

Volume 11, Issue 20 **May 17, 2004***Important Dates to add to your calendar...*

- May 18-20th, AME Leadership in Manufacturing ... How the Best Plants Do It!** AME Conference with **Industry Week** Magazine features top "America's Best Plants Competition" winners – including Guelph's Collins & Aikman. Check out www.ame.org
- May 26th, HPM Board Meeting** This Board Meeting will open eyes via a first-hand look at how a 150 year old organization applies Lean in a high velocity Cellular workspace in one of the most advanced Post Offices in the world. Canada Post now officially consults to other countries & was a major Sponsor last fall.
- May 18-24th AME Lean Pacific Rim Conference**, The numbers are approaching 400 folks – Congratulations to Gary Kerr, Archie Cowan and team Australia for the "Largest Lean Conference ever in Australasia".
- May 26th, HPM Board Meeting – Canada Post**
- June 9th, 8:00-10:30 BKFST: HPM Manufacturing 20/20**, HPM has been registered as one of the over 60 'designated sites' across the country for input into the Mfg. 20/20 project. The intent is to harvest from Mfg. leaders, what they see as the CDN Vision needed to succeed. This will be facilitated by the CME and held at the **CDN HQ of the General Electric Corporation in Mississauga**, and is limited to 24 (3 teams of 8) top Mfg. leaders in round tables.
- June 15th, Solving the Standard Costing Problem** This one-day course is mandatory for those thinking of taking advantage of being a Pilot Project & implementing Lean Accounting. Even if you're not, it will have high value. See the full course description on page 2.
- June 16th, Strategic Performance Measurement for Lean Manufacturing** The course provides participants with a "Starter Set" of performance measures. This set contains a hierarchy of performance measures for the lean cell, value stream and plant that are linked to the goals of the lean company at each of these levels. See the full course description on page 3.

Dr. Robert "Doc" Hall ~ Will Speak at HPM Board Meeting at CPC, May 26th

Dr. Hall is Professor Emeritus of Operations Management, Kelley School of Business, Indiana University. He is a founding member of the Association for Manufacturing Excellence, and is now editor-in-chief of the association's publication, *Target*.

Dr. Hall was one of the first examiners for the Malcolm Baldrige National Quality Award. Currently, he is a judge for the Pace Award (for innovation among auto industry suppliers), and reviews applications for the *Industry Week* America's 10 Best Plants competition. He is the author or

Update... All HPM'ers are invited to participate in Manufacturing 20/20
Host: General Electric HQ Mississauga
Breakfast: 7:30 to 10:30am June 6th

Over the coming week, HPM'ers and CEO's from related Mfg firms will be invited to form a group of 20-22 leaders for a facilitated and relevant discussion on what is needed to compete & win in manufacturing today.

WHAT IT IS

- Our friend & colleague Jay Myers, Sr. VP of CME is asking for **unvarnished input from mfg leaders** on what they see as the right vision looking ahead
- It's an opportunity to help Jay** in return for his long support for HPM over the past many years
- It's organized **by manufacturers for manufacturers**. Hence - **all costs incurred by HPM will be paid by the sponsoring manufacturers** from across Canada who see value in this effort

WHEN: Wed. June 9th – 7:30 Bkfst, Session 8:-10:30 am

WHERE: GE Canadian Head Office, Mississauga. Maps provided to those who register.

FORMAT: Working Breakfast

- Limited to 20-22 Leaders – one per company
- Facilitator provided by Jay's team to ensure consistency

WHO SHOULD ATTEND

- Open to **HPM Member Company leaders**
- To achieve the "20-22 leader" guideline – Invitations will be extended to area Mfrs., including AfEE. HPM'ers should send suggestions to Dave.

Benefits

- Meet Sr. Leaders on topics of Enterprise importance
- Gain an indicator of current Mfg. thinking from Mfrs.
- A message of what mfrs feel needs to be done.
- Cost:** 3 hours of your time on Wednesday, June 9th

co-author of six books: **Zero Inventories**, McGraw-Hill/Irwin, 1983; **Attaining Manufacturing Excellence**, McGraw-Hill/Irwin, 1987; **Measuring Up**, (with T. Johnson and P. Turney), McGraw-Hill/Irwin, 1990; **Flexibility: Manufacturing Battlefield of the 90s**, (with J. Nakane), AME, 1990; **The Soul of the Enterprise**, Harper/Collins, 1993; **Kaizen Blitz**, (with A. Lاراia and P. Moody), John Wiley & Sons, 1999.

