

THE LITTLE BLUE BOOK OF **ULTRA- EFFICIENT** WOODWORKING SHOPS

Or « The Art of Working Together Efficiently Instead of
Inefficiently All by Ourselves »



CIENAPPS

| Integrated Software
Suite

There is a great variety of companies in the woodworking industry: small workshops, SMEs, huge factories with massive production capacity...

However, a company's size doesn't guarantee its profitability.

Some large companies appear successful on the surface, but mask a confused mess where much energy is wasted: employees who start their shift already hoping they were done, a lot of "this isn't my job!", inventory gathering dust on the shelves, reps who promise the impossible before dumping it all on other department...

On the flip side, we find lively workshops that "just get it". Companies that, with a comparable workforce and floor space, manage to generate twice or three times more profit than their competitors. *Ultra-efficient* workshops.

What's the secret? How can you achieve maximum profitability? It really comes down to collaboration.

Redefining collaboration

Collaboration is the act of working and/or thinking together to achieve a certain goal. In structuring all aspects of a company to make the most of it, the work of each department is heightened by others' efforts. The result then becomes much more than the sum of its parts.

After years of cooperating with workshops that often work in very different markets, the team at Cienapps has identified ten management practices common to top performing companies. These principles became the basis of our own service offer, in order to encourage collaboration and help each and every workshop achieve its full potential.

Below are our top ten practices to achieve *ultra-efficiency*.

DEFINE A
COMMON GOAL

What does success look like?

A hockey team wins when it has scored more goals than its opponent after 60 minutes of game time. This may sound simple, but it remains the most important aspect of the game.

It's only by knowing *what* they have to do to win that players can work together as a team, assign roles, and develop strategies that will help them win. Without a common objective, you just have forty guys, sitting at the bench, wondering what to do, or worse, doing what they *think* is necessary for them to win.

Your company needs an objective, and it's probably something along the lines of "making money". That goal shouldn't be a secret; it must be communicated to the whole team if you really want *teamwork*.

Once the goal is set, distinct and measurable objectives can be assigned for each department, or even for every employee. Are lead times too long? Let's work to reduce them by a week. Is an employee allocated 200 minutes to complete a project? Let's rely on his/her experience and ideas to reduce the required time to 180 minutes.

Goals can guide decision-making. Ask yourself: "Does this action bring us closer to our objective?" If it does, go ahead. If not, move on to something else.

Objectives increase motivation at critical times. If you're only missing that one tiny sale to reach the month's quota, maybe your sales reps will be that much more motivated to return those emails and call back potential clients.

You have a better chance at success when you know what success is.

FOCUS ON
**INCREASING
CAPACITY**

Expenses and revenue

If we bring accounting to its most simple expression, we can get away with only two columns: expenses and revenue. And there are only two ways to become more profitable: reduce the first or increase the latter.

There's a limit to which we can reduce expenses. The greatest negotiator alive still won't get any deals on his hydro bill, minimum wage, or gas. There's only so much he or she can do. However, there's always a way to increase revenue.

The most important performance indicator is *lead time*. In certain workshops, it can take up to six weeks between the time an order is made and the moment when the client's kitchen cabinets arrive. In others, an order only takes two days to be delivered. Guess which one sells the most kitchens at the end of the year?

Companies tend to stretch lead times in order to prevent production disruptions. Certain departments (i.e. sales) are going full speed ahead while others can't keep up, thus creating product accumulation. Why not try identifying the reasons behind this bottleneck effect, and more importantly, balance it out?

When all the processes are in place and a factory runs smoothly, nothing is more rewarding than increasing production capacity. Expense and inventory savings are like pocket change when compared to profit generated by an extra sale - with the *same* expenses!

BALANCE

**SALES WITH
CAPACITY**

Finding balance

Imagine a tap and a funnel. You turn the tap on and off, with more or less water pressure, in a completely irregular fashion. Sometimes, the funnel is empty. At others, water accumulates and eventually overflows from it. Does that remind you of work at your shop?

Your company's sales and production must be able to adapt to one another. It's pointless to sell, sell, sell if production can't keep pace. On the other hand, if sales slow down and the factory runs under capacity, your "cost per project" increases, but most of all, you're losing the full value of potential sales.

Two drivers help balance sales with the production bottleneck: delivery times and selling price.

If your workshop is running at full capacity, you may be better off delaying delivery times. Better to give a few weeks' delay to a fully lucrative project than to lose benefit to overtime and the increased risk of mistakes.

When business slows down, put that time to good use by offering creative promotions. Any sale, as long as it at least covers cost of materials, helps cushion operation costs.

