

EVERYTHING HAS TO CHANGE

OCTOBER 1, 2015

LEAN IS A STRATEGY

- Focus On Removing Waste From All your Processes
- To Deliver More Value To Your Customers Than Your Competitors Can

ENTERPRISE VALUE

- Created By Delivering More Value To Your Customers Over Long Periods Of Time
- Waste Removal = Increasing Enterprise Value

WITH GREAT SIDE BENEFITS

- Lower Costs
- Better Quality
- Shorter Lead Times
- Better Customer Service
- Lower Inventory

WE FOCUS ON THE WRONG THINGS

- We See Lean As Some “Manufacturing Thing”
- A Cost/Headcount Reduction Program
- An Inventory Reduction Program

THE NORMAL RESULT

- We See Lean As Just One Of Ten Key Strategies
- We Delegate It Down To The Operations VP
- Try And Drop Lean On Top Of A Batch Management Structure

WE FIGHT OURSELVES

- Tell VP Ops To Level Load The SHOP And Sales To Bring In Big Batch Orders
- Ask VP Purchasing To Lower Cents Each Costs And VP Ops To Cut Inventory
- Try To “ Sell one - Make One” But CFO wants To Make Absorption Hours

BATCH AND LEAN ORGANIZATIONS ARE VERY DIFFERENT

- | • BATCH | LEAN |
|--------------------------|---------------------------|
| • Complex | Simple/Visual |
| • High Inventory | Low Inventory |
| • Forecast Driven | Demand Driven |
| • Long Lead Times | Minimal Lead Times |
| • Functional Departments | Value Stream Leaders |
| • Quality Inspected In | Quality Built/Designed In |

YOU CAN'T DROP LEAN ON A
BATCH ORGANIZATION AND
EXPECT TO BE SUCCESSFUL

EVERYTHING MUST CHANGE

- Start With Finance
- Standard Cost Accounting Systems Are The Anti-Lean
- Switch To Lean Or Plain English Accounting

YOUR CFO WILL RESIST

- But We Need Standard Costs For Every Sku Out To Four Digits
- Our Auditors Won't Let Us Switch
- The Tax Authorities Will Never Allow It
- And Other Nonsense

SALES/MARKETING NEED EARLY ATTENTION

- Start With Your Sales Terms
- Stop Encouraging Big Batch Orders
- No More “Stupid Sales Tricks” At The End Of The Month Or Quarter

DROP THE FAKE “CUSTOMER DRIVEN” STUFF

- Never Tell The Customer How Many You Have In Stock
- Never Give A Customer More Than 80% Of What You Have
- Take Care In Allocating Product For Future Deliveries
- Don't Let “Excess Orders” Just Run Through The System

SALES SHOULD BE HELPING YOU LEVEL LOAD THE FACTORY

- Standard Price Into Stock
- Get The Customer To Just Tell You What He Sold Every Day
- Think Of The Concept Of Market Suitable Inventory

CHANGE YOUR ORGANIZATIONAL STRUCTURE

- Switch From Functional Organization To A Value Stream Structure
- A Team Leader For Each Value Stream
- Give Them The Equipment Needed To Make The Product Complete
- Create A Strong Kaizen Promotion Office

MANAGE FORWARD

- “Make-The-Month” Is Managing Backwards
- Create Stretch Operational Excellence Targets
 - 100% Customer Service
 - 20% Productivity Gain - Each Year
 - 50% Reduction In Defects-Each Year
 - 20x Inventory Turns
 - Visual Controls And The 5s Everywhere

RUN THE COMPANY ON THE OPERATIONAL EXCELLENCE TARGETS

- Achieving Them Will Determine Your Future Results
- Value Stream Leaders Report Progress On The Goals Every Week To CEO And Staff Team And Each Other
- Close The Books Every Month But Downplay Big End Of Month Revues

LEAN IS ALL ABOUT PEOPLE

- The Thing You Are Trying To Transform Are The People
- You Want To Create A Learning Environment
- Every Employee Should Be Focused On Removing The Waste Everyday

LOTS TO DO

- Can't Have Piece-Part Incentives
- Drop Job Classifications, e.g. From 60-6
- Training In How To See The Waste
- Suggestion Programs, Multiple Kaizen Teams, Quality Circles
- Open Honest Communications

SELL ONE -MAKE ONE

- Stop Building To A Forecast
- Don't Use MRP To Run The Shop Floor, Only Kanban
- Connect The Customer Directly To The Shop Floor

BE A ZELOT ON THE FOUNDATIONAL ITEMS

- Set Up Reduction
- Implementing The 5s's
- Visual Control Everywhere- Office And Factory

REINVEST THE GAINS

- Use The Freed Up Cash To Invest In New Products And Acquisitions For Growth
- Take Advantage Of The Freed Up Space For Growth
- Grow Your People

SHARE THE WEALTH

- Profit Sharing For The Short Term
- Share Ownership For The Long Term

EVERYTHING MUST CHANGE

- Customers See You As A Single Entity
- Management Must Function As A Single Team
- Lean Has To Be Your Culture

LEAN CREATES UNFAIR COMPETITIVE ADVANTAGE