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LEAN THOUGHTS

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Lean Is as Lean Does

But it often doesn't. Even at Toyota, home of lean! Even at Omark Industries (now Blount International) and Harley-Davidson, which were in the news in the 1980s as roaring JIT success stories. The numbers--from their annual reports and those of over 500 other companies in many countries--tell the tale. The analysis, tracking inventory turnover trends for up to 50 years, reveals that in its glory years--late 1970s and into the 1980s--Toyota's inventories were turning an awesome 60, 70, and 80 times per year. A decade later its inventory turnover had fallen to the 20s, and has dropped steadily since--all the way to 12.1 in 2001. Blount/Omark roared upward until 1987 but has been in a fluttering stall since. Harley's top year was 1995. (Inventory turnover is cost of goods sold, from the income statement, divided by value of inventory, from the balance sheet.)

Inventory is the simplest marker of leanness. And it's not only of interest to those with lean aspirations (i.e., the makers, shippers, distributors, and sellers.) Because as inventories go, so goes cash flow--which savvy analysts on Wall Street watch even more carefully than earnings.

But picking on just three companies, regardless of their repute, does not make a story. Nor do any one or two-year period's inventory turns. What does is the totality of long-term trend data from the 500-plus companies, which include about every industry. For what they reveal about lean supply chains, some retailers and distributors are included. About 37%, nearly 200 of the database companies, are doing fine: Their inventory improvement trend stretches over at least 10 years--and in some cases 25 or 50 years. That group includes such stalwarts in the machining and metalworking trades as Dana, Ingersoll Rand, and Milacron in the US, Lucas in the UK (a recent acquisition of Dana), SKF in Sweden, and Tata Engineering & Locomotive in India.

The other 63% make up the bad news. Fully 28% have stalled or have been fattening up on inventories for at least 10 and up to 50 years. One of them is the world's most esteemed manufacturer: General Electric. That maker of jet engines, electric power equipment, locomotives, and major appliances had its leanest year in 1973 and has lost ground, in a valley-peak-valley pattern, since--its Six-Sigma prowess notwithstanding. Twin Disc, a key player in making MRP (material requirements planning) famous in the 1970s, has seen its inventory situation worsen since 1985. A.O Smith, Toro, and Snap-on Tools have been on a downslope since 1985, 1986, and 1989 respectively.

Why? Why, in the midst of lean, Six-Sigma, 5S, TPM, and supply-chain-management fervor, are so many companies backsliding or plateauing? In Japan the decade of the 1990s was an economic downer. The fortunes of its manufacturers were the same. One reason for worsening inventory patterns in so many companies may relate to Japan's cherished--though fading--reluctance to reduce labor. In the face of declining sales, an excess labor force just keeps producing, and producing, and producing.

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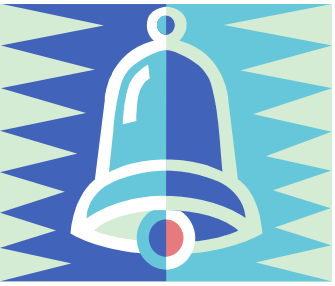
Where "Lean Thoughts" Become Reality



Here are six other reasons why most companies are not getting lean:

- Complacency--fallout of the prosperity of the 1990s.
- Stock-hyping deal making--executives looking past the basics of good process management.
- Growth and retention of unprofitable customers and product variations--the company's fault for not bringing sales and marketing into multifunctional teaming with finance and operations.
- Legacies--mega-machines that produce fat inventories, outsized factories that require marathon flow distances, systems that bog down rather than link up manufacturing and supply chains, and job designs that instill mindless boredom rather than inspiring waste-chopping ideas.
- Retention of command-and-control management that stifles broad involvement.
- Job-hopping managers and engineers who launch initiatives but don't follow through, and favor what's hot and lose touch with what's still good but not.

Corrective responses revolve around reversing the six points. Complacency and job-hopping are already on a course of self-correction. And "the basics" are back in style, especially in the aftermath of the Enron financial manipulation debacle. Clearing out the unprofitable, attacking the legacies, tapping company-wide human potential, and maintaining continuity, however, require upgraded awareness and commitment. Those of us in the engineering community bear much of the blame for past failures, and must take much of the initiative in achieving truly lean results and making them stick.

