

**TEST LAB
MANAGEMENT**

PRACTICAL MANAGEMENT SERIES BACKGROUND

MARKET FORCES DRIVE LAB MANAGEMENT

EXECUTIVE BRIEFING

Increasing organizational complexity is driving test lab management issues for discrete manufacturers. Few organizations recognize the magnitude of this complexity or its effects on efficiency, productivity and costs. The goal of this background paper is to highlight the forces that give rise to increasing complexity.

Significant market forces impacting discrete manufacturers are the pursuit of:

Revenue growth from new customers in

- New markets around the globe
- Existing markets with new products or product variations

Cost reductions due to

- Customers' demand for lower prices
- Discrete manufacturers drive to continued profitability

Competition for revenue becomes a race to market which results in shorter and shorter product development cycles. Competition for revenue and the business need for cost reduction result in global dispersion of key activities. Of note are moves to:

- Source parts and components from low cost locales
- Manufacture in low cost locales
- Disperse Engineering and R & D globally for cost savings and efficiencies

Global dispersion of key activities gives rise to organizational pressures. Pressure builds from a lack of visibility:

- Over external activities, "from the inside looking out"
- Into what is really happening, "from the outside looking in"

Better communication and coordination are vital to relieving the pressure but bump against barriers of culture, language, local autonomy and centralized governance.

This is a complex environment! Now add to the mix, factors that are specific to test lab management:

- **More volume** due to more required tests and more products to test. More tests arise from both new product functionality and new requirements associated with new markets.
- **Complex interrelationships** among test equipment capabilities, personnel capabilities and test requirements

SUMMARY

Competition is strong in the developed markets. New product variations are launched more frequently and at lower price points in the search for new customers. In pursuit of revenue growth, and with lower price points, these products are also launched into new market segments, particularly

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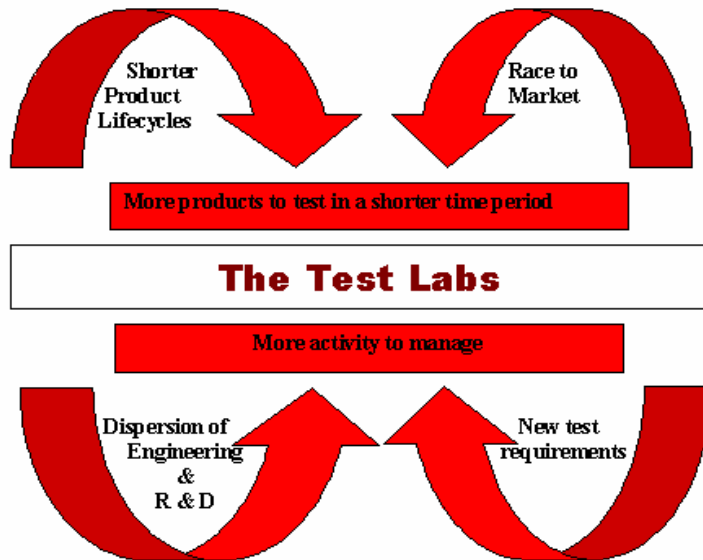
outside North America and Europe.

The race to market amplifies the trend toward shorter product lifecycles resulting in more products to test in an increasingly shorter time.

Global dispersion of engineering and R&D means lab efficiency is more sensitive to timing, particularly the availability of products to test. Greater efforts are required to communicate test schedules and the availability of resources. The push into new markets means more testing, due to variations in product features applicable to the new markets and to new standards applicable to those locales.

CONCLUSION

Market forces drive a trend toward geographic dispersion of discrete manufacturer's key resources and facilities. The process of getting product to market is already complex and geographic dispersion further increases its complexity.



The trends toward new markets and new products increases the amount of testing needed due to new requirements associated with the new geographic regions and more products with new or differing functionality.

Test labs are negatively impacted by these trends. Why? The increasing volume of tests is straining lab resources. Resources are stretched in support of direct testing activities. Additionally, there are significant

increases in workload related to communication activities regarding schedules, requirements and results as a direct result of geographic dispersal.

These trends are real, so how must the test lab react so as not to impede the race to market?

This question and others are explored and addressed in the **Practical Management Series** available at www.traxstar.com. Join us in exploring the second part of the **Background Series - Understanding Lab Management**.

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ABOUT THE AUTHOR

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