



A plan for this recession

It will be hard for a company to make significant reductions in costs, if the employees in that company, including the workers, are not used to working as a motivated team furthering the prosperity of the company, and looking for cost reductions as a way of life. One of the first lessons learnt in Maruti was that the Japanese style of management was developed to create exactly this environment in companies. This inner strength enabled Japan to overcome the huge impact of the increase in oil prices after 1973 - Japan imports all of its energy. Japanese companies also managed to survive and grow as the Yen appreciated from about 230 to the Dollar in 1983 to between 90 and 100 in just five years after that. If the Japanese companies could overcome prolonged economic problems, why should Indian companies feel that they cannot successfully overcome the current downturn? Read on ...

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When the going is good, rarely is attention focussed on change. Toyota actually began its journey on developing the Toyota Production System (TPS) during the extremely difficult times after World War II, when neither they had adequate demand nor money. Obama has embarked on major changes during the present crisis, the results of which will appear next year. There are others too like the Piramal story, who after the

Datta Samant effect not only resurrected the group but grew it stronger through innovative bold decisions though laced with an element of risk. All of this was only possible because the leaders took bold decisions and then led the change.

The best time!

A crisis is the best time for a paradigm change in the thinking, culture, strategy and, hence, results. Many are facing a demand slowdown today and do not know how long it will last. From a statistical

"Leaders keep their eyes on the horizon, not just on the bottom line"
-Warren G Bennis



point of view the number of orders flowing in reduce. Customers become reluctant to pay up for orders that have been processed. Uncertainty prevents customers from investing in capacity expansion. High cost of finance prompts postponement of borrowing. Everything though seems so hopelessly bad; yet, this is one of the better times for any company to be in.

At times like this, marketshares change hands. Customers move to better value delivering suppliers or manufacturers. Therefore, this time provides organisations with the opportunity to evaluate their value delivery; reorganise their thinking and take actions that will ensure both growth and profitability far above the average and the best achieved. While a recession affects all companies in the beginning, it will not be surprising to see companies like Toyota and Maruti come out of its impact very fast, for companies such as these have learnt the art of reducing costs and not merely cutting expenditure.

There is no better time than now for organisations to implement lean manufacturing. Companies must not use the excuse of recession and cost cutting, for, the actions taken on cutting cost originate from the accountants' definition of expense headings and some of which may actually increase at times like this, whereas, to deliver better value one must address cost reduction and productivity, which is a strategist's domain linked to the entire manufacturing process. There is a difference between cost saving or cost cutting and true cost reduction.

Various cost reduction exercises often do not bear long-term cost benefits, because they are not done using lean thinking and through the process of waste elimination. The very process of implementing lean manufacturing has a very organised and inbuilt method of seeing non-value adding costs and reducing them. Imagine if your company could reduce 20-40 per cent of overall costs without downsizing, then how much greater advantage such a company would hold over its competitors? Companies must not see implementing lean as cost because the gain from the lean process pays for this investment even through the first year. Few

realise that not going lean actually hurts the organisation more.

Some steps that organisations can take now are:

Identify & define the problem

It is important to correctly define the business problems the company is facing or the ones the top management is trying to solve. At challenging times such as this it will be to close the performance gaps in order to survive and acquire greater marketshare from competitors. These gaps are certain to be bigger now than they were before! One must also look at the potential for lean through the value streams.

