

Volume 11, Issue 28 ☐ July 12, 2004

Important Dates to add to your calendar...

Lean Accounting Sessions Rescheduled

In consideration of the expressed interest of several folks who want to move ahead – The lean Accounting 'Next Steps' slated for last week are confirmed and rescheduled. For July 20th and 21st.

- ☐ Jul 20th, **"Solving the Std Costing Problem"**
- ☐ Jul 21st, **Strategic Performance Measurement for Lean Manufacturing**

Both of these will be delivered at Velcro Canada in Brampton – beside the Pearson airport. For full information contact Laura or myself at 519-893-6260 or, for a full outline check: www.hpmconsortium.com

- ☐ **Sept 23rd, HPM Practitioner-to-Practitioner Forum** will focus on "Value Stream Mapping in Non-Mfg/Administrative processes." We are searching for folks with a Best Practice who'd like to exchange with others – a Consortium win-win! Call HPM Office.
- ☐ **Sept. 30/Oct 1: The 4-5 Month "Practice of Leadership & Coaching" begins.** Some fifteen folks are looking to begin this essential training this fall. *As before – since this is led by an international provider used by GE US and others, the sessions must be filled in advance or they will be cancelled. Please reserve your seats early – names can be provided up to 30 days in advance.*
- ☐ **Nov 3, 2004: 8:00 - 4:30 HPM Share Showcase '04.** Location: G.E. Meadowvale Theatre. Each HPM company will make a brief presentation to all on its selected 'Best Practice'- plus a tabletop showing.
- ☐ **June 6-10, 2005: "Implementing & Sustaining Lean Thinking Across the Enterprise"** An AME major Practical Education Conference in Edmonton Canada. It will be of special interest to innovative leaders & companies *who want to use this 5-Day conference to inspire their enterprise to produce spectacular results over the next 11 months.. and reward them with the opportunity of being on this program!!* Such companies are being sought as part of the 32 Best Practices to be presented – by companies such as yours with an achievement story to tell. Call for presentations will be issued in August... this is a heads up. This 5-day conference is for 'doers'.

Think About It... Would a trip to China help "Tell it like it really is?"

Some 20 CDNs are going to China from Oct. 23 to Nov. 9th to visit manufacturing companies – and understand the infrastructure. They'll return knowing better how to win & hold jobs here – and, to know what needs to be done to win in the future. Interested? Call/email Dave (# below)

Page 2: Roundtable Summary: HPM's Input to the "Mfg. 20/20" Organized by Jay Myers for Cross-Canada Input.

- June 9th, GE Canada, Mississauga

As many of you said – "We must make our position known, otherwise how can we hope to obtain support? -- let's continue the discussion & see the project's outcome."

As a result of the phone call that your editor made to all participants afterward, most were quick to say that not only did it give them the chance to meet other leaders – it gave everyone a chance to review positions and learn what other leaders were thinking in volatile times.

As Bird Packaging's Dave Sharkey put it, *"It was a valuable use of my time – how can we benefit if we are not prepared to communicate our feelings as clearly and forcefully as we can."*

High Value LA Book for Summer

"Practical Lean Accounting – A proven system for measuring the lean enterprise." – Maskell & Baggaley

Here is the must have book for folks wanting to get a 'nuts and bolts' first-hand understanding of just what Lean Accounting is all about. You can get this book from Gail at www.ocapt.com now.

NOTE: For anyone wanting to get started in implementing LA – buy enough books to cover your top Accounting and top Operations folks... Because one thing about Lean Accounting is that to make it work, there must be a close synergy between operations and finance. One key to making LA work is the need to Value Stream Map the areas to be transformed to a Lean Accounting paradigm. When finished, the changes will ripple right from core accounting practices through to the visible measures on the shop floor.

COM DEV Arrives At Saturn...

