

Initiating a Lean Business Strategy

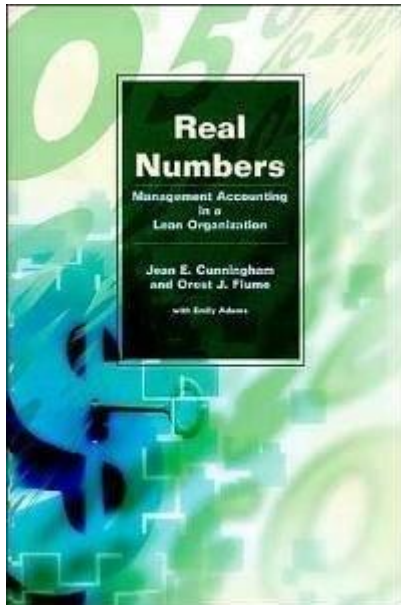
with

Jean Cunningham

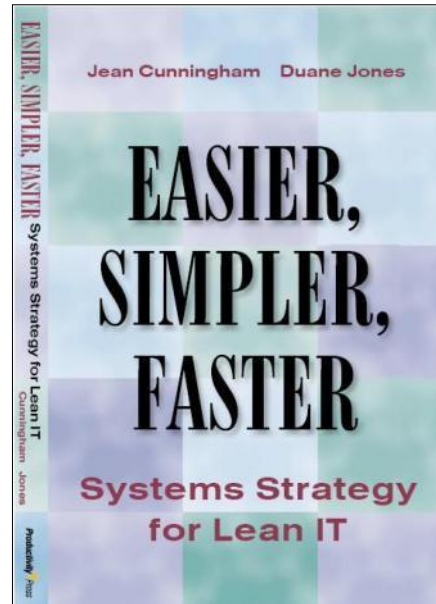




Building LEAN Beyond Manufacturing



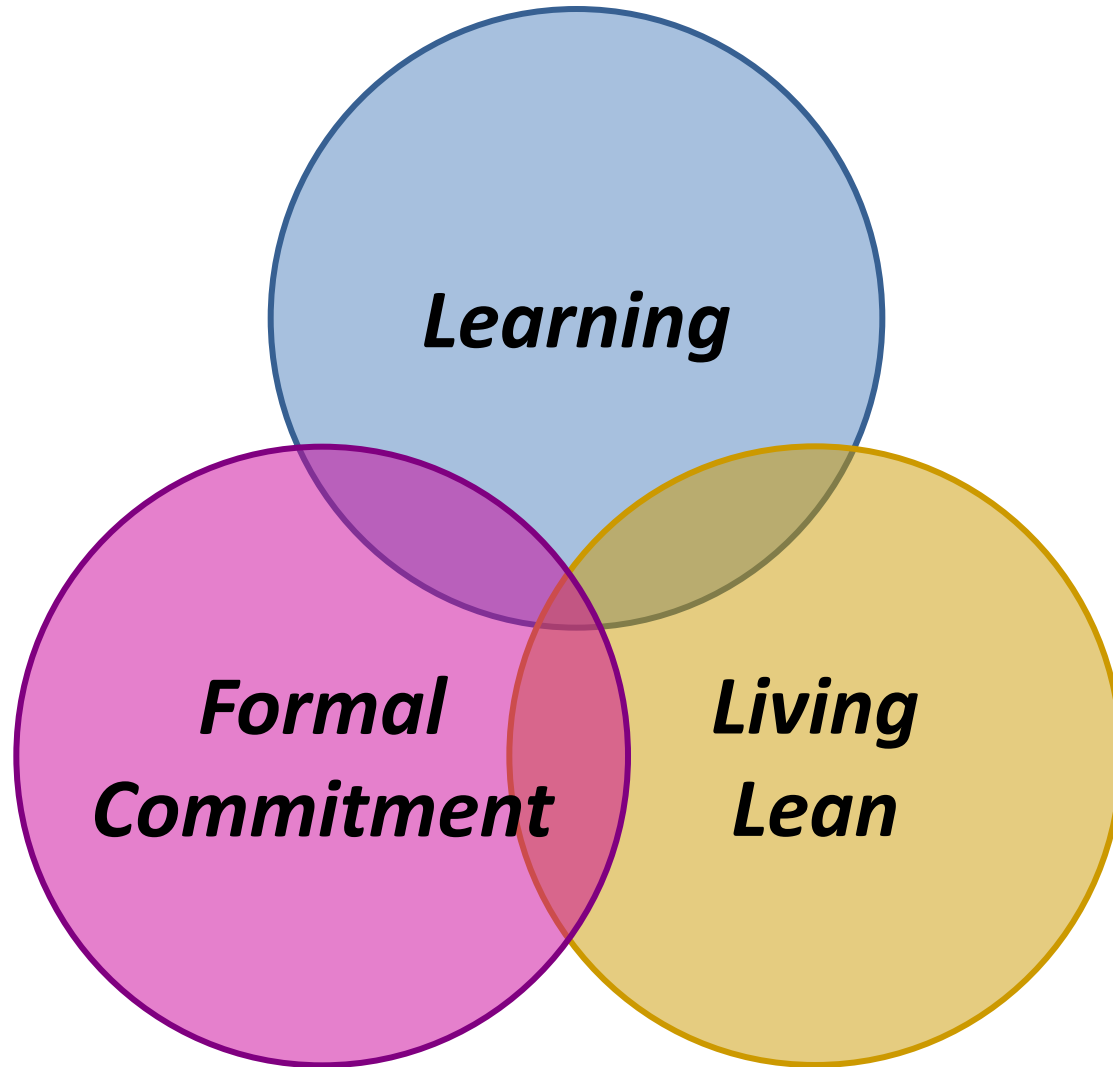
Managing Times Press, 2003
Shingo Prize, 2004



