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LEAN THOUGHTS

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What is Lean ? the latest newsletter from Dan Jones

Dear Richard

I am always surprised how many times top managers ask me "So what is Lean?" This is depressing when they come from automotive or manufacturing firms whose operations folks have been struggling with Lean for a decade or more without their help or understanding. On the other hand it is encouraging when they come from healthcare or service organisations hungry to make progress and ready to lead from the top.

For me Lean is actually about a new business model that delivers far superior performance for customers, employees, shareholders and society at large. Initially this superior performance is delivering exactly what customers want without any problems, delays, hassles, errors and fire-fighting. Very quickly it is also freeing up the capacity to deliver a third more value from existing resources with few additional costs.

But really it is about learning how to reconfigure these assets and relationships with supply chain partners to make a step change in creating additional value for customers. Being able for instance to organise the diagnosis and treatment of a non-urgent medical condition in a matter of hours when everyone else takes several months. Or being able to compress the typical supply chain from raw materials to end consumer from 11 months to 30 days, while hitting every delivery on time and in full.

Over the next decade I have no doubt that this lean business model will replace the prevailing business model originally developed by Alfred Sloan at General Motors, analysed and described in many books by Peter Drucker and later refined by Jack Welch at GE. The power of lean is the growing recognition by leading organisations in all kinds of sectors that Toyota, the lean pioneer, is the reference model for our age. Quite rightly their common aspiration is to become the Toyota of their industry.

This is given added urgency as corporations well down their own path to lean demonstrate their ability to fundamentally redefine the nature of competition in their industry, as their competitors struggle to keep up. Just look at the big strategic rethink going on at WalMart even before Tesco opens its first Fresh and Easy store in the US market, and the growing success of the acquisition and turnaround strategy of early lean pioneer Danaher.

The fundamental insight behind lean is seeing that customer value is created by the actions of lots of different people across many departments and organisations. Linking these together into a seamless end-to-end process or value stream for each product family reveals literally hundreds of opportunities for streamlining the flow, eliminating non value creating steps and aligning the rate of flow with customer demand. This is lean in operations that most people are familiar with.

But it applies throughout the organisation, not just on the shop floor. All the support activities in the office can be redesigned using the same principles and tools. Indeed we need to learn to see our organisations as a collection of horizontal processes or value streams as well as the more familiar vertical organisation of functions and departments. Vertical functions are the right way to organise knowledge but value is created by horizontal value streams.

This focus on processes requires a very different form of lean management. Someone needs to turn these separately managed activities into end-to-end value streams and to manage the process of improving them over time, maybe through several product generations.

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Where “Lean Thoughts”
Become Reality

Instead of managing using the rear view mirror of last month's results lean managers frequently go and observe the current progress at every point in their value streams in order to help employees meet the current plan for the hour or the day and to plan further improvements. It is also their responsibility to lease with the relevant functions for the resources to do so, within a policy management process that aligns all these activities with the needs of the organisation and its customers.

The growing interdependence of each step in every value stream will reveal all the underlying problems and the challenges from a changing marketplace. To solve the root causes means problems must be visible and not hidden. The true power of a lean organisation is when every employee can take the initiative to solve problems and improve their job, in a way that provides value for customers and prosperity for organisation.

Yours sincerely

Daniel T Jones

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web site www.leauk.org

LEAN ON ME

Contact me if you need coaching or facilitation help in the areas such as but not limited to; 5S, Value Stream Mapping, Set-up Reduction, Problem Solving or Policy Deployment.



What incentives should provide impetus for system improvement, encouraging cross-functional behavior?

“Avoid GwoP” management Goals Without Plans. A goal must be tied to discrete actions, or discrete problems that must be solved to reach it. Otherwise you are calling out a number like improve by 30% and hoping enough people figure out what to do in order to hit it.

Once there are goals and plans (plans meaning that the discrete actions are defined, as well as in what order, when, how long, and what each will accomplish, with verification checks for all of the above) are set then you have an overall PLAN as in PDCA

Manage the same way you manage a production line. After all, this is the PRODUCTION of IMPROVEMENTS. It works the same way as PRODUCTION of PRODUCTS. And BOTH make money. You have to look at it that way, or things don't get done- and you don't find out.

