



Learning Session: [Lean Enterprise Institute](#)  
2017 Lean Transformation Summit



Lean Culture Transformation at Toys “R” Us:

# “IT’S JUST WHAT WE DO”

**Dan Humphreys**

*Executive Director, Supply Chain Engineering,  
Toys “R” Us*

**Ana Bailey**

*Director, Consulting Solutions (T&E)  
LeanCor Supply Chain Group*



# Brainstorm:

- Think about your typical work day and write down 2 activities that energize you.
- Think about your typical work day and write down 2 examples of things that de-energize you.



# Did You Know...

Nearly 70%  
of employees  
are not  
engaged in  
their work!!!!

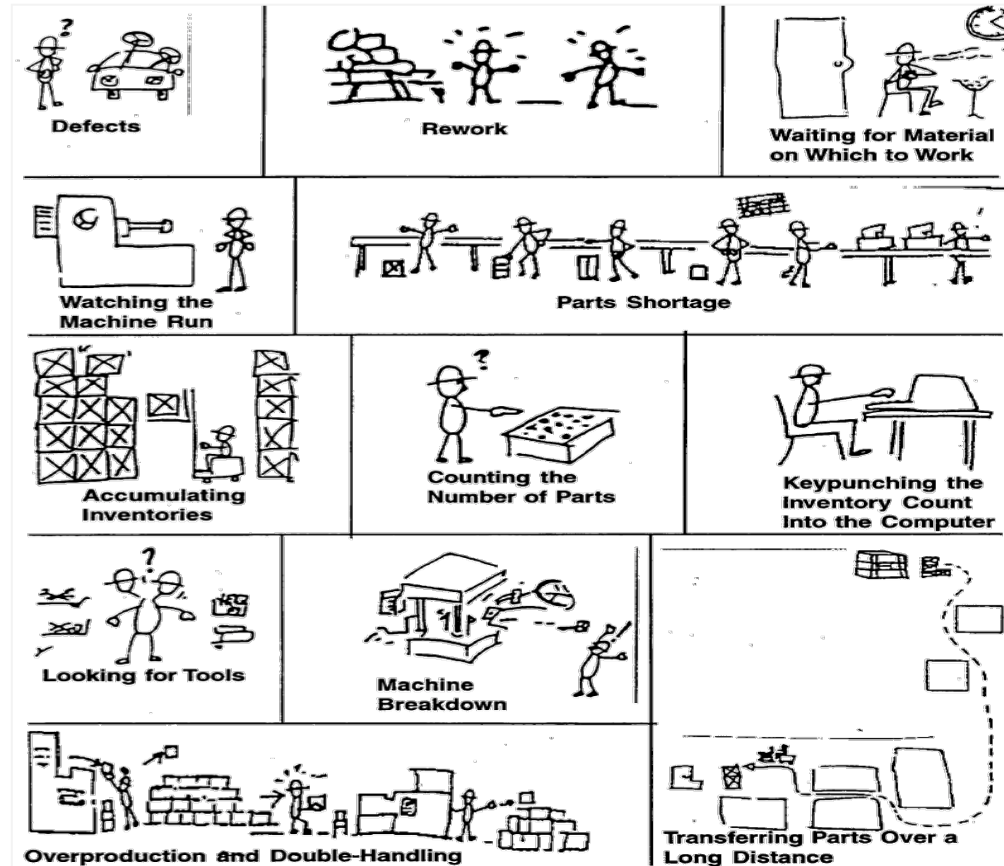
*(Gallup Study)*



# Disengagement = Waste = Cost =



1. Defects
2. Overproduction
3. Waiting
4. Not Engaging Employees
5. Transportation
6. Inventory
7. Motion
8. Excessive Processing



# Barriers to Real Business Results

1. Your people don't know what you expect of them
2. They are not adequately taught how to do the job
3. They are not able to perform the defined job
4. They lack the motivation to do the job

As leaders, our job is to create motivating, engaging work cultures.