In the 1980s, Prof. Hall's research concentrated on the improvement of manufacturing practice. He made a number of comparisons of American and Japanese manufacturing methods. He wrote many articles and made many presentations on what later became known as Lean Manufacturing.

In the 1990s, Prof. Hall became interested in the future direction of organizations that have manufacturing as one of their core processes. In 1990, he had translated, and edited, a report known as *Manufacturing 21*, a Japanese

projection of 21st century manufacturing. It became a catalyst for American programs for the development of agile manufacturing which became part of its successor, "Next-Generation Mfg." Finally one part of *Manufacturing 21*, the Three-Day Car scenario, which originated from Nissan, became a legend inspiring introspection and development in the auto industry throughout the world.

His current thrust is changes in business systems and practice needed for the 21st century. He is preparing a new book on the changes in management thinking that appear necessary to rise to the new century's challenges. Before joining the Indiana University faculty, Dr. Hall worked for Eli Lilly & Company, and for Union Carbide Corp. He received an undergraduate degree in chemical engineering from Rose-Hulman Institute of Technology. His masters and doctoral degrees are from Indiana University.

Canada Post, Tom Charlton, and Lean – Leadership at its best!

Those of you who attended the Largest Lean Conference in NA last year will remember the Keynote Panel led by distinguished leaders from Aerospace, Academia, Manufacturing, and, of course, the service industry. You will remember the energy shown by Tom Charlton who is the Sr. Operations VP for Canada Post and the man responsible for doing what some have referred to as 'the Impossible, which is introducing and sustaining Lean into a 55,000 person operation – Canada Post.

We will be holding our next Board Meeting at the Gateway Postal Sorting Station in Mississauga on May 26th and will get to see some of his – and his team's – handiwork first-hand.

We have just received this update and are passing on to you the communiqué issued by Anne Joynt, President and Chief Executive Officer of Canada Post:

"After 33 years of dedicated service to Canada Post, Tom Charlton, Senior Vice President, Mail Operations, will retire on July 1st 2004.

Tom joined Canada Post in 1971 as Administrative Trainee, Operational Research. Having progressed through several positions in operational research and property management, he was appointed National Director, Real Estate Property Management in 1985. His subsequent executive-level roles were Director, Special Projects; Corporate Manager, Real Estate Development; General Manager, Network and Transportation; and General Manager, Central Mail Operations. Tom was appointed Vice President, Mail Operations in 1996 and Senior Vice President, Mail Operations in the year 2001.

Under his leadership and strategic guidance, the operations community has shown continuous improvements, most notably in service levels. Tom's strong support of Lean principles has also been an important factor in the progress of the operations business."

"True genius resides in the capacity for evaluation of uncertain, hazardous, and conflicting information." Winston Churchill

Lean Accounting... If the change from Standard Accounting Principles to Lean Accounting that protects your Lean investments looks daunting – your discomfort is common. That's why Brian Maskell's team is initiating opportunities for those wanting to get started on the right track as part of the "Pilot Project" program. The process involves on-site coaching with North America's leading experts and the follow-up needed to get it all the way to the floor. For more information click <http://www.highperformancesolutions.ca/page/page/784456.htm> - then "Lean Accounting Implementation Opportunity" under 'What's new in May'

Solving the Standard Costing Problem... Tuesday, June 15th, 2004

8:00 a.m. - 4:30 p.m ~ Toronto Area ~ Location TBA.

Overview

It has been observed that standard cost accounting stands in the way of implementing lean manufacturing. The most significant effect in this regard is the incentive to build inventory that is caused by the measurement of efficiency, and utilization of resources that underlies traditional manufacturing management.

Lean's emphasis on making one-at-a-time is in direct conflict with mass production methods, and it's not surprising that mass production measurements would create the wrong kinds of incentives for a lean mfg environment. Other negative effects relate to errors in product costing and pricing under conditions of significant excess capacity created by lean, a misplaced focus product cost rather than customer value and value stream profitability, and the high cost of maintaining the systems that create costing statistics.

This one-day course presents and develops a new way to think about costing in a lean environment. Starting with an exploration of the problem, it develops the costing methodology and rationale that are based upon flow through the value stream, and shows how this approach supports the right incentives for a lean company, leads to better decisions, is easy to understand, and is simple and inexpensive to operate. At the end of the day, participants should be able to construct a value stream cost from their accounting and operating data, and take the first steps toward implementation.