Productivity Press, 2007
Shingo Prize, 2008

- Founder and President
- CFO, AME
- Lean accounting pioneer
- Former CFO, Lantech, Inc.
- Former CFO, Marshfield Door Systems

Lean Executive Team



Learning Lean

- Visit a lean company
- Participate in training
- Participate in kaizen event



Who?

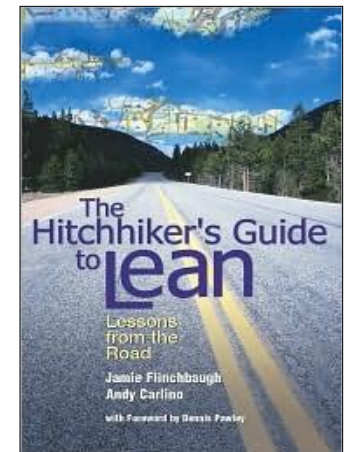
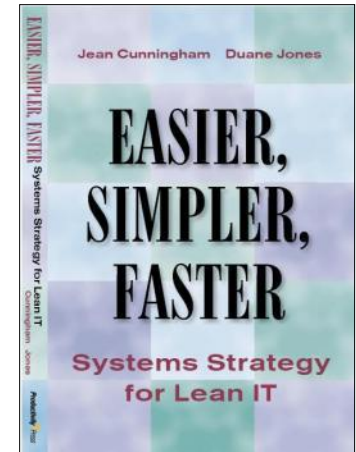
CEO Manufacturing Executive CFO
HR Director Purchasing Director

CFO, HR and Purchasing are Critical?