However, to be able to correctly adjust these drivers, gathering all necessary information is key to establishing and analyzing sales forecast, setting goals, and monitoring the impact of your decisions.

PICK THE MOST
**PROFITABLE
PROJECTS**

Think of time as a product

Workshops must manage all kinds of unforeseen events and requests that end up influencing a project's profitability. At first glance, it may seem impossible to figure out the "cost + profit margin = selling price" formula.

Yet, if one considers labor at an hourly rate, cost of materials, and operation costs, it all adds up to the *true cost price* of a project. That information can be used as a driver to increase profit and help fix the production bottleneck.

Orienting sales towards high-margin products

Encourage your representatives to promote higher priced or more cost-effective products. Identify less lucrative undertakings, then raise your prices to make them worthwhile, or just stop offering them altogether. You'll see things run smoothly when clients are interested in what you do best – and brings in the most profit!

Balancing production

If your sales forecasts don't bode well and you're looking at production people twiddling their thumbs, you may consider closing a sale below your cost price. Okay, so you're not making any profit, but as long as you're covering the cost of materials, you're contributing to the company's profitability. Every little bit helps!

Making better decisions

By keeping labor projections and cost of materials updated, as well as reviewing completed projects on a regular basis, you can perfect your estimates when comes the time to tender. Ideally, you'll want to be able to precisely evaluate how much you'll make on any given project even before closing a sale, to be able to choose the most fruitful jobs.

PLAN FOR THE
FUTURE

Learning to prioritize

Not all projects can be a priority. It would be kind of like leaving all the traffic lights green because you don't want a single car to stop.

To properly plan production, one must be able to see the big picture. And that implies knowing to decline or delay requests and favoring the most lucrative projects. Every single decision must be made in order to maximize production capacity (the bottleneck) and not leave potential profit on the table. Obviously, your estimates won't become reality without the cooperation of your employees.

Time budgets for employees

By allocating a time budget to each task, you're giving clear parameters for your team to follow. An eight-hour project should be done in eight hours, with all the necessary care associated with it. Meanwhile, a two-hour project should be done more quickly and given effort in relation to the allotted time. If they all have a clear objective, your team members will want to surpass themselves and make that deadline, thus ending the day on a positive note. Win-win.

Set delivery dates

Clients also play a major role. It's impossible to schedule and optimize production if clients can keep shuffling delivery dates around! Explain to your customers that a delivery date is a *mutual* commitment, and that they must stick to it as much as you do. Only set a delivery date once the client has all the necessary information to make this commitment.

Proper planning will help ensure that the most important projects get all the attention they need to ensure your company's productivity and profitability.

SWITCH TO
**JUST-IN-TIME
FULFILLMENT**

Because even savings can be too expensive

It's easy to fall for the overstock trap – the savings seem so obvious! Yet, any materials purchase that doesn't follow the production rate becomes a waste. In the long term, volume and shipping savings are dwarfed by costs related to management, handling, storage, the risk of damage, and most importantly, lack of cash assets to boost capacity and increase the company's profitability.

Many workshops hold an important inventory for fear of running out of stock or to compensate for their suppliers' long delivery times. However, in focusing on increasing their capacity through "just-in-time" purchasing, ultra-efficient workshops are able to reach a certain order volume and have better negotiating power over their suppliers.

Instead of making one big order once in a blue moon, they make smaller orders on a regular basis!

CONNECT
INSTEAD OF
WORKING
FROM SCRATCH

Work with the very best

Every software has its specialty. While it's possible to create a semi-adequate promotional flyer in Word, a designer working with the proper design software will be able to produce a much better one in far less time.

Beware the all-in-one programs: if, at first glance, they seem easy to use, it's precisely because they don't have the depth of specialized software. The result becomes less than the sum of its parts. Instead, opt for a solution where your existing programs can interconnect, thus sharing information and automating procedures. You'll then be able to work in all the right conditions.

All the information contained in your various accounting, design and production software should be linked to avoid duplicate work. Remember: there's nothing a good programming team can't fix if some programs don't seem to want to work together.

CENTRALIZE
INFORMATION

Avoid duplicate work

One of the greatest adversaries to profitability is wasted time. The kind that keeps you from running at full capacity because employees are busy with something else: looking for a file, making a request by email, typing in handwritten information, or copy-pasting data from one program to another. Hence the importance of centralizing all that information, making it accessible to everybody.

It's kind of like storing all the utensils in the right drawer, so you don't have to turn the house upside down when you need that potato peeler.

