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# LEAN THOUGHTS

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## ***Jumping to Solution*** ***The latest word from Dan Jones***

Dear Richard

We are all guilty of one of the greatest sins with lean – not having the patience to really understand the problem we are trying to solve and then jumping to a solution that may or may not be the right way to solve this problem. This results in lots of Muda – wasted effort that does not really make a difference – to your organization or to your consumers.

We see this all the time. Analysing the enquiries we get tells us this problem is not getting any better. When people ask for our help with their lean efforts we ask them what problem they are trying to solve using lean. Often the answer is “we have been told to do lean and we need some training”. When we ask what this training is going to accomplish and how, they say you tell us - you are the lean experts!

If we then suggest they go back and clarify why their management wants to do lean and what they want to accomplish with lean so we can then look at alternative ways of learning lean rather than sitting in a classroom, things get more interesting. The answers we get tell us a lot about the organisation – after all the shop floor really is a reflection of management.

If the answer is “but I have a training budget to use up by the year end” or “we have been told to do so many rapid improvement events” we know they are not yet really serious about lean. If it prompts a dialogue with their management, this usually suggests a quite different course of action, such as working with senior management to design their lean transformation back from the needs of the business. As is often the case the real problem is very different to what they thought and so are the possible solutions.

Being cynical about this misses the point. This behaviour reflects the management systems we currently work in. Unless we recognise we need to change this the problem will reoccur time and time again – maybe in more sophisticated guises that are not so easy to spot.

In some situations we have to make judgements quickly. Doctors are doing this all the time. Indeed it only takes doctors an average of 19 seconds to come up with a diagnosis – with an 85% success rate! This is pretty impressive and of course their initial hypothesis may or may not be modified by subsequent tests. The real, sometimes fatal danger here is being unwilling to challenge the initial incorrect diagnosis in those 15% of cases, even in the face of subsequent evidence to the contrary.

Managers trying to improve a process requiring collaboration between people from different areas face a trickier situation – how to know what is really going on and what the causes are of things going wrong. In my experience the initial success rate in these circumstances is nearer 15%. Collecting data and running simulations may be useful, but as Taiichi Ohno said “facts are better than data”. The real situation can only be grasped by going to the Gemba – to the place where the value creating work is actually done – and asking the right questions. If problems are hidden and management is all about “making (read gaming) the numbers” it is not so easy and you are unlikely to get straight answers.

### **LEAN CONSORTIUM MEMBERS:**

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### Where "Lean Thoughts" Become Reality

Indeed the truth is that it takes two parties to diagnose a problem and to evaluate alternative solutions. Senior management understands the context of the problem while the shop floor understands the details of how work is actually done. This is true at every level in the organisation. Hence the need for a common language for the dialogue that brings together the context and the details, that helps to frame the problem correctly and then to plan and monitor the experiments to test alternative solutions. This is what Toyota's A3 thinking process is all about.

Knowing how to ask the right questions to provoke the right kind of thinking about the right things is a challenge for managers used to people looking upwards to them for the answers. Giving answers is not only dangerous but it takes away the opportunity for employees to learn how to think. Getting everyone in the organisation to think in the right way about the right things and to continually challenge the way things are done is one of the most powerful results of lean thinking.

Yours sincerely

**Daniel T Jones**

Chairman, Lean Enterprise Academy

### Lean Accounting Books

*Eventually as an organization you will want to migrate away from traditional accounting methodologies and begin using a more cash focused approach or Lean Accounting. Recently Jim Huntzinger posted the message on the NWLean blog. Having read many of these books myself they are excellent additions to your tool box if you are serious about improving your financial reporting ...*

The answer to applying overhead is Don't. Someone below recommended Brian Maskell's books - excellent recommendation. Also, see the books, Real Numbers, Who's Counting, Lean Cost Management, Lean Accounting, Profit Beyond Measure, Relevance Lost, and Relevance Regained. Lee Ann rightfully pointed out that external and internal accounting have and serve two different functions.

The reason I stated not to apply overhead is because internal (management) accounting is a support function for internal physical activity. So, for manufacturing, accounting is a support function, and that means your physical changes of going from batch to flow (1 x 1) must take the lead. "Lean" changes can be made to the internal accounting processes,

BUT money (value) is not created from these process. So "accounting for lean" should be the objective of the internal accounting - or understanding the physical transformation that is happening, i.e. flow. But, again, the accounting is NOT what is important. What is important is establishing flow so that you are satisfying the customer more rapidly and consuming less resources to achieve this end. If you do AND understand this physically, your need for internal accounting information diminishes - and you will better understand what you do need to do from an internal accounting perspective to give you cost information that is accurate. The books mentioned above will supplement this understanding very well, but the best teacher is the application of the physical changes - that is learn by doing.

For example; from my own experience, the physical changes we made during a lean transformation changed the percent of cost of each product from 85% overhead allocation (meaning - 85% of the cost given to a product was nebulous and inaccurate) to 15% allocation. The 85% of the cost after moving to flow was resources DIRECTLY consumed by the manufacture of the product. And, of the 15% allocation, over half of that was derived from improved and SIMPLE allocation process. And this change was the first "swipe". Further improvement could have increased the accuracy and simplicity of the cost information. BUT I will stress again, the key was NOT the better internal accounting system we developed - the key was the understanding and the physical changes made in implementing flow (eliminating batch and moving to one-piece flow).

Jim Huntzinger

**Contact me if you need coaching or facilitation help in the areas such as but not limited to; 5S, Value Stream Mapping, Set-up Reduction, Problem Solving or Policy Deployment and Consortium Development**



### From Kevin at Superfactory

A couple days ago I came across [Google Sightseeing](#), a website with a tagline of "Why bother seeing the world for real?" I guess it was only a matter of time. Now you can visit all of those far-off natural wonders, zooming in from space. Some pretty amazing photos of places like the Golden Gate Bridge, the Taj Mahal, Leaning Tower of Pisa... you get the picture. Literally.

2008 Consortium Event Schedule



Tour Workshop Conference

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