

The Only Two Metrics You Need

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“How to Scale Your Business without Wasting Time and Money”

Agenda

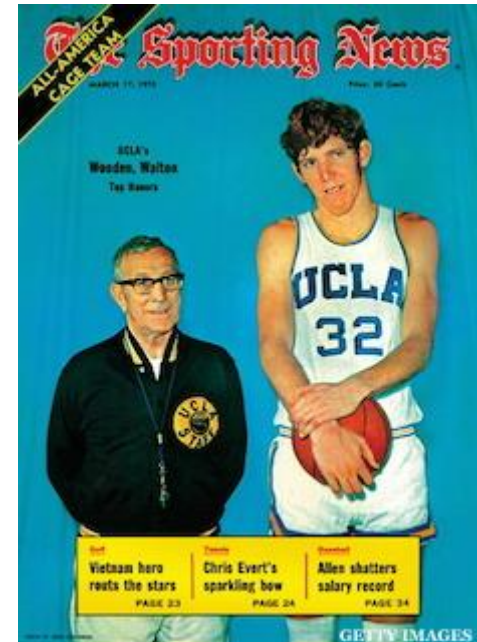
- It's about the basics
- To scale you must listen to the voice of the customer
- There's no time like on-time
- Do it right the first time
- Easy as 1-2-3
- Questions

You don't know what you think you know...back to basics

At the age of 17, Bill Walton was 6' 11" and was a high school All-American basketball player with an appearance on the United States Men's National Basketball Team on his resume. In 1971, he joined Coach John Wooden's NCAA powerhouse, UCLA.

Bill Walton described his first practice...

Walton related the shock that he and other new players felt when the first thing Wooden did was sit them down and teach them how to put on their shoes and socks. Doing this properly, Walton said, was the initial lesson for "everything we would need to know for the rest of our lives." (<http://newsroom.ucla.edu/stories/wooden-shoes-and-socks-84177>)



Credit: Sporting News via Getty Images

The basics...

Wooden: "Now pull it up in the back, pull it up real good, real strong. Now run your hand around the little toe area ... make sure there are no wrinkles and then pull it back up. Check the heel area. We don't want any sign of a wrinkle about it ... The wrinkle will be sure you get blisters, and those blisters are going to make you lose playing time, and if you're good enough, your loss of playing time might get the coach fired." (<http://newsroom.ucla.edu/stories/wooden-shoes-and-socks-84177>)



The basics are what you need to scale your business...

Prior to the tenure of Coach John Wooden, UCLA had only won two conference championships and had an overall losing record.

- Coached the UCLA Bruins from 1948 to 1975
- UCLA won 620 games in his 27 seasons
- The Bruins won 10 NCAA titles during his last 12 seasons, including seven in a row from 1967 to 1973.
- His teams produced record winning streak of 88 games and four perfect 30-0 seasons.



So today, we talk about socks! (In other words, I'm going to tell you something you already know... (or think you know)...

This is it...the two things...



- Twenty years of operations consulting experience
- Fortune 15 companies down to Mom and Pop shops
- Over 200 lean management implementations
- 13 years valuation experience
- Middle market investment banker

The first things I look for:

- On-Time Delivery
- First Pass Yield

What is your customer telling you?

Your customers come to you because your business provides something of **value** to them.



- Product or service
- Cost
- Timeliness
- Quality

Listen to the Voice of the Customer!

What is your customer telling you? Your turn...



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for the Growing Business

Hey! You told me TWO metrics but talked about FOUR values?

1. Product or service

If you are thinking about scaling, presumably you are providing something somebody wants.

2. Cost

What is your customer willing to pay for your product or service?

Hint: it has NOTHING to do with YOUR costs

Key metrics measure what YOU CAN CONTROL! Back to TWO!

Your customer is buying VALUE!

~~1. Product or service:~~

We know they like what you do!

~~2. Cost:~~

The price they will pay reflects value!

Want them to pay more? Want to scale?

The key is hitting the two value drivers over which you have **100% control!**

3. Timeliness

4. First Time Quality



On Time Delivery: What the customer sees and feels!