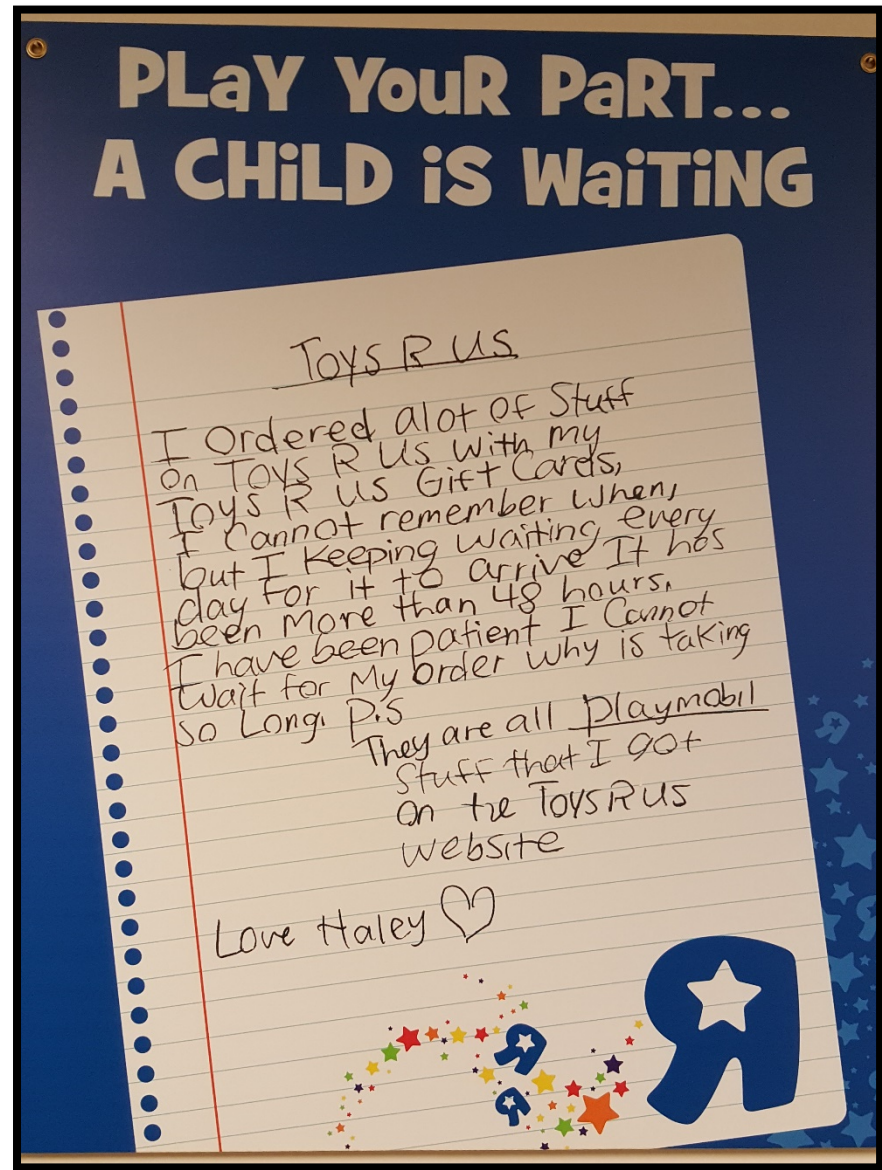
# Supply Chain Challenge

- Pressure within the market and industry to be innovative, flexible, and quickly adapt (Ex: Black Friday Rush)
- Increasing customer expectations such as free shipping, smaller lead times, greater SKU selection, and better quality
- A culture caught up in being reactive vs. proactive, and resistant to change
- The need for a management system to sustain improvements and engagement





# Our Customers



# End-to-End Lean Transformation

**Goal:** Engage the Supply Chain Organization on continuous improvement through lean thinking, problem solving and end to end supply chain collaboration.

