

Volume 14, Issue 16 □ April 16, 2007

Important 2007 Dates to add to your calendar...

- **April 19th & 20th, Lean Accounting for Lean Manufacturing.** Led by Brian Maskell. Location: Pavillion Royale, Miss. Contact Barb at AME directly at 905-681-6039 or bjacklin@ame.org for details.
- **Apr 20th, GMT Meeting.** Host: Labelad, Markham
- **Apr 23rd, Lean Practitioners' Exchange.** Host: GE Multiin, Markham
- **May 7th, HPM SIG: Supervisors' Roundtable.** Host: Bird Packaging, Guelph
- **May 22nd, HPM Board Meeting.** Host: Rockwell Automation
- **Jun 11th, HPM Lean Practitioners' Exchange.** Mancor Industries, Oakville
- **Jun 18th, HPM Leveraging Tour** Host: Nexans, Fergus
- **June 18th-22nd, LEAN CDN Regional "MeasureUp for Success Conference".** Location: Edmonton. Call-4-presentations: www.measureupforsuccess.com
- **Sep 5th, GMT Meeting.** Host: Willow Manufacturing, Toronto
- **Sep 10th, Leveraging Tour** [New Member - TBA]
- **Sep 19th, HPM Board Meeting.** Host: Tempress
- **Oct 10th, HPM GMT Meeting.** Host: Rockwell Automation, Cambridge
- **Oct 15th, HPM Lean Practitioners' Exchange.** Host: COMDEV Space, Cambridge
- **Nov 12th, HPM SIG: Health & Safety.** Host: Velcro Canada, Brampton
- **Nov 21st, HPM Board Meeting.** Host: GE Multiin
- **Dec 5th, HPM Share Showcase.** Location: TBA
- **Dec 10th, HPM SIG: Supervisors' Roundtable.** Host: Hammond Manufacturing, Guelph
- **Dec 17th, Lean IT Roundtable.** Host: Gerrie Electric.

The Weekly Update is Looking For Your Achievement...

It is the **'Member-to-Member Leveraging'** that provides some of the best value to each and every member. Of course those who demand more get more – which is as it should be. Folks, there is much to get.

By sharing activities, achievements, Kaizen successes etc. provides a twofold benefit:

First: It gives employees some pride to see their achievement recognized and written up from outside their company, **and,**

Second: It gives other members insights into what you are doing that not only they can learn from ... but the knowledge may lead to one-on-one discussions that generate real value in a safe 'Consortium' environment. There is many interchanges every day – pass them on to dhogg@rogers.com for inclusion in the next Update.

Why Toyota Won and How Toyota Can Lose

Here is Jim Womack's jarring insight on an interesting Lean transition possibility.

Dear David,

Simon & Schuster has just re-issued **The Machine That Changed the World**, which Dan Jones, Dan Roos, and I co-authored 17 years ago. Doubtless, our publisher has noticed the current Toyota boom when any book with "Toyota" on the cover sells.

Fortunately, Machine is still the best description of the complete Toyota business system – product development, supplier management, dealing with the customer, fulfilling orders from raw materials through production, and management of the global enterprise. **It still has a story to tell. As new CEO Alan Mulally remarked to Ford employees when he arrived in Detroit last fall, it is the best summary of why Toyota is winning.**

But in fact Toyota has already won. It's just a matter of totaling units sold and revenues during 2007 to know exactly when to transfer the industry leader's jersey from GM to Toyota. Much more important from a business standpoint, Toyota won the profitability race years ago.

The interesting question for the future is not the precise day Toyota wins but how Toyota can lose. The conventional wisdom is that it may fumble on quality (as evidenced by recent recalls) or go soft on costs or stumble in trying to make Lexus a truly elite brand or fail to gain a stable production and sales base in the emerging markets of China and India.

And these could happen. But if they do they will be symptoms, not the root cause. Toyota's real challenge for the future is to introduce and sustain lean management and lean leadership at every point in a rapidly growing organization.

It's sobering to realize that many new employees at Toyota read Jeff Liker's **The Toyota Way** and Jeff and Dave Meier's **The Toyota Way Field Book** (which every lean thinker should read as well) to try to understand the company they have joined. Toyota's traditional way of creating managers by hiring them straight from high school or college and carefully coaching them over many years to become

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seasoned Toyota-style leaders is being severely strained by Toyota's breakneck growth rate. There are too many new pupils and not enough mature teachers as Toyota opens new plants, engineering centers, and supplier development groups across the world.

Toyota's great risk, the way it can lose, is that its new managers and the managers in its new suppliers will revert to the old, mass-production mentality of the companies or schools they have come from. If this happens, Toyota's management performance will regress toward the mean. Instead of moving the whole world to embrace lean management, Toyota will become just another company. And that will be a tragic failure for us all.

