



LEAN MANAGEMENT JOURNAL

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JOINING THE DOTS

This issue concentrates on the development of a lean supply chain, which, in the competitive world we live in, is a necessary step for any company that is trying to achieve operational excellence.

IN THIS ISSUE:

A critical and relentless pursuit of excellence: *Barry Evans* and *Robert Mason* of Cardiff Business School discuss Tesco's approach to its supply chain and how it helped the company become the number three retailer in the world.

Lean's Western beginnings: Where did it all start? In part one of this two-part article, *Richard J. Schonberger* looks back at the history of lean.

North stars: In this month's *It's a lean world* section, LMJ takes you to Scandinavia, to meet some of the leanest and most interesting companies in the region. Case studies in this special include LEGO, car manufacturer Volvo and a port terminal in Oslo.

The Fifth Column: In his new regular column, *John Bicheno* discusses the topic of supply chains.

Lost in automation: This special feature on automation presents two company case studies. Eaton and SCHAD talk about their approach to lean automation.

LMJ in conference: In this issue, we review the Process Excellence Week in Orlando, Florida, and a tour of EMS Manufacturing's plant in southeast England.



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Of all the threats to the implementation of a successful change programme and to the wellbeing of a business, those related to a company's supply chain are perhaps the most difficult to tackle.

While supply chain processes may be beyond the direct control of lean practitioners, accepting defeat and not pushing for influence would be a mistake. And one which can expose companies to risk as well as causing them to miss out on opportunities.

PwC recently published a report that found that a fifth of the aerospace supply chain might not be able to keep up with the increased production rates Boeing and Airbus are seeking to achieve as a consequence of record order books (and backlogs). Supply chain related issues are the biggest concern in the industry, and something needs to be done to address visibility and reliability.

You may think it's only the inexperienced that fall into the trap of developing less than perfect supply chains, but you would be wrong: when a devastating tsunami hit Japan last year, Toyota itself was forced to shut down production in some of its plants as key components failed to arrive.

Fortunately, tsunamis don't strike every day. Yet, even without catastrophic events getting in the way, many struggle to gain full alignment of suppliers with business goals and principles, or to foster collaboration with partners who have a massive part to play in the total value stream of production and service delivery.

A lean supply chain alone won't make you a lean company, but you can certainly never hope to truly achieve that status without one. And the challenge is not impossible. Success stories abound - aircraft manufacturer Boeing, for example, achieved its extraordinary production levels in January in part thanks to its work with suppliers (p16). Though considering the PwC report, there is obviously no room for complacency. Tesco is another great example of supply chain virtuosity (p11). The company follows every process within its supply chain, from the logistics operations of its suppliers all the way to the product reaching the shelf.

Drawing a brief picture of the rest of the content in this issue of LMJ; our 'It's a lean world' special on implementation projects around the globe takes us to Scandinavia to meet some universally recognisable names operating in the region, including LEGO and Volvo (p31). And within our 'History and evolution' section we have the first of a two part article from Richard J. Schonberger, which will certainly be of interest to anybody who wants to get back to their lean roots.

Happy reading,

Commissioning Editor, Roberto Priolo

Employee consideration is key

Joseph Paris, chairman of consultancy XONITEK and the man behind the Operational Excellence Society, warns readers against the pitfalls of not connecting with their staff.

We all look at the world from one perspective - our own. The perspectives we hold are born out of the circumstances of our upbringing and further developed by the experiences we gain during our lives. As such, one would expect that the perspective of some who have experienced much in their lives will be wider than one whose experiences have been more limited.

This is true for professionals dedicated to continuous improvement as well. Those who are exposed to CI through lean tend to see opportunities for improvement from the perspective of a lean practitioner. The same happens to those trained in six sigma, or TQM, or whatever. I find it especially intriguing that each will argue that their approach is the best approach to improvement. But there are inherent limitations to restricting the approach in realising improvements – like Abraham Maslow said, “If the only tool in your toolbox is a hammer, every problem looks like a nail.”

My experience has been that the fatal flaw of most continuous improvement programmes, and the reason they fail to deliver their potential, is that they marginalise

the people in the process - regardless of what might be written in the CI “mission statement”. Instead of gaining the trust and engagement of those who will be directly affected by the improvement initiatives, CI teams usually arrive with a mission for improvement, affect the improvement without connecting with the people actually working the process, and then they immediately move on to the next assignment without even so much as a thorough debrief. The end result is that they are never fully supported by those they are trying to help because they never bother to connect with them on a personal level. They are not fully respected by senior management either, because they fail to deliver the benefits at the expected rates.

But what can be done, what must be done, to optimise the CI programme, maximise the net results achieved and to bring them more in line with expectations? The answer lies in operational excellence, which I define as “improving the performance of companies and the circumstances of those who work for them”.

First, we have to honestly and thoroughly answer two questions, both of which have to be answered from the perspective of the subject being asked and not of what someone thinks the answers might or should be; the first question is, what is important to the company? The second is, what is important to the people who work for the company? Next, we have to discover the intersection between what is important to the company and what is important to the people who work for the company. And that’s where you start your CI programme.

The key to success for any initiative is to be able to clearly and concisely know what the **STRATEGY** is, to effectively communicate the objectives to the team, and to align the team so that they understand

what it is that they are supposed to accomplish. Simplicity in defining your strategy is paramount to success - as Albert Einstein said, "If you can't explain it simply, you don't understand it well enough".