A key component aboard the Cassini-Huygens Mission, now on station this week in its orbit around Saturn, was built right here in Cambridge for NASA's jet propulsion laboratory. The diplexer allows the satellite to detect very weak signals arriving from earth over the strong signals emanating from the spacecraft. **According to NASA, it is the technical equivalent to hearing a pin drop somewhere in a stadium during a rock concert.**

COM DEV is Canada's largest designer and manufacturer of space hardware subsystems. They recently won two contracts valued at more than \$17 million for a large commercial satellite program, and were also informed that they are to proceed on another contract to provide products and subsystems to a European customer, which will add another \$7 million to their revenue stream

A tip of the HPM hat, and much kudos to COM DEV for their achievement. HPM'ers consider themselves lucky to be able to see first-hand what their consortium team member has achieved. You could say that it's truly out-of-this-world but I am sure COM DEV has heard them all. Congratulations on another excellence award to an HPM'er. Check out www.nasa.com for some fantastic pictures.

Mfg. 20/20 Input ~ Brief Summary

Introduction

Jay Myers, on behalf of the CME, and Canadian Manufacturers who are now faced with new governments, is heading an initiative entitled "**Manufacturing 20/20**" to help get a clear vision of what manufacturing needs to be competitive – and to get it to those who make the regulations that affect us. It is unique, as it has been set up without government dollars – in fact, it is sponsored by manufacturers for manufacturers who believe in the initiative. You can see how others responded by checking out: <http://www.cme-mec.ca/mfg2020/respond.asp> - and downloading the interesting background discussion papers which provides some excellent data.

The urgency is to get an accurate picture to decision-makers of what Mfrs see as the necessary vision for North America's most potent economic sector – but which, in Canada, has little daily visibility.

As competitiveness increases, so does the need of manufacturers to be heard – hence, some 60 Roundtables are being held across Canada that consist of small groups of manufacturing leaders. The idea is to get the 'straight goods' directly from those at the front lines.

Dateline June 9th

HPM volunteered to hold one of the Roundtables to gather data based on the belief that:

- Those who attend will get high value just meeting and listening to each other's views in our current volatile times
- The input will be reviewed by both the Premier and the Prime Minister as to what "A preferred future for the Mfg. sector" would look like
- There would be benefit hearing other points of view as global competitiveness is impacting smaller and smaller manufacturers every day.
- There is little visibility or understanding of manufacturers in the NA economy.

This breakfast session was held at GE Canada in Mississauga on June 9, 2004 and was opened by HPM's Board Chair, Bill Malus. Joining with HPM leaders from **Avnet, GE Power Systems, Samuel Strapping, and Bird Packaging**, were the leaders of **Innovative Steam Technologies, Nexans, and 3L Filters**

The meeting was convened with the senior manufacturing executives to receive their viewpoint and opinion for the **Manufacturing 20/20 initiative** launched by the Canadian Manufacturers and Exporters with discussions extending across Canada. The culmination of the Roundtable inputs will be presented to each province's government and to the federal government in October.

Session outcomes

The intended outcomes of the session were to develop a shared understanding of:

- The challenges and opportunities facing Ontario manufacturers;
- A "preferred future" for manufacturing in Canada; and

- What needs to be in place to ensure a thriving competitive manufacturing sector?

The Dialogue

Initial introductory comments

At the beginning of the session, the participants introduced themselves, highlighting what they would like to see these meetings achieve.

What we want to accomplish through this meeting...

- Understand our collective concerns on how to remain competitive in this market
- See how others are coping with challenges, and gain new ideas and perspectives
- Develop best practices for Canadian manufacturing companies
- Get government recognition that manufacturing is under siege
- Address issues regarding doing business outside North America
- Be a voice for our clients
- Help determine how to help our clients set up consortiums
- Get some mental stimulation

Challenges and Opportunities

"What are the major challenges and opportunities we are currently facing as manufacturers in Canada?"

