

SPEED TO MARKET

The Newsletter for Job Shops and Order-Driven Companies

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Feature Article

The Need for Speed Kurek Tool Project Summary



Having worked closely with Kurek Tool for 20 weeks, and being confident in management's ability to forge ahead in the manufacturing battlefield, our engagement came to a close with a summary of the project deliverables and achievements. The following excerpts are from the project summary which will give you a good idea of the nature and extent of the work undertaken. This is the last in this series of how *Speed to Market* was implemented in a job shop.

Intangibles:

- Greater confidence among team members in their ability to run the business
- Greater confidence by the owners in team members' ability to run the business
- A more enjoyable and satisfying day-to-day work experience
- A new future with the potential for profitable business growth

Business Strategy:

- A clearer understanding of the relative size and differences between time & materials work and quoted business (two value streams)
- A better understanding of how Kurek Tool can differentiate itself from competitors in its market (faster service, inventive solutions)
- Goals tied to key indices on the *Weekly Performance Report* along with operational strategies to achieve these goals.
- An analysis of market share and pricing that has the potential for generating additional revenue via new, market-share pricing strategies

Organization Design and Management Development:

- An organization designed specifically for Kurek Tool tied to their business process with the elimination of an unnecessary layer in the organization
- The development of a management team with team values, as opposed to a collection of atomized individuals
- Extensive training in the concepts, tools, and methods of management specific to job shops and order-driven businesses. More than 100 e-mails, issue-specific memos, system dynamics diagrams, white papers, insights by DDI staff, and articles were used to augment the educational component
- Training in change management concepts and techniques
- Clear definition of major organizational roles with appropriate names; missions, and performance measures for each position

- A greater understanding of the scope and importance of the shop superintendent's role across the business process, not just on the floor
- *Weekly Performance Report* reviews with analysis, feedback, and encouragement
- A system for identifying and addressing areas for improvement on an ongoing basis

Information Technology and Administrative Systems:

- JobBOSS (computer software) now functions as a management information system, as opposed to merely a clerical system
- Greatly improved data disciplines and integrity
- Accurate work center capacities
- Confidence that administrative systems are streamlined and not clogged with unnecessary paperwork
- Redesigned controls that more accurately capture the data necessary for managing the business. Examples—Rework Documentation; Time Sheets; Estimating Worksheet
- A method for ensuring outsourced work does not fall through the cracks
- Clear understanding and list of daily/weekly/monthly duties required to ensure the business is properly administered with individual assignments for each activity
- A value-based approach for upgrading computer hardware and infrastructure

Marketing and Sales:

- A marketing plan and strategy that reflect the particular strengths of Kurek Tool
- Clear market definition (geography, types of customers)
- Updated marketing materials
- An organized contact plan for new and existing customers
- Creation of a data base of approximately 1000 companies in 810 and 989 areas codes that represent potential customers
- A method for tracking marketing activities and results
- A method for measuring performance improvement
- Web site design and content layout

Estimating:

- A greatly improved estimating system that includes feedback loops for learning
- Awareness of the need to turn RFQ's around quickly with an expedited process
- Ten specific estimating performance measures with the ability to track improvement
- Daily discipline for closing the loop and comparing estimated to actual performance on an order-by-order basis when shipped
- Refined cost overrun cause codes with histograms and awareness of the need for systemic fixes
- Bringing machinists into the estimating process with information on routers (see *To Tell or Not to Tell* the [Speed to Market Newsletter April, 2002](#))
- Evidence of improvement—a clear trend in fewer jobs where actual costs exceeded estimates

Shop Floor Management:

- A shop floor management system that provides visibility of work in process and the ability to quickly and easily reprioritize work sequences at each work center
- The understanding and ability to use management planning and control tools
- Reorganization and clean-up of the shop for greater efficiency
- The development of a skills matrix—the foundation for a training plan for machinists

- A better understanding of how to manage the relationship between capacity, queue time, ship dates, and on-time deliver performance with appropriate tools
- Understanding of how to use a pull system to manage the work flow on the floor

Performance Measurement:

- A custom designed and installed *Weekly Performance Report*
- The ability to monitor operating and financial performance virtually in real time, and to make informed business judgments and decisions based on data and facts
- An established weekly performance review meeting with action assignments
- The ability to trend and evaluate the success of continuous improvement efforts
- The ability to monitor and take action to improve a variety of key performance indices such as rework, cost overruns, hit rates, productivity, and more
- Ability to monitor and compare current performance to average performance, year-to-date, and projected annual performance for the most critical operating and financial indices for Kurek Tool.

