

Volume 12, Issue 35 **August 29, 2005**

Important Dates to add to your calendar...

- ❑ **Sep 13, 7:30-4 pm, Open: AME Leadership Forum & Tour of Toyota Lexus Facility.** Day begins with continental Bkfst at 7:30 at the Cambridge Holiday Inn. Tour followed by afternoon forum. This is an AME event – All registration via AME at www.ame.org or call Barb at 905-681-6039.
- ❑ **Sep 29th 8-4:30, Open: "Intro to World Class Fundamentals" – "Big Pix"** for those transforming their organization, or new employees who've not taken this long-running session. \$295 Cons. Mbrs, \$395 N-M. **Loc:** Cambridge Hilton Gardens. Register on line later this week or call **Nicole 519-893-6260**
- ❑ **Oct 4/5 & 25/26, Open:** A 4-day "**Achieving Results Thru People**" course entitled "**Effective Lean Management Skills**" for leaders at all levels in Lean environments promoted on technical excellence who are looking for practical managerial tools & thinking. Over 120 mfg leaders have taken this course developed for the Alberta & Sask. Consortiums.
- ❑ **Oct 11 or 12, Open: 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.**" Choose 1 or 2 – Both at the Cambridge Hilton Gardens. info@hpmconsortium.com

- ❑ **Dec 1, HPM Share Showcase, GE HQ Mississauga.** Time to pick top concepts to present.

- ❑ **June 12-15th, 2006 Second Canadian Regional Conference... Kitchener-Waterloo Region Canada.** Consider accelerating your velocity on the Lean Journey by selecting a major project which, when completed, might provide the opportunity to present your excellence at a conference that will give you back more information than you provide. Time to think about it.

Art Church, President & CEO of Mancor Industries, First KW Conference Keynote

The recruiting of prime Keynote speakers and key Best Practices to be presented is underway with a number to be identified by the end of September to be announced to those attending the **AME International Conference in Boston Oct. 31st to Nov. 4th '06.**

This year's topic is critical... because "**Whether competing against China or the World... Success in Mfg. Begins at Home!**"

This year internal Best Practices will be spotlighted – and so will Best Practices so critical to one's Extended Enterprise. Sent hot suggestions to Dave or to Brian Bush now at brianbush@sympatico.com

Tempress Team's First Board Audit Sets A High Standard

GMT Members see dramatic results in just three months

"We are impressed – the changes you have made in just a few months are outstanding," commented HPM's GMT Member and Co-Chair of Learning & Leveraging **Brenda McIntosh of Orenda**. Other GMT members were very quick to agree at the report out following the plant tour of Tempress that saw Tempress staff proudly explaining the data on the metrics boards to their interested guests.

Board members acknowledged the visual nature of the shop floor and the innovative ways in which the Metrics boards were mounted and displayed. Others identified the innovative and excellent 'standard modular' approach taken to assembling work areas, fixtures, and just about anything else that had to be constructed using common components. This provided a clean consistency across the production area and a high sense of professionalism.

"The lighting intensity is exceptional," was one comment to which **Tempress president Bill McLean** responded, "When you are making some of the most expensive fixtures for the world's finer homes - you just have to be able to see specks on the surface easily and clearly." This comment highlighted the fine craftsmanship involved with the Grohe fixtures and taps that you find in the high end plumbing stores. **In this case the need for excellent lighting is 'mission critical'** while at the same time providing employees with a bright and easy to negotiate professional workplace.

Couple that with one of the better HPM commitments to a visual work environment and you see clearly what **Production Supervisor Lois Wickmann** is pointing out. These simple boards purchased from a stationery store are found all over the production area which is an extension of the team's understanding of Standard Work, with the same metrics recorded throughout.



Their commitment to the journey to a very **visual workplace most certainly includes their appreciation of their people.** Pictures of teams such as the **Health & Safety team and the workforce** were clearly mounted. One aspect of note were the **pictures of the summer students**

which were mounted in highly visible locations so employees and students can recognize each other more quickly. Such recognition speaks volumes.



To the right, Hammond Power Solutions President, Al Raftis, is caught in mid-gesture with Tempress President, Bill McLean, in their R & D Centre. The company tests every single unit and is responsible for R&D for a number of their products including those automatic balancing valves that keep you from getting scalded in the bathtub when someone turns on a tap.



The facility tour was the first for HPM Members of their newest member's plant. Upon completion, all members provided specific recommendations to consider for improvement, and one item they noted that was done well and that they might 'borrow' – with pride, of course. The Tour wrapped up and proceeded to the Port Credit Yacht Club for the formal Board Meeting.

To get a better appreciation of what is produced check out their website at www.tempressltd.com.

**Board Meeting Focuses on
"Formidable China
...Challenge or Opportunity?"**

The Format was simple. Our invited speaker was followed by a panel of HPM Members who are currently directly involved with China. The discussion was lively and continuous with a decided sense of urgency in the air. An emerging theme which surfaced on more than one occasion was that the entire Chinese infrastructure consists of lower cost elements than the North American infrastructure and for that reason they are a different and more formidable competitor than Mexico, which has low wage rates but relies on a similar infrastructure of machines, process, and high skills as the US & Canada do.



The Discussion

Paul Deckert, HPM's Chair of Opportunities and Alliances, introduced our kick-off speaker, old friend, and past President of HPM, Roy Verstraete. Roy is the former president of HPM Member Velcro Canada, and is now President of Anchor Lamina – part of the Anchor Danly Company headquartered in Windsor but with 13 locations in North America and 1 each in Germany, Russia, and China.

