

# Lean Thoughts

Inspired People

Robust Processes

Lean Operations

**February 09, 2004**

For all **Consortium** events – Contact Richard for more information.. For other events – contact directly

*Important Consortium Dates to add to your calendar*

The **Team Time** schedule has been established for the coming year. Team Time will start at 1:00pm at the host company. This will allow for folks to work with peers in the host site to collaborate, facilitate and implement ideas to advance the implementation of manufacturing excellence. **Participants should be prepared to work on the shop floor and come equipped with proper PPE.** The host site will advise 1 week in advance Team Time Projects. Part of the Team Time activity will include a plant tour.

- March 11, Team Time, Kromet International.** contact Richard Kunst, [Richard.Kunst@Kromet.com](mailto:Richard.Kunst@Kromet.com)
- April 08, Team Time, Kraft Foods,** contact Mariela Castano, [Mariela.castano@Kraft.com](mailto:Mariela.castano@Kraft.com)
- May 13, Team Time, Stackpole AGD,** contact Cindy Grolleman, [cindyg@stackpole.ca](mailto:cindyg@stackpole.ca)
- May 18 - 21, AME Pacific Rim Conf., Melbourne Australia,** info at [www.x2xconference.com](http://www.x2xconference.com) contact [ame@pams.org.au](mailto:ame@pams.org.au) for dialogue
- June 10, Team Time, Stackpole CSD,** contact Gerry Ward, [gerryw@stackpole.ca](mailto:gerryw@stackpole.ca)
- July 08, Team Time, Eaton Cutler-Hammer** contact Joe Fisher, [JoeRFisher@eaton.com](mailto:JoeRFisher@eaton.com)
- August 13, Team Time, Messier-Dowty.** contact Richard Evans, [Richard.Evans@Messier-Dowty.on.ca](mailto:Richard.Evans@Messier-Dowty.on.ca)
- September 09, Team Time, CGL Manufacturing** contact Dave Desker, [daved@cglmfg.com](mailto:daved@cglmfg.com)
- October 14, Team Time, CTS Corp.** contact Bob Garces., [Bob.Garces@ac.ctscorp.com](mailto:Bob.Garces@ac.ctscorp.com)
- October 18-22, AME Annual Conference, Cincinnati.** contact [www.ame.org](http://www.ame.org) for details
- November 06, Consortium ShareShowcase, Eaton Cutler-Hammer** contact Joe Fisher, [JoeRFisher@eaton.com](mailto:JoeRFisher@eaton.com)
- November 11, Team Time, Morrison Lamthe.** contact Tony Vita, [tita@morrisonlamthe.com](mailto:tita@morrisonlamthe.com)
- December 09, Team Time, Inscape.** contact Joe Cyr, [jcyr@inscapesolutions.com](mailto:jcyr@inscapesolutions.com)
- January 09, Team Time, Alumabrite Inc.,** contact Richard Kunst, [Richard.Kunst@Kromet.com](mailto:Richard.Kunst@Kromet.com)

## Half Day Workshop– Understanding the Lean Journey

**Gary Kerr** from ADI in Australia has been facilitating a Lean Transformation at ADI. Listen and exchange ideas about lessons learned during the journey.

Event will be on **March 03, 2004 at Avnet Electronics** in Mississauga. Cost; \$100.00 AME or Consortium Members - \$175 for associates and Mfgs

## Improving Your Lean Transformation

*The truth is, most companies have great difficulty achieving a Lean transformation. Avoid eleven common errors, and you will improve!*

*By Bob Emiliani and David Stec  
[The Center for Lean Business Management, LLC](http://TheCenterforLeanBusinessManagement.com)*

Last year we published the Shingo Prize-winning book *Better Thinking, Better Results*, which describes The Wiremold Company's enterprise-wide Lean transformation between 1991 and 2000. One of the things we have been wanting to do since then is write another book that tells the story of an excellent Lean transformation in a different manufacturing business, or in a service business. But so far, we have not found anything to write about. Perhaps it is because most Lean transformations are still early in the process.

While thousands of companies world-wide have embraced Lean over the last 10 years, the reality is that few have any notable accomplishments with regard to the application of Lean across the enterprise. The good news is that some manufacturing businesses are starting to apply Lean principles and practices to processes other than in operations, such as engineering, procurement, or accounting, but not yet to human resources, MIS, legal, sales, marketing, etc. And senior managers at many services businesses are beginning to realize that Lean principles and practices also apply to their business – though mainly in operations.

