



By Lisa Harbatkin

INDUSTRY OUTLOOK

"It's aimed at transforming corporate culture."
— Ed Constantine

LOOKING FOR LEAN: DEFINE A PROCESS, **EMBRACE CHANGE**



Terry Hindmarch

Finding success in the Lean manufacturing philosophy isn't just about changing your manufacturing processes - it also requires finding the management executives who are willing to encourage and embrace change.



Jim LoPresti

What changes can help you get faster turnaround? How can you position yourself better against your competition?

Do you really need to source that highly carved table leg overseas?

Will smaller machines dedicated to specific processes give you better results than one large machining center?



Ed Constantine

Who are the best people for guiding companies through these and other decisions?

"Lean" is just another word for a common-sense efficiency-based approach to structuring the business processes that can help you answer these and other enterprise-critical questions. It enforces a more detailed way of looking at internal data flows and of evaluating a company's position in its market.

As such, it's a subject matter expertise in itself.

The term is relatively new. But the basics of Lean are rooted in the automobile industry, dating back to Henry Ford by way of the Toyota Production System.

But today's Lean proponents emphasize that Lean skills transfer readily from one industry to another, and Lean processes can be applied at all levels of the business from the plant floor to the office.

Goals in implementing the Lean approach are "to cut costs, improve productivity, and meet competitive pressures," says Terry Hindmarch, managing partner at executive search company TowerHunter.

Lean calls for defining company goals based on customer needs and product focus.

"Lean is a toolset, a methodology, that helps you improve your morale, quality, delivery and cost, and particularly productivity," says Ed Constantine, chairman of Simpler Consulting Group, which helps companies implement Lean processes. "It's aimed at transforming

corporate culture."

Jim LoPresti, principal in V2R Consulting Group, sees Lean "as a process to identify and eliminate waste. The principles are very robust and can apply across a wide range of businesses and to any application within a company," he says. V2R works with companies on strategic planning and Lean implementation.

Bottom-line improvements are a key driver in company decisions to adopt Lean practices. "You'll have measurable, concrete results from implementing these principles," Hindmarch says. "It's elimination of waste in terms of time and materials. It's increased efficiency in transportation and stock on hand and a decrease in defective products."

Lean practices also make it inherently easier to comply with regulatory mandates, and they provide the information needed to make decisions on questions like what to outsource and whether to manufacture overseas.

"You definitely become safer with standardized processes," LoPresti says. "Your company becomes more structured and based on best practices." Operations based on best practices "tend to be inherently safer," he says.

Plus, LoPresti continues, "as companies become more efficient, they can lower their costs and perhaps limit their outsourcing. They can examine their key core competencies and decide on a strategic basis what they can do most efficiently and then outsource the rest."

The Five Steps of Lean Implementation

Industry trade associations, and colleges and universities around the country offer a variety of resources and support for companies looking to streamline their operations by going Lean. Internet searches yield returns offering reports and guidelines, as well as information on programs aimed at working with manufacturers as they implement needed changes.

The Lean Enterprise Institute (LEI) was founded in 1997 to promote Lean thinking, taking the Toyota Production System as its model. It runs programs and explains Lean principles in articles, books and on its website: www.lean.org.

LEI's outline of the five steps of Lean implementation stresses the pull-through basis of the approach:

Step 1: Specify Value

Define value from the perspective of the final customer. Express value in terms of a specific product, which meets the customer's needs at a specific price and at a specific time.

Step 2: Map

Identify the value stream, the set of all specific actions required to bring a specific product through the three critical management tasks of any business: the problem-solving task, the information management task, and the physical transformation task. Create a map of the Current State and the Future State of the value stream. Identify and categorize waste in the Current State, and eliminate it!

Step 3: Flow

Make the remaining steps in the value stream flow. Eliminate functional barriers and develop a product-focused organization that dramatically improves lead-time.

Step 4: Pull

Let the customer pull products as needed, eliminating the need for a sales forecast.

Step 5: Perfection

There is no end to the process of reducing effort, time, space, cost and mistakes. Return to the first step and begin the next Lean transformation, offering a product which is what the customer wants.

"The questions boil down to who's the best source," Constantine says. "A lot of people pursue outsourcing because they think the best source is somewhere else. But you as a manufacturer should ask what if your costs were 20 percent less and lead times were in days instead weeks or months, and you were a zero-deficit supplier? Would you still outsource?"

Companies can do those calculations and conclude that it pays to outsource some operations and not others. "But if you're going to pick a supplier, you want to pick one that's doing Lean," Constantine says, noting that Lean telegraphs throughout the system.

People and process

With allowance for company size and the number of employees, Lean knowledge should kick in at all corporate levels, from individual machines in the plant to the executive suite. But the central commitment needs to come from the upper levels.

"There must be executive commitment to Lean across the whole enterprise," says Constantine.

Success with Lean calls for "finding people who can create a sense of urgency within the organization and are willing to embrace and encourage change," Hindmarch says. These people might already be within a company or they might have to be recruited from outside as full employees or as Lean consultants who work with the company.

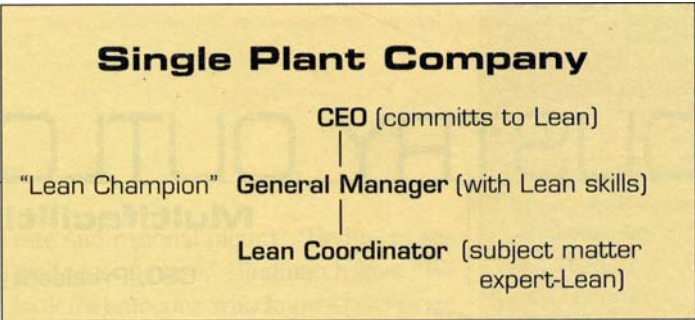
"It's how you lead. That's as important as the result," says Hindmarch.

