

Volume 14, Issue 38 **September 17, 2007***Important 2007 Dates to add to your calendar...*

- Sep 6th, 9:30-12:30. GMT Meeting.** Host: Willow Manufacturing, Toronto. Safety Shoes/Glasses Req'd
- Sep 7th, 9-11:00 am, Front Line Managers' Planning Meeting.** Conference Call.
- Sep 10th, 12:30-4:30PM HPM/AfEE Joint Health Safety SIG** Host: Mancor, Speers Rd facility, Oakville.
- Sept 17th, 9-12:00pm. 5S SIG.** Host: Willow Mfg. Register with the HPM Office. 519-893-6260. No safety shoes or glasses required.
- Sep 18th, 10:30-12:00. HPM Board Meeting.** Host: Tempress
- Oct 10th, 9-12pm. HPM GMT Meeting.** Host: Rockwell Automation, Cambridge
- Oct 15th, 9-12pm. HPM Lean Practitioners' Exchange.** Host: COMDEV Space, Cambridge
- Oct 24, 8-4:30, HPM/AfEE ~ Canada/Australia Exchange meeting.** Host: Mazak Technology Centre in Cambridge. 'Leading Culture Exchange'
- Oct 29-Nov 2nd, AME International Lean Conference Chicago** Contact: www.ame.org
- Nov 1st, HPM Mgr Training Initiative** Begins
- Nov 12th, 12:30-4:30. HPM SIG: Health & Safety.** Host: Velcro Canada, Brampton
- Nov 21st, 10:30-4:30 HPM Board Meeting.** Host: GE Multilin
- Dec 5th, 9-5:00 HPM Share Showcase.** Location: TBA
- Dec 10th, 9-12:00 HPM Supervisors' SIG.** Host: Hammond Manufacturing, Guelph
- Dec 17th, 9-12:00. Lean IT Roundtable.** Host: Gerrie

HPM Board confirms openings For 2 new HPM members

Here is a great way to begin the fall – to think about a supplier, customer, or organization who would seek value in the exchange of knowledge, ideas, and practical know-how while entering into a two-way exchange that is dedicated to making their company stronger!

The consideration for membership is all done in confidence, and is an equal and open two-way investigation of the mutual value to be gained from each other. If it is not your cup of tea, hands will be shaken and best wishes given. If it is of interest, **contact Scott Smith at ssmith@hpsinc.ca** for an opening discussion or for an "Interest in Membership" Guideline.

Competitive Success... It starts at the top

This article was extracted from the "Wisdom Exchange" Keynote summary delivered by our Art Church and printed by the Ministry of Economic Development and Trade. This group meets by invitation only on an annual basis. Invited are Ontario's top business leaders. This year, HPM is well represented by Art Church - and by our President, Scott Smith, who delivered one of the learning sessions. Art delivered his message clearly and directly – here is how the Ministry printed his words.

The success of high performance firms can be grounded in some down-to-earth attitudes. That's what CEOs discovered at the 2007 Wisdom Exchange when Art Church, President, CEO and Partner of Mancor Industries Inc. in Oakville, began describing his company's successful approach to gaining and maintaining competitive advantages in North America's hard-hit manufacturing sector.

Church is a down-to-earth guy, even if he does have an MBA in finance from McMaster University and a bachelor of applied science in mechanical engineering (P. Eng.) from the University of Waterloo. Over the past 10 years, Mancor, a precision manufacturer of metal components and sub-assemblies to original equipment manufacturers (OEMs) in the mid-volume transportation-equipment industry, has seen growth in their employee numbers, plant locations and sales. Major clients include John Deere, Freightliner, Caterpillar and Volvo. "Basically, we're hole drillers," Church said. "We learned that if we drill the holes in the right place, people pay us more."

His description of Mancor's approach to business was down-to-earth and his opinions on major issues were equally up-front. The company's operating philosophy is based on three principles:

- Decentralized plants are run by stand-alone management teams with full profit-and-loss responsibility. "We get far better results," said Church. "Customer relations are better, as is the rate of technology innovation."
- Head office develops systems infrastructure and facilitates best-in-class performance. "Responsibility for the company's success lies with the CEO," Church stated firmly. "The

reasons for success have to do with having good employees, good systems and equipment, good suppliers, good customers and good fortune, but the responsibility rests with the boss."

- Continuous improvement is embedded deeply and firmly into the corporate culture. "It means we're never satisfied, that we're always looking for a better way," he said. "It also means we're not afraid to make mistakes."

The search for innovations, improvements and new ideas is never-ending. Every quarterly management meeting, for example, includes a visit to a customer or other business in the city where the meeting is being held. "You can even learn from a well-run restaurant or dry cleaner," said Church. "But don't do something just because Toyota does it. Do it because you understand the logic and the wisdom and can see how to apply it successfully to your own business. Make the idea your own."

In addition to ideas, good plans are absolutely essential. Church's observation is that many 'get stuck' at the plan and repeatedly re-do it. To make the plan work, you must work through the cycle and continually improve it. At Mancor, new ideas have to pass two critical tests. The One Page Test means they must be able to be described on a single sheet of paper. The Bar Test means they have to be simple enough to be described and understood in a crowded, noisy bar. "If an idea is good, people can usually just explain it," said Church. "If it's not so good, they usually say, 'We should do it for strategic reasons.'"

