HPM CONSORTIUM

The Weekly Update

"Leveraging learning for customer success" Making World Class Make Sense

Volume 13, Issue 36 ❑ September 4, 2006

Important Dates to add to your calendar...

- ❑ **Sep 8th, 1:30 – 4:30 CONSORTIUM OPEN HOUSE FOR POTENTIAL NEW MEMBERS. – contact Scott Smith at 519-502-9394.**
- ❑ **Sep 19th, SIG – IT Roundtable**. Host: Gerrie Electric, Burlington. Send Agenda items of interest to Russ Deacon at rdeacon@hammondpowersolutions.com
- ❑ **Oct 11th, 12:00-3:30 HPM GMT Meeting.** Host: COM DEV Space, Cambridge
- ❑ **Oct 16-20th 2006 AME International Lean Conference** in Dallas – 1,325 now registered for the largest ever by AME in 22 years. www.ameconference.org
- ❑ **Nov 22nd, 11:30-5:00 HPM Board Meeting.** Host: **Gerrie Electric**, Burlington. Highlight: **Jay Myers, Chief Economist and Sr. VP CME** will bring his annual Economic Update. Leveraging component: details on **Gerrie Electric's 5S Implementation**
- ❑ **Nov 29th, 8:30-4:30 HPM Share Showcase – S**ee the diversity & harvest innovative ideas from each HPM'er.

HEADS UP - All HPM IT Leaders - Sept. 19th

Second IT Roundtable

Hammond Power Systems' Russ Deacon, held the first HPM IT leaders exchange last year which saw ***demonstrations of IT projects underway plus the unique implementation used to increase their company's ability to compete and win. This will continue Sept. 19th at Gerrie Electric*** where you'll see their ***innovative approaches. Gerrie Electric*** - a leading electrical distributor with 16 sites in a 100km radius committed to driving out waste from 'Quote to Cash.' Mark your calendars. **Your host is Gerrie's Vice President of Operations and Chief Financial Officer - Richard Solonenko at 905-681-3656.** He will also share their approach to 5-S in IT which they presented at the Kitchener Conference.

Lean Manufacturing & IT: No Oxymoron!

Extracted with thanks from the AME UK Monthly Newsletter, Thanks to editor, Chris McKellen

By Chris Astall, Product Director, Demand-Driven Strategies, Cincom – Here are some UK insights

LEAN theory dictates that manufacturing should be about the manufacturing process only and that all other activity is "non value-added". As such, IT systems are considered surplus to requirements when manual of visual systems will suffice. But in the business world, there are other systems that are necessary to run a manufacturing business, beyond the actual production line.

By applying Lean to the enterprise, rather than to one process – taking into account processes that are equally value-added but tangential to manufacturing itself – ***manufacturers are finding that IT can be applied to Lean philosophies to the benefit of business.***

The schism between IT and Lean thinking occurred due to the incompatibility of existing manufacturing IT with the Lean environment at its conception. Lean advocates a "pull" action that conflicts with traditional IT systems (such as ERP) which supports a "push" chain.

In addition, the ways in which Lean and ERP maintain control are very different. ERP maintains control through work orders and inventory transactions – a "top down" process, centralized by the knowledgeable few. Lean promotes control in the hands of many, decentralized through simplicity and process visibility. It promotes pushing responsibility, ownership and execution as far down the hierarchy as possible, using simple, manual systems. IT is seen as anathema to this as it puts down decision-making into the hands of few.

Integration of technology – not complete removal – is the key to Lean success. By reviewing technology to use it only where it adds a genuine advantage, and integrating systems to enable the automation of essential but non-specialist tasks (such as Kanbans), IT can add value to the processes surrounding manufacturing, as well as support the Lean environment. This boils down to applying the 5S philosophy (sort, set in order, shine, standardize, sustain) to your IT: sort out what systems add value, set them in order (integrate), shine them up (BPO), standardize them (BPM), and sustain them through appropriate support.

Fifth Western Canada Conference

Oct. 2-5 ~ "Best practices in Lean Excellence 2006" 6 Keynotes ~ 2 Days of Practitioner-to-practitioner Sessions ~ 2 Days of exceptional Training ~ 2 Days of outstanding Tours of Calgary's best manufacturing facilities… and all the networking you can fit in. Also included: **CME's Canadian Innovation Awards of Excellence** for those who are 'leading by example.'

See the Conference Themes on next page.

Calgary looking for 400+ Lean Practitioners on October 4-5 to increase productivity

'Business excellence through leadership... *How do we measure success?'*

Kicking off this 3-Day Lean Conference – ***the 5th to be held in Alberta*** – will be **Jay Myers** "***Leadership in Mfg. – Meeting the challenge ahead***" ~ Jay will be followed by **Bob Kerr** ***"Shop Floor Leadership"*** – Details**:** **www.cme-mec.ca** (Click on the Alberta flag and on the lower LHS, click the PDF symbol.) The Canadian Innovation Awards 2006 Gala will be on **Tuesday October 3rd from 6 pm to 9:30 pm.** For details call Lori at 613-238-8888 Ext 225.

IT can demonstrate real value in terms of modeling, data collection and assimilation for decision support at the point of attack.

Sales process

Far from putting information into the hands of a few, the skilled IT staff now puts it into the hands of many.