The Chinese Economy

- GDP Size: The 6th largest in the world with GDP of USD1.66 trillion in 2004.
- If measured on a PPP basis, China stood as the 2nd largest economy after the US last year

- GDP Growth: Average 9.4% since 1979, 9.5% in 2004
- Foreign Currency Reserves: \$711 Billion till July 2005, the 2nd highest in the world after Japan (\$839.7B)
- Population & Breadth: 1.3 Billion with seemingly inexhaustible labour force and talent pool

But they are not without their challenges including:

- Micro-economic & Structural Weakness
 - Weak Financial Infrastructure
 - Few Global Companies and Brands
 - Few Patents and Innovations
 - Weak Marketing & Management Skills
- Health Care System
- Environmental Issue & Sustainable Development
- Political democracy & Taiwan Problem

The Opportunities For Us

- **Market Potential:** Considering its size, growth, and population
- **Exporting to China:** Unlike Japan (export oriented and import protectionist), China sustains balanced trade and welcomes foreign investment
- **Supply Base:** Low-cost sourcing goods and services; manufacturing in China
- **Source of Talent:** Many big companies are shifting white collar work due to the growing talent pools, and lower research and infrastructure costs

The Challenges From Them

- Relocation of existing industrial customer bases, resulting in a shrinking market and industrial bases in North America
- Price competition from traditional competitors by outsourcing or manufacturing in China
- Given their advantages, new competitors of Chinese-owned companies are trying to compete globally
- The infrastructure, dynamics and even business model of your industry might be changed due to the rise of China

Roy's Observations

- China is unavoidable – the opportunities & challenges coexist
- The rise of China will eventually change industry infrastructures and the rules of the game



while they are there

- One must do homework, assess business portfolios in terms of the market, customize China Strategy
- As a 'Favoured Nation' in China, Canadians should take advantage of the growth opportunities

The Panel



Following Roy's sharing of Anchor Lamina's perspective, HPM Members who are involved in China proceeded to share their experiences. In order of their presentations were:

Art Church, President, CEO and Owner of Mancor Industries with operations in the US, Canada and China, shared their experiences. Art felt there will be things we just won't be able to compete on, which will require our own wisdom to determine what those things are in order to focus where there is opportunity. In some ways, he suggested that the near future race has some similarities to the story of how one does not need to run faster than the bear to win – but rather faster than their competitors whom the bear can digest. This brought nervous chuckles all round.

Joe Kane, Vice President of Operations and GM of COM DEV Space described their multi year experiences in China from their operation in Beijing since 1997. Joe's observations included a number of caveats to be aware of such as a) Going in, ensure you have an exit strategy when the 'milk goes sour.' b) Beware of joint ventures which the Chinese describe as 'two people in the same bed with different dreams'. Some 70% of JV's fail between North American and Chinese companies – however, to put this in perspective the failure rate is actually higher in North America. c) Typical occurrences involved Chinese companies 'end running' around their non-Chinese customers to initiate business directly with the vendor's end customer. As a result, the company is squeezed out of the market d) A pattern is emerging to be aware of and that is – the Chinese are very good at reverse engineering. They then buy the components and subassemblies that they can't reverse engineer.

Bill McLean, President and CEO of Tempress Ltd. described his company's approach which began as a sourcing exercise first, followed by considerations of a Joint Venture. Their company is looking at a major involvement over the next two years.

Benefits of Sourcing in China

- Low piece and tooling cost
- Short tooling/manufacturing lead time
- State-of-the-Art manufacturing equipment
- State-of-the-Art test labs
- Large pool of manufacturing and engineering resources
- Many competitors are also sourcing in China
- Large manufacturing capacity

Considerations

- Uncertainty of long-term currency stability
- Communication concerns (time difference and language)

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- Geared for very high volume production, otherwise little price advantage
- Long shipping times
- Delays through Customs
- Higher inventories throughout the supply chain to buffer delays
- Differences and inconsistencies of raw material
- Often dealing through manufacturers' representatives, so do not always know source of goods or when source has changed
- Legal recourse is challenging and expensive
- Risk of product cloning
- Technology transfer to potential competitors
- Problematic processes masked by inspection

In summarizing, Bill expressed the view that:

- There is much to be gained in cost and quality benefits
- Much monitoring is required – local presence is best
- May need to source in China to remain competitive
- It is truly a different way to conduct business

GE Multilin's Plant Manager, Vito Cianci shared their view and the impact the Chinese paradigm was having in regard to the NAFTA process. One challenge is to get products properly identified – and when that cannot be done, extra work results, which may result in disassembly or non value adding steps being added. The basic philosophy at Multilin is to keep the complex things at home and utilize the global sourcing strengths of GE for the basic metalwork and PC Boards. Long gone is the fear of poor quality – today the quality is excellent. What sets the Chinese apart from many of their competitors is their concern about 'making things right,' as they are quick to jump in to solve problems and make corrections when they are needed.

From the "World is Flat" by Thomas Friedman

"iPaq's real distinction is its wirelessness... "It's the first palmtop that can connect to the Internet and other gadgets in four wireless ways. For distances of up to 30 inches, the iPaq can beam information, like your electronic business card, to another palmtop using an infrared transmitter. For distances up to 30 feet, it has built-in Bluetooth circuitry... For distances up to 500 feet, it has a Wi-Fi antenna. And for transmissions around the entire planet, the iPaq has one other trick up its sleeve: It's also a cell phone. If your office can't reach you on this, then you must be on the International Space Station"

NY Times article on HPM Pocket PC, July 29, '04