

Volume 13, Issue 07 □ February 13, 2006

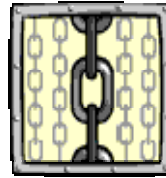
Important Dates to add to your calendar...

- **Feb 14, 9-11 am HPM Employee Leveraging Tours:** Hammond Mfg Limited, Guelph. Host: Rick Bruder. Some seats available – first come. Register now with Nicole at 519-893-6260 or info@hpmconsortium.com
- **Feb 22nd 11:30-5:00 HPM Board Meeting** – Host: Velcro Canada, Brampton. Please be sure to 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 9th 8:30-5 Introduction to Standardized Work** - A no-nonsense workshop based on the Toyota Production system's practices. Register www.hpsinc.ca
- **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 19, 12-3:30 HPM GMT Meeting.** Host TBD
- **Apr 25th 9:00-11:00, HPM Employee Leveraging Tours:** Host: Frank Dolinsek. 12 seats only available – first come. Register now with Nicole at 519-893-6260 or info@hpmconsortium.com
- **May 10th 8-5, Quick & Easy Kaizen**, with Chuck Yorke. Location: Cambridge Hilton Gardens Inn
- **June 12-15th, Second Canadian Regional Conference... Kitchener-Waterloo Region Canada.** Consider accelerating your Lean Journey. Download from www.hpmconsortium.com – Click "Resources"
- **Jul 5th, 12-3:30 HPM GMT Meeting** Host: TBD
- **Aug 23rd, 11:30-5:00 HPM Board Meeting** Host TBD
- **Oct 11th, 12:00-3:30 HPM GMT Meeting** Host: TBD
- **Nov 22nd, 11:30-5:00 HPM Board Meeting** Host:TBD

HPM Employee PLANT TOUR - Feb 14th - OF Hammond Mfg. Distribution Ctr. in Aberfoyle. Seats available – Call Nicole at 519-822-2960. Warehouse*Receiving*Picking*Shipping processes!

HPM Employee Tour: Tempress Ltd. Mississauga
Locations: 1230 Lakeshore Road E, Mississauga
Coordinator: Dave Morgan, 905-274-3323
Dmorgan@tempressltd.com

Tour date: Tuesday **February 28th**, 2006... 9-11am
Registration: 1. Send names, titles, phone numbers and email addresses to: info@hpmconsortium.com **12 Seats**
Register by Friday February 24th, 2006
Tour Focus: Internal and external kanban systems
Input Appreciated: Suggestions for improvement on flow and work techniques in a new cell set up December.



Important Conference Update RE: Registering for Tours, Workshops, and ALE's

The teams pulling together the roster for all **Tours, Workshops and ALE's** are finalizing their schedules now for publication. This will be out later this month – **however, watch the Website at www.measureupforsuccess.com** to keep on top. Also, this includes the **36 Best Practices** which will be added to the website as well before the end of the month. **Just a reminder to all HPM'ers – All registration, payments etc. must be directed to AME as per instructions on the website.** Not HPM.

According to CNN Money – there are 5 Big Careers now in Big Demand for Big Pay... and Lean is one.

According to Jeanne Sahadi, a writer for CNNMoney.com in a February 3, 2006 article, there are 5 'hot' careers in transition right now and that includes:

- Accounting – thanks to Enron
- Legal – thanks to intellectual property issues
- Sales/Marketing – thanks to biotech & medical devices
- Technology – thanks to .NET development & QA needs
- **AND: Manufacturing.**

Surveys indicate HR managers are expecting a lot of movement this year as the labor market begins to tilt in favor of job seekers due to the coming skilled worker shortage. In particular, looking at **Manufacturing and engineering** – despite the job cuts in automotive, quality and **process engineers**, as well as plant managers certified in what's known as "Lean Manufacturing" are hot commodities as your editor can confirm.

Mentioned in the article was a need for folks who know how to use video cameras to capture mfg processes and who can then analyze the tapes to identify process steps for the elimination of excessive waste in terms of materials and workers' time.

NEW: AME Leadership for Cultural Change (LCC) Program Overview – of interest to leaders with Lean now in place who feel initiatives appear to be 'plateauing'

Led by Dr. Robert (Doc) Hall, a half-day session on **June 14th, from 8-12 pm**, is available to the **first 15 CEO's or Presidents** to register who are attending the June Lean Conference. There is no additional cost but you must register your intention with Holly at hollys@ame.org at AME headquarters. Industry is identifying the need for leadership 'beyond Lean' – especially for those companies

who have made strides but seem to be 'plateauing out' – in the words of Dr. Robert (Doc) Hall, Editor-in-Chief of AME's flagship publication Target Magazine.

