



Forward to Fundamentals

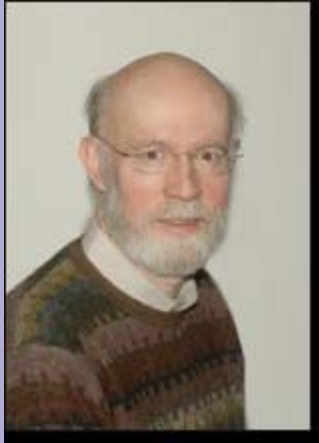


John Shook

Author, *Managing to Learn*
Co-author, *Learning to See*
and *Kaizen Express*

Jim Womack

LEI Founder and Chairman
Co-author, *The Machine That*
Changed the World, Lean Thinking,
and *Lean Solutions*

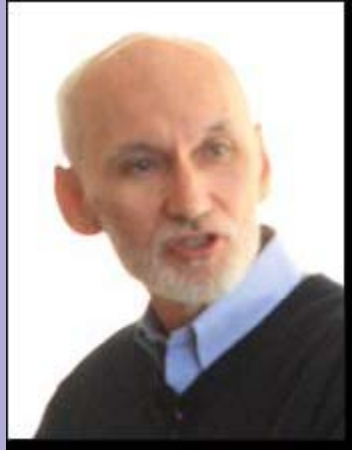


James P. Womack, Ph.D.

Founder and Chairman of the Lean Enterprise Institute, a nonprofit training, publishing, and research organization founded in 1997 to help companies create value and eliminate waste.

Co-author of:

- *The Machine That Changed the World* (Macmillan/Rawson Associates, 1990)
- *Lean Thinking* (Simon & Schuster, 1996)
- *Seeing The Whole: mapping the extended value stream* (Lean Enterprise Institute, 2001)
- *Lean Solutions* (Simon & Schuster, 2005)



John Shook

Lean Transformations Group
LEI Senior Advisor

- Hired by Toyota in 1983 to help manage the transfer of the Toyota management system across the world
- Co-author of *Learning to See (VSM)* (Lean Enterprise Institute, 1999)
- Author of *Managing to Learn* (Lean Enterprise Institute, 2008)
- Now exploring the foundation of lean principles and tools as co-author of two new books, *The Birth of Lean* and *Kaizen Express* (Lean Enterprise Institute, 2009)
- LEI management columnist at lean.org

Lean in an Economic Crisis

For most of us, these are the most difficult economic conditions we have encountered in our working lives.

They make it hard to keep our attention focused on the long-term.

They tempt us to take short-term measures that may hurt us in the long-term.

Lean in an Economic Crisis

But...there is precedent for dealing with the current crisis, at the birth of lean in 1950.

And...experience has shown time and again that the greatest leaps in lean thinking and practice are made in times of crisis.

So...I've asked John Shook in today's webinar to review the crisis at the birth of lean and how a return to fundamentals can lead the way out of the crisis.

Toyota's Early Crisis

Economy in total shambles...

- Toyota 1000 units per month
- “Can we catch Nissan?”

No money...

- Banks refused to loan

Kiichiro to Eiji to Ohno (and the others):

“Catch up with Detroit in three years!”

Ohno's Response

A system for success in a down market...

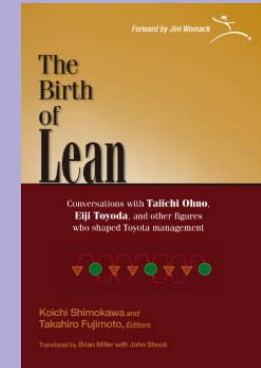
“It's easy to make money when everyone is making money. The key is to be able to make money when times are bad.”