**Why?** To deliver a competitive advantage and exceed our customer's expectations





# End-to-End Lean Transformation

- Supply chain collaboration road map to guide transformation of interdependent departments to a **collaborative** fulfillment stream
- **Training and development** for DC leadership and their entire team
- Guided lean problem solving to identify process gaps (problems) and facilitate the **continuous improvement** culture
- Management systems being built to support **supply chain behaviors**

## Results to Date:

\$1M in **cost savings**

5 out of 8 DC's saw an Improvement in **safety results.**

Made progress with **engagement and process stability**

Training and development for **1,800+ team members**





# HOW DO WE LEAN?



# Supply Chain Behaviors (Principles)

Supply Chain Behaviors Developed by Executive Leadership Team to Socialize Across the Supply Chain:



# 1<sup>st</sup> Stop... The Distribution Centers

## Train General Managers, Champions, and HR

**Lean Problem Solving:** build capability to identify and solve problems at the root cause

**Lean Warehousing:** supply chain flow and waste identification

**Lean Leadership:** how to build and develop a lean team, coach and deal with resistance

## Build stability & capability across the team

Total DC team involvement in problem solving

Almost 2000 team members or 10,000 total man-hours of training across the organization

Daily PDCA huddles to ensure focus and accountability

Visibility to the right measurement systems to drive results

## Improve warehouse processes and daily management systems

Build stability in all processes before building capability

Cascade team-based metrics that measure customer-based value and safety at the total lowest cost

See as a group, Know as a group, Act as a group – visual management system to drive daily performance and process adherence



