

"Leveraging learning for customer success"

Making World Class Make Sense

Volume 13, Issue 02 □ **January 09, 2006**

Important Dates to add to your calendar...

- **Jan 24, 9-11 am, HPM Employee Leveraging Tours: Mancor Industries.** Site to be determined. 12 seats only available – first come. Register now with Nicole at 519-893-6260 or info@hpmconsortium.com
- **Jan 25th, 12-3:30, HPM GMT Meeting, Host: GE Meadowvale. GMT Members to RSVP Nicole**
- **Feb 14, 9-11 am, HPM Employee Leveraging Tours: Hammond Mfg Limited, Guelph.** Host: Rick Bruder. 12 seats only available – first come. Register now with Nicole at 519-893-6260 or info@hpmconsortium.com
- **February 15th Introduction to Standardized Work -** A no-nonsense workshop based on the Toyota Production system's practices. Hilton Gardens, Cambridge
- **Feb 22nd 11:30-5:00 HPM Board Meeting – Host: GE Meadowvale.** Agenda on the Web. Please RSVP
- **Feb 28, 9-11 am, HPM Employee Leveraging Tours: Tempress Limited, Oakville, Host: Dave Morgan.** 12

seats only available – first come. Register now with Nicole at 519-893-6260 or info@hpmconsortium.com

- **Mar 28, 9-11 am, HPM Employee Leveraging Tours: Velcro Canada, Brampton.** Host: Stephanie Cirrilo. 12 seats only available – first come. Register now with Nicole at 519-893-6260 or info@hpmconsortium.com
- **Apr 11, 9-11 am, HPM Employee Leveraging Tours: Canada Post, Host: Arlene Yam.** 12 seats only available – first come. Register now with Nicole at 519-893-6260 or, info@hpmconsortium.com
- **Apr 25, 9-11 am, HPM Employee Leveraging Tours: Hammond Power Solutions.** Host: Frank Dolinsek. 12 seats only available – first come. Register now with Nicole at 519-893-6260 or info@hpmconsortium.com
- **June 12-15th, Second Canadian Regional Conference... Kitchener-Waterloo Region Canada.** Consider accelerating your Lean Journey. Download from www.hpmconsortium.com – Click "Resources"
- **Mar 14, 9-11 am, HPM Employee Leveraging Tours: GE Inspection & Repair, Host: Colombo Bruno.** 12 seats only available – first come. Register now with Nicole at 519-893-6260 or info@hpmconsortium.com

High Value Standardized Work (SW)

– **Workshop Feb. 15th.** This one is intense – yet it will provide you with the forms and the processes to get your Continuous Improvement benefits much nearer to reality. **Watch for this week's Flyer!!**

Trial Balloon – HPM Member Initiative – Considers Building on high value of Share Showcase...
See pg 2 for details that can translate into value!

Thoughts For 2006 – Success in Manufacturing Begins at Home

As this year takes hold of our senses, there's an air of excitement combined with concern about the changes ahead. We know that change does not take place by edicts on the wall – it takes place through conversations among people within their culture every day. And we know - if the conversations around us contain no reference to the change you desire - *there is no change happening whatsoever.* In such cases the culture remains the status quo.

Across North America, **more people in more companies are using the word "culture" in conversations than your editor has ever heard in over 20 years of direct involvement in change management.** The companies who have an advantage over their competitors in coping with cultural change - are Consortium members. In fact, they would not even be in a consortium if they did not understand the power of leveraging, peer learning, and the connection that culture has to the sustainability of processes in their plants. **Figuring out how to change the culture is never easy but it is easier when working with colleagues facing the same challenges.**

If you are concerned about how to change your culture, you're not alone according to the 2004/5 CME Management Survey which confirms that **culture change is a major barrier/concern.** The focus of this year's Lean Conference in KW will involve culture by virtue of it's title: "**Success in Manufacturing begins at home**". And with Canadian productivity fading dramatically - while our competitors rise – it makes sense to take a hard look at what value can be gained by looking at the culture at home before attempting to take on the world. [See Jim's super article on the next page on this very point.]

Last year, the challenge before us appeared to be 'Selecting the right vision.' And while this is no easier this year, there is a huge Moose on the Table that ranks with Maslow's basic needs of survival and security. Some see China, India or Mexico as the moose – others see coping with the tens of thousands of jobs now at risk as the downturn in the automotive world ripples through to our parts suppliers. Remember, for each job lost by GM and Ford, 7 disappear in the infrastructure.