Course Outline

- What is the problem? Why a standard costing problem?
- What is value stream costing?
 - How it differs from standard costing
 - How to calculate value stream costs
 - How to calculate product costs using features and characteristics
- How to use value stream costs in making decisions (product rationalization, make or buy, order acceptance) and in valuing inventory.

How to develop an implementation plan

Who Should Attend?

General Managers and presidents of lean companies, value

stream managers, CFOs, controllers, cost accountants, operations managers, lean team members and others who use or develop costing information.

Specific Learning Objectives

Upon completion of this one-day interactive session, participants will:

- o Understand why std costing doesn't work in lean
- o Understand the conditions under which value stream costing works
- o Understand why value stream costing is better for a lean company
- o Be able to calculate value stream costs for their firms
- o Be able to identify product features and characteristics that affect cost and know how to apply these to develop product cost
- o Know how to structure the evaluation of alternative org. & costing frameworks to support value stream costing.

Prerequisites

Familiarity with the principles of Lean Accounting.

Participants should ideally have participated in previous introductory Lean Accounting sessions.

About Your Facilitator

Bruce Baggeley is a senior partner in BMA, Inc., specializing in the development and implementation of management processes that incorporate Lean Accounting and lean performance management systems. His functional expertise includes the development of management information for operational and financial planning and control, in implementing financial accounting control systems, and in applying activity-based management principles to reengineering operating processes. He has extensive experience in aerospace and defense, public utility, telecommunications, semiconductor manufacturing and service industries.

Prior to forming his own firm, Bruce was an Accounting and Audit partner at KPMG responsible for strategic planning for the firm, and a managing associate in the management controls consulting practice of Coopers & Lybrand in New York, and was a Professional Accounting Fellow at the Securities & Exchange Commission. He is the co-author of the recently-published book, "Practical Lean Accounting," published by Productivity Press. Copies of the book may be obtained through the publisher's website,

www.productivitypress.com, or through www.amazon.com.

Program Cost: HPM Member rate: \$775.00 + GST

Non-member rate: \$895.00 + GST ... Includes continental breakfasts, lunches, refreshments and all materials.

Strategic Performance Measurement for Lean Mfg...

Wednesday, June 16th, 2004

8:00 a.m. - 4:30 p.m. ~ Toronto Area ~ Location TBA

Overview

This course builds on the theme of Lean Accounting that traditional performance measures cannot work in a lean plant for the simple reason that they were to support the

methods of traditional manufacturing, building large batches to achieve economies of scale. Since Lean's aim is to make things one at a time, and you get what you measure, the old measures have to go. If that is the case, then what should be measured? Answering this question is the purpose of this important course.

The course takes the approach of providing participants with what we call a "Starter Set" of performance measures. The starter set is a hierarchy of performance measures for the lean cell, value stream and plant that are linked to the goals of the lean company at each of these levels. The measures were developed with the typical lean company in mind, and they have been found to work in most companies as they are. But most companies will want to prove them out by linking them to their own strategies and goals and adapting them accordingly. Consequently, a good amount of time is spent teaching how to link the measures to company value stream and cell strategies and goals as well as teaching the performance measures themselves. As a whole this course provides the lean practitioner with a valuable set of tools for managing the lean company at every level.

Course Outline

- o What's the problem with current performance measures?
- o How do traditional measures differ from those required to run a lean company?
- o **Discussion**—your measurement problems?
- o What measures can support lean: The "Starter Set" at Cell, Value Stream, Plant, or Company level
- **Discussion**—How well do these measures support your lean factory?
 - o What would have to be changed?
 - o What problems would arise from eliminating existing measures?
 - o How to modify the Starter Set
 - o How measures link to strategies and goals
 - o Sharpening the linkage through definition of critical success factors
 - o How the Starter Set was developed
 - o **Exercise:** Developing a "Starter Set": for your firm
 - o Implementing the performance measures in your plant—developing a plan

Who Should Attend?

General Managers and presidents of lean companies, value stream managers, CFOs, controllers, cost accountants, operations managers, lean team members and others who develop and use operations performance measures.

Specific Learning Objectives

Upon completion of this interactive session, participants will:

- o Understand the ways in which traditional measures inhibit lean
- o Have a starter set of performance measures that support lean at plant, value stream and cell levels
- o Know how to modify the starter set to support the company's strategies, objectives and goals
- o Have a set of measures that they can implement now to drive their lean strategies in their plants

Prerequisites & Rates are the same for this course.