



Lean: Why some find it hard

In the 1980s, when the subject of lean production and its management were new to the greater part of this world, there used to be a debate whether it would succeed. Today, such a debate does not exist as the principles of lean production and management have outdone all other forms of management and proved their effectiveness, especially in the long run.

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Companies that have made improper attempts to adapt the lean production system will say they found it hard to implement. They are right because they did it incorrectly. It is not rocket science, but purely the ability of any management to adapt it completely.

The awakening

Ever since the western world began to realise that something real was happening in Japan in the early 80s, and it was not as they thought - manipulation of the yen or low labour cost - but that they woke up to the Toyota Production System (TPS). Ever since then, people have tried to decode it. Many from Schoneberger to Liker have written books on the subject; the list includes the likes of Ohno, Monden, Shingo, Womat and others. People involved with funded studies of TPS and western writers have attempted to answer the same question: how other companies can achieve the same results as Toyota without spending the next sixty years.

From dealing with suppliers to product development, from solving problems

to setting up a culture at plants outside Japan, Toyota comes out differently. The recently published book 'Toyota Culture' is an attempt to explain how the company gains its competitive advantage. Liker says it well: Toyota does it slowly, deliberately, holistically and through the development of people. Most of us lean consultants work with a varied mix of companies and people. The reason why we have mixed results is that most companies simply do not have the mettle to stay the course and go the distance. Lean manufacturing is a journey that embraces high optimism that fuels lead time reduction, dealing with suppliers, problem solving, value creation, standardisation, etc.

Manufacturing has gone a full circle. In the early 1900s, it was Henry Ford's production system that people tried to follow. Eji Toyoda and company visited Ford during the 1930s and 1940s to study how Ford produced cars, and read his publications. From the basis of this learning evolved the TPS. Today, many companies would like to do a Toyota by leapfrogging, without putting the fundamentals in place. Some even are devising how to get better.



Their idea may sound reasonable but their thinking process on lead times, kanbans, inventory, value addition and the very philosophy is a far cry.

The essential lessons

I saw a vendor of Toyota who ships supplies once every two hours and carries just a day's inventory. I have also seen vendors to other majors who have rented warehouses to store inventory. When a plan is made and is under execution, the sequence is interrupted because of shortages or defects. And companies try to replace the product in the hope of completing the overall plan. The plans that many companies make attempt to predict what will happen over the next thirty days, but the sad truth is that they may not exactly know what is going to happen in the next eight hours.

When this is known, why do they not change? It is because they are locked in their ways of thinking. These companies want to control every phase of their future, instead of trying to adapt to the future. Instead of being dynamic they are predetermined. The Toyota vendor that ships every two hours knows what exactly will happen only in the next two hours; for any change in pattern thereafter, he will concentrate his energies and resources to adapt as quickly as possible to the new requirements.

The ways of lean are such that they must be ingrained in the people's attitudes; people are not merely trained but must develop the attitude to solve problems by observation and experimentation. They must have a grip of the current situation; they must be able to visualise the future condition and then develop a step-by-step action plan and implement it to get there, open to the possibility of changes along the way. TPS is rooted in realism and practicality.

The right question

One of the questions many ask is: how well is any particular organisation that has embarked on the lean journey doing? The question emanates from their eagerness to

know how quickly one can become lean. While it is also subject to the zeal of the managements of these companies, it is difficult to determine this in a short period of time. Lean is a journey, not an event. To create a lean organisation, it takes many years of dedicated and continuous effort. The question then should really be: has the lean thinking got into the company's DNA? Even that takes a long time to determine.

Many companies who have begun their lean journey in recent times have done well. The easy part of the work is to produce results such as reducing lead times by 80 to 90 per cent, reducing costs by 20 to 30 per cent, improving productivity by 100 per cent, reducing inventory by 80 to 90 per cent, etc. This is not the end of the journey; it is merely a stage where one has got from one point to the other. It is when you realise: Were we really that bad? Have we remained so incompetent all these decades?

The real question now to ask is: have we reached that maturity stage? Is it now in everybody's DNA to keep searching for areas that need improvement everyday? Are people thinking: What else can we improve? When I visited a Toyota vendor, the CEO kept asking me: "Tell me what we are missing." And: "You must show us areas where we can improve." The hunger is the right attitude. Forget about where Toyota is, for they have been at it since the Second World War;





instead start thinking: Are we on the path of continuous improvement? Or driven by expectations, the fly-by-night result companies, at this stage should be asking themselves: Are we in the danger of falling back? Or even: Are we in the danger of giving up on the lean journey?

From what we see, we know that many are. Bob Emiliani has written a book depicting the Wiremold case; the book talks about how it succeeded. This company had journeyed so far on lean and had become good in its performance, that the owners later decided to sell it for hefty profits, without protecting the lean DNA that was built over time. The new ownership tampered with its lean culture that brought the company back to where it was when it started – perhaps worse. Going lean is more about a passion, vision, discipline, a holistic purpose, and less about dictation.