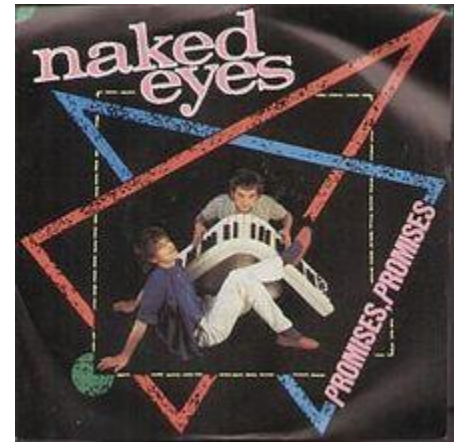
“I had three rules for my players: No profanity. Don’t criticize a teammate. **Never be late.**”



On-Time Delivery: The promise to your customer

$$\text{On-Time Delivery} = \frac{\text{units or orders delivered on time}}{\text{total units or orders delivered}}$$

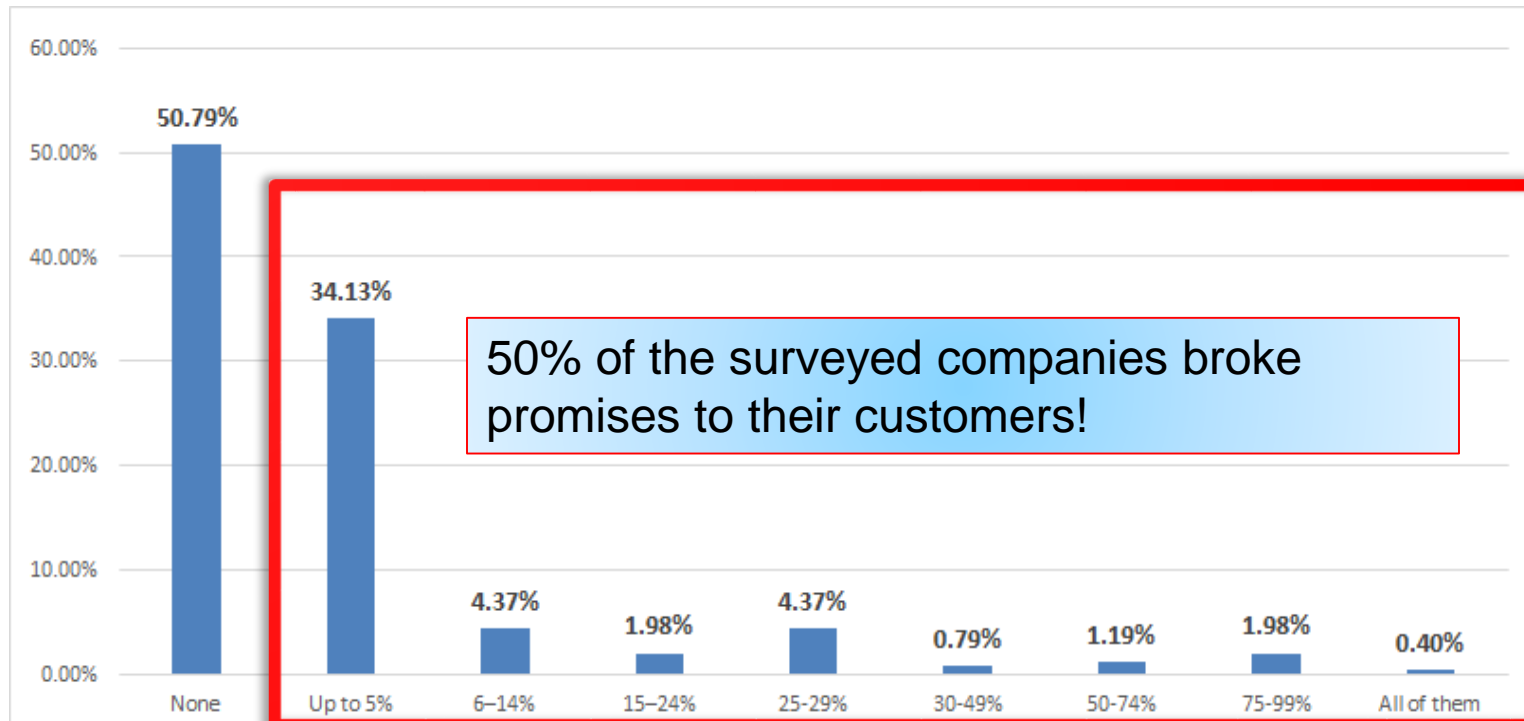
The two things your customer knows immediately:
Did I get what I ordered?
Did I get it on time?