So each day/week (depending on your level), do a check on progress.

- What did we want to do?
- What did we actually get done?
- What got in our way?
- What are we doing to recover to plan?
- What are we doing (learning) to prevent that problem with planning and execution?
- Is the result we got the same as the result expected?
- Why?

So goals and metrics are great for motivating a team giving them something to focus on but the need to be managed positively to galvanize learning and development. Otherwise you get the opposite of what you want.

We know less about incentives than we know about our solar system. Based on trial and error, here is what we do know

1. **Think globally but act locally, well almost.** The great Dupont experiment on incentive pay (gain sharing) taught us that rewarding only for company-level performance can almost cause a mutiny. Look at how you are structured and tier incentives (company level, division or unit level, team or department level). However, try to understand the impact for creating global value versus moving your problems to other areas in the process.
2. **Ask your people what is important to them.** One group I worked with had a catalogue of rewards/incentives that made HR feel great, but the only one that counted in the eyes of the employees was the \$100 gift certificate to Wal-Mart. Another company has an incentive budget that is allocated to each unit. Departments decide what incentives best fits the culture of the teams, the geographic area, preferences, and other elements. If you have a young versus an aging workforce, this will play a significant factor in what is important to teams.
3. **If your rank and file is formally represented, have early discussions with the union leaders about incentives.** Some unions have an “all or nothing” approach to reward systems (everybody gets the same thing or nobody gets anything). In the end you'll be glad you involved them. Don't be surprise if they pull out of company incentive programs near contract time, only to get back involved after the contract is settled (a leverage point used by some unions).



Consortium Event Schedule



Tour Workshop Conference

January	February	March	April	May	June
<p>T</p> <p>Wednesday 24 Eaton Electrical, contact Joe Fisher, JoeRFisher@eaton.com</p> <p>W</p> <p>La-Z-Boy Corporate Monroe MI February 14 & 15 Enterprise Value Stream Mapping How to use the VSM tools to map admin processes. Contact Richard Kunst for info. Richard.kunst@la-z-boy.com Register at www.ame.org</p>	<p>T</p> <p>Wednesday 14, CFN Precision, contact Paul Kaulback, pkaulback@cfm-inc.com</p>	<p>T</p> <p>Wednesday 21, Nestle Waters, contact Mariela Castano mcastano@perriergroup.com</p>	<p>T</p> <p>Wednesday 18, CTS Corp., contact Bob Garces, Bob.Garces@ac.ctscorp.com</p> <p>C</p> <p>Lean Design & Development Conference Wed 18 to Fri 20 Chicago Contact www.iirusa.com/lean</p>	<p>T</p> <p>Wednesday 16, Stackpole CSD, contact Don Barber Don.Barber@stackpole.ca</p> <p>Consortium Shareshowcase</p> <p>Saturday 05 CGL Guelph, Contact Cindy Grolleman Grolleman@canada.com or Dave Deskur daved@cglmfg.com</p>	<p>T</p> <p>Wednesday 20, Morrison LaMothe, contact Tony Vita tvita@morrisonlamthe.com</p> <p>C</p> <p>AME Regional Conference Mon 18 to Thur 21 Edmonton, Alberta Contact www.measureupforsuccess.com</p>
July	August	September	October	November	December
		<p>T</p> <p>Wednesday 26, Kraft Foods, contact Hanif Jivraj hjivraj@Kraft.com</p>	<p>T</p> <p>Wednesday 10, CGL Manufacturing contact Dave Deskur daved@cglmfg.com</p> <p>C</p> <p>AME National Conference Mon 29 to Friday Nov 2 Chicago Contact www.ame.org</p>	<p>T</p> <p>Wednesday 14, Messier-Dowty, contact Mike Smith Mike.Smith@Messier-dowty.on.ca</p>	<p>T</p> <p>Wednesday 12, Orenda, contact Brenda McIntosh brendamcintosh@orenda.com</p>