

IN THE PREVIOUS INSTALMENT OF **JASON FURNESS AND MICHAEL MCLEAN'S** RECENT BOOK *MANUFACTURING MONEY*, THE AUTHORS DESCRIBED SOME DANGERS BUSINESS OWNERS AND MANAGERS HAVE TO BE AWARE OF ON THEIR WAY UP TO A 'BLACK BELT' IN A MANUFACTURING AND DISTRIBUTION BUSINESS, TO CREATE "A BUSINESS THAT IS TRULY IN CHARGE OF ITS OWN FINANCIAL DESTINY". IN THIS SEGMENT, THEY REVEAL THE IMPORTANCE OF DIFOT – EVERY TIME.

JUST DIFOT

DIFOT (Delivery In Full, On Time) has been the most common area for rapid improvement in our clients to date. DIFOT has been elevated to well above the industry norm while we simultaneously and dramatically shrink the order to delivery time. The result is that both of these attributes become a competitive advantage in the marketplace. Cost reduction is also a commonly encountered benefit as the smooth running of the system drops the cost base at the same time we improve DIFOT and lead time.

These approaches produce measurable rapid results, sometimes overnight, usually within a few days, and certainly no longer than a few weeks. By measurable results, we mean measurable improvements in the company's financial results.

Companies can often achieve very high DIFOT and short lead time by increasing the amount of money tied up in finished goods. This achieves great customer service (sometimes), however, it comes at a massive financial expense for the company with cash tied up in stock.

The approach outlined in this article will assist you to elevate your DIFOT to a level where it becomes a competitive advantage for you. It will also seriously shorten your lead time, often

with reduced stock levels and a lower cost base.

This approach is not a LEAN program, TQM, Six Sigma, or any other of the commonly understood manufacturing improvement methodologies. This approach builds upon your existing manufacturing systems and helps accelerate the improvements. The approach is based upon the Theory of Constraints developed by Eli Goldratt. Our focus is to rapidly change the performance of the business in such a way that the customers want to buy from you because your service is exceptional. The business wins, along with the customers, because this great service is provided at a lower cost base than it has previously operated at.

This chapter is about helping your organisation move its operational delivery performance up to the level of 'Black Belt' as tabled in Figure 1.

Let's walk through each level so you can assess which belt is reflective of your current performance.

White Belt - Selfish

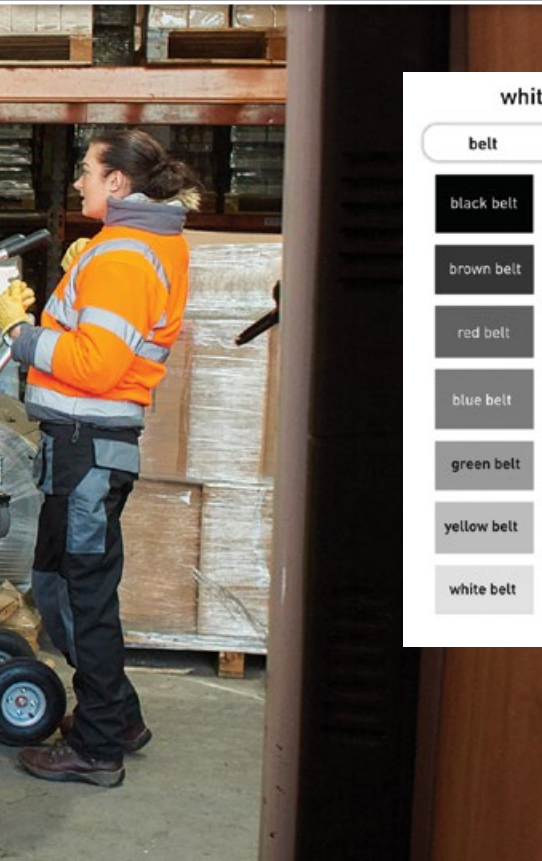
As a 'delivery' White Belt, a manufacturer is very inwards focused. Usually the company operations regard themselves as the centre of the universe. In this environment, there is often a very high premium placed on being

'efficient', oblivious of the impact that such efficiencies can have on custom service levels. Production schedules are often very inflexible, lead times are very long to the point of being uncompetitive. If the business relies upon forecasts to plan the production activities there are often many arguments about forecast accuracy as being the cause of most production stock issues.

A business can have very high stock levels, very low stock turns, and be out of stock of many products, all simultaneously. Money is being wasted by lost sales, excess stock, overtime and other crisis management activities. DIFOT may not be a measure that is in use, if DIFOT is being measured it is very low.