GLOBAL COMPETITION

- Access to and development of, international business
 - Small companies trying to develop offshore markets, explore agents, licenses
- Global competitiveness is a reality
 - Exchange rates (costs in CDN dollar, prices in US \$)
 - Coping with a 20%+ increase in six months
 - Commodity material costs, e.g. Steel and nickel prices rising dramatically, with no opportunity to pass it on to customers
 - Identifying the structural risks in the cost equation
- Need to develop unique and dependable technologies in order to have customers absorb the price increases
 - Strengthening our strengths
- Greater degrees of standardization are being demanded, while at the same time there is an oversupply of product >> we are at the mercy of commodity pricing
 - it's not good enough to be "excellent" -> Need to integrate with customers, and understand their businesses better

WORK FORCE

- Attracting young people into manufacturing
 - Mohawk College is not able to attract high school grads into design and innovation programs, even though all grads are placed in well-paying jobs (\$45,000 per year)

- Perception of manufacturing by young people – reality is high paying careers
- Young people selecting low paid dead-end jobs
- Aging work force
 - Struggling with apprenticeship program
 - Sending people to other provinces because Ontario has shut the programs down

Harnessing the culture within businesses – there is still a high level of mistrust (Cycles of Mistrust) in the work force that needs to be removed in order to harness the energy of the work force

BUSINESS PRACTICES

- Manufacturing is not recognized as a core differentiator for a company
 - Opens up the opportunity for outsourcing, leading to offshore suppliers
- Total cost of ownership becomes difficult when outsourcing is a key component
 - Analysts are reinforcing this by asking “what percentage of your manufacturing comes from low cost regions?” – trendy to be there
- Need to do a better job of quantifying the total cost of ownership – quality, speed to market, communications – including the retention of the manufacturing element
 - Supported by the existing infrastructure, being sounder in Canada
- Engage, challenge and harness own resources
 - Continuous improvement on the shop floor
- The discipline of both management and the shop floor employee is not generally in line with the North American company
 - implementing lean manufacturing, 5S programs (note: 5th S is “training and discipline,” rather than 1st -> leads to sustainability)
- Need and opportunity for greater dialogue between customers and suppliers to increase the integration for mutual benefit.

COLLABORATION

- In Ontario, we have a great opportunity to take advantage of the diversity of businesses – experience base, knowledge, know-how
 - Businesses can learn from each other through consortiums
 - We can share perspectives and ideas on specific issues

GOVERNMENT SUPPORT

- Getting financial support for innovation
 - Still a lot of bureaucracy in existing programs, e.g., IRAP, SR&ED
 - Delays mean a hit on the bottom line – need to simplify and speed up to help smaller companies get to new markets with new products
- Support from our own government for innovation

- Government needs to follow the same principles as manufacturing, e.g., lean manufacturing, six sigma
- Including hospitals and other government agencies, e.g., Markham-Stouffville Hospital an example
- Government appears to be going for the “home runs,” e.g., the big GM factory, and “quick hits,” rather than focusing on the strategic nature of the tax system, i.e., refining it for everyone’s benefit

FINANCIAL INSTITUTIONS

- Financial institutions are not recognizing investments in innovation in their funding
 - Investments reduce current profitability, so the bankers back off their support – financial institutions appear not to understand the nature of effective manufacturing, e.g., investing in innovation, reducing inventories (reducing the assets on the books that represent collateral)
 - Does not appear to be a financial organization that will support these initiatives

Which ones will have the greatest impact on us?

- Availability of skills
- Awareness of manufacturing – as a great career, of “lean” concepts, importance of manufacturing to the economy, our own successes in innovation
- How to make it easier to innovate in Canada
- All facing cost increases with little or no ability to pass those costs on – how can we restructure, survive, pass costs through
- Lack of consideration in the tax system for manufacturing support

What conclusions do we draw?

- We need to raise the awareness of the importance of manufacturing across all audiences – get the flywheel to turn
 - Imagine what Ontario would look like without manufacturing
 - Have an impact on other industries to adopt successful manufacturing principles, e.g., lean manufacturing in the hospitals, à la Markham-Stouffville Hospital
 - Turn the “negative assumptions” around to the successes we are realizing
- There needs to be a high level of collaboration among a number of stakeholders that is not happening now, e.g., education, manufacturing, government, communities, health care, banks/financial institutions

A “preferred future” of the manufacturing sector

What would we like the manufacturing sector to look like in the 10 to 15- year time frame? ...what are the main characteristics of manufacturing in Canada in that time frame?