Church is a big believer in the 80/20 approach, which says that 80 per cent of the value is usually generated by 20 per cent of the activity. It is a rule he applies in many areas of the business, including training. "Training plans with high value result in people acquiring skills that help the business improve," he said. "We develop most of our training programs ourselves. First we identify the 20 per cent of the concepts or skills that will generate the 80 per cent value to Mancor, then management teach the program. We have learned that shorter is better: the target time for most training is two hours."

Church's focused, down-to-earth approach characterizes his views on two major issues facing Canadian manufacturers today.

The high Canadian dollar:

"Stop complaining," Church told the business leaders in the audience. "The Canadian problem is not a high dollar but wage and service costs that are too high. We need to reduce manpower expenses with automation. Wage rates are a complex problem to solve. We may need some help with that."

Competition from China:

"China is almost impossible to beat so we've adopted the 'bear in the woods' solution," said Church. "Everyone knows you can't outrun a bear in the woods. **But I don't need to run faster than the bear, I only need to run faster than you.**"

Despite the competitive threats posed by China and other emerging nations, the high Canadian dollar and other pressing issues, Mancor is growing. Part of the spirit driving that growth is his firm belief in the importance of focusing on the customer and combining good business with a little fun. "Have fun" is embedded right in the company vision, along with being "Best-in-Class", "Profitably Growing Mancor" and "Being Safe."

As Church explained, "If people like to come to work - and people like to do business with us - we think that's cool."

Wisdom Exchange – June - 2007

Lean Culture Techniques For Business Growth

*Here is our President's message to this year's
Wisdom exchange, presented by Scott Smith.
His message was well received.*

Companies searching for ways to sharpen their competitive edge are looking closely at lean manufacturing techniques – and for good reason. Pioneered by Toyota, then spreading to aerospace and other sectors, lean processes have been credited

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"Leveraging learning for customer success"

Making World Class Make Sense

for helping some companies obtain huge efficiencies. Waste reductions in excess of 50 per cent or more have been accomplished in such areas as manufacturing lead times, inventory and overhead costs, improved quality, better margins and enhanced productivity.

Improvements of this magnitude have caught the attention of business leaders everywhere, including Wisdom Exchange delegates who participated in Scott's "Lean culture: *techniques for business growth workshop*". One company was eager to adapt lean strategies but lacked a coherent plan. Another company was moving to a new plant and wanted to set it up as a lean facility. A third firm wanted to learn how to sustain its lean approach after initial successes.

To these issues Scott shared his 20 years of experience in lean implementation, continuous improvement, and supply chain management, to help workshop participants understand what "lean" really means in practical terms and how they could start - or expand - their lean approaches to manufacturing.

One of the myths that still exist is the belief that lean production is just another euphemism for cutbacks. Nothing could be further from the truth Scott emphasized. "*Lean is about growth, not about 'reducing head count,'*" he pointed out. "*It's about eliminating waste everywhere while adding value for your customer. If employees come to believe it's about head-count reduction, the lean program is dead.*"

The main drivers of 'Lean' are people – who foster lean thinking, and apply it to processes, to eliminate waste, and to technology both provide tools that support people and processes, and at the same time accelerate the elimination of waste – all of which adds up to the end-result of making one's customer successful.

First and foremost, the lean approach must be holistic to achieve maximum return. "*It's a whole enterprise tool that encompasses a company's entire business, from preparing the quote to collecting the cash,*" said Scott. "*It shapes both the manufacturing value stream – the steps that directly add value – and the customer value stream – what the customer is willing to pay for.*"

Secondly, because the lean approach involves the entire company, responsibility for implementing it is shared throughout the organization. Everyone has a responsibility to spot where waste is occurring and everyone has a responsibility to identify opportunities for improvement.

"More than 95 per cent of opportunities for cutting waste are found in production activities that don't directly add value from the customer's perspective such as downtime, too much inventory, overpro-



duction and product defects," said Scott.

This company-wide sharing of responsibility and hands-on involvement needs to be championed, supported, rewarded, and sustained by management. It is a leadership issue and it requires learning new skills. It involves significant investments of time and money.

For many firms, adopting lean techniques means a dramatic change in corporate culture. "*Company culture plays a key role in moving toward lean,*" Smith said as we went on to describe that creating and sustaining a successful lean culture requires company commitment in five key areas:

- **Vision:** Without vision, there will be confusion.
- **Skills:** Without skills, there will be employee anxiety.
- **Incentives:** Without incentives, change will be at best gradual.
- **Resources:** Without adequate resources, there will be frustration.
- **A plan:** Without a plan, there will be false starts.

Finally, energizing the lean culture is an unwavering commitment to continuous improvement. Scott suggested that companies focus on four improvement objectives in this order of importance:

- *Increased safety, which removes waste, avoids injury costs and fosters employee commitment to lean processes. Increased safety leads to...*
- *Increased throughput, by reducing downtime. Slowing down to get the job done right increases safety and also leads to...*
- *Increased product quality. Higher product quality leads to...*
- *Lower costs, by reducing the need for rework to correct flaws.*

Adopting lean manufacturing approaches is not a quick fix. "*Changing to a lean culture can be challenging and can't be accomplished overnight,*" said Scott. "*Your company should plan on devoting three to 10 years to the effort.*"

In wrapping up his message, Scott stressed that the job of creating a lean production system will never be complete. The most advanced lean practitioners (such as Toyota) continue to seek improvements, even after many years of implementing lean.

On the other hand, the benefits continue to grow. Lean techniques helped Toyota become one of the world's largest and most profitable companies. And that is a pretty solid endorsement of the power of thinking lean.