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LEAN THOUGHTS

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BEST LEAN INDICATORS

Russell M. Field recently posted this dialogue on the NWLean Blog web-site. Although it seems more like a rant I thought he brought forward some good points ...

I tried to stay out of this one. I really, really tried.

Oh, well. This oughtta get me banned from somewhere ...

WARNING: Long, llooonnnnggg, windy (and winding) post ahead ... bail out now if you have better things to do ... no answers, just more questions ...

SHORT RESPONSE: Why do we care? I'm not trying to be facetious or smart-alecky, but I've thought about this a lot. For one thing, I have yet to see measures like "number of kaizen events", "floor space freed up" or "Lean Academy Graduates" lead inherently or directly to any bottom-line results. 99 times out of 100 they show up on somebody's performance reports, they get checked off, there's a round or two of atta-boys and nobody takes anything out of any budgets. All too often I have seen over-emphasis on measuring/counting/quantifying events and occurrences, coupled with a gross under-emphasis on integrating the precepts into the very behavioral and philosophical fabric of the business - AKA implementing the trappings but not the foundation.

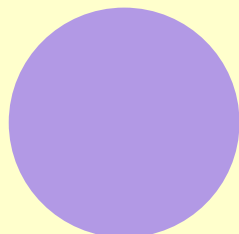
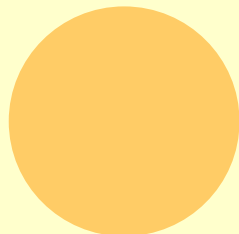
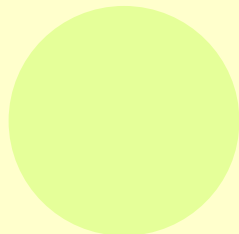
The less wasteful a company is, the more profitable - assuming, of course, decent product definition, marketing and sales strategies. From some standpoint, I don't care if Company A uses kanban, or can even spell "5S" nearly as much as I do about their profitability and survivability over the long haul. Lean is a tool set of philosophies, concepts and techniques for improving that status, but to try to measure "Leanness" per se ...? I'd much prefer to see a plan to integrate business processes which are based on Lean principles and key to supporting my business goals and objectives, then monitor my progress according to that plan. The concepts get built into my business (or have a good chance of it) and will evidence themselves from then on out. And IF I pay appropriate attention to the REST of my business, all will be right with the world.

After all, why is it that some companies must be faced with financial ruin before they pay heed to Lean (and other) concepts?

BUT - the question posed is specifically "What are the best indicators that a company is getting leaner?", so here we go. For starters, it depends on how we define "being Lean" and "getting Lean", and the steps/stages involved. Which may appear to fly in the face of the "it's a never-ending journey" perspective. Frankly, I question whether measuring the journey is value-added.

HORRIBLY 'NOT-SHORT' RESPONSE:

I recently attended an APICS meeting which featured Dr. Richard Schonberger speaking on "The Confused State of Lean: Comparing Regions, Industries, and Companies". One of Dr. Schonberger's key points was the use of Inventory Turn Rate as a primary indicator of a company's progress toward, or maintenance of, a state of leanness. An interesting idea, but among other things I am loathe to rely too heavily on any single viewpoint, condition or measurement to reflect



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Where "Lean Thoughts" Become Reality



However, as I noted above, addressing Bill's question depends on how we define "being lean" and "getting lean" (oh, boy, here we go again ...). It begs a comparison between a past state and current state. Economic performance is certainly one aspect, but is it required that a company use stereotypical "Lean" tools and techniques to be improve that performance? To be considered as on the road to leanness? Can a company be "getting leaner" without using kanban, embracing 5S, or studying Shingo et al? I think most would agree that a company can be economically successful and still not be what many would consider "lean".

AND - is "being" or "getting lean" really the same as being economically successful? Lean concepts and practices are certainly high-leverage tools for improving economic success, but are they absolute pre-requisites?

Put another way, with reference to the factors originally listed:

- If a company demonstrates Improvement, Growth and Profitability over time (pick a span), but does NOT have a "functioning, active Continuous Improvement Program", would they be successful but "not Lean"?

- Conversely, if a company can demonstrate positive change in all the factors EXCEPT Profitability, are they "not Lean"? Harking back to an earlier, favorite analogy, I can have the slickest, leanest buggy whip factory in the world, but if the market isn't there - does that make me "not lean", or does it make me Lean with a side of poor business strategy?

