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# LEAN THOUGHTS

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## LEAN in Recessionary Times

While the politicians and economists debate whether we are in, going in, or potentially avoid a recession many front-line companies are seeing a change in their order book and increased nervousness with their customers.

First the economy will rebound. For some this economy is a disaster and to others a time of opportunity. Based on the consumer confidence index, sales will be lax until confidence returns, of course this will tip into the other business sectors to create a general slowing of the economy. Speaking with knowledge experts in various business sectors downturns of 60% are being witnessed now.

So what to do?

Credit is tightening and no business system can keep pace with the changes in the market. Cash has always been King ... but now it is more important to focus on cash than ever before. Although you need to focus on now ... reserve some thought on how you will manage coming out of this situation as the economy recovers.

Remember, in the early stages of the Toyota Production System design and development that Toyota was near bankruptcy. The idea and guiding principal behind their system was to procure goods and services, convert it into a saleable product, sell it, collect the cash all before the invoice was due from the original supplier. Can you make your system operate in a similar manner?

Get closer to your customers and suppliers. An excellent method is to convert everything possible to a pull system or Kanban. This will enable your organization to stay close and react to changes in customer demand. Remember, MRP systems react to past demand and then project this into future demand ... this will overfill the pipeline and just make your management more difficult.

I suggest to my clients that when implementing Kanban you implement it in 4 phases;

- 1) Office Supplies ... so folks can see how it can work without damaging your system.
- 2) Operating and Consumable Supplies (non-BOM) ... you will be surprised how much cash is hoarded within your business in the form of inventory that is not currently required ... for example look at your glove purchases vs how many employees you employ. During this phase introduce the use and concept of timed delivery routes.
- 3) Raw Materials ... complemented with Vendor Managed Inventory and timed external routes ... the purpose is to increase velocity of inventory through the supply chain which equates to cash.
- 4) Customer Requirements ... allows you to control your asset utilization and level load your facility or Hjunkia. Here you can begin to complement your out-bound logistics with inbound goods and services to optimize your logistic's costs.

### LEAN CONSORTIUM MEMBERS:

- ACE Bakery
- Alumicor
- CGL
- CTS Canada
- EATON Cutler Hammer
- KRAFT
- LA-Z-BOY- Residential
- MESSIER-DOWTY
- MORRISON LAMOTHE
- ORENDA
- NESTLE WATERS CANADA



### Where “Lean Thoughts” Become Reality



The implementation of Kanban through-out your organization should reduce your cash commitment to inventory by at least 50%.

The market will define a change in your order pattern which means probably resulting in smaller orders and smaller lot sizes. Here you can entertain a multi-prong strategy.

If you are running a multi-shift operation do a Pareto chart of your customers by volume and profitability. Build your perfect schedule based on a one shift operation and fire your unprofitable or lower profit customers. In essence employ the techniques of TOC at a high level where we need to optimize the constraint ... which in essence is the market.

In conjunction with analyzing your customer demand create a focus on set-up and change-over reduction. You need to get your employees to think and behave like members of a pit-crew competing in the race of their life. Using the techniques of SMED and cross training aim for 60-80% reduction. This is a good time to introduce OEE to the organization. When looking at set-up reduction make sure that you do not ignore your office operations ... you will be surprised at how many set-ups occur within the office in any given day.

Look at your processes and look for opportunities for 1 piece flow and the use of Chaku-Chaku (load-load) where one operation's out-put is automatically loading the next operation. Even in companies that have cellular manufacturing in place there are still opportunities for improvement.

Needless to say increase your focus on 5S+1 and workplace organization. Eliminate drawers and doors they hide the precious commodity of cash. Use shadow board wherever possible. Watch your people doing operations with a downturn in demand people will have a tendency to walk more to show you how important they are to your operation... you will get more questions and request for guidance ... people are not stupid and know what is happening. Focus on keeping your people safe, clean comfortable and informed while at their work stations ... eliminate wandering and excessive motion.

#### Save Headcount!!

*We can be a cost effective extension of your CI Department without adding permanent resources.*



Finally, focus on your work-force. It is imperative how you communicate to your people. Lean does not directly reduce costs but rather opens up capacity. Unfortunately many of you may need to trim your workforce to match market demand. However, this an excellent opportunity to leverage your human capital.

Do not totally trim your workforce to match the change in market demand. Take some of the folks and divert them into “Action Teams”. Provide them with training and facilitation and provide them with the challenge that they must implement improvement that will more than justify and create ROI greater than their cost to the organization. They can focus on yield improvement through your value stream. I did this in one company when we hit a slump in business ... the team of 5 people identified and implemented 2 million dollars of yield improvement within 3 months.