The Detail

This program, targeted at Presidents and CEOs of small to medium manufacturing companies, has been developed over the past two years. For many, it is hailed as timely - and of strategic value for leaders who must build the right culture to support a 'post-lean environment.'

This overview can give those who are thinking about beginning a cultural change in their companies an idea of how the LCC program could help them.

Why is a Cultural change necessary?

- To press on to the vigorous stage of lean; operations as a learning laboratory with all employees fully engaged.
- To replace financial and IT control systems with lean and quality learning disciplines.
- To have a lean enterprise organization, capable of serving as a model for suppliers and other partners.
- To develop a workforce capable of survival against all manner of global competitive challenges, plus environmental ones.

Overview of Culture and some case studies?

- What is culture and can it be changed?
- If it is to change, what is needed
- What is the target culture?
 - A-B-C Cultures
 - Vigorous Culture – what is it?
- Examples of best of breed cultures that support the movement to a lean enterprise

The Cultural Leadership Model

- Cultural Change Model Overview
 - Strategy & Structure
 - Processes & People
- Cultural Leadership competencies
- What does top leadership need to change to create the desired culture?

HPM EMPLOYEE LEVERAGING TOUR OF Velcro Canada

SITE COORDINATOR: Stephanie Cirillo 905-791-1630
TOUR DATE: Tuesday March 28th, 2006 - 9 am – 11 am
REGISTRATION: Send names, title, phone number and email address of participants to: info@hpmconsortium.com
Registration is limited to 12 participants on a first come basis.

WHAT THE TOUR WILL FOCUS ON: Velcro will focus on their Mold-In Department and how they have used their PERRL system (maintenance system) to identify improvement opportunities. They have also tied their PLC's into reducing/eliminating changeovers.

WE WOULD APPRECIATE: Velcro would appreciate feedback on the flow of materials in their Mold-In Department.

A Tale of Two Business Systems

As you know – **Jim Womack** will Keynote the opening of Canada's Largest Regional Conference on June 13th at the Delta Hotel in downtown Kitchener. Jim's delivery in Boston's Lean conference was standing-room only. **ANY manufacturer under the delusion that Lean has run its course is not seeing the commitment of competitors.**

Dear David,

In the fall of 1990, Dan Jones, Dan Roos, and I co-authored *The Machine That Changed the World*, our description of lean enterprise. On page 253 we forecast that 1991 or 1992 would be the moment of crisis as the full power of lean (represented by Toyota) threatened to topple mass production (defended by General Motors). And in 1992 GM nearly did go bankrupt.

However, as usually happens with forecasts, we were off in our timing. The moment of truth was actually delayed 15 years. **What now seems certain is that Toyota will pass GM in 2006 to become the world's largest industrial enterprise** and that GM and Ford will undergo a profound transformation, whether led by current managers or by someone else.

Recently, as I've listened to industry executives and the media grapple with this momentous event, I've been struck by the **manifest irrelevance of most efforts to find the root cause**. The crisis is not due to misaligned currencies, subsidies from "Japan, Inc.", or spiking energy prices (although the latter has affected the precise timing). And it is not a simple case of too many retirees for the present workforce at GM and Ford to support. (Indeed, this gets cause and effect backwards: GM and Ford have too many North American retirees for current workers to support because both companies have lost half of their North American market share over the past 25 years and have hired hardly any new workers in a quarter century.) **The root cause of the crisis lies in a clash of two business systems, and the better system is winning.**

As we pointed out in *Machine* – devoting a chapter to each point – **a lean enterprise consists of five elements: a product development process, a supplier management process, a customer management process, an overarching enterprise management process, and a production process from order to fulfillment**. And each of these processes is superior to those employed for the same tasks at a mass producer.

The lean product development process, as used at Toyota, permits a company to produce vehicles with fewer hours of engineering and fewer months of development time with fewer defects while investing less capital and making customers happier. The key tools are the chief engineer concept, concurrent set-based design (which is simultaneous as well), and high speed prototyping with trade off curves so that re-invention is avoided. (It's not an accident that Toyota was able to hear the voice of the customer first with regard to hybrids or that the Prius – with

"Leveraging learning for customer success"

Making World Class Make Sense

more new technology than any vehicle in a generation – was developed very quickly and was recently reported by *Consumer Reports* to be the most reliable vehicle sold in the U.S. These were predictable outcomes of the lean development process.)