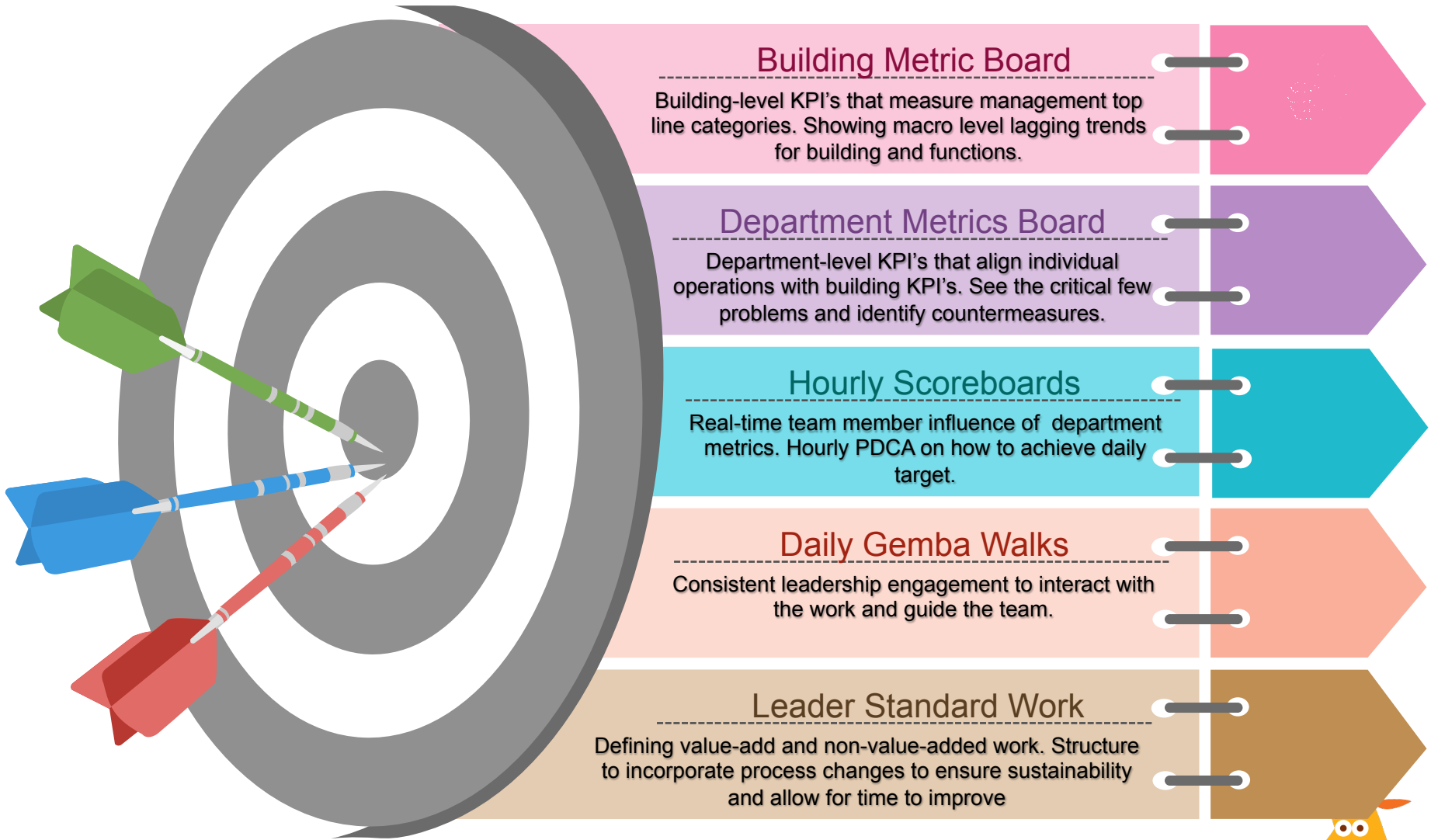


“ Stepping into this role has been a great experience thus far! Every day I am surrounded by a great team that is willing and receptive to adopt the Lean Methodology. I have seen a great deal of success for our DC and that goes with great merit not only to my peers, but to the Team Members as well. They are the driving catalyst behind this methodology. ”

**- Continuous Improvement Manager for Distribution Center**



# The DC Management System





# The Management System

An organizational management system is the aggregate, or sum, of all of the processes designed to enable leaders to set goals, guide the organization, make correct decisions, recognize deviations from plans, and initiate honest conversations leading to countermeasures quickly in order to achieve operational and strategic goals.

Management systems enable the

**Right Leaders** with the **Right Facts**

**Right Collaboration** across the **Right Connected Processes**

**Right Decision-Making Processes** with the **Right Transparency**

**Right Target Setting** with the **Right Alignment**

**Right Performance Feedback** and the **Right Improvement Priorities**





# Implementing the Management System

1. Build **physical infrastructure** – the “scoreboard”
2. Train the **leadership**
3. Define DC metrics: **building-level**
4. Define DC metrics: **department-level**
5. Take **Gemba walks**
6. Develop **leader standard work**
7. Develop visual, **hourly scoreboards** at every level
8. **Improve / PDCA** all DC processes



Gemba Walk Standard Work

<b>Purpose:</b> Assist Department Managers with finding resources to solve problems impacting input measures on a daily basis.	
<b>Required Attendees:</b> Lean Champion, General Manager, Operations Managers (Inbound, Outbound, QA, HR)	
<b>Optional Attendees:</b> DC Visitors, Facilities Manager	
<b>Presenters:</b> Department Managers	
<b>Assigned Roles</b>	
Timekeeper	QA Ops Manager
Facilitator	Inbound Ops Manager
Note Taker	HR Ops Manager
<b>Steps</b>	
1. Presenter starts at the top left and works through the Output, Input category.	
2. Discuss input metric, <u>pareto</u> chart and action items as a group.	
3. Attendees ask “What problems are you trying to solve” and “What	
<b>Best Practices</b>	
<ul style="list-style-type: none"> <li>• Charts are listed in order of importance from left to right. Keep to may not be reviewed every time.</li> <li>• Keep focus on problem solving and move quickly past the green.</li> <li>• Work on the critical few vs. the trivial many.</li> </ul>	

*Gemba Walk Standard Work*

*DC Scorecard*

(DC Name) Managing for Daily Improvement

	Safety	Quality	Cost	Delivery	People
Building	Acrylic sleeves with paper inside (updated weekly)				
Outbound	Acrylic sleeves with paper inside (updated daily)				
Inbound	Acrylic sleeves with paper inside (updated daily)				
Quality	Acrylic sleeves with paper inside (updated daily)				
Facilities	Acrylic sleeves with paper inside (updated daily)				