An Ongoing Future Agenda Includes:

- Fully implementing the marketing plan, including a plan for government business
- Upgrading computer hardware, software, infrastructure
- Web site
- Improving the outside appearance of the shop
- Perishable tool control
- Monitoring market share and pricing analysis monthly; adjusting as required
- Setting a goal of continually cutting lead time
- Refining the work force flexibility chart and establishing training plans

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, September 2003.

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

Having experienced first hand the positive impact of Speed to Market on the Robert Mitchell plant, I am constantly amazed by how much ANY job shop is missing by not implementing these simple but very effective tools. M. Nawar, Chief Engineer, Robert Mitchell Company, Montreal, Canada.

What Is A Good Hit Rate? Are You Getting Your Fair Share



The question, *What's a good hit rate?* often comes up in discussions about the number of RFQ's quoted and won in job shops and order-driven businesses. One way to determine if you are winning your fair share is to look at your situation statistically. First, find out how many suppliers your customers normally ask to quote, then calculate the percentage you win against this number. For example, if it's typical in the industry(ies) you serve for customers to send RFQ's to three suppliers, then statistically your fair share should

be about one-third. If they are sending out five, then you should be winning about 20%. If you are serving different industries with different policies, you will have to develop a combination measure.

If you are winning more than your fair share, this would suggest reviewing your pricing strategy as you may be bidding too low. On the other hand, too few wins may suggest pricing yourself out of the market, or that your lead times are too long.

In addition to measuring the number of orders won/orders quoted, you should also measure dollars won vs. dollars quoted. For example if you are winning your fair share in terms of number of quotes, but not dollars won, this suggests you are not competitive on larger dollar orders, or that you are getting all the "junk" nobody else wants because it is not profitable. If so, you need to investigate and make the necessary changes...but you won't know if you are not measuring it. The following indices should be included on your *Weekly Performance Report*.

Performance Measures				
Percent of Year Elapsed 53.85%	Current	Average	YTD	Annual
Current Week # 28	Week	Week	Cumulative	Run Rate
Estimating				
RFQ's Received	98	101	2820	5237
Quotes Sent Late	3	11	321	596
Quotes Won	18	14	385	715
Rolling Four Week Hit Rate	16%		14%	
Dollars Quoted	\$ 63,337	\$58,634	\$1,641,760	\$3,048,983
Dollars Won	\$12,224	\$8,369	\$234,331	\$435,186
Rolling Four Week Dollars Won/Quoted	14.8%		14.3%	

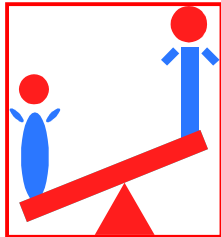
Note: The YTD Cumulative column is the total amount of the current and all previous weeks (where addition is applicable). The Average Week is the YTD Cumulative divided by the current week number (Week # 28 in this example). The Annual Run Rate is the Average Week multiplied by 52 which provides a projected year-end number that will result if the current level of performance (good or bad) is sustained. In this example you can expect to quote \$3,048,983 and win \$435,186 by year's end (14.3% of the dollars quoted) with an average size of \$582.22.

The four week rolling measure is used because quotes submitted and quotes won do not occur in the same week. The four–week interval may be adjusted for your business depending upon the time between quoting to winning, and other factors.

Tracking performance in estimating is a very valuable way for you to stay on top of your competitive position vis-à-vis other suppliers to the industries you serve, as well as enabling you to make strategic and tactical decisions as required. For more on Delta Dynamic's *Weekly Performance Report*, read [Speed to Market: Lean Manufacturing for Job Shops, Chapter Six](#), or go to [Performance Management Software](#) on our website.

Level Loading in a Job Shop?