Lean supplier management creates a small number of highly capable suppliers in long-term partnership with their customers. Suppliers work to demanding customer targets for cost, quality, delivery reliability, and new technology and achieve these targets *by jointly examining the development and production process they share with their customers.*

The lean approach has dramatic and predictable benefits, but if GM and Ford even understand these concepts, their perceived need to save themselves by bleeding their suppliers has made implementation impossible.

A lean customer management system builds customers for life while reducing distribution costs by working backwards from the customer's desired experience and forwards from the production system's needs. In fact, although Toyota has deployed these concepts brilliantly in Japan, it has stumbled so far in applying them in the U.S. Its Lexus dealing system has created a very high level of customer satisfaction but at substantial cost. Achieving high satisfaction *and* low cost is a key topic in my and Dan Jones's recently released ***Lean Solutions*** book and provides a terrific opportunity for GM and Ford to move ahead of Toyota by using its own methods. Or, if they fail, this could be the final act in the tragedy as Toyota finally makes its retailers lean in the next few years, the way it transformed its service parts operations in the 1990s.

Finally, a lean management system involves managers at every level posing the key problems that need to be solved and asking the teams they lead to develop and implement the answers. This practice of asking the correct questions rather than providing the correct answers (which high-level bosses can never know in any case) is perhaps the starkest contrast between lean thinking and orthodox mass production and the hardest to implement.

Putting these four elements together, it's not surprising that lean exemplar Toyota is steadily advancing, as recovering mass-producers GM and Ford steadily retreat despite adopting parts of the lean system. And note that I have not even mentioned the fifth element of a lean enterprise – production operations – because GM and Ford are now nearly competitive on this dimension in terms of labor productivity. The root cause of the current crisis is not in the factory. It is in the rest of the value creation system.

What must happen soon for GM and Ford to resolve this crisis?

Rewrite the social contract. As Toyota learned when it went bankrupt in 1950 and fired a quarter of its workforce, no company in a truly competitive industry can make promises to employees (or retirees) that are not sustainable in the market. So Toyota made a deal: Right size the company at one go, tie compensation and benefits to market conditions (with bonuses of all employees geared to profits and with defined-contribution pensions), and try

very hard to defend every employee willing to embrace the new value creation system. Over more than 50 years – by carefully following these rules – Toyota has been able to steadily increase its competitiveness while defending its employees. But everyone at Toyota understands that continuing employment with good compensation depends on continually creating more value per employee. That's why everyone worries so much and thinks so much about continually improving every process. "Life-time employment" is a consequence of creating value, not a pre-condition, or an entitlement.

Introduce all of the elements of lean enterprise.

This includes product development, supplier management, customer management, and policy management. These practices permit Toyota to get the right products to market first in North America with substantially higher selling prices within each segment and with substantially lower costs. This is even though its employees in North America are being paid wages and benefits comparable to GM and Ford – except for unsustainable early-retirement plans and defined-benefit pensions – and its suppliers make margins as well.

Simplify market offerings. GM and Ford do have a special problem, never faced by Toyota, in their plethora of brands. But the solution actually lies in GM's past. President Alfred Sloan worked miracles in the early 1920s by rationalizing the welter of overlapping and unmemorable companies and products he inherited from founder Billy Durant. But where is the new Alfred Sloan who can either explain what Buick, Pontiac, Saab, Saturn, and GMC are (and Mercury, Mazda and Jaguar at Ford), or get rid of brands only adding costs? Toyota's North American lineup of Scion – a buzzy, "what's new?" brand, Toyota – a bread-and-butter brand for people who love great, hassle-free transportation but actually don't care much about cars, and Lexus – for those needing status or image with their transportation – comprises as many brands as a modern-day car company can support.

What's the prospect if lean production is uniformly embraced? After a moment of truth – involving employees, retirees, suppliers, and investors – followed by dramatic restructuring at each company, equilibrium could return to this massive industry. GM and Ford could survive as independent companies, although considerably smaller, and Toyota would find that it needs to work even harder to improve every process as competitors embrace lean thinking. ***And that would be good for the whole world.***

But what will actually happen? That's for the managers, employees, and investors at GM and Ford to decide and decide soon. Dan and I learned in 1990 that lean thinking provides a great way to identify the root cause of the problem but that Lean Thinkers shouldn't put any confidence in forecasts!

Best regards, Jim Womack, President & Founder, LEI

P.S. The Machine That Changed the World is available at www.lean.org. Included is my pamphlet, "How the World Has Changed Since The Machine That Changed the World" (which lists the mistakes we made as well as what we got right) and I sign every copy as well.