

Lean Thoughts

Inspired People

Robust Processes

Lean Operations

September 13, 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.

- September 15 & 16, Lean Conference Canada, **Ottawa Congress Centre** contact www.leanConferenceCanada.com to register
- September 25, Consortium ShareShowcase, **Eaton Cutler-Hammer** contact Joe Fisher, JoeRFisher@eaton.com
- October 14, Team Time, **CTS Corp.** contact Bob Garces., Bob.Garces@ac.ctscorp.com
- October 18-22, AME Annual Conference, **Cincinnati.** contact www.ame.org for details
- November 11, Team Time, **Morrison Lamthe.** contact Tony Vita, tita@morrisonlamthe.com
- December 09, Team Time, **inscape.** contact Joe Cyr, jcyr@inscapesolutions.com
- January 06, Team Time, **Alumabrite Inc.,** contact Richard Kunst, Richard.Kunst@Kromet.com
- February 10, Team Time, **Kromet International.** contact Richard Kunst, Richard.Kunst@Kromet.com



Consortium Practitioner Circles

- o **Creating Cells and Flow Synchronization, Host Kraft, TBA** contact Hanif hijvrage@kraft.com
- o **Advance Part Quality Planning (APQP) or new part introduction Host, CFN Precision Sept. 20,** contact Barry Wood bwood@cfn-inc.com
- o **Creating the Visual Factory host, Eaton Cutler-Hammer, Sept 09** contact, Joe Fisher JoeRFisher@eaton.com
- o **Effective Health & Safety host Alumabrite date TBA** contact Bob Krosue Bob.Krosue@alumabrite.com
- o **5S+1 Implement, Enhance and Sustain host, Nestle Waters** contact Mariela Castano mcastano@perriergroup.com
- o **First Time and Sustainable Quality host, CTS of Canada** contact Bob Garces Bob.Garces@ac.ctscorp.com
- o **Hyjunkia & Creating the Lean Office host, Kodak of Canada** contact Joanne Heighway Joanne.Heighway@Kodak.com

An Update from Jim Womach

Dear Richard,
I was recently reading an article by Professor Michael Porter (co-authored with Professor Elizabeth Teisberg) in the June issue of the Harvard Business Review about the problem of the ever-rising costs of healthcare in combination with stagnant (and unacceptable) quality. Being an economist, Professor Porter believes the best solution is to introduce more competition, especially at the level of specific treatments for specific diseases by letting patients choose between providers.

We've all wondered about the solution to the healthcare problem and Professor Porter may well be on to something. But what I found striking about his proposal is his devout faith that competition will quickly reduce costs while dramatically improving quality. Presto! Competition equals lean, and all providers in healthcare will rise to a superlative level of performance.

Those of us in the lean movement have experienced something quite different: Even in highly competitive industries like autos, we note that companies can go for decades – General Motors comes to mind – before they finally get their heads around the need to create a lean process for every significant activity in their business. And in industries where there is no “Toyota” – healthcare comes instantly to mind – someone has to make a breakthrough in applying lean principles for the first time before anyone else will feel pressure to compete. (Remember that if every player in an industry is fundamentally incompetent, competition can reduce provider margins but it won't do much to reduce costs or improve quality for customers.)

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So competition will surely be helpful in healthcare (as in every other sector of the economy), but it's not likely to be sufficient. What can be sufficient is a relentless focus on creating a perfect process for every value-creating activity. This must be at the level of the diagnosis and treatment paths for specific diseases, but it will also require a lean process for all of the activities supporting these paths: Delivery of medicines and other supplies on time with no waste and zero errors; provision of the information patients and caregivers need from scheduling, medical records, and laboratories exactly when they need it at low cost with zero errors; movement of every patient along their diagnostic or treatment path with no (costly) wasted steps, no delays, and no errors.

This is the real challenge of lean thinking for healthcare and I hope that all of us in the lean movement will share our process knowledge with our friends providing care in order to meet this challenge as quickly as possible.

Best regards,

Jim Womack
President and Founder
Lean Enterprise Institute, Inc.

P.S. We at LEI are doing our part to apply process thinking to healthcare, beginning in September with Dr. John Long's workshop on Value-Stream Mapping for Healthcare. We've already sold out September, but Dr. Long has agreed to repeat his workshop in the future and I hope members of the Lean Community with an interest in healthcare will avail themselves of this opportunity. Please visit www.lean.org for details. Also, please look for Chet Marchwinski's next e-letter Success Story on exciting efforts to apply lean principles at a Pittsburgh hospital.

Obsolete Inventory: Your Ticking Time Bomb

"Tick...tick...tick" I am following the warehouse supervisor as we walk through the storage area. He shows me both the incoming materials and finished goods warehouses. His pen is tapping each box on the shelf as we walk past.

"Tick...tick...tick" 3 more boxes get added to the total. He turns the corner to start a new row and the pen continues tapping on each box that sits there. Like the Energizer Bunny, he keeps going, and going and going.

"Tick...tick...tick" We had just finished discussing the presence of slow moving and obsolete inventory kept in the warehouse. To give our Kaizen team a rough idea of how much "old stuff" we had in storage, the warehouse supervisor agreed to give us a quick tour. His instructions from the team were "using your pen, tap on each box that has been sitting here for more than 3 years, and we'll take a quick count". So off the team goes,

following the warehouse supervisor to find out how much "old stuff" we are talking about.

"Tick...tick...tick" By the time the supervisor is done his tour, the team calculates 30% of the warehouse has been storing material or finished goods that hasn't moved in over three years. It's all still good stuff: either saleable goods or useful inventory...but only if a customer is willing to pay for it! And with all the changes in the customer ordering patterns, this material is no longer in demand. Back in the Kaizen room, the team discusses the possibility of freeing up valuable warehouse space by removing the slow moving and obsolete inventory. It sounds like a workable plan, until we get input from the finance team.

It seems that this non-performing inventory is still sitting on the books at full value. Therefore, we cannot simply scrap it, because that would negatively impact the financial statement if the inventory suddenly were removed. Even though the team knows the inventory is not an asset to the business (in fact, in Lean all inventory is seen as a liability), the team cannot remove it for fear of damaging the company's financial position with creditors and investors. So, how long should we let obsolete inventory accumulate? It will depend on how long you can stand the sound of

"Tick...tick...tick". One thing is certain: everything needs to be reconciled sooner or later. And the longer we wait, the bigger the bomb will be when it goes off!

Source: EMC e-newsletter www.excellence-inmanufacturing.Org

Breaking Traditions

Ford's assembly plant in Chicago can now assemble up to eight different models based on two different chassis to give real flexibility.

The plant overhaul coincides with launching two new models – the 'Freestyle' and the 'Five Hundred' and the establishing of a supplier park next to the car plant.

11 major component manufacturers have set up in the supplier park one reducing the traveling distance of interior fittings from 550 km to 0.8 km

The following picture. It depicts so well the focus you get on the objective when you start thinking Lean. Cut through all the old labyrinthine company systems and go straight to the Value Added bit.

