



As complexity continues to build in businesses today, the historical processes and organizations that led to success in the past are now becoming a burden

A custom equipment manufacturer struggling to maintain market leadership

A leading manufacturer of custom industrial equipment (BuildCo) was struggling to remain competitive in the face of new competition offering faster delivery times and lower prices. In order to prevent their market share from eroding further, BuildCo needed to quickly overhaul their order delivery process to drive faster delivery times while also lowering their costs.

Digging deeper, BuildCo soon discovered that the largest driver of overall delivery cost was the time its engineers spent designing each customer order...and this time had increased significantly over the last few years. Further analysis revealed that there were two key drivers of this increase in engineering design time: (1) over-collaboration and (2) poor visibility into customer needs.

Over-collaboration

BuildCo uncovered that a surprising number of people were involved in the design of each customer order—in some cases all 30 engineers from the order design team were involved with a single order. In fact, analysis showed that the more people involved in each order, the longer the process took (see Figure 1).

And this over-collaboration was having a significant negative impact on BuildCo—delivery times were 20% longer than necessary along with an additional cost of over \$1 million dollars per year! BuildCo realized they needed to restrict the number of people involved in each project, but how could they do so without destroying the collaborative culture they worked so hard to build?

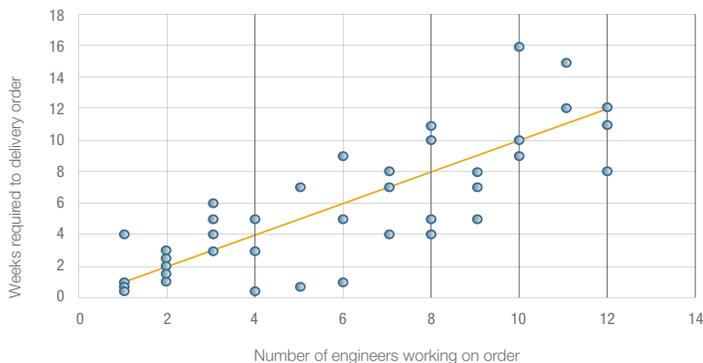


Figure 1: Adding one incremental person to work on an order extended design time by one week!

Poor visibility into customer needs

BuildCo also realized that the products they delivered frequently exceeded the needs of their customers. The latest technologies and systems were incorporated into each design which provided customers with numerous features and capabilities that they did not value.

Management believed that this over-engineering arose because the design team was organized by technology rather than market segment, causing them to lose touch with customer needs. How could the order design team become more in-touch with customer needs without sacrificing the high quality that customers expected from them?

Their solution

To address these two key issues, BuildCo determined they needed to reorganize their order design team by creating three sub-teams, each focused on one of three customer segments. Each sub-team could only work on customer orders within their segment—limiting the total number of people involved in the delivery of each order while preserving an atmosphere of collaboration within each sub-team. And because each team focused exclusively on a particular market segment, they were now better positioned to understand customer needs and incorporate them into their designs.

Results

This new approach allowed BuildCo to improve order delivery time by 20% and decrease costs by over 40%!

In fact, this new approach was so successful that they expanded the scope of each market team to include sales, project management, and R&D to create an integrated, end-to-end team focused on each market segment.

Is your company's complexity becoming a barrier to serving your customers efficiently?

Is the cost to serve your customers growing faster than the value your customers are generating?