What does Toyota need to teach its new lean managers? Obviously, the specific methods (tools) for conducting production, product design, supplier management, and sales are important. But these are the easy part. ***The heart of the lean manager's knowledge is strategy deployment originating with senior managers, A3 problem solving for line managers in the middle of the organization, and standardized work for primary supervisors near the bottom.***

And at every level Toyota needs to teach its managers to utilize these concepts by going to the gemba. There, they need to lead by asking questions about the true business problem, the current condition causing the problem, a better condition (that is, a better process) that could address the problem, who must do what when to achieve this new condition (the future state), and what evidence will show that the problem has been addressed.

This means managing the organization's value-creating processes (value streams) by asking highly informed questions rather than managing results at the end of the reporting period. (The latter is simply another form of end-of-the-line quality inspection.) And it means avoiding a resort to orders on what to do next when matters seem to be getting out of hand.

Issuing crisp orders is the natural instinct of any boss. Indeed, most bosses seem to think that by virtue of their experience and authority, they should be able to solve any problem lower in the organization. But orders from the boss rather than informed questions take away the lower-level managers' responsibility for solving problems. They start a vicious circle in which lower-level managers wait to be told what to do by higher-level managers who are much further from the gemba where value is created and who inherently

have less – not more – knowledge of the best thing to do.

Compared with the rest of us, Toyota has one major advantage. **It never acquires companies or facilities.** It expands by opening "greenfield" operations in new locations. So if it finds that it can't grow lean managers at the same rate as sales it can simply slow down. And my bet is that Toyota will slow down if it senses that its management values are being diluted.

The rest of us face a harder problem. We already own and operate "brownfields" that urgently need a transformation in their management. Slowing down this transformation simply makes us fail faster!

In summary, **Toyota can fail and if it does the root cause will be a failure to propagate its management system.** We can also fail. And if we do the root cause will be a failure to transform our outdated mass-production approach to management. Thus it turns out that we all face the same challenge!

It follows that all of us in the Lean Community need to learn from each other about the best way to create lean managers and lean leaders. I'm happy to report that sharing our experience will be a key objective of the Lean Enterprise Institute as we begin our second decade next fall. We don't want anyone to fail.

Best regards,

Jim Womack

Chairman and Founder, Lean Enterprise Institute

As you read the following article ... forget that the message comes from a big company. But do remember that the big company is 'The Most Admired' company in North America according to Fortune Magazine this year. Also remember to look for thinking & practices that are 'right for you' and, that can be 'borrowed with pride' and implemented into your culture by your people. Read on.

**Secrets of an HR Superstar
On the eve of retiring, GE's Bill
Conaty offers tips on nurturing
leaders in your organization**

General Electric Co.'s (GE) legendary reputation in talent management owes much to one

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man: William J. Conaty. In his 40 years at GE, including 13 as head of human resources, he helped to shape the modern face of HR. "The guy is spectacular," says former Chief Executive and *Businessweek* columnist Jack Welch. "He has enormous trust at every level. The union guys respect him as much as the senior managers."

Conaty took a department that's often treated as a support function and turned it into a high-level business partner, fostering a deep bench of talent and focusing attention on the need for continuous leadership development. Among other things, **he helped manage the seamless transition from Welch to Jeffrey R. Immelt in 2001** and was critical in shaping a new vision of global leadership that emphasizes such traits as imagination and inclusiveness. At 61, Conaty is now easing into retirement, having passed the top job over to longtime HR colleague John Lynch earlier this year while agreeing to stay on to handle GE's labor union negotiations this summer. As he winds up affairs at GE, Conaty shared his advice for nurturing leaders.

DARE TO DIFFERENTIATE

Relentlessly assessing and grading employees build organizational vitality and foster a true meritocracy, in Conaty's view. Employees must be constantly judged, ranked, and rewarded or punished for their performance. Welch famously talked about cutting the bottom 10% of employees. Immelt doesn't like to fixate on hard targets. But Conaty insists that differentiation "is what still drives this company." There's nothing like a bit of anxiety and the knowledge that you're being measured against peers to boost performance. "We want to create angst in the system," he says. "We have evolved from being anal about what percent have to fall into each category. But you have to know who are the least effective people on your team—and then you have to do something about them."

CONSTANTLY RAISE THE BAR

Leaders continually seek to improve performance, both their own and their team members'. "The one reason executives fail at GE is they stop learning," says Conaty. "The job grows, the accountability grows, and the people don't grow with it." Continuous learning is so valued that GE training courses are considered high-profile rewards. Getting tapped to go to Crotonville, the 53-acre executive training center in New York's Hudson River Valley, is a signal that someone is poised to go to the next level. "Crotonville is one of the best tools we have in our

arsenal," says Conaty. The company's extensive training programs are a powerful recruitment tool and help to stimulate midcareer employees. Moreover, GE uses Crotonville and other training centers worldwide as a way to recognize valued customers and business partners.