Is your customer's promise to his or her customer dependent on you keeping your promise?

Is there a competitive advantage to be had?

Percentage of Orders in 2012-2013 That Did Not Deliver On Time for Small to Medium Sized Manufacturers*



Source, Exact: <https://www.exact.com>

It is really about ethics!



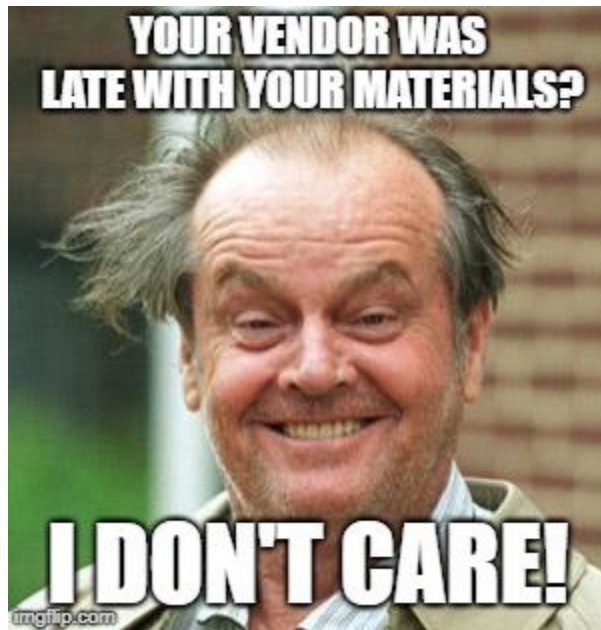
Do you feel it is important to honor your commitment to your customers?

If it is important to you it will be important to your employees!

It is important to note that any reason for late delivery represents a choice to not honor that commitment:

- Didn't want to incur overtime or expedited shipping cost?
- Didn't feel the product was ready to ship?
- Didn't plan for that winter storm?

Put yourself in their shoes (another sock reference)



What does it have to do with scaling my business for growth?

Client:

A U.S. based manufacturing facility for an international corporation that designs and produces residential and commercial grade building products.

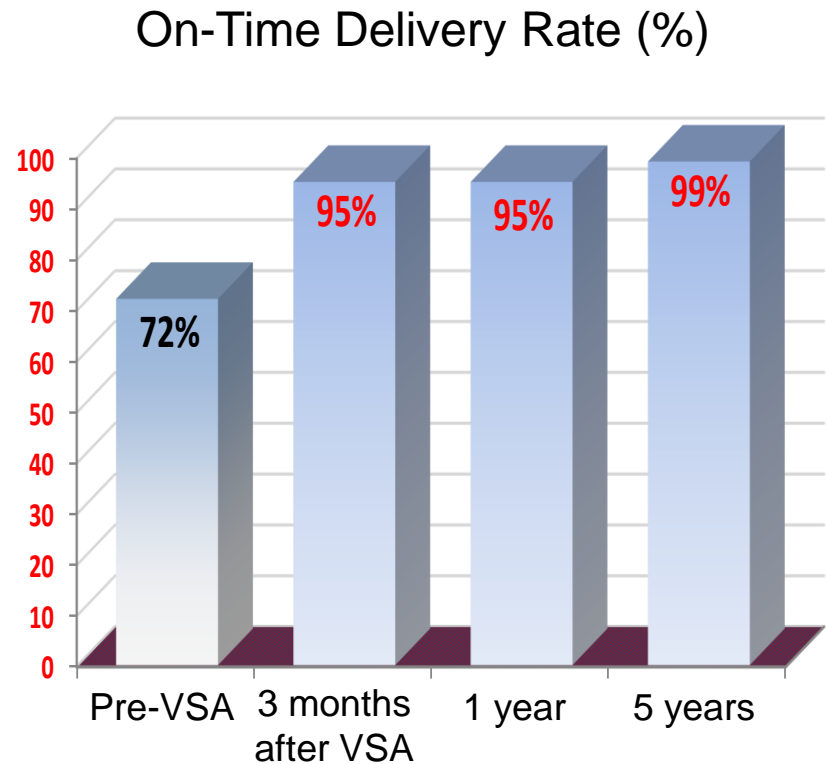
Requirement:

On time delivery is a critical requirement of customers in this industry. Our client's on-time delivery performance was 72%, meaning one out of every four deliveries was late. This put the client at risk of losing business.