Use your Action Teams to enhance cross-training of your work-force. They can also be an excellent resource to implement your Kanban systems. Do not be afraid to have your operators face customers and suppliers ... they will serve you proud. They also have significant “skin” in the game ... their jobs.

I had trained one team of operators about the benefits of Kanban and asked them to begin working with a key customer on implementation. Many of them had never been on a plane let alone outside of our plant. Imagine my delight when they returned with an additional 4 million dollars of business they knew we could handle and we were able to delight our customer with increased engagement.

Your business may be in pain and so are your employees along with their personal finances. This is the time for increased communication with your team. Share the good, bad and the ugly with them. Invite your local Bank Manager or Credit Union to come in to speak with your employees about what is happening in the market. Use your daily report-outs to communicate.

This is time for “all hands on deck” ... close offices and migrate your engineers and schedulers into the centre of the plant. Put their desks next to machines, cells where they can provide the maximum impact with effective communication. Yes people will complain about the noise, dust, heat, cold ... but they decided on a career within your industry. I am always surprised how much improvement this will create within an operation just by relocating folks closer to operations.

This is an excellent opportunity for implementing sustainable change ... feel free to contact us for guidance and coaching.

2008 Consortium Event Schedule



Tour Workshop Conference

January	February	March	April	May	June
<p><b>T</b></p> <p>Wednesday 16  <b>Eaton Electrical</b>,                      contact Joe Fisher,  <a href="mailto:JoeRFisher@eaton.com">JoeRFisher@eaton.com</a></p>	<p><b>T</b></p> <p>Wednesday 13,  <b>ACE Bakery</b>,                      contact Cindy Grolleman,  <a href="mailto:cgrolleman@acebakery.com">cgrolleman@acebakery.com</a></p>	<p><b>T</b></p> <p>Wednesday 19,  <b>Nestle Waters</b>,                      contact Mariela Castano  <a href="mailto:mcastano@perriergroup.com">mcastano@perriergroup.com</a></p>	<p><b>C</b></p> <p><b>Consortium Shareshowcase</b></p> <p>Saturday 05  <b>Eaton Milton</b>,                      Contact Cindy Grolleman  <a href="mailto:cgrolleman@acebakery.com">cgrolleman@acebakery.com</a>                      or Joe Fisher  <a href="mailto:JoeRFisher@eaton.com">JoeRFisher@eaton.com</a></p>	<p><b>T</b></p> <p>Wednesday 14,  <b>Alumicor</b>,                      contact Barry Wood  <a href="mailto:barry@Alumicor.com">barry@Alumicor.com</a></p>	<p><b>T</b></p> <p>Wednesday 18,  <b>Morrison LaMothe</b>,                      contact Tony Vita  <a href="mailto:tvita@morrisonlamthe.com">tvita@morrisonlamthe.com</a></p>
July	August	September	October	November	December
		<p><b>T</b></p> <p>Wednesday 24,  <b>Kraft Foods</b>,                      contact Hanif Jivraj  <a href="mailto:hjivraj@Kraft.com">hjivraj@Kraft.com</a></p> <p><b>C</b></p> <p><b>Executive Forum</b>                      Tuesday &amp; Wednesday                      23<sup>rd</sup> &amp; 24<sup>th</sup>                      Contact Richard to register  <a href="mailto:rkunst@kumstartofsolutions.com">rkunst@kumstartofsolutions.com</a></p> <p><b>C</b></p> <p>22<sup>nd</sup> Transportation                      Thursday 24<sup>th</sup>  <a href="http://www.transportconference.net/emaplan.html">http://www.transportconference.net/emaplan.html</a></p>	<p><b>T</b></p> <p>Wednesday 16,  <b>CTS Corp.</b>,                      contact Navneet Mann,  <a href="mailto:navneet.mann@ctscorp.com">navneet.mann@ctscorp.com</a></p>	<p><b>T</b></p> <p>Wednesday 12,  <b>Messier-Dowty</b>,                      contact Mike Smith  <a href="mailto:Mike.Smith@Messier-dowty.on.ca">Mike.Smith@Messier-dowty.on.ca</a></p>	<p><b>T</b></p> <p>Wednesday 10,  <b>Orenda</b>,                      contact Brenda McIntosh  <a href="mailto:brendamcintosh@orenda.com">brendamcintosh@orenda.com</a></p>