

The New Face Of Job Shops

Mike Collins



"Just being a good supplier and a dependable business partner is no longer enough. Job shops need to rethink their primary strategies for doing business."

-Mike Collins

The new economy almost put job shops out of a job. In the late 1990s, customers began purchasing job shop services and parts from Asia. First to go were high volume commodity type parts. Next, foreign suppliers forced price discounting which drove down margins of the remaining American suppliers. Here are three stories of job shops that stayed on the job. Each embodies the innovative spirit working to save American manufacturing.

EBC INDUSTRIES, Erie PA

In the early 90s, Harry Brown at EBC Industries in Erie, PA saw the writing on the wall for production work and changed his company to focus on emergency and short lead-time work. He identified two trends that made him carefully evaluate high volume production work.

First, if the volume gets large enough, the customer is more likely to source from an overseas supplier- often without warning.

Second, there is a relentless pressure from customers to drive prices down. This may eventually erode the supplier's margins to the point where there is simply no way of making a profit.

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Still, Brown observed “when customers get into trouble and need parts in a big rush, price is not the priority– time is.” He then looked at his own facilities and did a bit of improvisation, creating a “Rapid Response System” in his shop that included special machine cells, heat treating, roll threading, metallurgical, and mechanical testing. The idea was to change the nature of some of the services he offered so that he would be able to respond in hours rather than days.

Brown began talking to EBC’s customers about how they could collectively work on reducing waste and cost. This is known as “monitoring customers” and is perhaps the key to making a strategy like Rapid Response work. One of Brown’s objectives was to make customers realize that they did not need to buy parts in large volumes from overseas vendors. They could buy parts as they needed them from EBC and not carry inventories. This means, “only making what you have to make.”

From his adoption of Lean manufacturing techniques, he learned to flow diagram his processes. By relocating equipment into manufacturing cells, multiple processes were combined into one operation, creating a continuous flow of material. This allowed Brown to reduce his costs, inventory, and improve both throughput and quality.

Davis Tool, Hillsboro OR

Ron Davis, CEO of Davis Tool, also saw a shift: in year 2000 Davis Tool had 220 employees and by 2002 they were down to 120 employees. Davis Tool decided to change their strategy to offer quick turnaround on custom or low volume jobs. Davis knew that many of his customers were operating on a just in time basis and could not live with the uncertainties of using foreign suppliers. Some of the ways Davis supported the new strategy included:

Consolidation of business locations and vertical integration of the company’s product line: This strategy allows them to offer very quick deliveries and gives them control of most processes.

Equipment upgrades: Davis has invested heavily in the latest and most efficient machine tools.

Certifications: Davis Tool is ISO 9001-2000 certified, is FDA-approved as a medical device manufacturer, and has NADCAP certification for their EDM department.

Lean manufacturing: These methods improved efficiencies and eliminated waste.

Cross training: This gives the managers the ability to move people around and work in back logged areas.

The results have reduced flow time from 40 days two years ago to 17 days today, and Davis Tool is back up to 225 employees.

Nimet Industries, South Bend IN

Nimet Industries offers proprietary anodizing, and nickel finishes with a 75-person

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job shop in a 60,000 square foot plant. The company's primary strategies can be described as follows:

Market diversity: Nimet has consciously tried to diversify into numerous industries. Within these industries, there are many market niches defined by processes and application. Guy Ellis (Vice President) says diversifying can "minimize the impact of business cycles on our company."

Geographic expansion: Most job shop focus on local markets and customers. Nimet, on the other hand has expanded their market to the whole country.

Proprietary processes: Nimet has developed two proprietary processes that give them a solid competitive advantage in the market place.

Low volume: Ellis says, "We don't do big parts. We largely work with small components for industrial equipment. We don't do architectural parts for instance, and we don't do high volume. Nimet has focused on market niches that are 100 to 500 pieces.

Quick deliveries: From their 3,000 active customers they get orders that average 100 to 200 line items per day. They are able to average 3.5 days from the time an order is received until it is shipped.

Conclusions

Just being a good supplier and a dependable business partner is no longer enough. Job shops need to rethink their primary strategies for doing business.

These 3 examples of progressive job shops hopefully will inspire owners to consider new options and not give up.

Mike Collins is the author of Saving American Manufacturing, a comprehensive step-by-step strategy that demonstrates how to ultimately become an organization that will continually find new opportunities in today's fast-changing global economy.

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