Solution:

In mid-2009, we facilitated a Value Stream Analysis ("VSA") of the manufacturing process from receipt of order to shipment. The participants included the COO, supervisors, and floor staff. After a facilitated two-day analysis event, a rapid improvement plan was implemented.

Results:



The end result was increased sales and the ability to cash flow capital improvements to increase capacity!

Profit is in Production: First Pass Yield!

“If you don’t have time to do it right, when will you have time to do it over?”



First Pass Yield – Customer satisfaction AND profits for you!

$$\text{First pass yield} = \frac{\text{units of products completed from process to specification with no rework}}{\text{total units of products entering the process}}$$

First pass yield is a good measure of the effectiveness of a process and the elimination of waste from that process.

Eliminating waste and rework means:

- Shorter lead times (HAPPY CUSTOMER)
- Lower cost to produce (HAPPY YOU!)

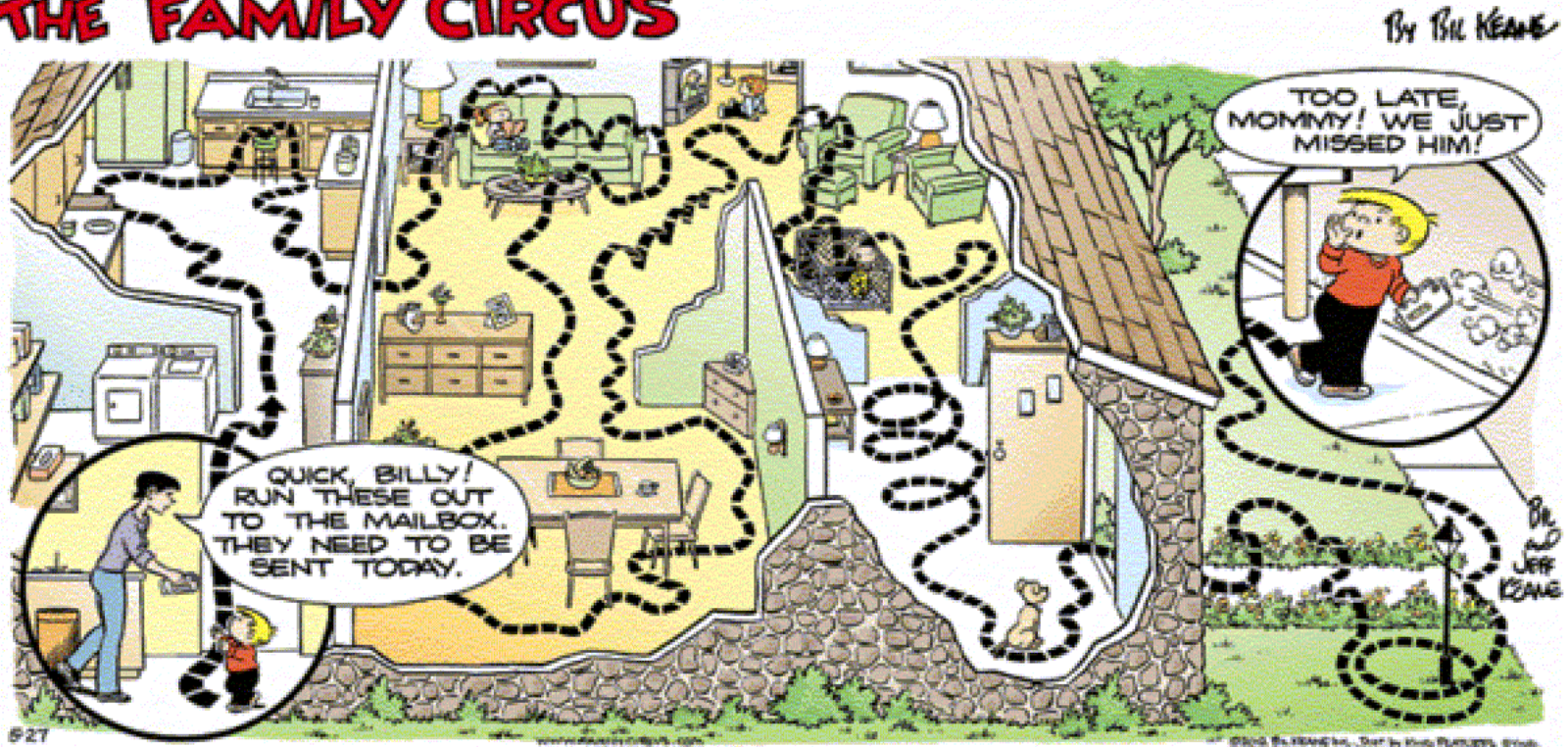
Shorter lead times and less costs means more capacity to grow!

