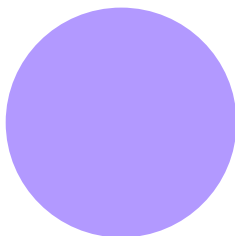
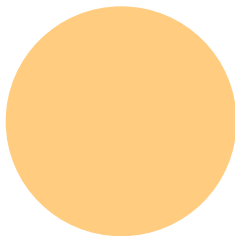
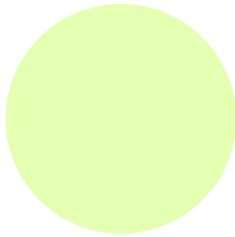




October 23, 2006
Volume 5, Issue 41

LEAN THOUGHTS

Richard Kunst
Tel: 519 590 9944
E-mail: Richard.Kunst@La-Z-Boy.com



GM Execs Need More Hummers

The following article was written by Kevin Meyer on his blog at www.superfactory.com and truly tells a telling tale

That really was the [headline of a recent CNN article](#)... I'm not talented enough to make that stuff up. (Update: CNN apparently didn't find it appropriate, and has since made a minor adjustment to the wording)

But that's not the point. Apparently Bob Lutz wants to take the usual GM approach and milk a successful brand, thereby diluting its value. Hummer sales are up 50 percent just in the first eight months of this year while GM's overall sales were down 12 percent. So why not create a Hummer truck, Hummer sedan, maybe even a Hummer convertible? That strategy has worked in the past hasn't it?

Reminder: GM's year-to-date overall sales are down 12 percent. By comparison Toyota's are up about 10%. GM and Toyota sell roughly the same number of cars... 156,000 in August for GM versus 145,000 for Toyota. GM sells considerably more trucks at 206,000, but Toyota is closing the gap fast with a 12% increase to 96,000.

Let's take a moment to examine brand dilution, keeping in mind that the number of cars is roughly the same and the only real differentiator is truck sales.

First let's look at GM's brands and models:

<u>Buick</u>	<u>Cadillac</u>	<u>Saab</u>
LaCrosse	CTS	9-2
Lucerne	DTS	9-3
Rendezvous	STS	9-5
Rainier	Escalade	9-7
Terraza	SRX	
	XLR	
<u>GMC</u>	<u>Hummer</u>	<u>Chevrolet</u>
Canyon	H2	Cobalt
Sierra	H2 SUT	Monte Carlo
Envoy	H3	Corvette
Yukon		Aveo
Savana		Malibu
		Impala
<u>Pontiac</u>	<u>Saturn</u>	Colorado
G5	Ion	Silverado
G6	Aura	Avalanche
GTO	Vue	SSR
Vibe	Relay	Equinox
Grand Prix	Sky	Trailblazer
Torrent		Tahoe
		Suburban
		Uplander
		Express

Now let's look at Toyota:

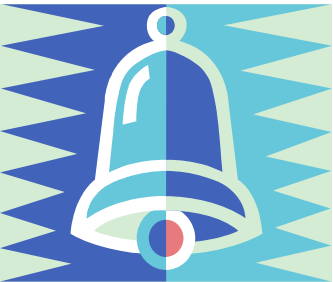
<u>Cars</u>	<u>Truck/SUV</u>	<u>Lexus</u>
Avalon	Tacoma	IS
Camry	Tundra	ES
Corolla	4Runner	GS
Matrix	FJ Cruiser	LS
Prius	Highlander	SC
Yaris	Land Cruiser	RX
	Rav4	GX
	Sequoia	
	Sienna	

LEAN CONSORTIUM MEMBERS:

- CFN Precision
- CGL
- CTS Canada
- EATON Cutler Hammer
- KRAFT
- LA-Z-BOY- Residential
- MESSIER-DOWTY
- MORRISON LAMOTHE
- ORENDA
- NESTLE WATERS CANADA
- STACKPOLE



Where "Lean Thoughts" Become Reality



And that's not counting the large number of GM's model variations, which far exceeds Toyota's. Now helping out GM by including its much larger truck sales, dividing the total number of vehicles sold by the number of models:

GM with 52 models: 6,961 vehicles per model in August

Toyota with 22 models: 10,917 vehicles per model in August

57% more cars per model with Toyota. Is it any wonder that GM has a problem differentiating between major brands and models? What, really, is the difference between Chevy and GMC trucks? Both companies have a wide range of vehicles... from low end to very niche high end models.