From our view as former managers at a Fortune 60 company, and now as professors that educate working professionals and as executive trainers, what we see is a widespread misunderstanding of Lean among senior managers. This has led to many faulty Lean transformations, which make people think of Lean as nothing more than a “flavor of the month,” or results in negative perceptions of Lean due to layoffs after productivity improvements have been achieved.

Negative cutting, such as layoffs, is not the intent of the Lean. Nobody should lose his or her job due to productivity improvement. Instead, the focus is positive improvement and stable long-term growth. Positive improvement results in better financial and non-financial performance, job stabilization or job creation, higher quality and lower cost products and services, better relationships between key stakeholders such as employees, suppliers, customers, investors, and the community, and thus more competitive manufacturing or service businesses.

While progress has been made in recent years, the full benefits of Lean have yet to be realized by most

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companies and their end-use customers. We find a high level of awareness of Lean in many organizations, yet knowledge of Lean as a *management system* among senior managers is very low. We also find that most senior managers overstate their company's Lean capabilities and progress, which is consistent with their limited understanding of Lean, the common tendency to mix Lean and non-Lean business practices and metrics, and lack of direct participation in continuous improvement activities.

The Lean management system has two key principles: "continuous improvement" and "respect for people."<sup>[i]</sup> Continuous improvement is the "tools and methods" used to improve productivity, while "respect for people" embodies leadership behaviors and business practices that must be consistent with efforts to eliminate waste and create value for end-use customers. Unfortunately, most senior managers implement only "continuous improvement," and do not implement both "continuous improvement" and "respect for people." If they see it at all, "respect for people" is incorrectly understood as adding cost, when in fact it reduces costs. Consequently, the pace of Lean transformation is slow, and only modest levels of improvement are achieved.

We have observed many errors in how senior managers go about implementing Lean. They include:

- **Management System.** Senior managers typically understand Lean as a "manufacturing thing," and not as a comprehensive management system. Thus, the application of Lean principles and practices is limited to only a portion of the company's activities such as operations. That, of course, makes no sense, since there is waste in every business process.
- **Leadership Behaviors.** These remain deeply rooted in batch-and-queue thinking, which greatly conflicts with efforts to implement Lean principles and practices<sup>[ii]</sup>. In other words, senior managers often exhibit wasteful behaviors<sup>[iii]</sup>, while at the same time telling workers to eliminate waste. People notice this inconsistency, and silently question senior management's commitment to Lean.
- **Leadership Participation.** Every senior manager we talk to says they support Lean, but in reality they believe they should be doing other things, or claim they are too busy to get involved with kaizen – either as facilitators or as team members. As the saying goes, "talk is cheap." The lack of personal participation in improvement activities sends the wrong message, and leaders miss important opportunities to deepen their understanding of

Lean. It is another source of inconsistency that results in questions about senior management's commitment to Lean.

- **Management Turnover.** It is impossible to achieve a Lean transformation with high management turnover. Senior managers that come and go every few years don't effectively learn the Lean management system, or they introduce tools, methods, or metrics that conflict with Lean principles and practices. In cases where the Lean transformation has been most successful, there is long-term stability in senior management.
- **Business Metrics.** Financial and non-financial metrics usually remain rooted in batch-and-queue thinking, which conflicts with efforts to implement Lean principles and practices. We see many examples of beautiful one-piece flow cells that are measured to both takt time and "earned hours." Invariably, the metric that matters most is earned hours, thus trumping efforts to respond to actual customer demand. This violates the "respect for people" principle – specifically, respect for employees, suppliers, customers, and investors.
- **Layoffs.** The result of productivity improvement is often unemployment, which impedes worker participation in future improvement activities. This outcome is inconsistent with Lean because it too violates the "respect for people" principle. Not surprisingly, the pace of improvement is greatly slowed.
- **Strategy Integration.** In most cases, Lean activities do not directly link to corporate strategy and goals. Kaizen is often applied haphazardly; fantastic improvements are achieved in activities that mean nothing to the company or its end-use customers. Some companies are beginning to address this by using *hoshin kanri* (i.e. policy deployment).
- **Total Cost.** Senior managers typically do not understand the "total cost" of a purchase – just purchase price. They use purchasing tools that are inconsistent with Lean principles and practices such as economic order quantities and online reverse auctions.<sup>[iv]</sup> Price-based metrics such as purchase price variance (PPV) promote destructive power-based bargaining with suppliers. This makes it difficult to apply best practices with suppliers, such as collaborative problem solving.

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• **Time Horizon.** It is common today among senior managers of publicly owned businesses to be focused on the short-term. The Lean transformation requires management to focus on the long-term, without losing sight of important short- and mid-term goals. Most senior managers will tell you that they care a lot about the future of the company, yet they unintentionally behave in ways and cling to metrics that actually reduce competitiveness.

