

# What is the best indicator for managing your shop?

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What is the best indicator for measuring your shop's performance?

Net profit before taxes is a quick, off-the-top-of-the-head MBA answer I would expect.

Gross profit is what I would expect to hear from an experienced shop owner who knows that there are a lot of things that can be done with those gross profits to reinvest in the shop prior to declaring "net profits."

The quick ratio tells us whether or not we will be selling our first born for cash in order to operate. Sales this month tells us if we are meeting the plan.

These are all financial indicators. They look at the company through the lens of finance. All measures are denominated in dollars.

Dollars are good. That's kind of why we are in business. And yet...

There is more to business than dollars. There are more ways to look at our businesses than strictly financial. Here are three other lenses to use for analyzing our businesses. I could argue that if you do a good job with them, the financial results we all desire will come as a result.

**Customer:** Let's face it, without customers, there would be no businesses. All of us learned in 2008-2009 that without demand, there are no sales. Customers are critical to the sustainability and success of our shops. We divide our authorities between operations and sales; sales is formally responsible for customers. But really, we all are.

What indicators do you use to stay up to date on customer satisfaction? You have quality indicators for products shipped. Do you have indicators for quality of customer service? How do you measure the impact on your customers of your company's provision of products and services? What do you think that your customers wish that you knew?

**Learning and Growth:** This is a great predictor of your ability to be competitive in the future. Gretskey had a famous quote about "skating to where the puck is going to be." Just because the skills of your people are adequate today does not mean that they will be sufficient to sustain your shop's success in the near future. How many parts are you producing today that have tolerances or GD&T callouts that you were not quoting three years ago? How did you get from then to now?

Managers have been far too complacent about learning and growth for the last 30 years. Trained journeymen are not created spontaneously and dropped from the sky into our shops. Do you have a vigorous training program? Have you assigned mentors to all your operators? Do you have a cross-training and personnel-improvement plan? What percentage of your employees have documented training completed over the past year? If you don't upgrade the skills of your team, who exactly do you think will?

**Internal Business Processes:** These are the means that our people employ to provide our customers with satisfying products and services. Our business processes include not just our equipment and gaging; they also include our procedures, tribal and institutionalized knowledge and the willingness of our people to execute. How do you measure your internal business processes? How do you know if they are capable? What was the last systemic problem that you made permanently go away in your internal systems? How many such "killed them dead," root-cause problems can you and your team chalk up on the scoreboard?

I am always impressed when I meet a shop owner and they have a great grasp on their financials. I never fail to learn from the shop managers that also manage by indicators other than financial. They know what the



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training program will accomplish and what it will deliver, making their people more capable, productive and knowledgeable, which will pay daily dividends forever going forward. They know their status not just tangibly but emotionally with every customer, and they rely on more than their sales guy to know that. They are always adjusting their internal business systems to eliminate waste and make the company more responsive to customer needs.

I think we can all agree that financials are important, but they are a proxy for how well we are serving the customer, improving our processes and growing our people. Financials are a coincident or lagging indicator. Customer, Learning and Growth and Internal Business Processes indicators, I argue, are leading indicators. Indicators that can lead our shops to sustainable, long-term success. What indicator is the best indicator for managing YOUR shop? I hope that your answer includes more than one.

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- Economic conditions
- Value of the Listserve/PMPA email networking forums
- Nonsmoking policies
- ISO Certification
- TS-16949 guidance
- In-process inspection equipment
- Digital microscope recommendations
- CRES 455 H1000 machining
- Straightening titanium
- 8620 vs. 8620H
- Weird material call out:  
Foreign spec
- Turcite A
- Nitronic 60
- Machine repair: multispindle
- Citric acid dip
- CNC grinding source
- Plating source

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Below is the calendar of upcoming conferences and events scheduled for the 2013 program year. For the latest district/chapter meeting information, please view the Calendar of Events at [pmpa.org/calendar/](http://pmpa.org/calendar/). If you have questions about PMPA conferences or regional meetings, please contact: Rob Kiener, Director of Government Affairs & Communications: 440-526-0300 or [rkiener@pmpa.org](mailto:rkiener@pmpa.org).

#### Annual Meeting

October 18-22, 2013  
Hotel Del Coronado  
Coronado (San Diego), Calif.



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