Toyota's Early Crisis



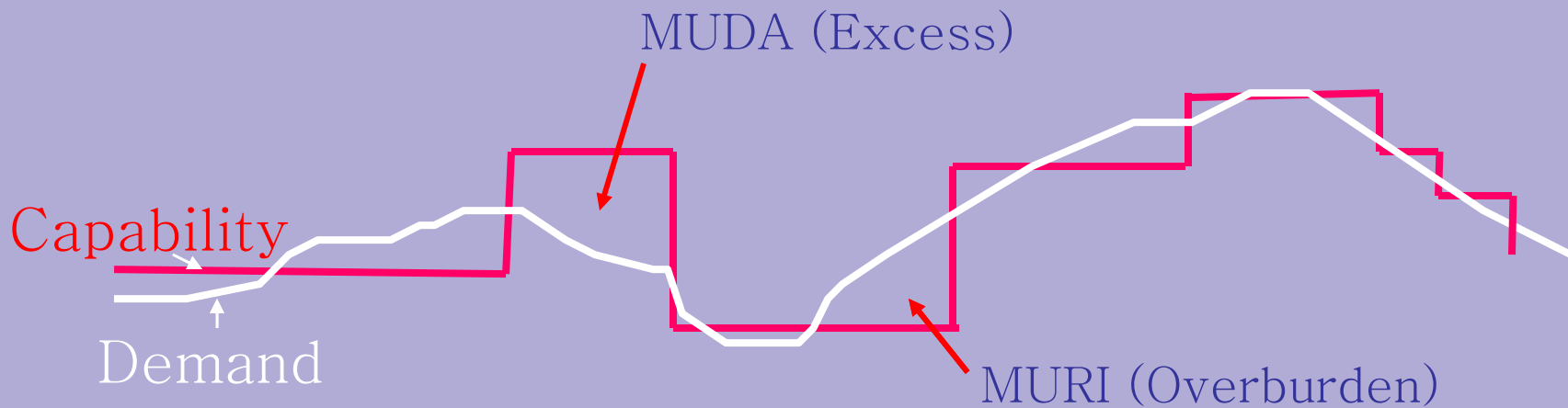
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Ohno



“An increase in production volume shouldn’t necessarily mean a decline in unit costs any more than a decline in volume should mean an increase in unit costs. Those sorts of things happen as the result of arranging things poorly.”

The challenge of any business: Matching capability (capacity) with demand



- MURA (Instability)
- Management
- Know your demand
 - Know your true capability (capacity)
 - Create flexibility to get them to match

TIME

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Overproduction: Misunderstood and forgotten

Management's job is to provide what customers need when they need it while preventing overproduction.

In the rush to meet demand of some boom periods of the past ten plus years – the dot.com boom, the China phenomenon, the bad-loan easy-money era – overproduction became forgotten.

Ohno's Seven Wastes and the company that kaizened them

You know the seven wastes:

- Correction, overproduction, motion, material handling, waiting, inventory, processing

Many companies have added an eighth...

- Human potential/talent, time, environment

One company decided it could eliminate waste from the seven wastes...

- Less is better than more..."let's kaizen the list of seven wastes down to six!"

Which do you think they chose?

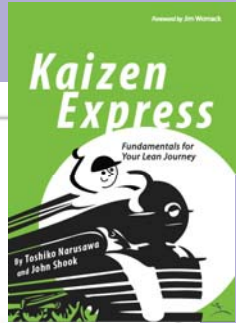
Overproduction

There is nothing magical about the number of “seven.”

Ohno said there are actually many more kinds of waste. His point was that...