Yellow Belt - Reactive

At a Yellow Belt level, it may seem paradoxical but the chaos and stress can actually be higher here than at the white belt level. The reason for this is that while the factory is still focused heavily on efficiencies, it is still trying to react to customer shortages and issues. The result is that the production schedule is planned for efficiency and then it will be changed frequently and sometimes radically most days, to accommodate customer needs. The production output is still disconnected from the actual market behaviour, so overstocks of some items and stock outs of others are still common. Operations and sales are still at each other's throats. Supervisors and managers have to react to volatile situations. Shortages of parts are usually still common. Time to spend on



white belt to black belt journey of delivery

belt	level	behaviour	title
black belt	7	Our absolute reliability and flexibility is a key competitive advantage that wins us lots of business.	agile
brown belt	6	We can prove to our clients that our promises are kept.	positive
red belt	5	We know if a delivery date is under threat early enough to fix it.	proactive
blue belt	4	We measure our delivery performance and have back up plans, processes and suppliers.	competent
green belt	3	We think we're on time, most of the time, everyone's much the same.	tolerable
yellow belt	2	Whoever yelled at us loudest and most recent is whose job we are working on.	reactive
white belt	1	You'll get it when you get it and be grateful.	selfish

Figure 1.

improving the business is minimal. People are exhausted and in chronic stress. Money is still being wasted on crisis management. DIFOT may not be being measured or is below 85%.

Green Belt - Tolerable

Green Belt businesses are where performance isn't awful, however, it is far from superior. Customers have a begrudging acceptance of your delivery performance and lead times. While they have a lingering level of frustration, they accept you are doing your best. Mediocrity is a good term to describe this level of performance. It isn't awful, it may be enough to provide moderate financial returns, however, it will never allow the operational performance to be a key competitive advantage to the business. A Green Belt business often has very good intentions; however, the systems to monitor and drive performance improvement are missing, or not being lead proactively. These businesses often gravitate to be the 'industry norm' for their sector. They do not stand out. Overtime is still routinely used to recover lost production, stock levels are still high, and stock turns are low.

Blue Belt - Competent

Blue Belt marks the beginning of the serious player. These companies actively, frequently, and intelligently measure and work to improve their delivery performance. DIFOT is improving because they focus on it. They have contingency plans and backup strategies to help protect their customers from shocks further up the supply chain. Stability of performance is improving. The

team is using a true focus on the customer to align their behaviours. There is still pressure on people, however, it is moving from a negative 'out of control' pressure to an aspirational and constructive focus in the business. Customer complaints about delivery are reducing as the company is disappearing from the customer's list of 'Annoying suppliers i have to nag incessantly'. Marketing and sales are complaining far less about delivery issues and the departmental standoffs that were regular occurrences are diminishing. Overtime to recover losses is at

a minimum, some conversation about stock reduction can be had without threat to DIFOT. Profitability is increasing.

Red Belt - Proactive

At Red Belt, you are beginning to pull away from the industry average (mediocre) performance. Stability is continuing to increase and the nonsensical idea of 'Production is boring' is no longer a complete fantasy, even if it is not there yet. Transparency of performance is well established across all levels of the business hierarchy. When issues arise, the team focuses on using the data to drive the discussion and evaluate ideas and the results achieved. Late deliveries are only occurring if an exceptional problem has occurred. DIFOT is at 98% or higher. Production stability is now routine and there are way more good days than bad ones. The reduction in crisis management has had a

positive impact on profitability. Management can begin to work on improvement in other areas such as quality and safety.

Brown Belt - Positive

'Business is boring' is a reality. The delivery system is reliable and as routine as brushing your teeth or turning the ignition key in your car each morning, it just happens. DIFOT is 100% for weeks or months on end. Lead time is dropping to such an extent that your customers are beginning to notice. These same customers call you first when they have a problem and need a fast and reliable supplier. Management has capacity to look forward at how to grow the business and the team. Stock reduction has been able to massively reduce working capital from previous levels without any negative impact on customer service levels. Sales functions can confidently walk into a client office, knowing that they can confidently look them in the eye and say we can deliver faster and more reliably than the others. Stock reduction has lifted profitability even further. Submitting projects for capital reinvestment and expansion is much easier as management is now trusted to deliver.

Black Belt - Agile

Customers want to work with this business because it is the market leader. Clients know that if they give you the order they can then forget about chasing you, it will just happen. You

“The purpose of a factory is to make sales & marketing look good by giving them such a compelling offer to take to market that the stuff almost sells itself.” Jason Furness

are a trusted business, which has shorter lead times, great customer service, and is easy to do business with. The sales function knows that they are going into every meeting with a superior offer to market that your competitors are unable to follow. Stock levels are well below the industry benchmarks and profitability is up. Margin pressure is reduced because of your offer, and premium pricing can be an option. Capital for improvement is no longer a problem; the Board may be asking 'What is your next plan? We have money we want to spend'. People work hard, and are smiling. Pride in performance is obvious. This is the place to be.

To complete the full online diagnostic please go to www.manufacturship.com/diagnostic. The book excerpts will continue in the July-August issue of MHD magazine. In the meantime, for more information visit www.manufacturship.com. *mhd*