

SoPark invests in theory to improve profits

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Circuit board assembly at SoPark Corp. continued to lag despite best efforts by management. It lagged, that is, until the Theory of Constraints was applied to the works at the Lackawanna manufacturer.

The company is among those worldwide who swear by the 20-year-old approach to invigorate their operations, and who are using a new strategy developed by constraint theorists that promises to radically improve a business' bottom line.

The academic-sounding theory runs counter to the corporate tradition of cost cutting and job elimination when things falter. The route to improvement, according to the Theory of Constraints, is pouring resources into the weakest area of the organization. The idea is to get the constrained area running at capacity, even if it means other parts of the operation slow down to match its pace.

For SoPark, it was with the surface mount placement machines.

President Daniel Liebel said the machines would be down a total of four hours to eight hours each week to make adjustments and change settings between jobs. Losing the machines for what amounted to a day a week slowed production and delayed delivery. After applying the Theory of Constraints to the problem, the bottleneck was opened and down time was cut in half, Liebel said.

Key is turning the attention of the entire 140-employee organization – a little like a NASCAR pit crew tending to a race car – to correcting the problem, Liebel said. For example, the individual whose job it is to test circuit boards would be told to stop testing and assist with the change over. Though his work would back up a bit, Liebel would tell him, "What you're doing is

not stopping us from shipping. This is."

Even people from the accounting department could be taught to do simple tasks on the production floor, freeing up the highly trained to concentrate on complicated change-over tasks.

Some supervisors had to be convinced.

"We had to get them over the fact of having someone else coming up and doing the job," Liebel said. "We have a pretty good group. If we asked someone to do the job, they would do it."

The Theory of Constraints was developed by Eliyahu Goldratt and introduced in his 1984 book, *The Goal*. Since then, it has been used by businesses worldwide, said Nallan Suresh, professor of management at the University at Buffalo.

"It makes you think in a new way," Suresh said. "This ignores everything and concentrates on the bottlenecks. You have to constantly identify the bottlenecks and attack the bottlenecks. It's very simple and appealing."

Liebel's company expects sales this year to reach \$12 million – a figure he hopes to make his profit in four years. That means SoPark will need to triple sales by 2009, but Liebel believes it's worth a shot following the Viable Vision approach, under the Theory of Constraints. The approach was introduced to Buffalo last year, through the efforts of consultants like Rocco Surace, a partner at Gaines Kriner Elliott LLP, the seventh largest CPA firm in the region.

Viable Vision involves an intense look at a company's operations and numbers and generally requires a shift in strategy.



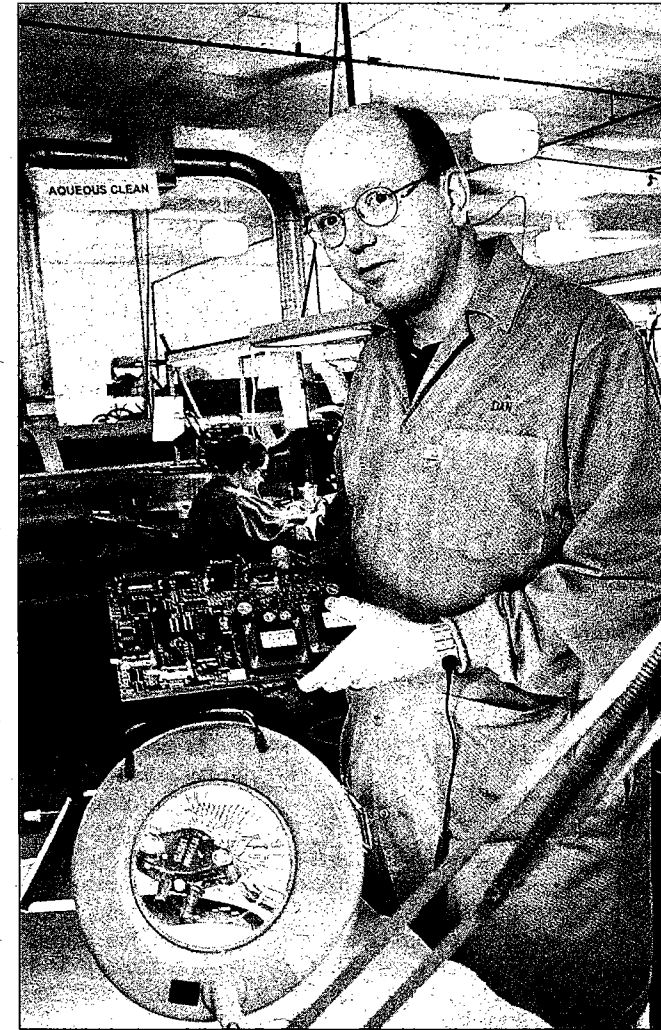
Surace

"Every company thinks they are competing on price. Usually service is the issue," Surace said.

Company principals meet with Goldratt and are assigned consultants who are on-site at least two days a week. Fees are steep: There's a \$600 seminar, a \$5,000 fee for the Goldratt meeting and then a fee based on sales. For example, a company with \$10 million in sales is charged about \$3 million over the course of the four years. However, the company pays only 10 percent of that if the company doesn't achieve the promised bottom line.

Liebel said SoPark, in the first months of its Viable Vision, is embarking on a major project: guaranteed supply of inventory. It will change the company's practice of building to a company's order and shipping it. The new process will anticipate customer's needs, and ship in smaller batches as needed. SoPark is about a month away from offering the program to customers.

"We don't look at product costs any-



SoPark Corp. President Daniel Liebel says using the Theory of Constraints to improve business is a lot like a NASCAR pit crew tending to a race car: The entire organization must turn attention to correcting problems.

more. It's do we have enough throughput to cover the costs. That's the new philosophy," Liebel said.

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