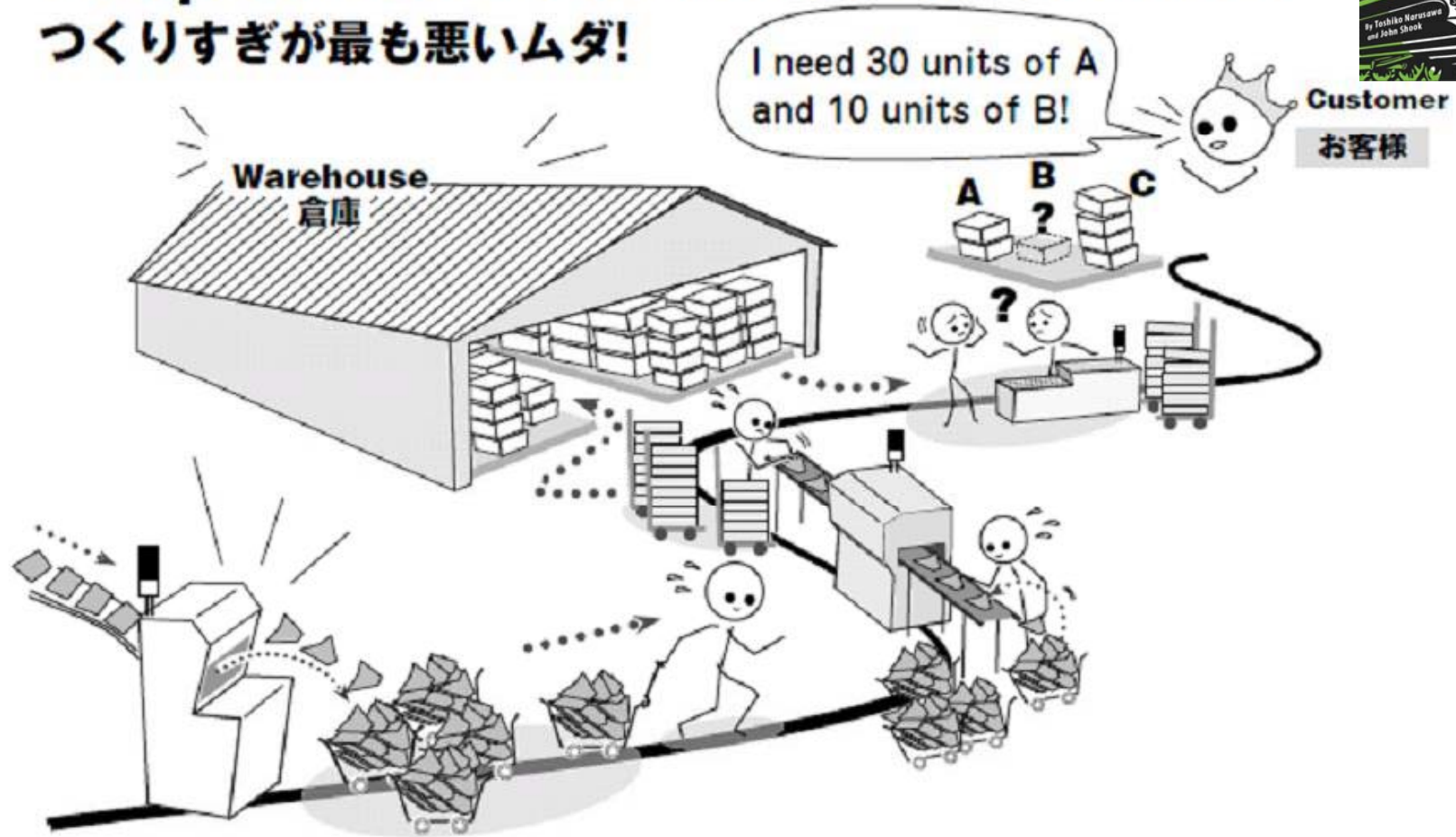
Even if you eliminate almost all waste from your system, you will surely still have some residue of these seven. To thoroughly eliminate those seven, you will surely have to thoroughly change your production *system*.

The key to building a system to thoroughly eliminate the sources of all waste is to eliminate *overproduction*.



Overproduction: The Worst Form of Waste!

つくりすぎが最も悪いムダ!



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Overproduction: Misunderstood and forgotten

The tools of Hoshin Kanri, Standard Work, A3 and Value Stream Mapping are tools to use to align around that objective, to prevent overproduction.