STRATEGIC POSITIONING

- In the North American context, we are recognized as being “better” than the US when all things are considered, e.g., infrastructure, tax rates, culture – productivity, innovation, employee loyalty – the metrics of the day
- Manufacturing is viewed as an exciting place to be, eg: engineers and business graduates
 - People aspire to be in business and “make stuff”
 - The excitement of innovation, being successful
 - Manufacturers are taking ownership of the challenges, e.g., designing our businesses so that low wage competition is not an issue

COLLABORATION

- Highly specialized consortiums are using the EU approach – niche players on world market, banding together (manufacturers, financial support, governmentized labour), to dominate specific world markets from a Canadian base. e.g., Airbus
- Everyone in manufacturing organizations has the opportunity to participate in continuous improvement, either within the organization or in consortiums, or other parts of the supply chain

Action**What needs to be done in order for Canadian Businesses to realize that ‘Preferred Future’?**

- Create an ombudsman position to raise the awareness with government and financial groups regarding the importance of manufacturing to the health of the economy
- Develop a collective and holistic awareness of manufacturing that is not divisive, e.g., business versus labour
 - Public awareness and support, government understanding
 - Understanding what the economy would look like without manufacturing (the disaster scenario)
- Get the media to work with us on this initiative
 - Get the success stories out there
 - Could be a powerful platform for the politicians
 - Need advertising support for the concept
 - Can be an urban/rural issue
- Need some guerrilla marketing to highlight both the exposures and successes
 - “Embarrassing” and congratulating the appropriate people

BUSINESS PRACTICES

- Understand what our customers are willing to pay for, and take out of businesses what they’re not willing to pay for, e.g., internal business processes like A/R

COLLABORATION

- Generate a higher level of collaboration among the stakeholders, e.g., through CME, to get greater alignment

- Build a collective vision of manufacturing in Canada
- Take ownership over our challenges, e.g., the China Syndrome
 - Not wait for government, while working with government to ensure there is support and fewer barriers
 - Take advantage of US fears of offshore – leverage what we have and can do

Take advantage of existing government programs, e.g., Team Canada

Our very good friend, Ross Robson, Director of the Shingo Prize, reports that a writer based in Detroit provided him with the following data:

Is the Quality Gap Narrowing?

The following is the number of cars recalled in the U.S. by year.

- In 2002 GM recalled 4.5 million cars and in 2003 recalled 7.3 million cars.
- In 2002 Ford recalled 2.4 million and in 2003 recalled 3.4 million
- In 2002 DaimlerChrysler recalled 6.4 and in 2003 recalled 2.0 million.

In 2003 – the second largest automobile manufacturer in North America – Toyota - only recalled 200,000 cars. Draw your own conclusions on the impact of Lean. “I leave it to you to decide the scope of the quality gap”, comments Ross Robson, Exec. Director (435-797-2279) Shingo Prize for Excellence, Mfg Utah State University, Logan UT 84322-352, www.shingoprize.com

China: Mission Possible... APMA

This fall’s NRC trip is available to all manufacturers not just the automobile folks... a genuine “Go See” It is interesting to see the Automotive Parts Mfrs.

Association adopting the Japanese mindset and approach of “Go See” when it comes to figuring out how to cope with the emerging megalith called China.

In January 32 folks visited Shanghai, Hangzhou, Beijing and Guangzhou. And this October 23rd to Nov. 9th another 20+ Cdn Mfrs are going to do the “Go See” thing. What did the first wave learn? Here are a few tid bits...

- 1) China’s population base is 42 times that of Canada
- 2) Since 1995 vehicle sales have gone from 1.4 to 3.3 million vehicles with 7 million projected for 2010
- 3) China now receives more annual bucks for investment than the US
- 4) The marketplace wants to ‘source locally’ - what a novelty... which means NA folks will have to be there. Actually, most firms are already 50-60% local content
- 5) Joint ventures are the norm in accessing the market

If you want to “GO SEE” you can through NRC and the Innovation Insights program. Contact Dave by phone or email at the numbers below. STILL ROOM.