DON'T BE FRIENDS WITH THE BOSS

Too often, says Conaty, HR executives make the mistake of focusing on the priorities and needs of the CEO. That diminishes the powerful role of being an employee advocate. "If you just get closer to the CEO, you're dead," says Conaty. "The HR leader locks in with the CEO, and the rest of the organization thinks the HR leader isn't trustworthy and can't be a confidant."

Conaty tries to counteract that risk by distancing himself from Immelt in public settings. While few people spend more time with Immelt than Conaty, he deliberately socializes with other colleagues at functions. Moreover, Conaty says he is the one to "purposely throw the daggers at Jeff that the other guys don't dare do. He knows what I'm doing. I need to be independent. I need to be credible." He also makes a point of being candid with leaders in private. As Immelt recently remarked: "I call Bill the 'first friend'...the guy that could walk in my office and kick my butt when it needed to be."

BECOME EASY TO REPLACE

Great leaders develop great succession plans. Insecure leaders are intimidated by them. "I can go business by business and tell you where we're strongest and weakest on succession. It all comes down to having an executive who doesn't want to admit someone else could do their job," says Conaty. "If they kill two or three viable successors along the way, you have to start looking at the person who's doing the killing." At GE, leaders are judged on the strength of their team and are rewarded for mentoring people throughout the organization. Conaty, for one, takes pride in the fact that his own successor is someone that he helped develop within the HR function at GE.

BE INCLUSIVE

Within every organization, there's a tendency to favor people you know. That can undermine success. Conaty winces at the memory of GE's acquisition of Borg-Warner's chemical business in 1988. "We figured that their sales force didn't look quite as spiffy and energized as our GE team," he says. The top management jobs went to GE folks, marginalizing the

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existing team. "We ended up losing most of their sales force, and lost the business with it."

Now, GE rigorously assesses the talent within companies before they're even acquired. It's a critical form of due diligence. "We find there are generally half a dozen people that we've got to have on the team of that company, and we need them there for a few years," he says. "Now we make special provisions to make them feel financially welcome--as well as emotionally welcome. Our GE people can't be the victors in these deals."

FREE UP OTHERS TO DO THEIR JOBS

When it comes to the CEO, says Conaty, "one of my jobs is to take things off his desk, not put things on his desk." Ram Charan, a management consultant who has worked with GE executives, says Conaty "has the intensity to look at the nuances of issues and take these things off the CEO plate. He solves things and goes forward."

That attitude extends to giving people the tools and permission to work on their own terms, and even GE has become much better about letting people step off the track for a while. "That used to be the kiss of death," says Conaty. He points to someone like Sharon R. Daley, a senior HR executive who turned down a promotion to spend more time with her kids. GE kept her in a part-time job until she was ready to take on new challenges.

Today she's a company officer and the top HR person in the energy business. Conaty does draw limits. "I'm still cynical about seeing 'WFH' [working from home] on a calendar, especially on a Friday," he notes. "But we're much more open and flexible because you see the payoff."

KEEP IT SIMPLE

Most organizations require simple, focused, and disciplined communications. "You can't move 325,000 people with mixed messaging and thousands of initiatives," notes Conaty. Leaders succeed by being consistent and straight forward about a handful of core messages. And the best don't get derailed when times turn tough. "I'd say 70% of our leaders handle adversity well, and 30% let it overwhelm them," says Conaty. **"If you can't take a punch and you don't have a sense of humor, you don't belong in this company. Everyone experiences failure now and then. It's how you handle it that matters."**

Taken from *BusinessWeek* – April 9th, 2007 issue.

GE is Fortune Magazine's "Most Admired" Company

Hey, working at GE is not for everybody – But what can we learn from them? The answer is... all we want to. The 'leadership engine' written a few years ago by Noel Tichy, introduced the concept of Jack Welch's leadership producing engine at GE. It became more credible, when it was revealed that Jack was putting 'his action where his words were' as he was the only CEO in the list of 500 top Fortune companies who spent 30% of his time on staff development – good old employee development and growth. No other leader came close. While Jack's legacy is still evolving, the succession plan he engineered to replace himself is looking more credible with every victory of his successor, Jeff Immelt. Jeff just rang up an 8% profit improvement this year as markets tighten.

Take the time to look at the wisdom below about the lessons learned in process improvement – and extract what you feel could work for you - from the leaders at the locomotive works in Erie PA:

GE's 'lessons learned' on the road to process improvement

- **Stay steadfast and focused**, with a balanced and flexible approach to process improvement and a long-term strategic perspective.
- **Make transformation visible** and work extra hard to build enthusiasm and engage all levels of the organization; and, in fact, encourage leaders to demand more of themselves and their teams.
- **Recognize that cultural change will likely be more difficult than the technical challenges.** Shifting the way employees view and do their work is critical. Since they are the ones closest to the process, give them a voice in our efforts to achieve and sustain meaningful improvement.
- **Align process work to improve the quality and speed of "customer facing" processes.** This will require us to work across functions and sites in different ways.
- **Demonstrate business impact quickly**, developing "showcase" projects/models within our own company that deliver breakthrough bottom-line results.