They shorten the lead time, create flexibility and generate cash.

This provides value for customers and prosperity for companies.

What do leaders need to do now?

A large enough tsunami will sink any boat.

This is when the sea will separate the lean wheat from the chafe.

In my view, for most companies, that means this is a time for back to basics.

This is where the lean companies will take advantage of the turbulence to strengthen their position.

The biggest lean history lesson

Tough times separate the truly lean from the fashionably lean.

Even Toyota is struggling mightily.

But, does anyone doubt that Toyota will come out of this in a stronger competitive position?

That's what has happened every time in the past.

Toyota's current struggles...

Lean Sensei to young(er) John:

“Don't confuse the 'Toyota Production System' with Toyota's production system...”

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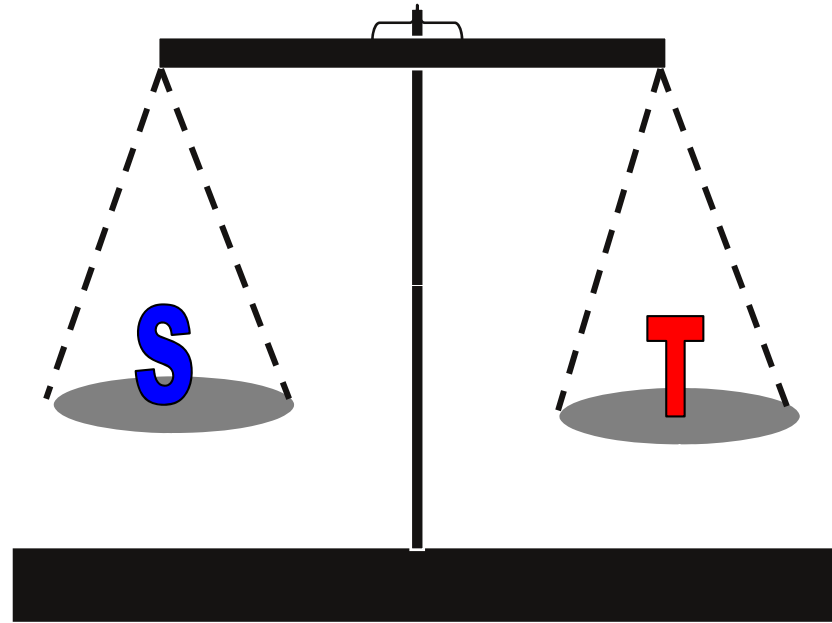
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That's where *your* lean transformation comes in.

Lean Transformations: Social and Technical Dimensions



Where do you start? What do you emphasize?

What to do?

An effective lean system will be equal parts:

“Social” - People

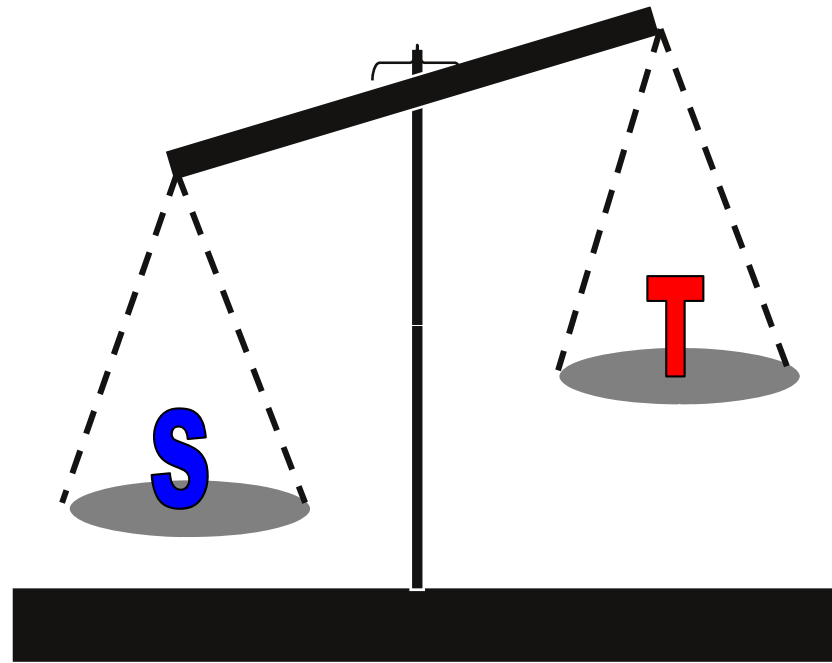
- All the people, thinking, organizational, and cultural aspects of how your organization engages and aligns its people to accomplish its purpose