Lean is about reducing costs

For long-term success, the leadership philosophy must remain consistent when there is a change in it. This is the one constant of lean management. Companies with a hire-and-fire policy or buy-and-sell policy will find it hard to maintain that constant. Another reason why companies find it hard to maintain that constant is because they look at orders as a fixed number rather than looking at the varying demand rate. They do not realise that looking at a fixed number shortens their future vision.

Lean is more about strategies for long-term gains. When companies attempting to go lean encounter market depression or short-term financial difficulties, they abandon their lean efforts and go backwards. The quick-thinking to quit is about bottom line, cash flow, stock valuation, etc. Their only understanding of cost reduction seems to be cutting down activity and people. They fail to understand that lean is all about cutting costs, and now is the best time to start doing it correctly. I do not think you will see such thinking with Toyota. People forget that TPS was born out of sheer necessity to overcome bad times and difficult situations.



Leadership

Many companies find it difficult to implement lean, not because doing it is difficult, but because their leaders are either unable or unwilling to understand the principles of lean and then work towards developing their own capabilities by using these principles. And this should be done as a step-by-step process. Fortunately, today one can seek the assistance of a good experienced Sensei or a lean teacher.

While working with a product company and implementing the kanban system, the CEO of that company was insistent that this should be done electronically as a paperless system. When Toyota evolved the system, even they used a manual system to develop the discipline needed as a part of their learning curve. The basic culture to be built here is the discipline of ordering parts that are needed against a known customer demand, and not in anticipation. When Toyota achieved this cultural transformation, only then did they switch over to electronic kanban. But for a company that is not high on professionalism and the only culture is to satisfy the boss (not the next customer), jumping fundamental steps will spell disaster. Just because people are familiar with computers and can buy software, jumping fundamental culture building steps is not the answer.

It is more an issue with the thinking of the leadership than the mechanics of doing things. The leadership in companies must avoid imitating solutions, and must concentrate on developing the culture and building their own learning so that the solutions they find can succeed. There are also companies that use the kanban system starting with a projection or anticipated demand and not the actual demand rate. They use a good system incorrectly, and get bad results. They then blame the system!

Today, Toyota stands at an advantage against its competitors until one of them can develop a game-changing technology. Companies that are not lean stand at a disadvantage against their competitors. The right thing would be for companies to make step-by-step improvements, although the pace of change can be controlled to suit the need. It is important that people within



the value stream work on improvements in their work areas.

Building brain trust is building competitive advantage. These will be the people who have completely imbibed the lean thinking, live by it, and are focused on solving problems. And having standards is a prelude to solving problems. At Toyota, their people-value-stream follows a three-step process – selecting & attracting the right people, engaging and inspiring. Transformation is not always easy. Lean processes, streamlining and excellence are always uncompromising. They need to be understood, not only as business demands, but also as social and cultural requirements.

Beating that recession

Depressed market conditions, financial crisis or recession are all economic corrections that are going to show up now and then. Are you going to show knee-jerked reaction each time or would you rather do something about it? Right after the Second World War, the oil crisis of 1973, and each time thereafter when there has been a demand slowdown, Toyota has demonstrated its ability to come out of it the quickest. Obviously, their strength to do so comes from their fundamental philosophy - lean thinking ability and their very culture built over the last sixty years.

There are many examples. The Bridgeport joint venture in South-East Asia was a company that had never produced a single machine over five years of its existence, while people were trained, infrastructure was in place and salaries paid. When the leadership changed, which applied lean thinking to turn the company around, in less than six months they were booked for the next two years and were thumping out production. This was while the last demand recession prevailed.

In India, you have seen how Mysore Kirloskar achieved significant results during

the last decade and were able to demonstrate that during the recession time. Their problem (a good one) was one of dealing with too many orders! They had changed their problem from one of no orders to one of too many orders using lean thinking and implementing the lean production system. Such companies overcome the effects of any demand recession because of their “yes we can” DNA.

Companies in India need to go lean not because it is a fad, but because it is their need of today and tomorrow. Although this demand recession was visible well over a year ago (refer ‘Excellence is a habit’ in Modern Machine Tools, August 2008 issue) many did not see it, and today are reacting while they had the opportunity to proact. Sitting there and wishing that your operations were more efficient, that your costs were low, that your inventories less, that you had more customers, that your cash flow was richer, etc is not of much use unless you use that feeling to take definitive actions. Recession does not mean that the market consumption becomes zero. While demand slows down, customers hunt for the suppliers who deliver better value.

Would you not wish that it was you? A CEO of a large organisation recently said, “Lean’s need and utility is undeniable, and we too have been pursuing it in our own way.” But they are not producing lean results. And like him, there are scores out there. Just remember that if you are not working at your game to the utmost of your ability, there will be someone out there somewhere with equal ability who is. And one day you will play each other, and he will have the advantage.

I hope you will take the right action, commit today to become lean, and start taking correct actions in the right direction and beat the recession and your competition by building your operational excellence as your competitive weapon. **MMT**



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