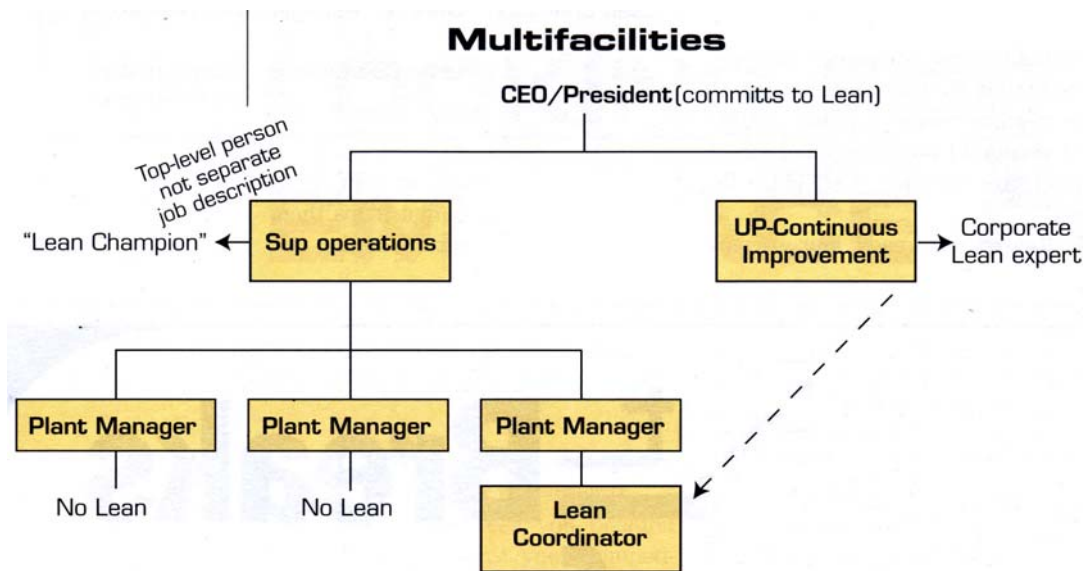
Making Lean work can be easier in a start-up than in an existing company. "You have less resistance to overcome," V2R's LoPresti says. "You're fostering the right culture as opposed to changing it." Everything from the layout of the plant floor to the outlook of the top execs can be developed with Lean applications as the guiding principles.

Constantine is the majority owner of Apollo Hardwoods Company, a start-up that specifically uses Simpler's Lean system, which slices cherry logs into 1/36-in. veneers and laminates them onto purchased cores or platforms. It can convert a log into cut-to size plywood in less than four hours, Constantine says.

In existing companies, corporate culture can be a barrier to Lean implementation, and for that reason even staunch Lean advocates acknowledge that perhaps not every company can benefit, some companies may not be ready to make the needed changes. "Lean requires a large cultural change and a change in business philosophy," LoPresti says. As such, it shouldn't be forced.

"If they're not ready, our recommendation is for them to wait or to go through a process that helps them get ready," says LoPresti. Learning and building awareness are important to making the decisions.





"You might need to change the gray matter at the top," LoPresti says. But, he adds, "We are overt about the fact that Lean is not a technique for getting rid of people. We try to improve the efficiency of the organization by having it do more work with the same resources. If you can go from 10 to 15 desks a day, you can shed people or you can grow the business. The goal is to increase the business without adding proportionate resources."

Making things work

Management turnover can occur when there is resistance to change, and that's where the recruiter might come in, Hindmarch says. TowerHunter's focus is on recruiting the internal people who will guide the company over the long term. It also helps companies find consultants, like V2R Consulting and Simpler Consulting, who work with the company as it changes its management. Lean consultants can also work with companies over the long term as they continue to implement changes.

Simpler Consulting works with many of its clients on an ongoing basis. Its consultants might be working with three clients. They typically spend a week a month at each client's plant, keeping in touch in between and planning for the next visit.

"We help our clients develop value streams," Constantine says. In a factory, these would be a part or a finished product. "Lean delivers meaningful performance month-by-month. We aim to help our clients achieve 1 to 2 percent productivity gains per month over the previous month. So it's not unusual to see 20 percent a year."

Key needs center on people at all levels with solid backgrounds and strong training in Lean processes and their applications, Hindmarch says. At higher levels especially they should have had P&L responsibilities and preferably success in helping to achieve successful corporate turnarounds. Leadership skills are central at the top management and corporate levels.

Hindmarch recruits at three levels: Lean coordinator, plant manager and the senior executive level. Clearly these levels may overlap in smaller operations, while they are just as clearly

separated in big manufacturers.

The Lean Team

The Lean coordinator is a junior-level position that supports the plant manager and would answer to both plant and corporate levels. In recruiting for this level, Hindmarch looks for people who know Lean processes and have prior experience implementing them. Training, and measurable results from previous work in putting Lean practices into effect also factor in.

At the next level up, the plant manager "should have broader-based skills coupled with a good understanding of the foundations of Lean," says Hindmarch. Strong manufacturing experience in plant operations and an understanding of competitive pressures should factor in, along with the skills needed to lead and manage people. The plant manager "should be someone who has demonstrated ability to build employee involvement, someone who trusts employees to make suggestions," Hindmarch says.

Executive and corporate level people should have some Lean knowledge, perhaps not as Lean experts, but with enough of the macro picture to be ready to hire the people with Lean expertise. They should have people skills, and should be aware of the company's broader corporate and regional picture. "He has to see the bigger picture," Hindmarch says. "We look for someone who knows how to set the tone and the agenda, someone who can be the ultimate champion in implementing Lean skills. He's gone through sharing best practices and knows how to make it happen."