Richard J. Schonberger
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Richard Schonberger is the author of *Let's Fix It! Overcoming the Crisis in Manufacturing* (Free Press, 2001)

"Somewhere out there is a bullet with your company's name on it… Somewhere out there is a competitor, unborn and unknown, that will render your strategy obsolete. You can't dodge the bullet. You're going to have to shoot first. You're going to have to out-innovate the innovators."

Dr Gary Hamel

Mike's comments about US manufacturing on NWLean …

To name a few American developments in manufacturing over thepast 200 years, we have had the following:

The American system of manufacture gave us interchangeable parts,and the legacy of this effort includes tolerances, allowances, jigs, fixtures, technical drawings and machine tools.

Scientific management gave us time and motion studies, and the basic structure of manufacturing support departments.

Management accounting gave us performance analysis techniques for companies with multiple lines of business.

Mass production. This is the term Ford people used to describe their own system.

Flexible mass production. This is mass production with yearly model changes, as developed at GM.

Statistical quality control...

We can all call it "lean" if we want, but I don't see how it helps the conversation. Of course, lean manufacturing is built on this legacy, but what is of interest about lean is the 5% that is new, not what the 95% that is inherited.

Russell believes that we would have the concepts of lean even if there were no Toyota. I don't believe we would have these specific concepts if it weren't for individuals like Kiichiro Toyoda, Taiichi Ohno or Shigeo Shingo
and the people working with them. We would have something else.

We can all contribute to the evolution of manufacturing, whether what we do goes by the name of lean or not. By 2050, I would be surprised if Toyota were still in a leadership position and anybody were still implementing lean manufacturing. Other companies will surely rise, with different and better ideas. It has always happened in the past, and the pace is quickening rather than slowing. I think the creation of a formal organization to maintain a lean body of knowledge is a milestone to watch, ... as a signal that the discipline is dead.

Best regards.
--
Michel Baudin
MMTI -- Manufacturing Management & Technology Institute

Consortium Event Schedule

Tour **W**orkshop **C**onference

January	February	March	April	May	June
T **Wednesday 24** **Eaton Electrical,** contact Joe Fisher, JoeRFisher@eaton.com **W** **La-Z-Boy Corporate Monroe MI** **February 14 & 15** **Enterprise Value Stream Mapping** **How to use the VSM tools to map admin processes.** Contact Richard Kunst for info. Richard.kunst@la-z-boy.com Register at www.ame.org	**T** **Wednesday 14,** **CFN Precision,** contact Paul Kaulback, pkaulback@cfn-inc.com	**T** **Wednesday 21,** **Nestle Waters,** contact Mariela Castano mcastano@perriergroup.com	**T** **Wednesday 18,** **CTS Corp.,** contact Bob Garces, Bob.Garces@ac.ctscorp.com **C** **Lean Design & Development Conference** **Wed 18 to Fri 20** Chicago Contact www.iirusa.com/lean	**T** **Wednesday 16,** **Stackpole CSD,** contact Don Barber Don.Barber@stackpole.ca **Consortium Shareshowcase** **Saturday 05** **CGL Guelph.** Contact Cindy Grolleman Grolleman@canada.com or Dave Deskur daved@cglmfg.com	**T** **Wednesday 20,** **Morrison LaMothe,** contact Tony Vita tvita@morrisonlamthe.com **C** **AME Regional Conference** **Mon 18 to Thur 21** Edmonton, Alberta Contact www.measureupforsuccess.com
July	**August**	**September**	**October**	**November**	**December**
		T **Wednesday 26,** **Kraft Foods,** contact Hanif Jivraj hjivraj@Kraft.com	**T** **Wednesday 10,** **CGL Manufacturing** contact Dave Deskur daved@cglmfg.com **C** **AME National Conference** **Mon 29 to Friday Nov 2** Chicago Contact www.ame.org	**T** **Wednesday 14,** **Messier-Dowty,** contact Mike Smith Mike.Smith@Messier-dowty.on.ca	**T** **Wednesday 12,** **Orenda,** contact Brenda McIntosh brendamcintosh@orenda.com