
SPEED TO MARKET

*A Newsletter for
Job Shops—Niche Manufacturers—Focused Distribution Systems
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Job Shops are Service Businesses

Editor's Note: When we do seminars and workshops, I ask how many people see their shops as a service business. Typically, ten or fifteen percent of the people in the room raise their hands, and I always find this a bit disturbing because recognizing that you are in a service business is a powerful competitive advantage. (I know if we had a room full of *Speed to Market Newsletter* readers, there would be a forest of hands in the air.) Nevertheless, as we enter into a new year that promises to be even more competitive and challenging than ever before, we need every advantage we can get. Thus, we decided to rerun this article from the November 2005 [Speed to Market](#) as a refresher, or an eye-opener, depending upon your point of view.



Speed to Market readers know we see job shops as service businesses at Delta Dynamics, and it's important to understand the thinking behind this perspective. Generally, service businesses are thought to deliver intangibles. They guy who fixes your car, mows your lawn, and the lawyer who gets you out of jail are all seen as providing services. On the other hand, manufacturing companies are typically characterized as producing products like chairs, or cars, or any of a zillion other items that clamor for our attention and dollars every day. But it's not always so easy to fit companies into these neat categories.

How would you classify a printer? Are your business cards a product, or did the printer perform a service by setting the type and printing the cards? How about a custom-made suit—did the tailor manufacture a product, or provide a service? How about a machine shop that mills the head of your engine after you've blown a head gasket? Is this manufacturing, or a service?

It's not all that important to wrestle some absolute definition to the ground. What is more important are the implications inherent in the view you choose. For example, if you see your shop as a manufacturing business, then you will likely look to the manufacturing world for new ideas, problem solving methods, and guidance on how to make your business grow and prosper. You may think Six Sigma, ISO, TQM, ABC, or some other performance improvement panacea is the key to a prosperous future. As a result of

seeing your business through a manufacturing lens, you may focus almost exclusively on manufacturing solutions when your business is heading south.

However, when you view your business as a service, you will likely lean towards finding ways to make your company more valuable to your customers. For example, you may acquire new software that will make it easier to translate your customers' print files into machine instructions. Or you may provide information on your website that your customers (and your salespeople) can access to get the status of an order. Or you may institute a fast track process that will enable you to handle rush and emergency orders more quickly (like one of our clients did in Canada and doubled his sales). Or you may work to improve on-time shipping performance to make your business more reliable. Or you may employ *Speed to Market* techniques to shorten your lead-time. Or you may add new equipment that enables you to perform more difficult work, or normal work faster, and increase your capacity.

When you think in service terms, it tends to make you think about how to add value for your customers. Service-oriented companies search out new ways to provide more value, rather than just relying on orders coming in the door. On the other hand, when you think in manufacturing terms, the tendency is to focus on production rather than service; internally rather than externally.

Here is an exercise you can use. Recognize your business as providing a service. See if you can come up with five things you can do that will add value for your customers. Also, describe how you are going to bring about these changes in your organization. Here's an example.

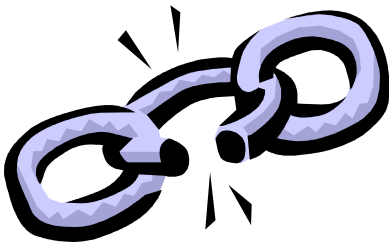
To reduce lead-time from four weeks to two weeks.

- By reviewing your "quotes to cash" process to identify typical delays; then to formulate policies and procedures that will eliminate or minimize typical delays in this process.
- By training an additional estimator who can be assigned to help out when the volume of RFQ's creates a backlog in the estimating department (and increases the time required to submit quotes to customers).
- By educating your people in *Speed to Market* concepts and methods so they understand how your business actually works, and why it is critical to respond quickly to customer requests and orders.
- By measuring velocity (the time it takes to convert orders to shipments), and then positing this performance feedback throughout the company. Once you know how long it takes to put an order through your shop, you can work to reduce it (this is cutting lead time).
- By developing a system for managing capacity so you can see, and act to eliminate, bottlenecks before they result in late shipments.
- By designing and implementing a fast track process that will enable you to handle rush and emergency orders more quickly.

Find at least four more things you can do to increase the value of your service to your customers. This would be a good way to start the New Year.



Thinking Clearly about Goals and Strategies



In the [March 2000 Issue of Speed to Market](#) we published an article, “Where Does Implementation Go Wrong?” In it we noted, “The industrial landscape is littered with failed programs that promised big results and produced very little because they were not implemented or could not be sustained. The inability to implement is most often the weakest link in any company’s efforts to make changes that will improve business performance and profitability.” We then went on to identify some of the reasons why do-it-yourself programs typically fail—the lack five essential T’s: Time, Talent, Tools, Tactics, and Tenacity. Then we pointed out that companies can no longer accept implementation as a “weak link” in today’s super competitive business environment, and must learn how to implement more quickly and efficiently. We made a pitch for using Delta Dynamic’s implementation support services.

