement in production and productivity as a result of implementing these checklists, and bringing the appropriate people together in the process.

So the question is, "How can this work in a job shop?" It's been my experience on a number of occasions to observe people standing around at the beginning of a shift waiting for the supervisor to assign work, answer a question, provide direction, solve a problem, or deal with any number of other issues that prevented people from working. And because the supervisor could only deal with one person at a time, everybody else had to wait his or her turn. In the meantime, they were not working.

Is this characteristic of your shop? If so, you might want to find out how much time is being lost and how much this is costing you. One approach is to use a ratio delay study to sample productivity at the start of a shift. This technique enables you to take a sampling of productive vs. non-productive activity, and then extrapolate these samples to a larger time frame. For example, if you find 10 hours are being lost at the start of the shift every day, this is equivalent to 50 hours a week or 2500 hours a year.

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A good way to develop these checklists is to ask employees what is preventing them from working. Make a list of these reasons and see how many of them could have been addressed at the end of the previous shift instead of waiting until the next morning.

Typically, you will find things like:

- Lack of material/ wrong material/defective material
- Waiting for next assignment
- Technical question (tool to use, unclear or missing dimension on a print, technique)
- Production problem (tool breakage, can't hold tolerance)
- Waiting for set up or programming
- Traveler, print or other information missing
- Tooling not set
- No fixture
- Waiting for QC check

The more of these types of potential work stoppages you can address at the end of the previous shift, the less time will be lost in the morning. Potential delays can be identified and eliminated if the supervisor takes the time to make the rounds at the end of the previous shift, and asks each employee if they need anything. Problems that can be taken care of the night before will eliminate lost time in the morning when the supervisor is apt to be busiest.

In multiple shift operations, there should be some overlap in the schedule so supervisors can pass the baton. Giving a heads up to the incoming supervisor on potential problems, and things that need attention can save a lot of time vs. the supervisor having to discover these things on his own. In some cases, it may even make sense to schedule a shift overlap so operators can communicate with each other if they are handing complex work off to the next shift.

You can increase the probability a day will get off to a good start by developing and using start up and shut down checklists, and attending to potential problems before they become actual problems that interfere with production. Anticipatory problem solving is a key strategy in making operations run more smoothly and productivity. Carpe diem…seize the day…is a good philosophy that enables a supervisors to take control and bring about positive results.

Of the estimated 30,000 or more small manufacturers that disappeared over the past 5 years, many of them were job shops that simply failed to execute the as-soon-as-possible tactics of their planning. Mike Riley, Editor, Fabricating & Metalworking Magazine.

Do we need to say more about the need to implement Speed to Market in your company? Call us today at 248-333-0482 while the lights are still on.

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