However, gathering all that data isn't everything; it still has to be done right. Collecting and sorting out all the relevant information has to become automated. And although everyone should have access to that shared folder, it's entirely possible that you might want to keep some things from specific people. Like your profit numbers, maybe.

A link to other programs? A permissions system? It's starting to look really complicated for a bit of accounting or design software, or worse, something vaguely thrown together in Excel.

What you really need is a management software, custom made for woodworkers, whose primary role is data processing.

AVOID
CHAOS

When in doubt, keep it simple

Simple is better. With a real objective in sight and a clear approach, you should expect your company to perform increasingly well.

Still, there are always exceptions to consider. The “what ifs” and the “what about...” will always be there. Fight the urge of trying to craft the “Perfect Solution” that will solve every single problem or that will predict every single contingency. Is weighing down the whole process for the sake of perfectionism really worth it?

Better to keep it simple and find a flexible solution capable of adjusting to the unexpected. If your online form has 30 options to check, but only ten cover most of the situations you encounter, you might as well just have those ten and have an “other” category where the client can explain his specific need in a few words.

A simple, efficient, 95% automated system will perform much better than a 100% overly complicated, unfriendly system that no one fully understands.

BECOME
PARTNER
WITH YOUR
SUPPLIERS

Collaboration without limits

Continued improvement and achievement of ultra-efficiency doesn't have to be enclosed within the four walls of your workshop. If your company is a chain link and something is weighing it down upstream (with your suppliers) or downstream (with a general contractor or a client), it will inevitably affect your own operations.

Instead of struggling to squeeze the lowest possible prices from your suppliers, aspire to become an important client to them, one whose orders are always delivered on time, without defects, at a rate that's in line with production, with easy access to accurate information for every product. The benefits gained by ultra-efficient operations far outweigh the puny savings made by volume buying. The time that was previously wasted transcribing data can now be put to better use by increasing sales and productivity.

Explain to your suppliers what you're trying to accomplish; the best of them will understand that they have everything to gain by supporting your cause.

CONCLUSION

There it is. All the cards are on the table. It's really up to you now.

We've observed that a company's success flows from collaboration. Ten management practices enable workshops to generate maximum value by encouraging coordination between all the different aspects of their company.

- Define a common goal
- Focus on increasing capacity
- Balance sales with capacity
- Pick the most profitable projects
- Plan for the future
- Switch to "just-in-time" fulfillment
- Connect instead of working from scratch
- Centralize information
- Avoid chaos
- Become partner with your suppliers

The best recipe in the world isn't worth the paper it's written on unless it's actually used. If you're willing to embrace change, to redefine collaboration within your company, and to see the relationship you have with your suppliers differently, it's time to start applying these principles.

The finish line might seem far away, but if you want a smooth transition towards reaching your goal, the Cienapps management software already includes everything a workshop needs to do so quickly and easily. After all, it was developed with all the above principles in mind.

Ready to join the ranks of ultra-efficient workshops?

Visit www.cienapps.com for the next step!



CIENAPPS

1. PLANNING

A planning tool helps you optimize your plant capacity. Plan for the future, avoid overtime and streamline your production.

2. GOALS

Set specific production objectives and share priorities with your employees. Assign them goals to achieve and the motivation to give the best of themselves.

3. FULFILLMENT

Avoid "out of stock" problems! With inventory management and the recommended "Just in time" fulfillment, you'll always have the materials you need at the time you need them.

4. PROFITABILITY

Stop trying to "guess" your production cost! Figure out *exactly* how much profit a project will bring *before* agreeing to it, then keep track of adjustments as things move forward.

5. CENTRALIZE INFORMATION

Avoid wasting time by gathering all the project information in a SINGLE place, with a permission-based system to control information access.

6. DRAWING

Import technical drawings from your 3D software to automatically produce a detailed breakdown of materials and components you'll need for your project. It works like a charm!

7. SALES MANAGEMENT

Have full control over your sales, with a CRM providing a detailed history for every prospect, to ensure better follow-up and close even more sales.

8. CENTRALIZED PURCHASES

Cienapps integrates seamlessly with Cieblink, the only e-commerce platform that allows you to purchase from ALL your suppliers and keep track of your order status in real time.

9. INVOICING

Connect Cienapps with your accounting software to automate bookkeeping, without any re-transcription involved and no oversights.

10. CUSTOM FORM

Build a custom form that asks the right questions to speed up the process, avoid missing information and figure out your exact production cost when preparing a quote.

You now know the secrets to
reach ultra-efficiency

ARE YOU READY TO PUT THEM IN ACTION ?

Visit **cienapps.com** to discover a woodworking
management tool that makes full use of this book's ideas.



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