



## Understanding Value-added Time

**How much time does it really take to produce your orders? The ability to successfully manage the production process in your company is the cornerstone to building a customer centered organization. Understanding your value-added time can reveal much about your company's true performance.**

### WONDERMENT® Project Steps:

**First ... Choose 10 orders and calculate the average cycle time for each**

1. Calculate the number of *production days* from release to completion for each order.
2. Calculate the average production days of the 10 customer orders.

**Then ... For 1 week, calculate the approximate value-added time per order**

1. Measure the total *labor hours* worked and the total number of customer *orders* completed.
2. Calculate the average labor time per customer order. (Divide labor hours worked by number of orders completed in the same time period)

**Finally ... Compare the average order cycle time against the approximate value-added time per customer order.**

### Example: Filter Manufacturer

Frank's Filter Company recognizes that he is losing market share. After researching the market, he realizes that many competitors offer the same product with a much shorter lead-time. Through tracking his customer order cycle time vs. the approximate value-added time he asks the question "why are my lead-times so long?" Here are his results ...

### In Your Company ...

Identify 10 customer orders, track and calculate the order cycle time (production release through completion). Then over a 1-week period track and calculate the approximate value-added time\* from production release through completion.

### The Numbers...

Avg order <b>cycle time</b> (10 customer orders)	Approx. <b>value-added time</b> per order (1 wk of production)	Avg order <b>cycle time</b> (10 customer orders)	Approx. <b>value-added time</b> per order (1 wk of production)
10 days	4hrs		

\*Assumption: Value-added time includes "manned" production time only. Does not include drying time, curing time, outsourcing time, etc.

### What questions does this raise?

- Why doesn't the product lead-time given to customers equal the value-added time?
- What are the obstacles or bottlenecks to reducing the customer order cycle time?
- Are their "piles" of orders sitting on the production floor?
- What is the non-value added processes that are increasing the order cycle time?
- Is the production scheduling and release process formal? Are other departments included in the scheduling process, i.e. Customer Service, and Purchasing?
- What is On-time % for all orders?
- Is there a large backlog that could "pulled-in" with increased cycle-times?
- Is there a daily past-due amount?
- How much revenue am I losing due to long lead-times?
- What costs are caused by high cycle times?
- Does production stop and start orders in midstream?
- Does production work in a FIFO (first in first out) system?

Please tell us what you think. Log on to [www.jacquard.com](http://www.jacquard.com) or call 847.945.8700.