Next, you have to be able to develop the **TACTICS** to achieve the goals defined in your strategy. Close cross-departmental collaboration is critical as you will need the commitment of those who will ultimately make the dreams a reality. However, it is important to realise that you will never satisfy everyone and that there is no such thing as the perfect plan. Here, gaining trust is a prime objective. People are more likely to support a plan with which they disagree, but in which they were given a fair say, than following a plan that is thrust upon them. Dwight Eisenhower said, "Plans are nothing. Planning is everything."

But ideas will not be realised and plans will not be put into motion without the **LOGISTICS**. And herein lays the root-cause of why most CI programmes fail, the lack of commitment on the part of the company to support them. It is folly to expect a company to realise any improvement without allocating the resources necessary to affect the plan in pursuit of the objectives. "Strategy and tactics provide the scheme for the conduct of operations, logistics the means therefore." - Lt. Col. George C. Thorpe, USMC.

Understanding logistics is the most difficult concept to understand for a CI practitioner. I am not talking about machines or inventory, but the "tools" of their trade. CI practitioners talk about the "lean tool kit", or Pareto charts, or DMAIC. These are all merely tools and not solutions. They are the means to an end - in other words, logistics. It is important to forget the tools and to concentrate on the goals,



“People are more likely to support a plan with which they disagree, but in which they were given a fair say, than following a plan that is thrust upon them”

in the context of their environment and circumstance.

And then **EXECUTE**, and execute as a team maintaining a high-level of communication. For after you have designed, developed, and prepared - after you have thought all the thoughts you can possibly think - it's time to do. Without the vigorous prosecution of the plan, only mediocrity and failure will be found. "Quality is never an accident; it is always the result of high intention, sincere effort, intelligent direction and skillful execution," said William A. Foster.

Remember to perform all the above in partnership and with consideration of the circumstances of those who work at the company. Are the circumstances for those working for the company being improved as a result of the efforts of the CI programme? Do they feel like they have an ownership stake? Are they being given the proper support? Or, are they being set-up for failure by "having responsibility and accountability but no authority"?

Whether you realise the full potential of your continuous improvement programme or not depends on how you answer.

EVENTS

There are currently an expanding pool of events available for the development of the lean community which offers both general and sector specific opportunities to renew your enthusiasm and gain new perspectives through communicating with lean contemporaries.

BUSINESS PROCESS EXCELLENCE FOR FINANCIAL SERVICES

April 17-18, New York City

The financial services industry is currently facing unprecedented operational, regulatory and economic pressures. Rigorous legal controls and recent aggressive efforts by regulators demand that operational and process excellence teams act swiftly in order to minimise operational risk and improve process governance. Organised by IQPC, this conference will provide two days of hands-on advice to ensure financial services firms are properly positioned - and protected - for what lies ahead. Bringing together thinkers from retail and investments banks and insurance company, this event will feature 15 case studies. Speakers will include Alan Demers of American Express Company and Brenton Harder of Credit Suisse. For more information, visit processexcellencenetwork.com

2012 SHINGO PRIZE INTERNATIONAL CONFERENCE

April 30 – May 4, Hyatt Regency Riverfront, Jacksonville, Florida

Want to be on the leading edge of Operational Excellence? Don't miss The 2012 Shingo Prize International Conference: Build, Teach, Accelerate. This year's conference, focusing on the Shingo transformation process, features keynote addresses from leading experts who will share how sustainable cultural transformation is achieved through principle-based leadership. The mission of The Shingo Prize is to create excellence in organisations through the application of universally accepted principles of operational excellence, alignment of management systems, and the wise application of improvement techniques across the entire enterprise. Don't wait for this opportunity to pass you by. Register today! For more information visit www.shingoprize.org/2012conference

PEX WEEK EUROPE

April 23-27, London Film Museum, London

Attend this conference to discover the future of process centric management strategies and how you can leverage them to help sustain and accelerate your organisation in uncertain times. Make sure you invest to stay ahead - a new future in process thinking is on your doorstep. Across four days, Process Excellence Week supports your PEX learning and development, helping you to grow your industry support network and benchmark against some of the world's leading process centric businesses. Speakers will include John De Poot of HJ Heinz, Estelle Clark of Lloyds Register and Soeren Ruskjaer of Vestas Wind Systems. For more information, visit processexcellencenetwork.com

OPERATIONAL EXCELLENCE SOCIETY

Meet leaders and professionals from your local business community and discuss the most common problems companies experience in trying to achieve excellence. You will go home with many ideas and a lot to think about, and with new interesting contacts.

The next OpEx Society chapter meetings will be:

Warsaw, March 12, 6pm

Venue: TERERE Tea Restaurant

For information, please contact Malgorzata Krukowska on krukowskamj@xonitek.com

Munich, March 13, 7pm

Venue: Restaurant Ludwigs, "Marktsalon"

For information, please contact Martin Haack on haackmf@xonitek.com

New York City, March 20

Venue: Restaurant Le Bateau Ibre

For information, please contact Richmond Hulse on hulserj@xonitek.com or Trinity De Mars on demarstk@xonitek.com

Dubai, March 12, 5pm

Venue: Dusit Thani Hotel (tentative)

For information, please contact Andy Gibbins on andy@glasconsulting.org or Srijayan Iyer on srijayan@afoes.ae

Abu Dhabi, March 5, 5pm

Venue: TBC

For information, please contact Junaid Ward on junaidward@gmail.com or Srijayan Iyer on srijayan@afoes.ae