- **CFO**.....may be the single most predictive indicator of lean success. (Measures, investment, cash flow)
- **HR**...people assignment and selection (culture, policy and procedures)
- **Purchasing** or **Supply Chain**...dramatic reduction in inventory and need for small lot size purchasing

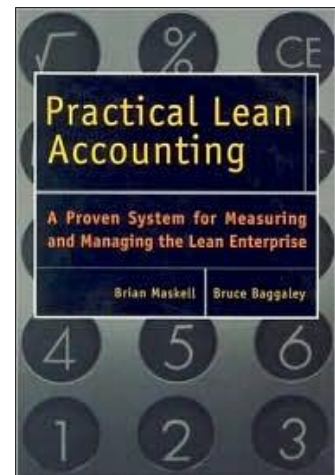
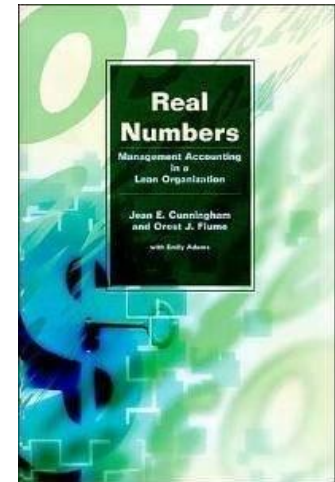
Learning: Lean

- Easier, Simpler, Faster, **Cunningham and Jones**
 - IT and lean
 - Shingo Prize, 2008
- Lean Thinking, **Womack and Jones**
- Manufacturing Challenge, **Suzuki**
- The Hitchhiker's Guide to Lean, **Flinchbaugh and Carlino**
- Product Development, **Kennedy**
- Chasing the Rabbit, **Spear**
- Critical Chain, **Goldratt**



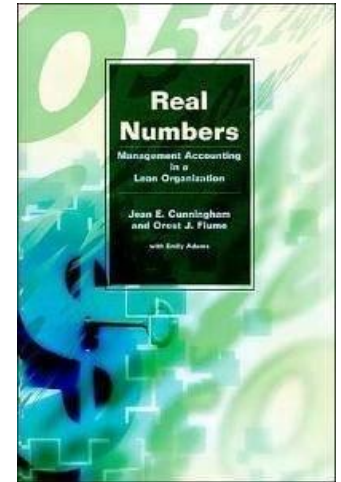
Learning: Lean Accounting

- Real Numbers, **Cunningham and Fiume**
 - Lean Accounting
 - Shingo Prize, 2004
- Practical Lean Accounting, **Maskell & Baggaley**
- Accounting for World Class Operations, **Solomon and Fullerton**
- Who's Counting?, **Solomon**
- Throughput Accounting, **Corbett**



Learning: Lean Healthcare

- Real Numbers, **Cunningham and Fiume**
 - Lean Accounting
 - Shingo Prize, 2004
- Lean Thinking, **Womack and Jones**
- The Pittsburgh Way to Efficient Healthcare, **Grunden**
- The Nun and the Bureaucrat, **Savory and Crawford-Mason**
- Chasing the Rabbit, **Spear**



SWOT

- Complete understanding of “AS IS” situation
- Not goal setting; that comes later in a hoshin planning session
- Where are the growth opportunities?
- Include a team building activity
- Is lean for us?



Formal Commitment

Launching Discussion with Workforce

- No loss of employment from lean
- Everyone's job will change
- Everyone "able and expected" to learn and participate
- Lean will help company grow and survive.
- What has been done so far to get ready to begin lean efforts

Formal Commitment

- Select a Sensei

- Appropriate experience, expertise, and great communication ability is essential
- State-based Manufacturing Extension Partnership (MEP)
- Consulting company/individual
- Lean training (LEI, AME, SME)
- etc, etc.

- \$\$\$ commitment

- As with other large improvements, building a lean company will have initial cost.
- Outside expertise and training, internal lean office, rework



Formal Commitment

- More than words
 - Executive personal involvement in kaizen events
 - Commitment to ask about new measures
 - Attend presentation meetings and follow up
 - Write articles for newsletters
 - Break down existing policy and procedures