“Technical” - Process

- All the process, technical, mechanical, and ways that work is designed to deliver value to the customer and accomplish its purpose

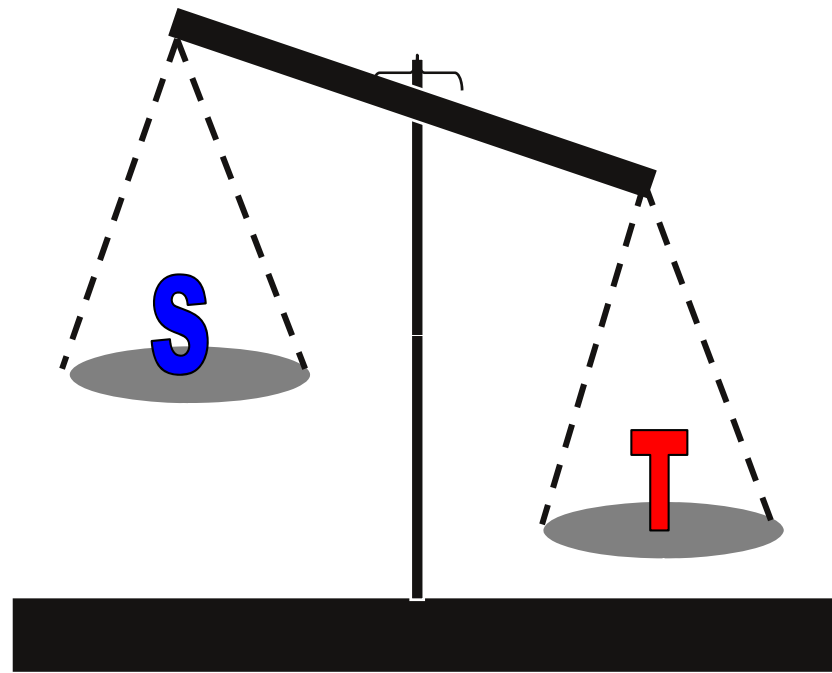
Management must align these to achieve the purpose of the organization. That’s your job.

Lean Transformations: Social and Technical Dimensions



Where do you start? What do you emphasize?

Lean Transformations: Social and Technical Dimensions



Where do you start? What do you emphasize?