To add to the challenge, in 2005 we've seen an ignition of energy from US suppliers - small/medium size mfrs - who are committing to drive out of waste while adding value for their customers – whether they call it "Lean" or not. Fueling this observation - on November 7th, was the launch by the **entire US Air Force** of the huge "**Lean across the Air Force**" initiative. Every base was required to have their top operations leaders meet on December 13th and 14th to get the process 'flying'. Incidentally, their leaders point to evidence over the past 4-5 years that clearly shows "**Our entire organization could benefit from Lean.**" They are deadly serious - and they understand Lean. In the Nov. 7th directive jointly issued by the USAF Chief of Staff, General Michael Mosely, and General Michael W. Wayne, Secretary of the Air Force, they stated:

"We must fundamentally change the culture of our Air Force so that all Airmen understand their individual role in improving their daily processes and eliminating things that don't add value to the mission. For such a comprehensive effort to be successful, it has to be led by the commanders at all levels – from the top."

Although the wisdom above is pure Lean Thinking – it is **JUST AS APPLICABLE** to companies/organizations or institutions with 3 employees as it is with organizations having 300,000 employees. Cultural change is key.

To check the status of your organization --- Just ask the first 10 employees you see tomorrow two quick questions: 1) "What is your individual role in improving the processes around you? And, 2) How are you eliminating the things that don't add value to the mission or vision of this company?" And don't be surprised at the number of folks who pause and nervously ask. "Pardon me, but what is our vision?" This exercise provides insight into the amount of work ahead to **change the culture**. The Air Force is demanding a **change in their culture** – one which will impact their supply chain no doubt. In reality, **manufacturers must demand no less of themselves in their own environments**.

We are privileged to have at the June Conference, **the man who has had the greatest impact on the mfg world over the last decade** – and that is **Jim Womack**. We can learn from him.

In summary, in the year to come manufacturers must take the leadership in exploiting Lean Thinking since governments and educational systems still see little value in it – although, those institutions that work closely with the industries they serve, are moving to adopt it. Especially now that Lean has moved into the mainstream of many enterprises in manufacturing, in Service Industries, Healthcare, and even Financial sectors.

This year, the **first credible Lean Certification program not tied to the products of a certifier** will be launched thanks to hundreds of industry volunteers from the Shingo Prize, the Association for Manufacturing Excellence, and the Society of Manufacturing Excellence. It starts in March. May 2006 bring the right changes to us all as we work together.



Floating The Trial Balloon

The HPM Share Showcase in December was not only a hit but it continues to spur thinking and ideas.

More than one member recommended during the wrap-up, that the Showcase should happen twice per year.

Frank Dolinsek and his team at Hammond Power Solutions on Friday pushed the envelope further with this novel suggestion. The bottom line for such an idea is to **increase the velocity of the exchange of know-how and information that can speed change happen in our companies**. And to do it, the right people need to be part of the exchange.

The essence of the idea is that the folks who present their 'best practices' at the Showcase would also provide a date at which any HPM Member could come and get the full story in complete detail – **and get it from the people who had actually put it in place**. Such an idea would increase the practitioner-to-practitioner exchanges – something that the HPM Board has long supported enthusiastically.

Here's the Structure:

1. Establish a June date **and** a November date for 2 Share Showcases
2. HPM Members present their best practices or ideas at the Showcase – (different ideas)
3. Each presentation team would **identify a date** to show progress & how the best practice was executed

4. The date they choose could be either the Member Leveraging tour date – or another date of their choosing. Their call.
5. Such exchanges would be outlined in the Weekly Update to reach more people and enable the process to build

Interested in this Balloon? Pls reply this week to Dave or info@hpmconsortium.com

If there is value in this idea for you and your team – simply shoot a 'Reply' or a brief email to Dave. Dave will take the results of this to the GMT which meets January 25th at GE. This will be presented for discussion. Our thanks to Team Hammond -- looking forward to hearing from all members on this initiative.

HPM's June Conf. gets big boost from our Keynoter Jim Womack last week. "Big Three's problem isn't 'Japan Inc.' – the woes begin at home

James P. Womack. Toronto Star.: Dec 31, 2005. pg. G.18. (Copyright (c) 2005 Toronto Star, All Rights Reserved.)

Washington: "Ford Motor Co. chairman Bill Ford recently told the media his company "can compete with Toyota - **but we can't compete with Japan.**"

This is an old myth. Ford's competitive problem, according to its chief executive, is driven by the unfair advantages that the Japanese government allegedly bestows on its auto companies - government-funded health care for workers, government support for the pension system, and subsidies to develop the batteries needed for hybrid vehicles.

"Leveraging learning for customer success"

Making World Class Make Sense

What makes Ford's statement so suspect is that Japanese companies, led by Toyota, are thrashing Ford by building vehicles in North America with North American-made parts and North American workers, who receive American-style wages and health benefits.

