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# LEAN THOUGHTS

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## Jay Myers Leaves HPM Board Members Thinking About '07

*Education session draws appreciation from members*

***The following article written by David Hogg is being reprinted for your benefit. Although it reflects trends and issues in Canada ... I think the facts and concerns are universal. The HPM Consortium is based in Southern Ontario where David facilitated the group for many years ... thanks Dave***

Jay Myers, Sr. Vice President & Chief Economist of Canadian Manufacturers & Exporters delivered a thoughtful and data-filled presentation at the HPM Board Meeting held at Gerrie Electric in Burlington.

Not only does Jay hold the distinction as being the most accurate economist in the country – he holds HPM's attention as the most understandable! "He gave me so much to think about" was one member's comment as the meeting wrapped up. [If you would like a copy of the PPT presentation "**Economic Outlook – The Challenges facing Canadian Manufacturers** emailed to you, email Dave at [dhogg@hpsinc.ca](mailto:dhogg@hpsinc.ca) ]

Jay's presentation was not comforting, as current patterns indicate a downward drift beginning in early 2007. Those that did take some inspiration from the presentation, although they admit there is much work to do, were heartened by the impact that Lean is making to help hold margins and assist in maintaining competitiveness.

### **Beginning at the Beginning**

It is worth remembering the value and the impact of the mfg sector which include these realities:

- **It's the single largest business sector**
- Directly accounts for **18% of Canada's GDP**
- **Every \$1 of manufacturing output generates \$3.05 in total economic activity** – largest economic multiplier
- Approximately \$612 billion in annual shipments (2005)
- **2.1 million Canadians employed** in mfg
- Wage levels **22% above national average**
- **Accounts for 2/3 of Canada's goods & services exports** = \$450 billion (2005)
- **Accounts for 2/3 of private sector R&D** in Canada
- **Has reduced GHG emissions 7.4% below 1990 levels**

### **The Data**

Ontario's shipment performance has dropped by 7.7% while all of Canada has seen a 3.8% drop. But there is much more to challenge mfrs including:

- ◆ The inability to raise prices yet having to cover a 126% jump in energy costs since 2000, along with a 64% jump in materials costs
- ◆ The time required to break even in 2000 was approximately 7:26 which left 34 minutes to generate the revenues needed to expand the business, develop new approaches etc. **But in July, 2006 our machines must run 7 hours and 52 minutes just to break even which means there are only 8 minutes to generate the revenues necessary for re-investment**

### **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



- ◆ Work in progress is climbing. Heading the list of deteriorating conditions, according the 20/20 survey of almost 1,000 leaders, is 1) Energy costs 2) Shipping costs 3) Cost of materials 4) Exchange rates – with 54% identifying the 5<sup>th</sup> place condition as the unavailability of qualified personnel
- ◆ Manufacturing employment is drifting down-ward with severe distortions in Alberta where work is being turned away and the people needed are not available. [Another clear reason for implementing Lean Thinking]

◆ **The outlook for Ontario:**

	2006	2007
Ontario GDP	2.2%	1.5%
Canada GDP	2.8%	2.0%
US GDP	3.2%	2.0%
Ontario Manufacturing Production	-7.5%	-4%
Mfg Shipments	-6.0%	-4.5%
CDN \$	USD\$ 0.89	USD\$0.88

- ◆ **Projections of Required Changes:**
  - *It's never easy to climb into the crow's nest in the midst of a storm...*
  - Focus on Customer & Supplier Success
  - Focus on Solutions not Products
  - Focus on new Global Opportunities
  - **Focus on Internal Excellence**
    - Process Perfection
    - Elimination of Waste Everywhere
    - Bottom Line Results
  - Focus on Achieving Results through People
- ◆ **The "Future Competitive Advantage?"**
  - Focus on Customer & Supplier Success
  - Mastering global supply chains
  - Knowledge management
  - Specialized products & services
  - Innovation – Continuous commercialization of new/improved products & processes
  - New technologies & automation systems

- New business models and global value networks
- New market opportunities
- Agility & Customization
- Customer Value – Design, Engineering, Service, Financing
- Time – Product Development to Customer Response
- Lean – Products, Processes, Enterprise, Business Networks
- Total Delivered Cost

◆ **Main determinants of growth – top 5**

- Limited resources
- Cost
- Lack of qualified personnel
- Lack of time
- Organizational Culture

◆ **Lean Implementation by manufacturers**

- None 51%
- Planning/thinking about it 14%
- Early Stages 18%
- Extensive 14%
- Advanced 03%

◆ **Number of Lean Techniques Used**

- No Lean techniques in place 10%
- 1 Lean technique 30%
- 2-3 Lean techniques 22%
- 4 -5 Lean techniques 18%
- 5-7 Lean techniques 14%
- More than 7 Lean techniques 06%

◆ **Lean Tools Employed**

- Kanban 41%
- 5-S 41%
- Value Stream Mapping 37%
- Kaizen Blitz 31%
- JIT 29%
- Visual Monitors 29%
- Quick Changeover 27%
- Six Sigma 24%
- Customer Pull Systems 22%
- Error Proofing 18%

◆ **Obstacles to Eff. Lean Implementation**

- Backsliding to old ways 73%
- Lack of implementation 49%
- Failure to remove ankle drivers 31%
- Employee resistance 31%
- Viewed as 'flavor of month' 27%
- Accounting practices don't recognize value of shop floor imp. 20%
- Supervisor resistance 20%
- Lack of Sr. mgmt support 18%
- Middle Mgmt resistance 14%
- Failure of past lean projects 14%

With the intensity of the discussion with members, the topics of China, Supply Chain, and other issues did not get exposure. All in all, the Learning Experience was first rate and we look forward to working with Jay in the future.

Based on the above list, do your own organizational assessment and build a plan to recover .. RK

Tour Workshop Conference  
 Consortium Event Schedule



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