Remember that Bridge in Brooklyn We've Been Trying to Sell You...



The subject of level loading in job shop, order–driven environments seems to be gaining a fair amount of press lately. The basic idea is that leveling the workload will improve efficiency by having a steady pace, fewer changeovers, and more production.

Now if we could just get those pesky customers to cooperate.

One scheme proposed by a lean expert is to stop releasing work to the floor in increments of “customer ordering.” His better idea is to release work based on a standard time increment or “pitch.” You do this by determining the bottleneck operation in the critical path of your production process, then break orders down into equal time increments of work based on the bottleneck capacity. This means you stop looking at your shop as an order–driven business, and start looking at it as a product–driven business. Work is released based on the amount of time it will take to get it though the limiting capacity of your bottleneck operation, not by due dates.

Now won't your customers just love that...when they call you and start screaming for their parts, you say, “For the sake of greater efficiency and harmony in the workplace, your order has not yet been released to the floor because the work content is not congruent with the capacity of our bottleneck operation. You will have to wait until the proper alignment of work and capacity comes about before we can release your work to the floor.”

Now how many more orders do you think you are going to get from this guy? What this lean expert is doing, which so many lean proponents seem to do, is to try to make a job shop look like a volume production operation so they can apply their concepts and techniques. Talk about having a hammer and the world looking like a nail...As readers of the *Speed to Market Newsletter* know, our approach is to fit solutions to problems, not try to force problems to fit ideologies.

The fact of the matter is that volume in most job shops looks like a sine wave. There are times when you have more work than you can handle, and there are other times when you cut prices to get work to pay the rent. Customers often stipulate short lead times, and you have to rearrange orders in the queue to win this work. Most often, you do not have the luxury of efficiency.

Another flaw in this thinking is to view capacity as fixed, which it is not. Capacity in a so–called “bottleneck operation” can be expanded in any number of ways. For example, it's doubtful you

are running this operation 24/7. Other alternatives include outsourcing, and eliminating delays in the process.

Rather than trying to level-load work in an order-driven environment, a better idea is to manage capacity to reflect the ups and downs in this type of business. For more, see [Do You Know How to Play the Accordion? Managing Capacity in a Job Shop Environment](#) in *Forming & Fabricating Magazine*, March 2003 Vol. 10 No. 3.

News and Notes

Speed to Market Workshop Delivered... The *Speed to Market Workshop* presented at the Midwest Machine Tool Show in Novi Michigan on September 10 was well received with over 40 people attending from 20 different organizations. In two hours we covered:

- How job shops differ from mass production operations
- The new value paradigm
- How lean manufacturing works in a job shop, order-driven environment
- How to look at, and manage your shop horizontally as a “quotes to cash” business process
- How reducing lead time increases competitiveness and profitability
- How the *Theory of Delays* functions in an order-driven environment
- The difference between task time and chronological time and implications for management
- How to organize by type of demand
- How to drive continuous improvement with a non-bureaucratic system
- We also reviewed a simple, elegant shop floor management system we designed for the Staircase and Millwork Company in Alpharetta, Georgia, a new Delta Dynamics client.

[E-mail](#) us for a free copy of the white paper, *The Theory of Delays: A Tool for Improving Performance and Profitability in Job Shops & Custom Manufacturing Environments*



New Project Started... Delta Dynamics has begun a new project with the Staircase and Millwork Company in Alpharetta, Georgia. Staircase and Millwork designs, engineers, manufacturers and distributes curved, flared, and spiral staircases as well as staircase parts and fittings. Customers include architects, builders, contractors, dealers, and homeowners across the United States. Recently acquired by two Harvard MBA's, Eric Trope and J. W. Williams, the company is positioned for growth in local and national markets. Delta Dynamics' role is to design and build the organization infrastructure, drive the change process, and increase production capacity to meet increasing levels of demand, essentially doubling the size of the company over the next 12 months. For more, [Staircase and Millwork Company](#).

When I took over this business from my Dad, I searched high and low but could not find any practical information to help me run my business until I discovered Speed to Market.
Laurie Moncrieff, Owner and President, [Schmald Tool & Die, Flint, MI](#)