There is another factor that comes into play, which applies across the board when it comes to achieving objectives in any organization, and that is the ability to think clearly about goals and strategies. For our purposes, a goal is defined as a measurable objective to be achieved, and strategy is how to do it. We know from experience that a poorly defined goal and fuzzy (or no) strategies will not be successful. How many times have you seen goal numbers pulled out of the air (or somewhere else) that have no basis in reality whatsoever, and lack a thought-through plan for achievement? For example, I’m sure you’ve heard things like: “*Our goal is to increase sales by 10% next year*”. Or, “*Our goal is to diversify our customer base so we are less reliant on a few large customers.*” How to achieve these goals is left up in the air.

A Structured Approach for Strategic Thinking: We developed a technique at Delta Dynamics some time ago, and have used it to good advantage in many different client situations, and are willing to share it with you. We call it the *To:By System*. It’s a simple, yet powerful strategy-based approach for thinking through how to achieve a goal.

The *To:By System* recognizes that strategy formulation must be developed on a number of levels, and that strategies can become goals, and goals can become strategies. Goal statements start with **To** and strategy statements start with **By**.

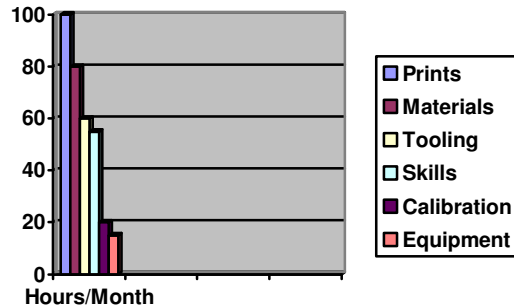
We saw this technique demonstrated in the previous article where you were asked to come up with 5 things that will add value for your customers, and to describe how you were going to bring about these changes in your organization. Reducing lead-time was the objective (To) and half-a-dozen different ways to do this were identified (Bys). These Bys have to be even further refined in order to get to an action level.

Let’s take another example. Let’s say the objective is:

To Reduce Rework by 50%

The first thing we need to know is what are the sources or causes of rework, so our first **By**s might be:

- **By** gathering data on typical sources or causes of rework, frequency of occurrences, and costs in terms of dollars and hours
- **By** organizing these data in a histogram to rank most time consuming to least time consuming
- **By** formulating specific strategies to address each cause, starting with the most costly



Let's say we do this and find the most costly source of rework stems from operators misreading prints.

Now we have a new objective:

To reduce rework resulting from operators misreading prints

- **By** determining the specific causes for misreading prints
- **By** developing individual strategies to reduce these occurrences

And let's say we find the following reasons for misreading prints include:

- Prints are not clean, are smudged, or are otherwise damaged on the floor
- Lighting is poor
- Prints are too small
- Operators are older, some with deteriorating eyesight
- Confusion around metric and inches measurements and how to convert one to another

Now we are in a position to introduce corrective actions for each of these causes for misreading prints, which requires formulating a new goal: **To reduce the number of times prints are misread.**

How are we going to do this?

- **By** making sure a clean print is included with the traveler package when it is prepared for the floor
- **By** making sure operators have a bright lights installed at their machines to facilitate reading prints

- **By** making sure that prints are large enough to read, or the applicable sections are blown up so they are more easily read
- **By** having everyone's eyes tested and updating their glasses
- **By** providing a magnifying glass for each operator
- **By** making sure that prints are marked clearly "Metric" or "English"
- **By** conducting a class on how to convert one system of measurement to the other

At this point we have identified the largest source of rework and have developed a hierarchy of strategies to address it.

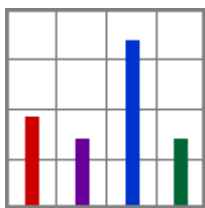
Sometimes you have to take this to the next level. For example, how are you going to make sure a clean print is included with the traveler package when it is prepared for the floor? What do you have to do to get operators' eyesight tested?

Materials Strategies: The next step is to work with the second largest cause of rework materials issues. We would go through the same process of identifying specific materials-related issues.

We might find that some suppliers are inconsistent in the quality of the material we buy from them, or we might find that we don't order the proper material in the first place, or we may find that purchasing buys on a lowest-price basis, and these materials are more difficult and costly to process on the floor. Once we know the specifics, we can formulate corrective actions strategies.

As you can see, the overall objective, **To reduce rework by 50%**, has a number of underlying causes (misreading prints, materials issue, tooling issues, operator skills, calibration inconsistencies, and equipment maintenance). Each of these require strategies, sub-strategies (and sometimes sub-sub strategies). This hierarchy of strategies is required to get to the point where an organized approach to bring about change can be implemented.

You can see this is a fairly tedious, detailed process, which is why it either doesn't get done, or is done in a half-baked manner. Nobody ever said thinking is easy. But if you don't spend the concentrated time required to think through the objective, and the hierarchy of strategies required to achieve it, the chances of being successful in bringing about improvement are vastly diminished. This To:By System provides an organized way to accomplish the task of thinking clearly about goals and strategies.



Scheduling Problems? We've developed a **Basic Scheduling System For a Small Job Shop** that comes in three "trim" levels. You can buy the basic plan with implementation instructions, the basic plan with coaching support for implementation, and on-site implementation with a Delta Dynamics partner. Scheduling problems cost you a fortune you don't even see, so it's a no-brainer to call Delta Dynamics at **248-333-0482** and speak to Vincent Bozzone to hear what we have invented to improve your on-time delivery, reliability, and save you money at the same time.