# Displaying The Score Of The Game

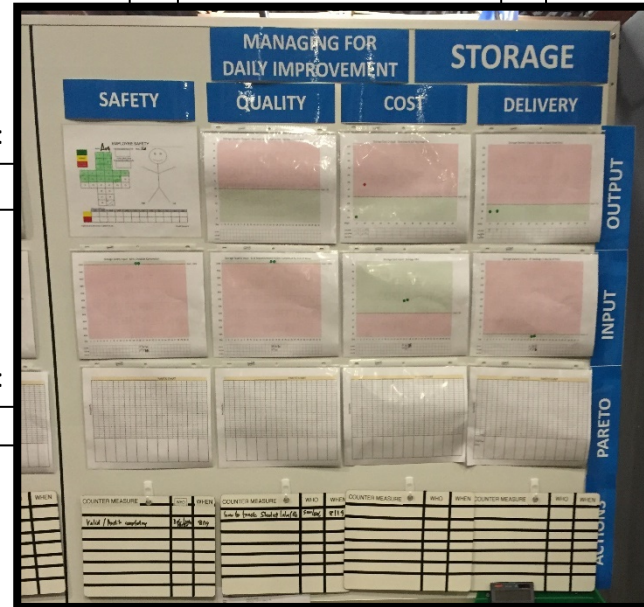
	Safety	Customer				Cost	Cash
Supply Chain	<b>Network</b> Weekly TIR Vs Goal  Source: Topline	<b>In-stocks</b> Toy & Baby Vs Goal  Source:	<b>In-stocks</b> Online Vs Goal  Source:	Customer Feedback Score Vs Goal  Source:	<b>Overall ODCOT</b> Vs Goal  Source:	% of Sales & TCC VS Goal <b>Monthly</b>  Source:	<b>Inventory Turn</b> Weeks of Supply  Source:
Joliet DC	<b>DC</b> Weekly TIR Vs Goal  Source: Topline	<b>DC Store Serviced- In-stocks</b> Toy & Baby Vs Goal	<b>DC-In-stocks</b> Online Vs Goal  Source:	DC-Customer Feedback Score Vs Goal  Source:	<b>DC Overall ODCOT Vs Goal</b>  Source:	DC % of Sales & TCC VS Goal <b>Monthly</b>  Source:	<b>DC Inventory Turn</b> Weeks of Supply  Source:

1. We will establish the Supply chain score of the game and publish for all to see.
2. Score will be updated Weekly with the exception of cost.
3. 60 Inch TV will display the SCORE of the game.
4. Score of the game should be discussed each month at the building meeting while connecting how the team helps influence the score.
5. DC's will need to identify where to display the score of the game for all to see.