Every Organization Must Address

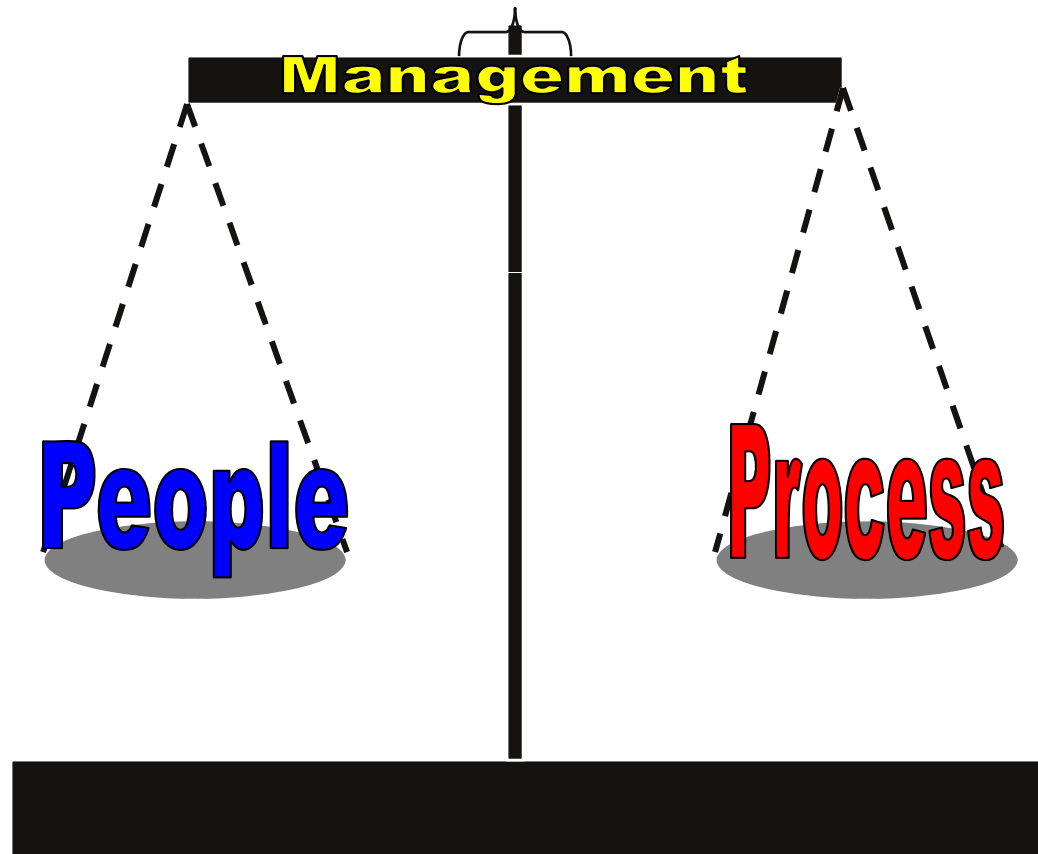
Purpose – By providing value to customers cost-effectively in order to prosper.

Process – Through value streams for design, make, and use.

People – By engaging employees touching value streams (including support streams) to sustain and improve them.

→ Aligning **purpose**, **process**, and **people** is the central task of management.