Find out if your company's main value streams are creating value for the customers. Find out which of the support value streams enable them to flow and which do not. This will tell the potential for significant improvement. The potential could be anything such as:

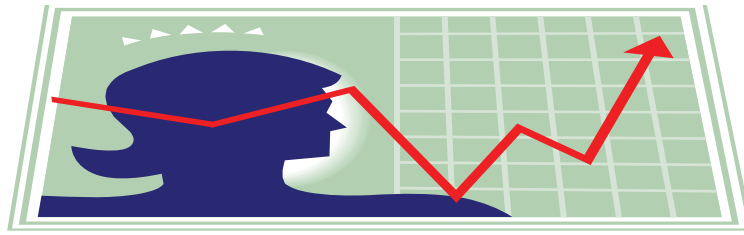
- ⊙ Bringing new products to the market - pronto
- ⊙ Producing 40, 60, 100 percent or more with existing facilities and no additional capital
- ⊙ Meeting 100 per cent on-time delivery
- ⊙ Reducing order to delivery times by 60-90 per cent
- ⊙ Reducing inventory by 50-90 per cent
- ⊙ Quality improvement above 99 per cent of current levels
- ⊙ Reducing floor space by 30, 40 or 50 per cent
- ⊙ Reducing overall costs by 20-40 per cent
- ⊙ Improving cash flow, reducing external borrowings of working capital
- ⊙ Improving profitability
- ⊙ Responding faster to customers - proposals, quotations, service after sales, etc
- ⊙ Or all of the above and more

Since tackling everything at the same time may not be possible for every company, identify the vital few that will give the best leverage of results and belief to begin with, take actions and move on to the others.

Value stream managers take charge

Identify value stream managers and give them end-to-end charge of the value





“Success consists in being successful, not in having potential for success. Any wide piece of ground is the potential site of a palace, but there’s no palace till it is built”
-Fernando Pessoa,
in ‘The Book of Disquiet’

stream. Move away from compartmentalised department concept. The value stream manager will have to gain an agreement to do the right things for the entire value stream from the various departmental functions that will be involved. They will also co-ordinate the implementation using the lean project management tools, raise healthy conflicts and agree on best solutions to meet the objectives of the value stream.

Quality & cost council

“You do not lead by pointing and telling people some place to go. You lead by going to that place and making a case.” Like Toyota, establish a cost & quality council of value stream project leaders and key functional heads to initiate cross functional projects, coordinate and implement them. In the process, also resolve conflicts and conflicting agendas. They can also shoulder the responsibility of spreading lean knowledge and developing lean experts.

Prepare ahead

Companies that have not worked and achieved lean results may have lost the benefit of gaining advantage over competitors at this time. But before you know it, the next demand slump will be around in 2015-16, and companies that work on becoming lean from now will hold the advantage then.

Prepare now for the future by getting a high-potential group to think outside the box and make the presently ‘impossible’ possible using lean thinking. This means, thinking back from the customer’s use of the product or service and exploring alternative routes to market. It also means challenging the design of the very product or service, the right-sized equipment and tooling to make it, the right technology systems to run it in the right location.

Train everyone

“Leadership is not magnetic personality that can just as well be a glib tongue. It is not ‘making friends and influencing people,’ that is flattery. Leadership is lifting a person’s vision to high sights, the raising of a person’s performance to a high standard, the building of a personality beyond its normal limitations,” said Peter F Drucker, known as the father of modern management. These value stream projects are an opportunity to teach everyone how to see the right things, and teach the people various things, such as how to use the visual management system to track the progress in real time, and how to respond to problems and solve them quickly. The process helps one to learn about the problems and find solutions rather than tell others what they should do.

“Men make history and not the other way around. In periods where there is no leadership, society stands still. Progress occurs when courageous, skillful leaders seize the opportunity to change things for the better,” said Harry Truman, the ex-president of USA. The question is not whether these steps are easy; they are focussed on solving the most important problems facing the business while developing the competencies to sustain and significantly improve this performance into the future. Delivering better value will bring more customers, hence acquire greater share of the market.

For companies that see drop in sales revenue, profits, marketshare, productivity, stifled cash flow, and no work situations; this is the best time to correctly and completely implement lean manufacturing. After all, leaders need to set their sights on the future and ask themselves ‘what actions will we take now to beat the next slump when it comes around in 2015-16?’. Companies that go lean now will hold the advantage. **MMT**



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