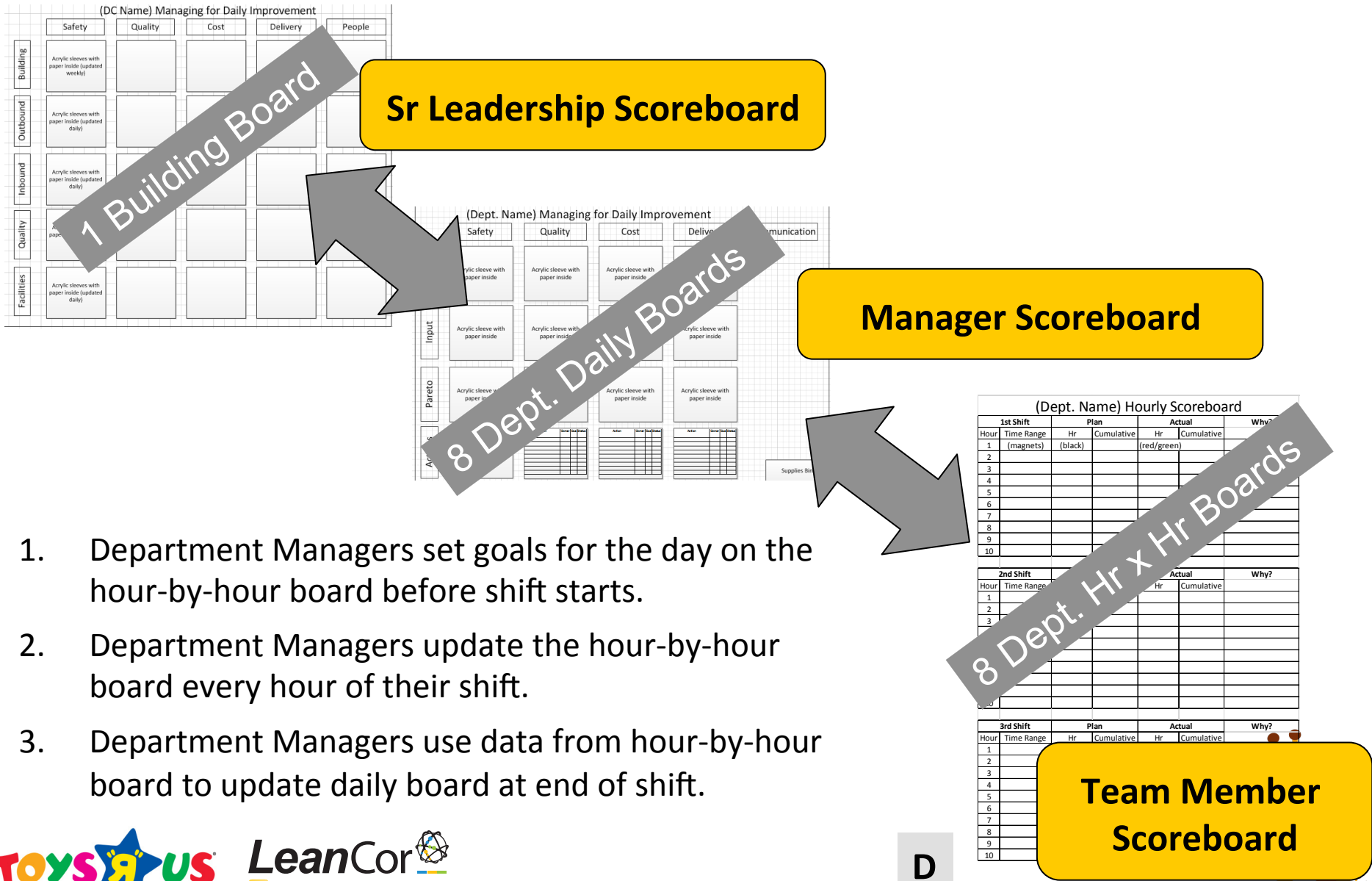


# Daily Building Metrics

	Safety	Customer	Cost	Throughput	
				Inbound	Outbound
Building	<b>Incidents</b> Goal 0  Source:	<b>Daily Fill Rate</b> Goal TBD  Source:	<b>Labor Cost per Carton</b>  Source:	<b>Hrly Throughput Plan %</b> <b>Variance Daily</b>  Source: dept. rollup (not net, abs value)	<b>Hrly Throughput Plan %</b> <b>Variance Daily</b>  Source: dept. rollup (not net, abs value)
Input	# Safety Observations Completed Wkly (40, 0-40) Source: dept. rollup	Source:	Source:		Source:
Pareto	Safety Observation Findings	Source:	Source:		Source:
Actions	What are you working on from the Pareto?	Source:	Source:	Source:	Source:



# Hourly Scoreboards at Every Level



1. Department Managers set goals for the day on the hour-by-hour board before shift starts.
2. Department Managers update the hour-by-hour board every hour of their shift.
3. Department Managers use data from hour-by-hour board to update daily board at end of shift.



# See as a Group, Know as a Group, Act as a Group



11/21

Case Pick

TIME	PLAN		ACTUAL		WHY??
	HR	TOTAL	HR	TOTAL	
5:00	1100	1100	817	817	3 callouts
6:00	1100	2200	1050	1867	switched TMs to casepick
7:00	525	3025	875	2742	"
8:00	1100	4125	1350	4092	"
9:00	525	4925	900	4992	Great Job
10:00	1100	6050	1127	6119	
11:00	550	6600			
12:00	1100	7700			
1:00					
2:00					
3:00					





# Socialization & Company-Wide Visibility



LEAN / CONTINUOUS IMPROVEMENT  
CORNER  
"R" YOU THINKING LEAN?