• **Focus.** Most senior managers of publicly owned businesses are obsessively focused on shareholders, and usually make decisions that come at the expense of other stakeholders such as employees or suppliers. It is impossible to achieve a Lean transformation with shareholders as the singular focus. Instead, managers must balance the interests of key stakeholders, which in turn yield better results for shareholders<sup>[iv]</sup>. Successful Lean transformations have a proper focus on end-use customers, which are the primary source of cash flow that investors care most about.

• **Supply Chain.** It is difficult for suppliers to practice Lean effectively if their customers do not. Applying Lean throughout a supply chain requires the sponsorship and participation of large buying organizations that correctly apply Lean principles and practices to their own internal activities<sup>[v]</sup>. Most companies practice variations of Lean that contain many flaws, thus making the “train-the-trainer” approach to implementing Lean in supply chains ineffective. Managers who are serious about Lean quickly abandon power-based bargaining and price-based purchasing metrics.

Without question, there is much room for improvement.

Senior managers that do not understand the Lean management system or its intent are not bad people. Nor are they hopeless “concrete heads.” Rather, most are valuable resources that can be shown how to improve their leadership and business skills if they are willing to learn new things – many of which will be at odds with what they previously learned on-the-job or in business school.

The Lean management system is a truly fabulous creation. Implemented correctly, it makes work fun, exciting, and much more fulfilling. It also leads to the kinds of favorable business outcomes that senior managers seek.

This article has laid bare many of the key issues that most organizations engaged in the Lean transformation have not yet recognized or adequately addressed. We are optimistic that over time, people will gain a better

understanding of Lean, and the results they achieve will be something special to write about.

[iv] “The Toyota Way 2001,” Toyota Motor Corporation, internal document, Toyota City, Japan, April 2001.

[v] See “Linking Leaders’ Beliefs to Their Behaviors and Competencies,” by M.L. Emiliani, *Management Decision*, Vol. 41, No. 9, 2003, pp. 893-910.

[vi] See “Lean Behaviors,” by M.L. Emiliani, *Management Decision*, Vol. 36, No. 9, 1998, pp. 615-631.

[vii] See “Sourcing in the Global Aerospace Supply Chain Using Online Reverse Auctions,” by M.L. Emiliani, *Industrial Marketing Management*, Vol. 33, 2004, pp. 65-72.

[viii] See *Better Thinking, Better Results: Using the Power of Lean as a Total Business Solution*, by Bob Emiliani, with David Stec, Lawrence Grasso, and James Stodder, The CLBM, Kensington, Conn., January 2003, ISBN 0-9722591-0-4.

[ix] See “Creating and Managing a High-Performance Knowledge Sharing Network: The Toyota Case,” by J. Dyer and K. Nobeoka, *Strategic Management Journal*, Vol. 21, 2000, pp. 345-367. **Bob Emiliani** is President of The Center for Lean Business Management, LLC, and a Professor in the Lally School of Management and Technology at Rensselaer Polytechnic Institute, Hartford, CT, department. **David Stec** is Vice President of The Center for Lean Business Management, LLC, and an Assistant Professor in the Department of Manufacturing and Construction Management at Central Connecticut State University, New Britain, CT. Both had management responsibility for implementing Lean internally and in supply chains while at a Fortune 60 company. They are co-authors of the 2003 Shingo Prize-winning book *Better Thinking, Better Results*, which chronicles The Wiremold Company’s Lean transformation from 1991 to 2000. please visit <http://www.theclbm.com>.

## Wow – It’s Happened Again – Lean Wins

It is official; **Toyota has outsold Ford** to become “Big #2”. The data indicates that 2003 sales reached 6.78 million vehicles (up 9.9% from previous year)... with Ford’s numbers reaching 6.72 million vehicles -- down 3.6%. (The numbers are even worse as Toyota counts only those sold to customers – Ford counts every vehicle delivered to a dealer)

In typical Japanese style, the folks at Toyota declined to compare themselves to Ford. Instead, and in accordance with **Lean Thinking’s first principle** that “The only assessment of the value you bring to the table is that made by the customer” – **Toyota stated that the numbers were due to ‘rising customer satisfaction.’**

The number 1 seller was GM who weighed in at 8.6 million vehicles last year. In case you are in the market for a new car, the very best selling car in America last year – for the second straight year – and the 6<sup>th</sup> time in the last 7 years – is Toyota’s Camry. All in all, this past year was the best in Toyota’s 46-year history. Gee perhaps a closer look at Lean is coming.