

Volume 13, Issue 26 ☐ **June 26, 2006***Important Dates to add to your calendar...*

- ☐ **Jul 5th, 12-3:30 HPM GMT Meeting.** Host: Mancor, Speers Road facility, Oakville
- ☐ **Aug 23rd, 11:30-5:00 HPM Board Meeting.** Host: GE Multilin, Markham
- ☐ **Oct 11th, 12:00-3:30 HPM GMT Meeting.** Host: COM DEV Space, Cambridge
- ☐ **Nov 22nd, 11:30-5:00 HPM Board Meeting.** Host: Rockwell Automation
- ☐ **Nov 29th, 8:30-4:30 HPM Share Showcase** – See the diversity & harvest innovative ideas from each HPM'er

Cool Thoughts for Summer --- Think of November 29th & The HPM ShareShowcase

We do things in phases

As we raise the 'competitiveness bar', setting interim steps, or phases, makes sense to ensure everyone is on board and that delays and successes become visible to all. To accelerate the journey calls for innovative thinking & leadership that can be easily understood and followed – but evolving in safe and manageable steps enables us to keep our eyes focused on the overall objective. So what are some of the simple tools & thoughts?

External Inspiration & Motivation

Art talks about the 'boot' we get as members of a consortium when we see how far others are advancing when we may not be. It inspires us.

Some of the Conference attendees we talked to said they came away pumped by what they saw – to drive them harder they had signed up for more 'outside stimulation' at the Dallas Conference. More people than we have seen for many years sent large numbers of staff to experience external-to-them thinking in preparation for the rapid changes to come. This trend was seen at the Boston AME Conference which resulted in some 1000 very intense practitioners signing up for the October Dallas conference to check their progress. In Kitchener the same pattern was evident. One company sent 26 folks with many sending between 10 and 17. The reason when asked? Speed of adoption – i.e.: Culture Change!

Now for HPM'ers...

Once the value has been digested from this past month – how about starting to plan what you will show at the November 29th ShareShowcase?

Your Feedback on the Kitchener Conference

Dave's still on vacation – and this Weekly Update is coming from Summerland BC via gotomypc.com. **However, here is a simple request from him** – "If this was a good conference, we'd LIKE TO HEAR what value you mined – AND what **changes you have started to make** or are **about to make** following the Conference." Simply send them along to dhogg@rogers.com for Dave when he returns from holidays next week. The reason for gathering this information is to encourage many more folks to take action through your thoughts and feelings. If you would prefer your name not be used in the newsletter, that will not be a problem. Let's hear from you.

Last year's Showcase brought some outstanding achievements ranging from paperless AP to **Hammond Power Solutions** Best Practice in accelerating training. Conference organizers selected this outstanding training initiative as worthy of the "Best Practice" status and invited them to present. This Share Showcase event also benefited HPM as COM DEV visited to get a closer look, Hammond themselves reported that it showed long time employees the value of their work.

The Message

Begin now to plan the ShareShowcase presentation your folks will deliver on Nov. 29th!!



Joe Terrett is the **Editor of PLANT Magazine** - The Media Sponsors for the 2006 Canadian Regional Lean Conference in Kitchener.

Joe's editorial in last week's copy of PLANT caught Jim Womack's solid message to the full Conference plenary session on Tuesday morning. We thank Joe, and if you would like to reach him you can contact him at

PLANT by emailing: Joe.Terrett@plant.rogers.com

Joe's editorial appeared as follows:

"Solve customer problems for a competitive advantage

Success is tied directly to the happiness of the customer. At least, that's what we're told by the legion of experts, analysts and others in the know. They proclaim that in today's hyper-competitive environment, the focus must be on providing value to the customer.

But is the message sinking in?

Indeed, what happens between the manufacturer and the customer is a space that could use some attention, claims lean guru James Womack, chairman and founder of the Lean Enterprise Institute (lean.org). He was one of the keynote speakers at this year's Canadian Lean Conference presented by the Association for Manufacturing Excellence (Canada) and Canadian Manufacturers and Exporters.

He pointed out even the all-powerful Toyota, although it makes a great car, kind of sucks at the dealership level.

And when you phone one of those 1-800 help lines, chances are you're speaking with some nice fellow in India who is paid based on how fast he can make you go away.

Oh, and when you wait on the line listening to canned music, that's because your time is free.

It's simple: customers want performance, price, quality and reliability. The best companies deliver.

