The Lean Turnaround

September 30, 2015
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MY LEAN JOURNEY

- Started January 1982
- Always From A CEO Position
- Looked At From A Business Perspective
WHAT IS A BUSINESS?

- People
- Processes
- Delivering Value To Customers

BEST TEAM WINS
TRADITIONAL APPROACH

- Take Value Adding For Granted
- Make Customers Conform To You
- Make-The-Month

ALWAYS LOOKING BACKWARDS
VALUE IS CREATED BY

- Improving Your Value Adding Activities
- Delivering Value To Your Customers
- Conforming To Your Customers Needs

THE OPPOSITE OF THE TRADITIONAL APPROACH

KZN LEAN CONRENCE 2015
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LEAN IS THE BEST VALUE CREATORS

- Enables Vast Changes To Your Value
  Adding Activities

- Gain Share And Grow
BUT, WE MESSED IT UP

- Just In Time And
- Lean Thinking, Became
- Lean Manufacturing

A TERRIBLE TRAGEDY
GETTING BACK ON TRACK

- WHY
- WHAT
- HOW
WHY LEAN?
WIREMOLD RESULTS

- Lead Times From 4-6 Weeks to 1-2 Days
- Productivity Up 162%
- Gross Profit Up From 38% To 51%
- Machine Changeovers From 3 Per Week- 20-30 A Day
- Inventory Turns from 3X To 18X
- Customer Service From 50% To 98%
- Sales More Than Quadrupled
- EBITDA Grew From 6.2% To 20.8%
- Operating Income Up 13.4 X
- Enterprise Value Increased By 2,467%

THE KZN LEAN CONGRESS 2015
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WHY ISN’T EVERYONE DOING THIS?

- “Tell You”
- “Show You”
- “Bet You Can’t”

Yoshiki Iwata

EASY TO SAY ........ HARD TO DO
WHAT IS REQUIRED?
YOU NEED A PROVEN APPROACH

- Three Management Principles

- Four Lean Fundamentals

LEADERSHIP = THE KEY INGREDIENT
MANAGEMENT PRINCIPLES

- Lean Is The Strategy
- Lead From The Top
- Transform The People

WITHOUT THESE – YOU WILL FAIL
LEAN IS THE STRATEGY

- Focus On Processes – Not Results
- Improve Your Strategic Options
- Time Based Growth Strategy

OPERATIONAL EXCELLENCE – THE CORE STRATEGY
LEAD FROM THE TOP

- People Resist Change
- Lead By Example
- Learn By Doing
- Commit To Becoming A Lean Expert
TRANSFORM THE PEOPLE

- Only Asset That Appreciates
- Respect Your People
- Create A Learning Environment

LEAN STRATEGY TO LEAN CULTURE
THE LEAN FUNDAMENTALS

- Work To Takt Time
- One Piece Flow
- Standard Work
- Pull System
HOW TO IMPLEMENT A LEAN TURNAROUND
UP FRONT WORK

- Articulate Your Vision
- Establish Core Values
- Code Of Conduct - - Expectations
- Obtain The Lean Knowledge
- Kaizen Promotion Office
- Lean Consultant
WIREMOLD STRATEGY

- Be the Leading Supplier In The Industries We Serve And One Of The Top 10 Time Based Competitors – Globally
  - 1. Constantly Strengthen Our Base Operations
     - 100% on Time Customer Service
     - 50% Reduction In Defects – Each Year
     - 20% Productivity Gain – Each Year
     - 20X Inventory Turns
     - Visual Control and The 5s’s
  - 2. Double In Size Every 3 To 5 Years
     - Pursue Selective Acquisitions
     - Use QFD to Speed New Product Introductions
CORE VALUES

- PEOPLE

- CUSTOMERS

- KAIZEN
CODE OF CONDUCT

- Respect Others
- Tell The Truth
- Be Fair
- Try New Ideas
- Ask Why
- Keep Your Promises
- Do Your Share
REORGANIZE FOR LEAN

- Create A Value Stream Structure
- Team Leaders
- KPO
- Everything Has To Change
- Sales
- Finance
- Reduction In Force Up Front?

EVERYONE MUST BE ON BOARD
FULL SPEED AHEAD

- CEO Must Lead
- Make Announcement
- Do Initial Training
- CEO Must Also
- Pick The Kaizens
- Set Stretch Goals
- Kaizen Is A Full Time Job
MAIN KAIZEN THRUST

- BATCH --- TO --- FLOW

- PUSH --- TO --- PULL

INVENTORY IS THE ROOT OF ALL EVIL
TYPICAL RESULTS – ONE WEEK

- Cut Lead Times 90%
- Reduce Staffing From 10 To 5
- Reduce Inventory By 70%
- Reduce Floor Space By 50%
- Reduce Defects By 60%
- Reduce Travel Distance By 90%
- Cut Set Up Time By 90%
- Connect Customer To The Shop Floor - Pull
LEAN LEADERS ROLE

- Make The Case For Change
- Get Everyone On Board
- Implement Policy Deployment
- Leaps Of Faith
- Push Through Problems – Overcome Lore

IDEAS OF 1,000 – NOT JUST 25
LEAN LEADER ALSO MUST;

- Establish Daily Management At The Point Of Value Adding
- Identify Breakthroughs – Set Stretch Goals
- Respect And Support Associates
- Create The Future Leaders

CEO MUST BE THE LEAN ZEALOT
DUMP YOUR BAD HABITS

- Standard Cost Accounting
- Traditional Measurements
- Big End Of Month Reviews
- Lengthy CAPEX Processes

LOOK FORWARD – NOT BACKWARD
CAPITALIZE ON YOUR GAINS

- Profit Sharing
- Lean Bonus System
- Acquisitions
  - Provides The Cash
  - Lowers The Risk
  - Creates A Clear Game Plan
LEAN EVERYWHERE

- Non Manufacturing Gains Are Bigger
- Hospitals
- Life Insurance
- Distributors
VIRGINIA MASON RESULTS

- Nurses Spend 90% with Patients Vs. 35%
- Time To Report Lab Results Down 85%
- Cost Of Supplies Down $1 million A Year
- Hospital Liability Costs Down 49%
- A/R Days >90 Days Down 74%
- Surgery Center; Cases Per Day Up 60%
- Pharmacy; Order To Available Time -93%
- Margin $’s; $0.7M in 2,000 To $41M 2010
DISTRIBUTION WAREHOUSE

- Headcount From 16.5 To 9.5 Down 42%
- Freed Up 35,000 Sq. Ft. Saving $180,000
- Picks Per 10 Feet Of Rack from 9 To 42 Up 367%
- Reduced Shipping Errors From 1.1% to 0.11% Down 90%
SUMMARY

“Byrne-San, If You Don’t Try Something, No Knowledge Will Visit You”

Chihiro Nakao

LEAN PROVIDES UNFAIR COMPETITIVE ADVANTAGE