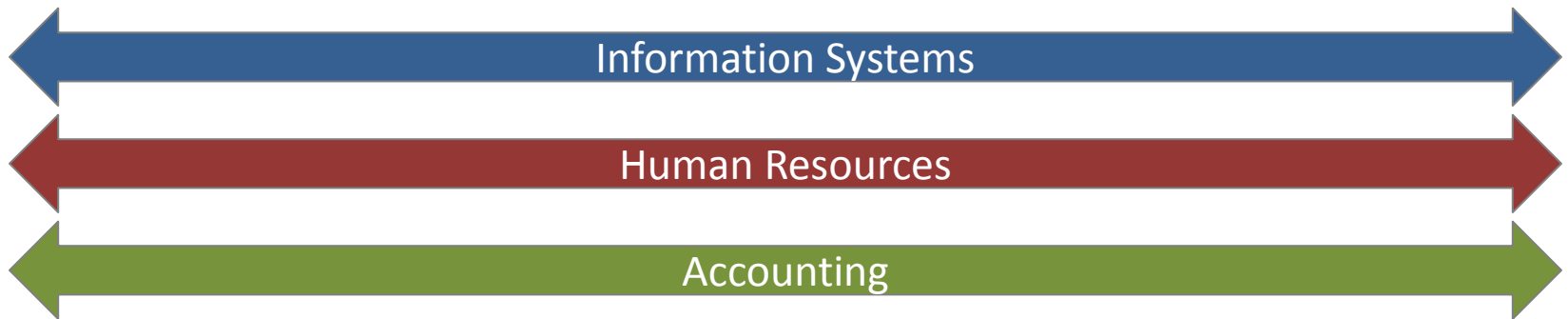


Formal Commitment

Typical Transformation Sequence



Functions that span the enterprise. Should be present in every kaizen



Formal Commitment

- Select areas for initial breakthrough events

- Strike for the heart

- Highest volume
- No going back



- Set the tone of full-time commitment....work until midnight if necessary

Formal Commitment

Hoshin Planning Process

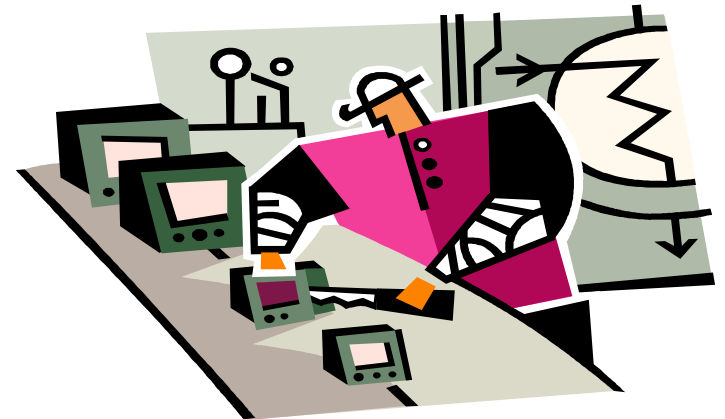
- Strategic deployment matrix
 - Focus on 3-4 company goals
 - 5-7 strategic initiatives
 - Bring best and brightest to these key initiatives

- Only one hoshin matrix for the company/division; this is not departmental



Living Lean

- Create New Business Measures
 - On time and complete %
 - Lead time
 - Inventory turns
 - % people in kaizen
 - Safety
 - ELIMINATE utilization measures (unless they are a true constraint)



Living Lean

- More Kaizen Events

- At least 1 per month

- Set target of at least 25% people involved for first year; 100% of executive and next level management



- Use kaizen to create flow as well as attack key initiatives

Living Lean

Impact to organization management

- Job contents change quickly in kaizen
- Participation in events not an option
- Train on team skills
- Manage greater capacity
 - Pull out the best and brightest as you eliminate waste
 - Build internal lean office
 - Expand career opportunities
 - This will be your hardest challenge



What will go wrong?

- Some of management will not make it.
- Management won't be involved enough.
- Your traditional income statement will look awful as inventory level plunges downward. (But your bank account will bulge upward!)
- Suppliers will not understand your order reduction. Communicate..keep the best.
- Backsliding will happen.

What will go Right?

- Cross functional barriers will dissolve as people work together.
- Cash will improve dramatically with inventory reduction; quality improvement; reduced capital requirements.
- People will like being in kaizens. Retention of people you want to keep will go up.
- You will have people to support your growth.

Questions



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