People & Process – balanced by management

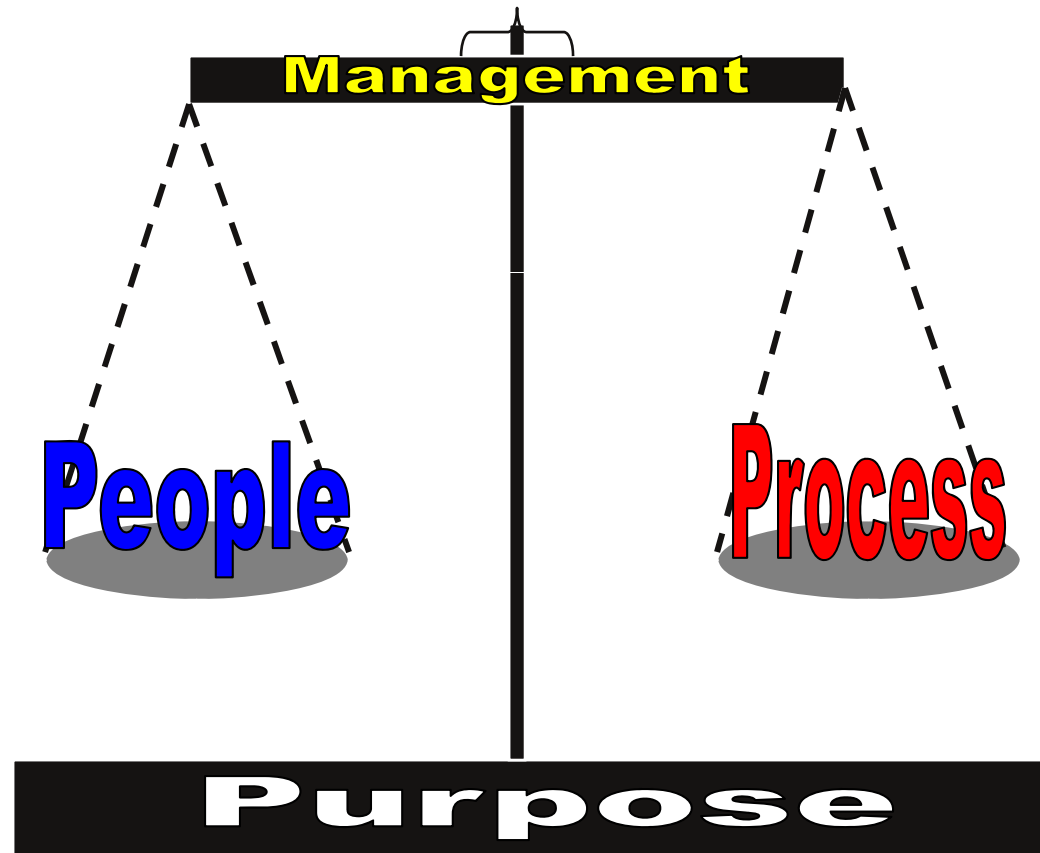


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People & Process – balanced by management on what basis?



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What do leaders need to do now?

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For most companies, surely that means this is a time for back to basics.

