



The Art Of Management

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One of the best lessons learned from my MBA experience was that there are three value disciplines that a company can embody. It is very rare that any company can master more than one.

"Operational excellence" was the first value discipline described by Michael Treacy and Fred Wiersema in their classic article in the Harvard Business Review in 1992. (1) They used the term "operational excellents" to describe companies that were "indefatigable in seeking ways to minimize overhead costs, to eliminate intermediate production steps, to reduce transaction and other 'friction' costs, and to optimize business processes." Sounds an awful lot like our industry. Sounds a lot like your shop, right?

Immediately I thought, "Of course 'operational excellence' is the key!" My years of fighting with incapable systems and processes in the steel industry made me yearn



for the "operational excellence" that seemed always out of reach.

As I got to know more about the precision machining industry, with its focus on precision, barely measurable tolerances and machinery with capabilities I barely understood, I had more than a bit of "process envy."

Compared to our process of adjusting the manganese content of a heat of steel by dumping in a wheelbarrow load of ferromanganese, holding a 0.0002" tolerance seemed the height of process achievement. And that was while delivering on time and with zero defects. What a nice dream for a steel guy.

Since I joined the PMPA, I have found that "operational excellence" is the value discipline most widely adopted by the precision machining industry. If you can't make parts to print, you really don't have a sustainable business model.

"Customer intimacy" is the second value discipline Treacy and Wiersema described. It occurred to me, "Yes, this too is a way to separate one's business from the pack." While hundreds of companies in our industry come to mind instantly when I think of "operational excellence," there are only a select few that embody the "customer intimacy" approach.

These shops do not wait for the inquiry to come in via the fax. They do not have a single point of contact for the customer either. These companies have multiple touch points with their customers – the sales, engineering, quality and production departments all have a line into the customer.

On one shop's paperwork at the machine, I was shocked to learn that the cell phone information for a customer's purchasing, quality and receiving personnel was printed on the shop traveler!

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“Product leadership” is the third and final value discipline. From the standpoint of our industry, it is easy to confuse it with “operational excellence.”

Since most of our businesses are contract shops, it is difficult to say that we have “product leadership,” yet many of us are the supplier of choice for our particular specialty product – whether it is fuel injectors, orthopedic implants, coupling-type parts or shafts. By visiting shops, I have found that the ones that do a good job on shafts usually aren’t the same as those making thousands of hydraulic fittings with heavy stock removal by drilling.

So what about the Art of Management? We are leading our businesses today through incredible uncertainty, economic upheaval and the transformation of entire industries.

We are learning that demand, not supply, is the key to business. Even at the highest quality levels, if there is no demand for end products, our award-winning quality components will not sell.

What can we do when we, as companies that embody “operational excellence,” find little to no demand for the products of our operations? Cutting costs and eliminating redundant processes continue to be our habitual response, but they are not enough.

Now is the time for us to escape the confines of our habitual value discipline. Intimate customer communications can help “operational excellents” better communicate the value they create to the customers that have a chance of surviving in the short term.

If I was an “operational excellent” company, I would work hard to spend training and development dollars to help my team do a better job of communicating with customers in this market.

If I was a “customer intimate” company, I’d look inward at how to improve the operational processes and capabilities we have so that we could better serve the customers who love us.

Communicating our story is only part of the value we create. Now is the time to improve the story we have to tell by becoming better at doing what we do to produce products of choice for our customers.

“Product leaders” have an opportunity to use their specialized expertise to earn market share by redoubling efforts to take their stories to the market like the “customer intimates.” At the same time, they need to become more competitive by following the lead of the “operational excellents” in becoming even more relentlessly lower in costs.

Will a “customer intimate” company ever truly transform into an “operational excellent” company? Will an “operational excellent” ever become the “product leader” in its field? It could happen. Toyota seems to have mastered both “operational excellence” and “product leadership.” The same was true for Dell computers until recently.

But the reason I titled this piece, “The Art of Management” is because while we may not be able to change our stripes, we might be able to envision another way to success. That is, to add a new competence to help our team execute our journey to success.

Through the artists’ eyes, we can honestly see our current status. The science of our engineering is a foundation of our business. The logic of our cost calculations is the means of surviving. But it will be the art of envisioning a new way to succeed, and then the ability to communicate that vision to those who will help us execute it, that will be our masterpiece in 2009.

What is your design for the future we face? Now is the time.

1) “Customer Intimacy and Other Value Disciplines,” Michael Treacy and Fred Wiersema, Harvard Business Review, January-February, 1993.

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