Manufacturing Flow Times Equate to Cash

Before becoming CEO at Piper Aircraft, I was VP of Operations, responsible for overseeing the full manufacturing value stream. When I arrived, the total production flow time for a new aircraft was approximately nine months, beginning with machining the wing spars and ending with production flight test.

After a preliminary analysis, we determined that reducing total flow time by one-third could free up between $5 million and $10 million of work-in-process (WIP) inventory. To achieve this, we mapped the entire production flow, then we optimized sequencing, reduced individual process cycle times, eliminated unnecessary WIP buffers, and improved pacing in later stages— where WIP labor, material, and overhead costs peak. The result was a 30% reduction in flow time and the release of $7 million in cash, which we redirected to fund the Piper Matrix program.

Many small and mid-sized businesses could benefit by doing the same thing. Start by looking at your balance sheet: what is one-third of your total inventory worth? That amount of cash is likely sitting inside your current manufacturing flow. By taking the steps outlined above, owners can reduce manufacturing flow times and withdraw cash from the company. If sellers don't capture this value before a sale, the new owners will—in which case they receive the cash released.

Kevin Gould
Managing Director
PEAKSTONE GROUP
www.peakstone.com
cell: (425) 218-3723
kgould@peakstone.com

Kevin Gould is a Managing Director at #1 rated investment bank Peakstone Group, focusing on selling middle-market aerospace and aviation companies. He has been an executive at Boeing, Honeywell, Piper Aircraft, Peregrine Avionics, Eclipse Aerospace and ICON Aircraft. He is an instrument-rated private pilot.