## Supply Chain Behavior of the Month: PEOPLE

The Lean culture is strong in the Rialto DC and continues to grow each day. Recently, the shipping team has decided to have a pallet building competition between team members and the management team.

This has created some buzz on the floor and is spreading throughout the entire building. Shipping team members have voiced, that they are excited to see that their leaders are not *afraid* to do the job. The team's moral has improved, safety is doing well and performance has naturally increased.

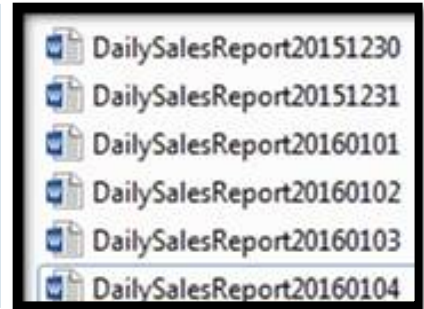
**Engaging our people has been a focus for us as we understand that our team members are the true heart of the business and without them none of this is possible.**

We Engage Our  
People and  
Treat Them  
with Respect



# Socialization & Company-Wide Visibility

**Lean Tip of the Month:** We all know how frustrating it is when you can't find a file as fast as you would like. For files that you create / save regularly, add the date to the title of the file in the format YYYYMMDD. All of your files will be organized in chronological order.



**Lean Idea Spotlight:** The Joliet Shipping Department team came up with a fun and creative way to engage the team and reinforce proper process.

When Shipping team members finish a roll of stretch wrap, they are encouraged to write their name and date on the empty cardboard tube and drop it in “The Barrel”. Once a week, the shipping manager tallies up all the cardboard tubes in “The Barrel” and the Team Member with the most tubes gets to spin “The Joliet Wheel of Gift Cards”.





“

Lean has shown to be quite beneficial to our team by granting us the necessary tools to spearhead and resolve ‘root-causes’ and to overcome other challenges.

Lean has opened the door for areas of opportunity to manifest them into potential success. Our Team Members have embraced this journey wholeheartedly of which speaks volumes in itself.

”



**Continuous Improvement Manager,  
Midlothian, TX DC**



# Next Stop.... The End-to-End Supply Chain



Lean end-to-end supply chain operations are planned, visible, stable, reliable, and highly collaborative, and they provide an operational-feedback loop. Supply chain initiatives relentlessly focus on end-to-end flow, speed, and lead-time reduction by identifying and eliminating all non-value complexities and waste. This is accomplished through rigorous process discipline, inventory reduction, and first-time quality of processes. The supply chain flows to the pace of customer demand, where all supply chain activities are triggered by the pull of the pace-setting process. The goal of supply chain operations is to deliver the highest value to the customer at the lowest possible total cost.



# Supply Chain Behaviors (Principles)

Supply Chain Behaviors Developed by Executive Leadership Team to Socialize Across the Supply Chain:



<b>Safety</b>	<b>Safety comes 1<sup>st</sup> in everything we do.</b>
<b>Customer Focus</b>	<b>We will ensure the customer is at the center of all decision making</b>
<b>Quality at the Source</b>	<b>We will make problems visible and stop the process to fix them.</b>
<b>People</b>	<b>We engage our people and treat them with respect.</b>
<b>Simplicity</b>	<b>We will strive for simplicity in our processes and strategies.</b>
<b>Total Cost – End to End Thinking</b>	<b>We make decisions that are grounded in total supply chain cost.</b>



# Thank You! Q&A



**Dan Humphreys**  
**Toys "R" Us**

[Dan.Humphreys@toysrus.com](mailto:Dan.Humphreys@toysrus.com)

**Ana Bailey**  
**LeanCor Supply Chain Group**  
[abailey@leancor.com](mailto:abailey@leancor.com)