Now think about it from a waste perspective, as Toyota obviously does. With so many different models, what is the incremental cost of different subassemblies and components, production lines, changeovers, design effort, marketing and sales efforts, brand management organizations, management infrastructure including accounting and reporting, and general complexity? Especially when you're a company used to beating up on suppliers, beating up on workers, and shedding knowledge workers because their true value doesn't exist on the balance sheet?

And of course there's the customer experience. With Toyota you figure out if you want the basic high quality car or truck, or if you're willing spend a few extra bucks for more luxury, and then you're off to either a Toyota or Lexus dealership. Once there you have a simple choice in clear categories of cost, size, and capability. The experience is low pressure as the reputation for quality sells the cars.

If you're a GM-buyer you first have to figure out what brand you identify with. Buick? Pontiac? Chevy? What's really the differentiator? Off you go to one of the several local Chevy dealers, only to be met with sixteen more choices before you even get a chance to think about model variations. And I won't go into high pressure sales guys in polyester leisure suits trying to explain why body panels don't match, hoping you'll buy from him instead of the guy at one of the other Chevy dealers in town.

Before making high value Hummer yet another bland GM brand, how about figuring out how Pontiac, Buick, GMC, and Chevy are different.

Henry Ford and Lean ...

The following article appeared in the Quick Changeover October newsletter written by John R. Henry

"I will build a motor car for the great multitude. It will be large enough for the family but small enough for the individual to run and care for. It will be constructed of the best materials, by the best men to be hired, after the simplest designs that modern engineering can devise. But it will be so low in price that no man making a good salary will be unable to own one--and enjoy with his family the blessing of hours of pleasure in God's great open spaces."

-Henry Ford

This is what Henry Ford set out to do in 1908 with the Model T. He not only set out to do it, he did it. The Model T was the most successful car in history. At one point, almost two thirds of all cars on the road were Model T's. Between 1909 and 1927 Ford sold over 15 million of them. During this time, he cut the price from about \$950 to under \$300. Ford had a vision of how to do this. This vision goes today by the name of "Lean Manufacturing" and we think of it as something new that we have borrowed from the Japanese.

It's not. Henry Ford realized a century ago that much of what is called "work" in many manufacturing plants would more accurately be called "waste". The waste occurs in many forms.

-Cars were originally built in one place with workers walking around the car and moving from station to station. Ford realized that walking was non-productive. As he said:

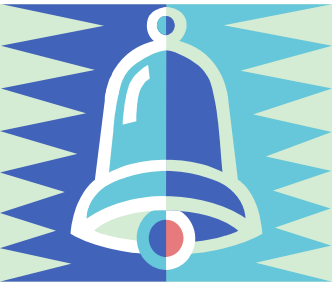
"The undirected worker spends more of his time walking about for materials and tools than he does in working; he gets small pay because pedestrianism is not a highly paid line."

The first step forward in assembly came when we began taking the work to the men instead of the men to the work. We now have two general principles in all operations--that a man shall never have to take more than one step, if possibly it can be avoided, and that no man need ever stoop over."

-Much material was wasted and Ford was almost manic about reducing this. One example is that in punching out radiator caps, they wound up with a small brass disk that they treated as scrap. A bit of redesign later they were fabricating another part using that same "scrap" disk as the blank.



Where "Lean Thoughts" Become Reality



-I especially liked him on excess paperwork: "We had been collecting tons of statistics because they were interesting. But statistics will not construct automobiles--so out they went."

-Ford believed, correctly I think, that only automation could eliminate drudgery and make people more productive. Only by becoming more productive could workers be worth more and hence paid more. His view, stated repeatedly, was that a man should never do any work that a machine could do. He was constantly looking for ways to improve the machinery.

-Ford realized that the only way to make a truly high quality (Quality=Absence of Variation) car, or any other product was via precise measurement of every possible variable. He used the most precise gauges available, even buying the Johansson Gauge Company of Sweden so he could have Carl Johansson (inventor of the Johansson gauge block) on his staff. One story is that the only 2 people who could walk into Ford's office unannounced were his son Edsel and Johansson.

-Most importantly Ford recognized that even with all of the above, without the right people, motivated to perform their best, all he had was an empty building full of useless machinery. Ford did not care who a person was or their background, all that mattered was the willingness and ability to do their job. He was hiring handicapped before that was the fashion. He hired without regard to race and religion. I don't think he has ever gotten the credit he deserves for this.

Ford made no secret about how he ran his business. He wrote 3 books on it. His first, "My Life and Work" is the best and most useful. The other two "Moving Forward" and "Today and Tomorrow" are valuable as well. While you are at it he also wrote a book on Thomas Edison "My friend Mr Edison" that is interesting.