More capacity to grow =



It's about what the customer sees...

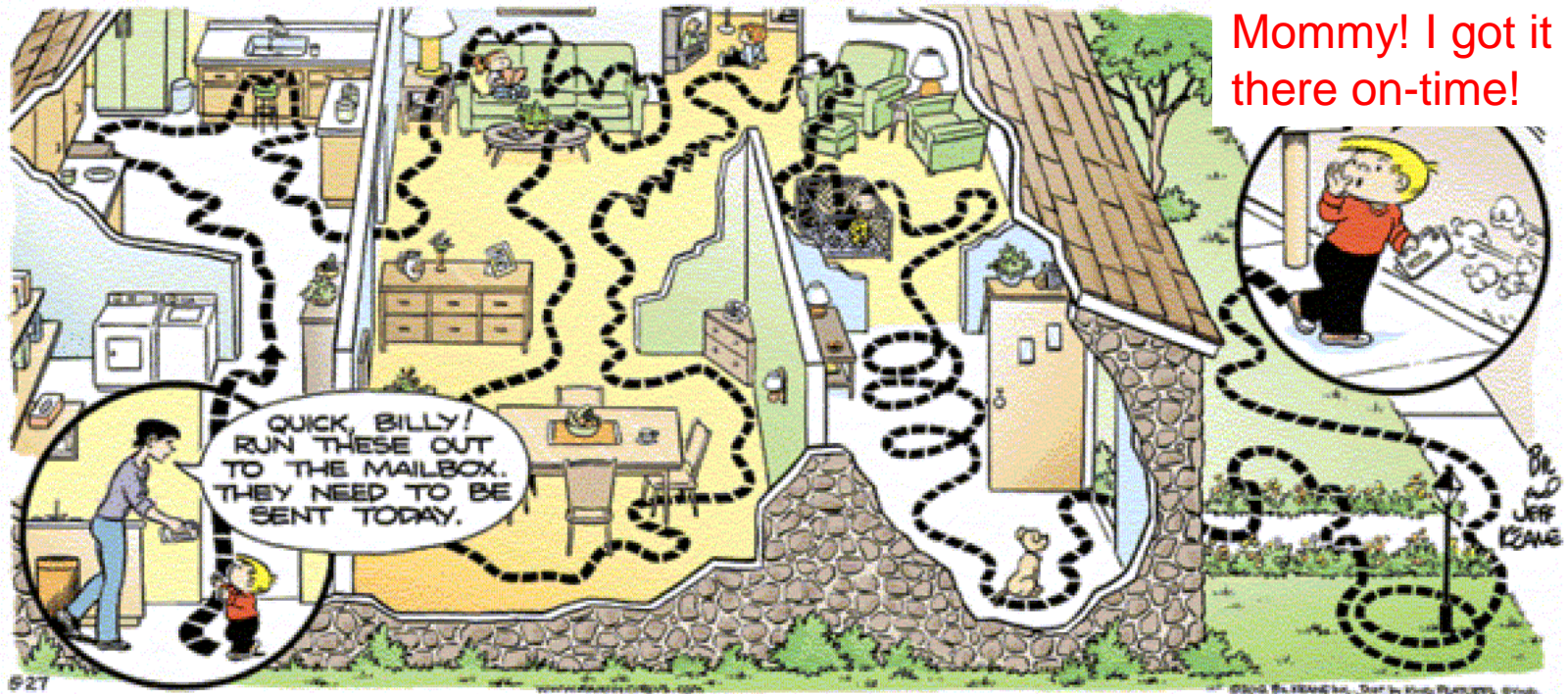
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Bad efficiency – bad result: Worst of both worlds!

It's about what the customer sees...

