

Volume 12, Issue 30 □ **July 25, 2005**

Important Dates to add to your calendar...

- **Aug 24, 11:30 HPM Board Meeting**, Host: Tempress First time visit & feedback session. Very 'serious visual factory take-aways' and more. Also: 1) New Member presentation, 2) Leadership leader to major corporations – Jim Clemmer will discuss the issues he sees involved in leading the Lean charge.
- **Oct 11 or 12 Quick & Easy Kaizen** – 1-Day Workshop with Norm Bodek. Highly rated "SME Excellence Workshop" at Edmonton – author of the 2005 Shingo Award Winning book Kaikaku, plus "the Idea Generator", and "All you gotta do is ask."
- **Dec 1, HPM Share Showcase**, GE HQ Mississauga. Time to pick top concepts to present.
- **Jun 12-16, 2006 CDN Regional Lean Conference** - The highly successful Edmonton MeasureUP for Success Conference comes to Kitchener, Ontario.

Heads Up ~ Discount to Jul 31 Largest Lean Conference '05

This year's – Largest Lean Conference – is in Boston October 31 to November 4 at the Copley Westin Conference Centre.

With well over 800 registrations now sold – and the program due to be issued this week – the conference will be a sell out because of the inflexible space at the Westin.

The Early Bird discount ends July 31st which means registrations prior to that date will save \$300 USD per person.

The full 24-page program is available from the HPM Website at www.hpmconsortium.com by clicking "Resources". For registration and all other details go to www.ame.org.

Heads Up # 2: Three Courses....

September: "Introduction to World Class Fundamentals" – A requested old standby for those who have not taken this long-running session. Location: Cambridge Hilton Gardens, Date will be confirmed by next week

October 4/5 & 25/26: A 4-day "Achieving Results Thru People" course entitled "**Effective Lean Management Skills**" for managers who were promoted with little managerial training. For practical Lean environments.

Oct. 11 or 12: Quick & Easy Kaizen – probably the simplest, most practical & pragmatic approach so far. Technicolor has over 32,000 improvements in place from their 1800-person workforce to show for it. Worth every cent – those from every level will benefit.

"It is not the mountain in your path that slows you down... It's the pebble in your shoe."

[Thanks, George]

Somehow, the following article seemed appropriate for summer reading – as we are deluged with the CAW-Big 3 labor negotiations which got underway this past week... and for sure there will be many more column inches to come. Jeff is the author of "The Toyota Way".

Despite a so-called commitment to the lean manufacturing model perfected by Toyota, the world's most successful automaker, I have watched the Big Three automakers consistently fail to adopt lean in any lasting, meaningful way.

Big 3 fail to learn Toyota's lean lessons

By Jeffrey K. Liker / Special to the Detroit News

"Why haven't the Big Three seen the light?"

Toyota's underlying principle is to add value for customers, managers, line workers, the community and society, which means Toyota thinks beyond short-term revenue numbers. Working for Toyota means getting a secure job and a paycheck, but it also means working as a team to do good for others.

By contrast, the Big Three seem unable to sustain a long-term focus. They struggle weekly with recalls, poor earnings, poor image and unhappy shareholders. Every new improvement program starts with fanfare and expense, only to nosedive when the next financial crisis hits. The one constant — rampant cost cutting — makes earnings look good short term but continually weakens the basic fabric of the company.

Consider the results. Toyota's profit in fiscal year 2003 of more than \$8 billion was more than the combined earnings of General Motors, Ford and Chrysler. And then in its fiscal year 2004, Toyota topped that, earning \$10 billion.

Toyota has the fastest development process in the world, taking 12-15 months to design new cars and trucks, while competitors usually take two to three years. And the company is consistently at or near the top on quality and productivity as measured in rankings by J.D. Powers, Consumer Reports and Harbour.

This has happened even though the Big Three have tried to imitate Toyota's lean production approach.

It is true that the Big Three have eliminated waste from some processes with excellent results. But such efforts have been spotty and short-lived. Few Big Three executives understand lean or lend it more than superficial support.

General Motors has had the most experience with Toyota's philosophy because of its joint venture with Toyota at the NUMMI plant in California. In 1984, the plant took formerly recalcitrant, unionized workers at a failing plant and quickly set a benchmark for excellence within GM. Many GM executives, managers and engineers have been trained at NUMMI. GM's new Lansing-based Cadillac plant was launched copying Toyota's system from the start and has won awards for productivity and quality rivaling Toyota.

Unfortunately, it took GM 15 years before it took the lessons of NUMMI and Toyota's philosophy seriously. When the automaker finally did, it took five years before it began to see improved productivity and quality across the company.

Of the Big Three, GM is on the best track toward seriously adopting lean principles and is loaded with successful cases internally. The question is whether GM will stick with this long enough for it to become a true and lasting corporate philosophy.

Toyota has been quite open about its lean production as exemplified in the Toyota Production System (TPS). Taiichi Ohno, the founder of TPS, preached the power of shortening the production process from raw material to finished goods. He waged a passionate war on waste, merging huge stand-alone departments into product families with material moving in small batches quickly through the system.

"Just-in-time" — supplying what the next process needs only as needed — became a backbone of the system.

The heart of TPS is empowering production teams to stop the line when problems arise, which forces problem solving.

"Andon" is the system Toyota uses to shut down the line and alert leaders to problems. One hourly team leader for every five to seven employees constantly roves the floor. Managers are role models who thoroughly believe stopping the line empowers workers, catches problems early and ensures success in the long term.

In Big Three plants, I know of many instances when major investments are made to install Andon equipment, yet management defines a good day as one with no Andon calls. Line workers have confided they would only pull the Andon cord during a life-threatening situation or extreme problem — for fear of reprisal.

And only a handful of Big Three plants, including GM's Lansing plant, have experimented using team leaders in the generous ratio to line workers as Toyota. Some executives consider it a waste of money.

But the investment in team leaders and the Andon system is an investment in problem solving, the key dynamic of the lean Toyota Way. Through innovative thinking, crisp communication and spreading manufacturing knowledge companywide, Toyota creates a culture that is passionate about considering all options and generating consensus in solving problems on the spot.

As a result, the company routinely accomplishes remarkable goals.

When I was working on "**The Toyota Way**" in the spring of 2002, I visited the largest Toyota service parts warehouse in North America in Hebron, Ky. The three-year goal for that facility was to save \$100 million per year, and it was less than halfway toward achieving the goal.

By the time I visited that facility in April 2003, it had surpassed the goal, saving \$110 million annually, and was starting to work on the next objective. The Kentucky facility accomplished this with broad involvement from "team associates" or line workers throughout the facility. And in nearby Georgetown, Ky., Toyota is in the midst of a renewed push on TPS to radically reduce costs to become competitive in the future with low labor wage countries like Korea and China.

New levels of leanness are being developed as I write this commentary, while the Big Three have yet to learn from the older Toyota systems. At this level, the Toyota culture is very difficult to imitate, and the Big Three have barely tried.

There is much to be learned from Toyota, but the lessons go far beyond simple tools and techniques we simply plug into an existing organization. Toyota continues working hard to make its system better. The system is succeeding in companies throughout the world, giving hope to the rest of us that learning lean is possible and worth the effort.

Let's hope something dramatically changes in the leadership and culture of the Big Three that allows them to finally learn some of these lessons as well."