In addition to writing, he was open in allowing tours of the factory and always willing to answer questions about his success.

Ford's ideas worked in other settings as well. He applied them in enterprises as diverse as a public hospital, an industrial school, a railroad and shipbreaking. There is nothing magic about them. They are mostly just simple common sense. Or perhaps, given the failure to implement and follow up on them by American industry (Including Ford Motor Company) since, they are uncommon sense.

In short, there was and is no excuse for not implementing his ideas universally. But they were not. Except for some fairly low quality, photocopied versions of "My Life and Work" and "Moving Forward" they have been out of print for 70 years or so. Productivity Press at www.productivitypress.com has a nice edition of "Today and Tomorrow."

The books may have been out of print in English but they have never been out of print in Japanese. The Toyota Production System that we all hear so much about is mostly copied from "My Life and Work". Rumor has it that Toyota requires every engineer to read it.

I have read at least 100 books on lean over the years. Some good, some not so good but almost always learning something interesting. When I finally found "My Life and Work" I was completely blown away. It makes all the other books worthless by comparison. I could not believe that it was out of print. I have recently remedied this. I have brought out a brand new edition, completely reformatted with a modern binding in a conveniently readable size. I even wrote an extensive introduction explaining why this book is so important.

You can purchase it by clicking:

<https://www2.xlibris.com/bookstore/bookdisplay.asp?bookid=32476>

NB: I will probably get some comments about what a horrible person Ford was so let me respond in advance. Yes, in many ways he was. That in no way diminishes the good ideas he expounds in this book. Read the book and implement the good. By all means feel free to write me though. I welcome all feedback, good or bad.

Visit the Quick Changeover website at <http://www.changeover.com>

The First Step Towards Lean Can Sometimes be Scary...



"I'm suspicious of this particular piece of low-hanging fruit."



Consortium Event Schedule

Tour Workshop Conference

January	February	March	April	May	June
<p>T</p> <p>Wednesday 25 <u>Eaton Electrical</u>, contact Joe Fisher, JoeRFisher@eaton.com</p>	<p>T</p> <p>Wednesday 15, <u>CFN Precision</u>, contact Barry Wood, bwood@cfn-inc.com</p> <p>W</p> <p>Date & location TBA Your own "STEP Diagnostic" to create Vision, Mission and Direction Contact Richard Kunst Richard.kunst@la-z-boy.com</p>	<p>T</p> <p>Wednesday 22, <u>Nestle Waters</u>, contact Mariela Castano mcastano@perriergroup.com</p>	<p>T</p> <p>Wednesday 19, <u>CTS Corp.</u>, contact Bob Garces, Bob.Garces@ac.ctscorp.com</p> <p>Consortium Shareshowcase Saturday 29 <u>Kraft Oakville</u>. Contact Cindy Grolleman cindy.grolleman@stackpole.com</p>	<p>T</p> <p>Wednesday 17, <u>Stackpole CSD</u>, contact Don Barber Don.Barber@stackpole.ca</p> <p>W</p> <p>Date & location TBA "Compartmentalize the Noise" * Daily Report-outs * Standard work for Leaders Contact Richard Kunst Richard.kunst@la-z-boy.com</p>	<p>T</p> <p>Wednesday 21, <u>Morrison LaMothe</u>, contact Tony Vita tvita@morrisonlamthe.com</p> <p>C</p> <p>AME Regional Conference Mon 12 to Thurs 15 K-W Ontario Contact www.ame.org</p>
July	August	September	October	November	December
	<p>W</p> <p>Date & location TBA "Establish Anchors" * VSWI ... Visual Work Instructions * TPM ... Total Productive Maintenance Contact Richard Kunst Richard.kunst@la-z-boy.com</p>	<p>T</p> <p>Wednesday 20, <u>Kraft Foods</u>, contact Hanif Jivraj hjivraj@Kraft.com</p>	<p>T</p> <p>Wednesday 11, <u>Stackpole PMC</u>, contact Cindy Grolleman cindy.grolleman@stackpole.com</p> <p>C</p> <p>AME National Conference Mon 16 to Friday 20 Dallas, Texas Contact www.ame.org</p>	<p>T</p> <p>Wednesday 15, <u>Messier-Dowty</u>, contact Mike Smith Mike.Smith@Messier-dowty.on.ca</p> <p>W</p> <p>Date & location TBA Your own "Get Organized" * 5S+1 Contact Richard Kunst Richard.kunst@la-z-boy.com</p>	