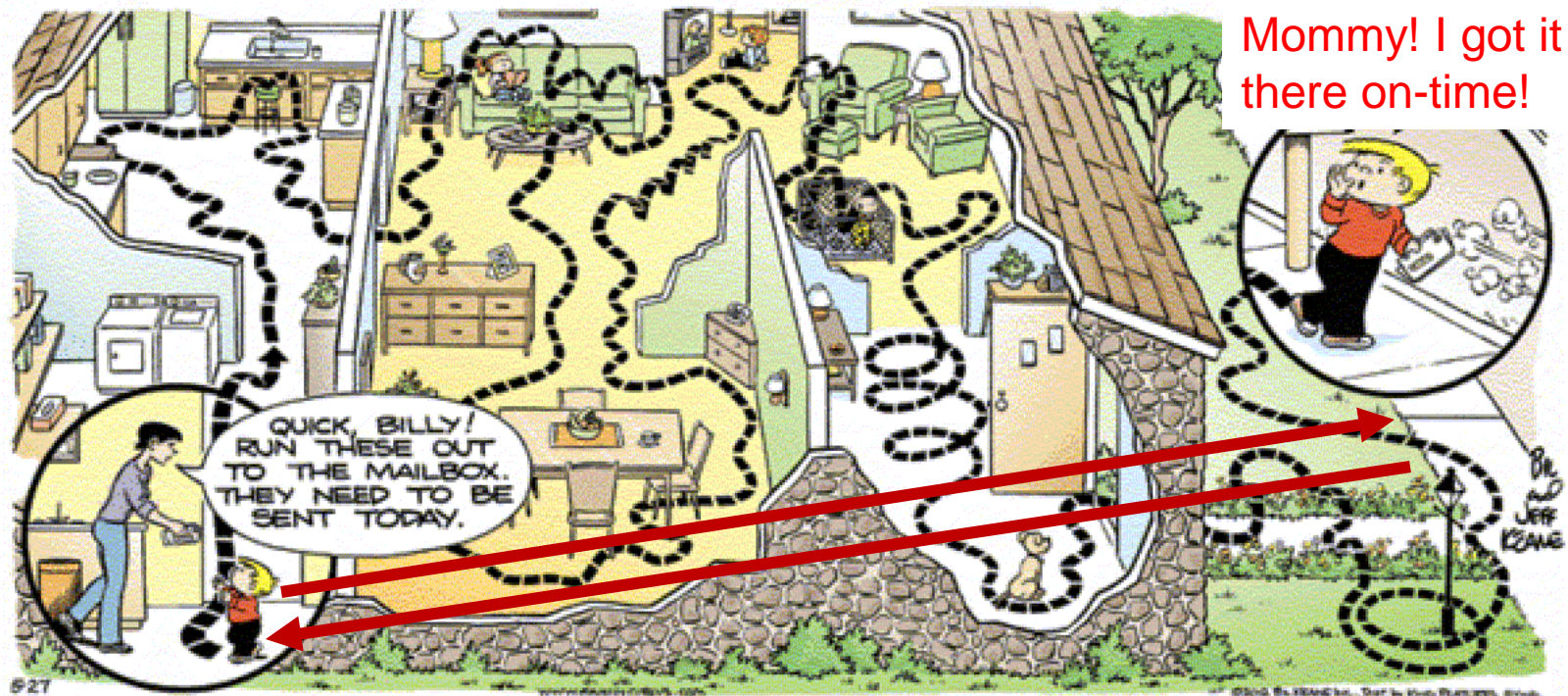
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Bad efficiency – good result: Better, but not scalable!

It's about what the customer sees...

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Good efficiency – good result: Profitable and scalable!

If it is important to you, it's important to them!

“Teaching players during practices was what coaching was all about to me.”



The basics...On-Time Delivery

1.



Make a commitment to your customers.

2.



Teach your employees that you value that commitment.

3.




Measure and post the results for all to see!

REMEMBER: It's on-time delivery of a **QUALITY** product or service!

The basics...First Pass Yield (the quality/profitability part!)

1.  Map the process with your team.

2.  Improve the process by ensuring quality up front to eliminate rework.

3.  Measure and post the results for all to see!



Simple steps to scale!

You can do it NOW! Stick some paper on a wall and go!



Don't be afraid of your current performance!

If you're not making mistakes, then you're not doing anything. I'm positive that a doer makes mistakes.



Questions?

“If I am through learning, I am through.”



Ask me later....

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