- Benchmarking is considered by some to be an over-emphasized, possibly out-moded and even counter-productive approach. Whose views of this and other processes do we place above others to construct a comparative view? Is the company which is so effective and efficient that they can plan operations ahead and execute in a flawless, synchronized way any less lean than a company which uses kanban (remember, kanban is really a counter-measure)?

I would submit that - like stock price, certifications (Baldrige? Shingo Award?), etc. - there is more to the health and leanness of a company than which books and awards are on their shelves and what cards, blinking lights and so on are found on the shop floor. After all, we have hopefully learned at least a little bit about overall business management from experiences like Delphi and Womack's Merlin Metalworks - i.e., there's more to successfully managing a business than "being" or "getting Lean".

What about companies that MIS-use &/or mis-apply Lean tenets and trappings? Inappropriate outsourcing, MinMax bins for erratic demand items, counting the number of kaizen events held and so on clearly don't help a company, but if "getting leaner" means training and implementing concepts ...

So how about increased Productivity as a factor? Which means, of course, we must define Productivity. Is it output rate/volume per unit of input? Would the majority say that's the same as "increased capacity"? Would greater output be truly more productive without sales? Oh, wait a minute - "pull" concepts: don't take/stock/buy it until the market demands it ... but is increased capacity really a good thing if I don't have the demand (see "Conversely" bullet above)?

Maybe the measures of increased leanness are more Goldrattian in nature. Maybe it's Throughput, Inventory and Operating Expense? If we measure those aspects, do we get a more balanced picture? If we see improvement in any or all of those measures, is that an indication of "improved leanness"? Can those measures be improved without using typical "Lean/TPS" concepts, tools and techniques?

Maybe "getting leaner" is not limited to TPS characteristics; maybe "getting leaner" is more about using the right concepts (including TOC, 6 Sigma and ERP/MRP) in the right ways at the right times in the right places to maximize effectiveness, efficiency and profitability.

OR - are we merely looking for how many TPS characteristics and practices are in place?

In many respects, "Lean" is a set of concepts and tools for a business to become more economically successful. A tremendously powerful, highly leveraged set of tools to be sure, but not the only thing a business needs to do.

SO: Does it really matter if a company is getting leaner? Or is it more important that they understand the Lean tools and concepts, and weave them into their strategic business plan in a rational and leveraged manner?

MY 2 CENTS' WORTH: IMHO it shouldn't be about a company "getting leaner". It should be about a company developing long-term mission/vision, strategies, goals and objectives; setting out a plan to fulfill those using the most effective and efficient tools and techniques it can find; and focusing on successful execution of that plan. It shouldn't be about implementing Lean or "getting lean(er)"; it should be about understanding your options, making smart business decisions, making the company stronger and more profitable.

Without a doubt, any given company has a better chance of long-term success by using "lean" in all its forms. However, Lean should be a way of thinking, a perspective that helps us take a different view of the business, and as integral to the business as the dye in the threads of a bolt of cloth. Lean should not be an end unto itself.

Coffee time ...

Thanks,
Russ

2008 Consortium Event Schedule



Tour Workshop Conference

January	February	March	April	May	June
<p>T</p> <p>Wednesday 16 Eaton Electrical, contact Joe Fisher, JoeRFisher@eaton.com</p>	<p>T</p> <p>Wednesday 13, ACE Bakery, contact Cindy Grolleman, cgrolleman@acebakery.com</p>	<p>T</p> <p>Wednesday 19, Nestle Waters, contact Mariela Castano mcastano@perriergroup.com</p>	<p>T</p> <p>Wednesday 16, CTS Corp., contact Bob Garces, Bob.Garces@ac.ctscorp.com</p> <p>Consortium Shreshowcase</p> <p>Saturday 05 Eaton Milton. Contact Cindy Grolleman cgrolleman@acebakery.com or Joe Fisher JoeRFisher@eaton.com</p>	<p>T</p> <p>Wednesday 14, Stackpole CSD, contact Don Barber Don.Barber@stackpole.ca</p>	<p>T</p> <p>Wednesday 18, Morrison LaMothe, contact Tony Vita tvita@morrisonlamthe.com</p>
July	August	September	October	November	December
		<p>T</p> <p>Wednesday 24, Kraft Foods, contact Hanif Jivraj hjivraj@Kraft.com</p>	<p>T</p> <p>Wednesday 08, CGL Manufacturing contact Dave Deskur daved@cglmfg.com</p>	<p>T</p> <p>Wednesday 12, Messier-Dowty, contact Mike Smith Mike.Smith@Messier-dowty.on.ca</p>	<p>T</p> <p>Wednesday 10, Orenda, contact Brenda McIntosh brendamcintosh@orenda.com</p>