And, increasingly, these Japanese-brand vehicles are engineered in North America by North Americans.

Consider a few facts about Toyota. **About 65 per cent of the vehicles the firm sells on this continent are built on this continent**, and it would assemble a much higher proportion here if it could only keep up with its rapid sales growth.

Toyota will open its seventh North American assembly line in Texas next summer and an eighth line in Woodstock, Ont., in 2008. It may start assembling vehicles at a Subaru plant in Indiana in 2009, and it is said to be looking for yet another assembly location. In addition, it has three engine manufacturing plants and is looking for a site for a fourth. By the end of the decade, Toyota will be able to assemble about as many cars as Chrysler does in North America, and it is closing in on the capacity Ford will have after plant closings that are widely expected to be announced next month.

In fact, thanks to hiring by Japanese, Korean and German auto makers, total employment in the U.S. motor vehicle industry over the past decade has held steady at about 1.1 million jobs.

So the problem is not Japan Inc. In fact, that country has been a striking industrial failure over the past 15 years. The latest firms to slide down the competitive slope are the big Japanese consumer electronics makers such as Sony and Panasonic, which are losing out to fast-rising Korean, Taiwanese and Chinese rivals. The electronics giants are following the downward path of most Japanese auto firms, which have either fallen into foreign hands (Nissan and Mazda, the latter now controlled by Ford) or dramatically lost market share (Mitsubishi and Isuzu).

The real problem for Ford, and the one that presents a dilemma for American society, is that an industrial-social system pioneered in Detroit in the 1930s has given way to another industrial-social system pioneered by Toyota in the post-World War II era.

The irony is that Toyota based the production side of its system on ideas adapted from Bill Ford's great-grandfather Henry. While Detroit's executives have studied the Toyota model, they still have not mastered it - or figured out how to pay for the generous (and largely unfunded) pension and health-care promises inherited from their predecessors.

There were two elements to the Detroit system. The mass production part pioneered by Henry Ford in 1914 replaced craft workers with assembly lines. It was so successful that Ford was able to pay decent hourly wages and still dominate the U.S. auto industry, along with General Motors and Chrysler.

The Big Three's hold on the U.S. market seemed so secure by 1948 that they struck a deal with the United Auto Workers that added a new element to the Detroit system's

high wages and generous benefits. The threat to this cozy arrangement came when foreign firms started investing in U.S. production facilities, beginning with Honda in Ohio in 1982.

If any government helped the Japanese at that time, it was the American government. When the Reagan administration came up with the Voluntary Restraint Agreement in 1981, it limited the number of imported Japanese cars sold in the United States. Because consumer demand for Japanese cars then was greater than the supply, profit margins on the cars Japanese firms were allowed to sell soared. The Japanese companies then used those enormous profits to invest in North American factories and develop pricier up-market brands such as Lexus.

The Toyota secret was designing and making cars and purchasing parts in more efficient and creative ways. This new Toyota system - which John Krafcik, director of product strategy for Hyundai, labeled "**lean production**" - uses less human effort and less capital to design products faster and with fewer defects.

What's more - and this best describes Bill Ford's problems - the leading Japanese car companies are making more money than their U.S. competitors not only because of lower costs, but because their lean design, production and purchasing system is turning out vehicles so desirable that Toyota and Honda can charge much higher prices for products in the same market.

Indeed, these Japanese companies are giving wages and health packages to current workers in North America similar to those provided by their U.S. rivals, but they're selling vehicles today for \$2,500 (U.S.) more than comparably equipped cars made by Ford and GM. This revenue difference, more than the production cost issue, lies at the real heart of Motown's problem.

Ford and GM have tried to embrace lean production methods, but as their market share shrinks, the legacy of the past looms larger. The U.S. firms need to shed large numbers of employees, but the main way to do that under "lifetime employment" union contracts has been to encourage early retirement. This has solved one problem - too many active workers. But it created a second - too many retired workers for the active workers to support.

It's little wonder that money-losing Ford doesn't have the funds to invest in new technologies and is asking Washington for help. Meanwhile, Toyota is generating such enormous profits - \$9 billion (U.S.) this year - that it can invest in new products and new technologies at a level exceeding anything Japan Inc. could do.

No amount of government assistance can rescue U.S. auto companies unless they become better competitors. In fact, Ford had it exactly backwards. Japan isn't his problem; Toyota is. **And the answer for his company lies at home.**

Dr. Womack will open the largest Canadian Lean Conference June 12-15th in Kitchener, Ontario. Conference focus:
**No matter where you compete -
Success in Manufacturing begins at home**