For example, with Knowledge-Based Guided Selling, IT can be responsible for quickly pushing knowledge forward into the hands of those who need to use it. The sales process, even for complex and demand-driven manufacturing, can therefore be simplified and expedited through the use of IT. This ensures "buildability" as well as the knowledge that the product being offered meets the needs of customers.

Demand planning

Where problems exist in determining just when a product will or can be built, people are usually at the centre of the activities and knowledge is local or specific.

Modern demand-management applications assist in capturing knowledge about time and space constraints, which they use to sequence demand into available production slots. By understanding the constraints of the production process, IT can ensure the lead-time quoted is accurate and based on facts not assumptions.

Material flow

Kanban systems were originally a purely visual system and are lauded by Lean purists. However, high-tech Kanban systems can be made to include automated steps and can be fully integrated with suppliers, improving efficiency throughout the supply chain. In the global supply chain, IT is irreplaceable because it enables information to be exchanged almost instantaneously, which otherwise would take valuable time.

Product and process management

Examining a complex product and its almost endless array of possible configurations today presents the Lean manufacturer with two major issues:

1. How to acquire and assemble the necessary details about how a product is going to be built, including its BOM, its route and relevant documentation such as work instructions, process sheets, safety sheets etc.
2. How to maintain that information as things change along the way (product, processes, standards etc).

The most efficient and productive way to assemble all of this information in the first place is to do it using the knowledge gained during the sales process. With an integrated IT system linking sales to planning, information such as the BOM, the route and the documents needed to support the product build can be easily collected from re-usable components. Thus, BOMs and routes in particular must be engineered to be modular in nature and attribute-driven.

Business process optimization

The ability to respond quickly and efficiently to any request – internal or external – can be seriously hampered by inefficient or manually restrictive processes.

While important in any organization, a critical factor for the successful Lean enterprise is establishing an environment where actions and decisions occur in or near real-time. Purists believe IT hinders this by virtue of its basis in rules. However, if the IT system is highly configured enough, it should facilitate the process, becoming the catalyst for the event-enable environment.

Lean manufacturing and IT is not an oxymoron. IT can be a means by which to improve the business processes that surround and support mfg in order to bring Lean to every corner of the business; eliminate non-value added activity and focus on the needs of the customer.

In short, to create the Lean Enterprise.

Brantford's Canadian Blue Bird Coach

Is Hosting

LEAN ACCOUNTING

…. For Lean Manufacturing Applications

This Lean Accounting Workshop is sponsored by the Association for Manufacturing Excellence – the folks who brought you the Kitchener AME Conference.

The session will include a **tour of Canadian Blue Bird Coach** – the company that drew the largest attendance at the Kitchener Conference.

"We are implementing LEAN – so WHY Don't I see benefits in my financials?"

On **September 12, 2006** at the Blue Bird Coach plant in Brantford, this introductory course will present an overview of **why Lean Accounting is important** and the **new tools and processes that Lean manufacturers are using** to bring their measurement and accounting processes into line with Lean thinking. You will learn how to better support and measure Lean initiatives in your organization!

About Your Leader: Michel Bremer, President of the Cumberland Group- Chicago, and Adjunct Senior Engagement Manager for Motorola University. Michael is a nationally recognized speaker on process improvements, Lean manufacturing leadership, knowledge management and management team effectiveness.

Session One: Linking improvement activities like Lean and Six Sigma to Financial Returns. This presentation looks at the typical "missing links" of improvement initiatives like Lean and Six Sigma and why they so often fail to yield the expected financial returns. The presenter describes ***four*** actions Leadership can take to significantly enhance results and describes how Management can control them for predictable, sustainable operational improvements. You will also explore how to link Lean and Six Sigma thought processes to create effective tools and insights.

Session Two: This presentation looks at understanding Lean (throughput) accounting, differentiating Lean accounting and traditional accounting practices and exploring how Lean accounting can be implemented. It also looks at new measurements derived from Throughput, Investment and Operating Expenses relationships and an understanding of how the Principles of Lean can be applied to the Finance function.

You will find out how this has all been applied at Canadian Blue Bird Coach Ltd (CBB). Your facilitator is Frank Hieblinger, Controller for CBB, a leading North American school bus manufacturer. In addition to applying Lean accounting principles at Blue Bird, Frank has had Lean accounting experience with Canadian General Tower and Magna International. Hear his insights into what can be expected when implementing Lean accounting in your company.

Session Three: Tour of Canadian Blue Bird Coach (CBB) – located in Brantford, Ontario for over 43 years, produces a world class school bus and is committed to ensuring that the 25 million children who are transported daily in North America are safe and secure.

In 2005 CBB was voted one of IndustryWeeks' Top 25 plants. CBB is actively engaged in the adoption of Lean Thinking and takes innovative approaches to seeking out Customer and Visitor input to constantly improve processes and products.

You will hear the story of CBB's Lean transformation; see Lean practices such as 5S, Flow, Kanban, Kaizen Suggestion Program and Visual Systems in use in both the assembly operations and administration.

Where it all happens:

Date: Tuesday, September 12, 2006

Location: Canadian Blue Bird Coach Ltd., 22 Airport Road, Brantford, Ontario

Phone: 519-752-9415

To Register: Go to www.ame.org For more information please email Barb Jacklin at bjacklin@ame.org or call at 905-681-6039

Agenda

8:00 am	Continental Breakfast and Registration
8:30 am	Session One
11:30 am	Lunch
12:15 pm	Session Two
2:30 pm	Session Three - Presentation & Tour
4:00 pm	Questions/Answers