Rather than focusing solely on what's happening upstream in the manufacturing process, Womack recommends looking downstream where many of the problems reside. That's where you should take waste out of processes and add value to the customer. Here are some key points:

- It's not about what's convenient for the manufacturer. The product has to work in the customer's environment.
- Don't try to get rid of unhappy customers. Think of each contact as an opportunity.
- Don't outsource that customer interface to unqualified people. Deploy highly trained employees to explore root causes of problems that can be eliminated once and for all.
- Put yourself in the customer's shoes and anticipate where the process leads to problems. Ensure all assets touching the customer are flexible.
- Handle erratic demand by anticipating when a customer's need must be met. Stay close to the customer's home market. Calculate the factory gate costs at different locations, such as the US, Canada or Mexico.

Womack's advice: think more about how to solve a customer's problems rather than how to make "brilliant stuff."

Focusing on what happens after the manufacturing process will lower costs and result in much happier customers. That's a competitive advantage indeed."

Joe Terrett, Editor, Plant Magazine
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Too Much Transparency

The variations in perspectives from Jim Womack to Dan Jones provide powerful ways to see one's own operations. Increasingly, if it is accurate that 87% of the solutions we will need to find to survive will come from sectors other than the ones we have been serving for decades... then trying to keep up to their 'take on things' will yield very high value indeed. This week's perspective looks at the issue of 'transparency' and how much is too much.

Dear Dave

We are all naturally in favour of greater transparency. We think that if everyone could see the progress of production and levels of stock in the warehouse, as well as shipments and stocks in every warehouse along the supply chain, we should all be better off. We should be able to adjust our actions to changes elsewhere in real time. Add to this the Finance Director's dream of being able to control everything from a central point and you have the promise of RFID – radio tags on every product telling you where they are at any time.

But this dream could so easily turn into a nightmare. Just think what happens now. You have plenty of stock in your finished goods warehouse and yet you are always short of the one product the customer desperately needs. So you get on the phone to get production to change their plan and make some of this product in a hurry. Production time and efficiency is lost because you change the plan. People have to scurry round to chase materials and the production of other products is delayed. As a result you are short of those products and the cycle begins all over again.

In this situation it is easy to blame fickle customers for changing their minds. However there is a more insidious form of variation in orders that is encouraged by greater transparency. If your planners have visibility

of all the stock in your finished goods warehouse what is their natural reaction to a

run of demand for one product? They change their plan to try to restore stock levels, even if it does not breach the lower limit for stock of this product.

There is a natural human desire to try to adjust things to the average, even though the point of the warehouse is to absorb variations in demand so these waves do not flow upstream. Why do they do this? Because experience tells them that they never know exactly when production will make another batch of this product – it may not happen for another month or more if the plan gets changed and the next production run gets rescheduled, as it almost certainly will. So better change the plan now rather than wait until you are out of stock.

Transparency will not actually solve this situation, and could make it a lot worse. Part of the answer is to set the upper and lower stock levels to absorb the variation in demand and stick to them, so these fluctuations are not passed upstream. The other answer is to move away from batch thinking in planning and production and begin to relate the rhythm of production more closely to demand, moving from producing every product once a month to twice a month, and then to every week and maybe twice a week and eventually every day.

Levelled orders create the stability that is necessary to start the traditional lean journey in production – improving the capability and availability of each step so you can link them to create flow and then accelerate the rate of flow by improving the frequency. The end result is that production can actually make every product frequently and reliably.

But this is not the end of the story. Sorting out production alone is not enough – you must also sort out your planning logic and behaviour. Just as you eliminate big batches in production you must no longer batch information – it needs to be passed on without manipulation and released to production in

small batches frequently. This probably means no longer using your MRP system for production and shipping instructions.

But it probably also means not letting your planners see the stock levels in the finished goods warehouse! We recently witnessed just such a situation – where planners were only alerted when stock levels breached the upper or lower limit. Even then they learnt not to react too quickly, as they knew that spikes and troughs in demand have a habit of going into reverse very quickly and production is anyhow going to replenish that product in the next period. Doing nothing proved to be the best course of action and eliminated most of the plan changes.

Imagine this story repeated at many points up the supply chain. Rapid replenishment turns out to be much more important in improving supply chain efficiency than transparency.

Yours sincerely

Daniel T Jones

Chairman, Lean Enterprise Academy

Leaners might well be interested in the articles & presentations that are downloadable on Dan's web site www.leanuk.org. There are two revolutions about to transform consumer goods retailing. "The Magic of Leveled Scheduling" describes how pioneers are using Breaking Through to Flow to transform consumer goods production. It is worth a poke-about for some good value.