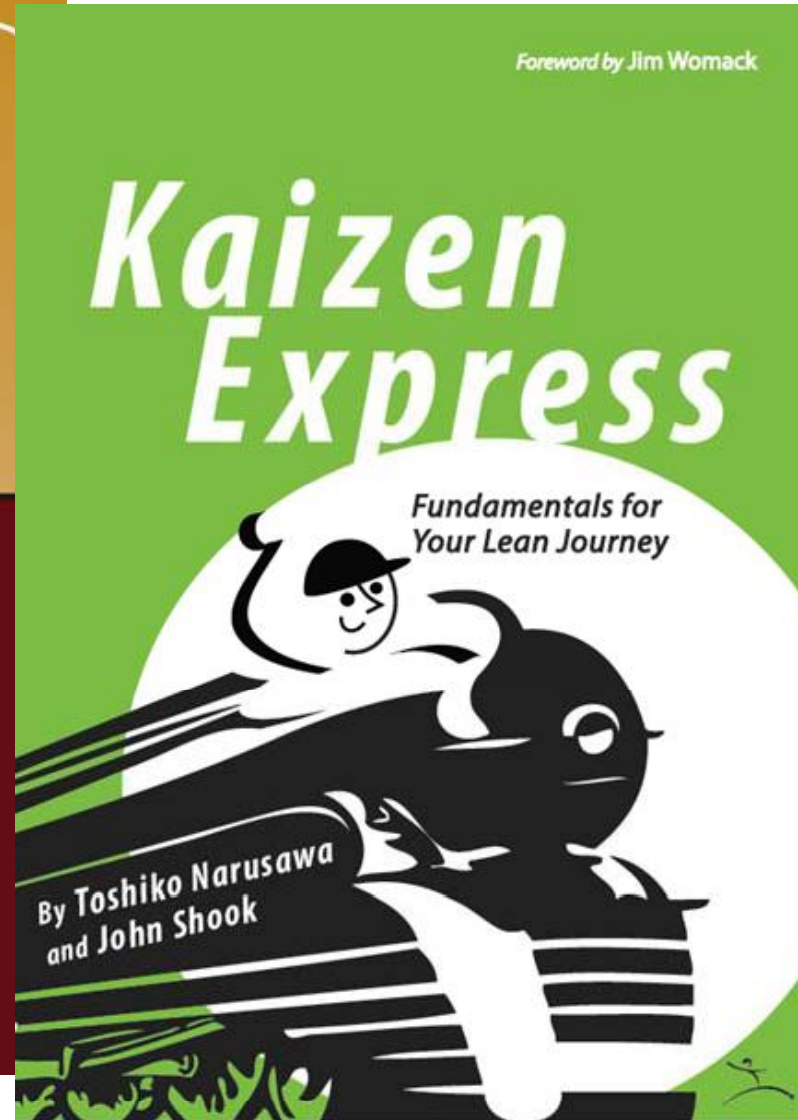
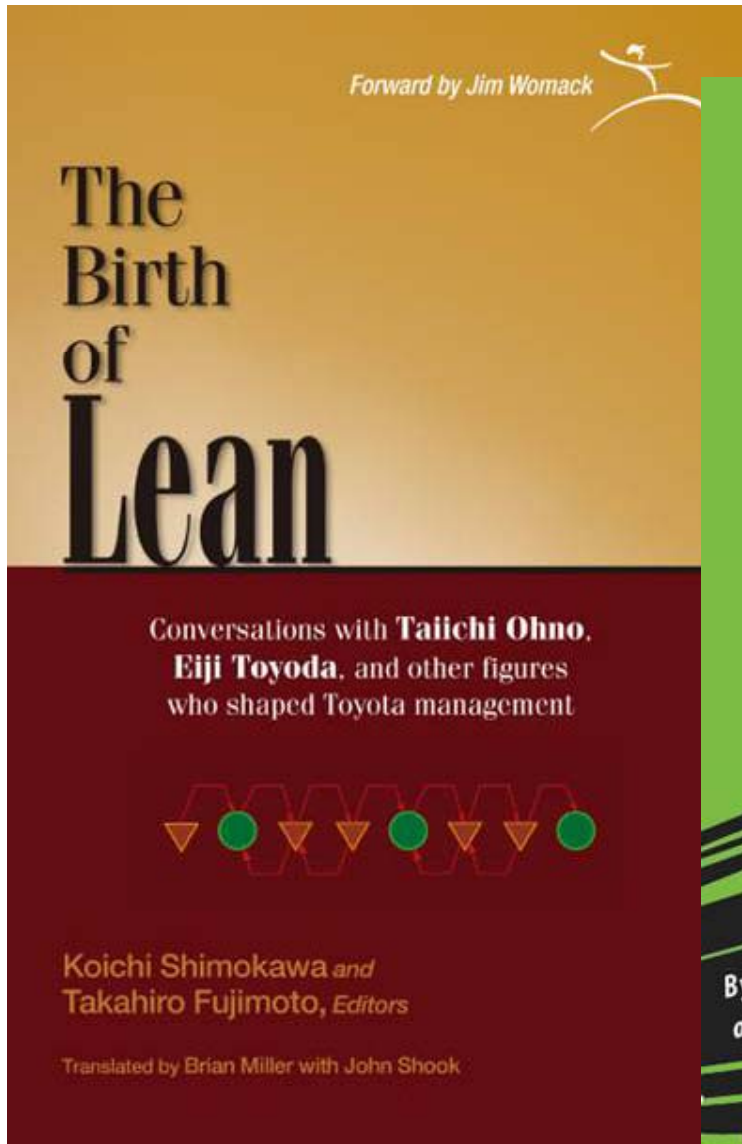
This is where the lean companies will separate themselves.

That can happen – simply if not easily – through your leadership of a balanced lean transformation.

Two Aids on Your Journey

Recently John joined forces with old friends in Japan to make available in English the management methods Toyota used to first launch lean after World War II and training materials of the type John first used in his own lean education at Toyota.

I believe you will find these helpful in steering your own course through the crisis.



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