
SPEED TO MARKET

***A Newsletter for
Job Shops—Niche Manufacturers—Focused Distribution Systems
Published by Delta Dynamics Incorporated
November 2005***

Job Shops are Service Businesses



***Speed to Market** readers know we describe job shops as service businesses, and it's important to understand the thinking behind the meaning. 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 intangible 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 on 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 for 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 cutting costs, reducing the workforce, and slashing overhead 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 a service. See if you can come up with five things you can do that will add value for your customers. Also, complete 3 or more “By’s” that describe how your are going to do it. Here’s an example.

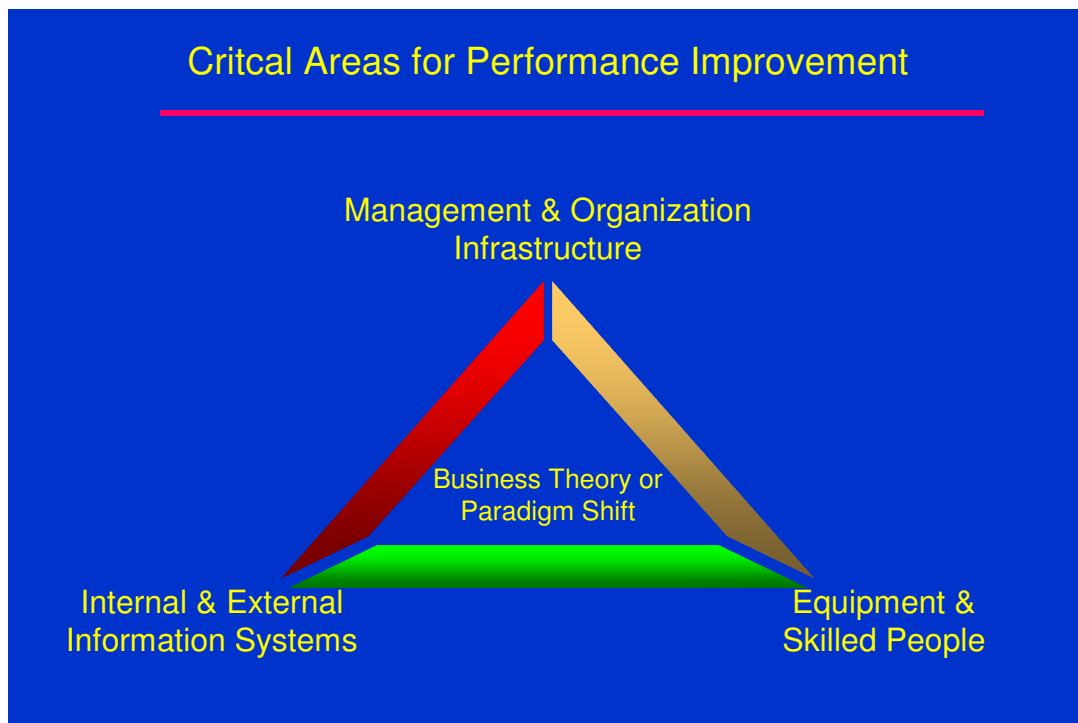
To reduce lead time from four to two weeks.

- By reviewing our “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 which reduces delayed submissions of quotes to customers.
- By educating our people in *Speed to Market* concepts and methods so they understand how the business 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.
- By developing a system for managing capacity so we can see, and act to eliminate, bottlenecks before they result in late shipments.
- By designing and implementing a fast track process that will enable us to handle rush and emergency orders more quickly.

Find at least four more changes you can implement that will add value for your customers. Follow the “To/By” format illustrated in the previous lead time example. Watch your sales increase.

Where are the Opportunities for Improvement?

It's easy to get lost among all the competing theories and ideas about how to improve performance and profitability in manufacturing enterprises. There is so much hype, and so many ideologues running around, you would think they were candidates for the Supreme Court. But if you take a step back, you can see some critical areas that provide rich opportunities for improvement illustrated in the following graphic.



Internal and External Information Systems: Readers of this Newsletter are well aware of our resistance to the idea that the “computer is the solution.” (See [Speed to Market September 2005](#).) The problem does not lie with the computer or the valuable advantage better information can bring to a business. Rather, the problem lies with owners and managers who are looking for a quick fix or magic bullet to solve complex problems, and then seize on the computer as the answer. And of course there is no shortage of software sellers who perpetuate this myth. As a salesperson from a leading software company confided to me, the primary reason job shop customers bought her company’s software was to solve scheduling problems. It should only be so easy!

Nevertheless, well-designed software, properly tailored and conscientiously implemented, can improve performance on the floor, in sales and customer service, in estimating, in supply chain management, in the seamless conversion of CAD files to machine instructions, and basically throughout the organization, as well as its connection to the outside world.

Equipment and Skilled People: There is no doubt that better equipment and more highly skilled people are keys to improving performance in profitability in virtually any manufacturing enterprise. The caution here is to perform a proper analysis to determine whether or not the investment will pay off and when. For example, we saw a client calculate the return on a new CNC mill that showed it would be paid off in less than two years. The problem was that demand assumptions were not realistic, and the mill remained idle for many hours during the week.

Management and Organization Infrastructure: It's always amazing to us to see business owners spend \$300,000 or more on a new piece of equipment without blinking an eye, but can't see spending \$50,000 for infrastructure development that could pay for itself many times over. We think this has to do with equipment being tangible, whereas infrastructure development is intangible. Those companies that understand the value of intangibles in the new global economy are in the best position to adapt, and are in the best position to survive and prosper.

Business Theory or Paradigm Shift: Many companies that find themselves on the way out think that cutting costs and laying people off is the key to renewed prosperity. We don't agree, and think Peter Drucker says it best:

A company beset by malaise and steady deterioration suffers from something far more serious than inefficiencies. Its business theory has become obsolete. A business theory is not a law of nature. Eventually it becomes inappropriate to the realities of the market and technology.

Vincent Bozzone's presentation, *Learning to Adapt and Prosper in a World of Change*, which he will deliver at **Mazak's Touch the Future 2006 Conference** (November 8th through the 10th in Florence, Kentucky), will explore the subject of adapting from large-scale paradigm shifts to incremental improvements. The aim is to provide perspectives, concepts, tools, and learning from specific examples attendees can use in their own organizations.

News and Notes

UPCOMING EVENTS

***Mazak Corporation's Touch the Future 2006 Conference
November 8 --10, 2005 in Florence, Kentucky.***

Vincent Bozzone will deliver the kick off presentation, *Learning to Adapt and Prosper in a World of Change*, on each of the three days at the Center for Multi-Tasking and Manufacturing. Mazak is the world's leading supplier of CNC machine tools.

[Register for this free conference here.](#)
