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Component 1: Leadership and Mentoring

A fast-paced organization starts with leadership. In most organizations are leaders who understand the benefits of a fast pace, and if you are doing a bottom-up Lean transformation I would recommend that the leaders of your organization start by learning about this component, Leadership and Mentoring. Leaders have a responsibility to develop a strategy that will be successful; they are responsible for the organization's culture; they need to understand their role in developing people so that everyone can contribute to the success; and they must also understand they have a social responsibility. It is key that leaders are aware of various and proven success factors. It is part of their responsibility to provide mentoring, proven and productive value-stream designs, organizational structure providing support and transparency, and finally systems and programs to facilitate fast knowledge sharing. These are the four components for speed and operational excellence.

LEADERSHIP GOING FORWARD

A manager's primary tasks are planning, organizing, controlling, and leading. Whereas past leadership efforts have been all about the individual as a leader, presently it is about the collective efforts of a team. Today's leaders are coming across new challenges where there isn't any history to base an informed decision on, and leaders must look to their social networks, employees, and other leaders to help them make the best decision.

It's OK to show that you don't always have the answer. A good leader at the very least knows where to find that answer. Being vulnerable will provide competence, as people are more willing to show trust in a leader that shows some vulnerability.

An example of a long history of coming to a consensus is the U.S. Cabinet. The U.S. Cabinet comprises the most senior appointed offices. Established in Article II, Section 2, of the U.S. Constitution, the role of the Cabinet is to advise the president on any subject he may require relating to the duties of each member's respective office. Dating back to the first U.S. president, George Washington, the Cabinet has served the country well. Leadership is required, but before policy deployment, diverse knowledge needs to be a key input. Organizational leaders today require a strong team for guidance; decisions are by consensus.

What is needed today is *not* heroic figures who make great, inspiring speeches. The essence of Lean leadership is not who the leader is and what image he or she projects—the issue is about the leadership practice that accomplishes the aim, the purpose of the business. Any system that relies too heavily on charismatic “leadership” is inherently fragile and all-too-dependent on the individual who happens to be in charge. The real issue is how leadership builds systems that are the operational result of disciplined Lean practice—a problem-solving culture that creates continuous improvement that delivers business results while always solving customer problems. I must also mention here that leaders are also responsible for other duties like managing the day-to-day production needs, updating information systems, data analysis, managing the budget, and yes, pleasing the boss. This is not leadership but is the management side of their job. There is a difference between the leadership and management requirements of the job. Leadership is more about developing the required culture, developing a successful strategy, developing and empowering people, and adding individual value and security to the people they lead.

In the final analysis, how a decision is made at the strategic level is just as important as the decision itself. Also, the best decision in the world is nothing without a powerful consensus for action. The most perfect consensus in the world is useless unless it has produced a decision that is good for the organization.

At the front end of the entire team-decision-making process are the *inputs*. These are the key inputs for the business, and they must be more developed and of higher quality than the competitor's. All of the decision makers must be crystal clear on what these inputs are.

People who enter into consensus decision making must come armed with critical and creative thinking skills that will allow them to function efficiently and effectively at the strategic level.

The management team must use a process to cultivate their single-focus strategy. Winston Churchill once said, “The only thing worse than having allies is not having them.” However, the glue that held the Anglo-American-Soviet alliance together during World War II was the determination to defeat Nazi Germany, fascist Italy, and Japan’s military government reaching for control of East Asia. The single-focus strategy was the determination to defeat.

In 1980 the U.S. hockey team winning the Olympic gold was labeled “Miracle on Ice.” This became a reality because of their coach, Herb Brooks, declaring the single-focus strategy of winning the Olympic gold when he was at the beginning stages of picking players. Many people in the sports world thought he was crazy and said he should realistically develop his strategy at maybe reaching the medal round.

Before a joint session of Congress on May 25, 1961, John F. Kennedy made the single-focus decision of a mission to the moon. This single-focus strategy united a nation. On July 20, 1969, Apollo 11 commander Neil Armstrong stepped off the ladder of the Lunar Module and onto the moon.

Robert Ballard started his single-focus strategy of finding the *Titanic* in 1973. Early in the morning of September 1, 1985, the *Titanic* was found.

All of these historic and memorable events came about because of a single-focus strategy. These people did not proclaim a complex vision. Their passion enabled them to communicate an outcome for everyone who followed to clearly understand the direction and hence how they made decisions. From this single focus many events had to be successfully executed, but the results were all clearly tied to meeting this single focus. Herb Kelleher, who was one of the founders of Southwest Airlines, maintained and based all of the organization’s decisions on the single-focus strategy of “Southwest is *the* low-fare airline.” He would tell his employees, “I can teach you to be CEO of Southwest Airlines in 5 minutes”—they just had to base their decisions on this single-focus strategy. He once had a flight attendant propose to offer a chicken-on-salad meal for one of their longer flights, and Herb simply asked if that would help meet the single-focus strategy, “Southwest is *the* low-fare airline.” The meal was never implemented. Probably the most repeated single-focus strategy is Nike’s “Just Do It.” Within Nike this eliminated much wasted time in contemplation of meeting strategy objectives. Strategy deployment exercises became

much shorter and things got done. I once worked for a large organization that had the single-focus strategy “zero injuries.” This was an organization of 113,000 employees, so to help communicate the strategy the CEO declared that all meeting agendas, no matter the subject, had to start with a safety topic. He was the model of this policy, and it is now the culture of the organization.

Too many organizations come out, every year, with at least a half a dozen targets. They might have a vision statement proudly developed by a few leaders of the organization but tattered and forgotten. This confuses most of the workforce, so a high percentage of the organization do not base their decisions on meeting the strategy. Because they do not know the strategy, they do not know how to contribute. Because they do not know how to contribute, they have little individual value in being part of the organization’s success.

With a single-focus strategy there is no complexity. What to do is easily cascaded throughout the organization. A high percentage of the workforce is now clear on what they have to do, and individual value is extremely high because they can see how their efforts contribute to the success of the organization. The complete organization has a clear line of sight to the single-focus strategy.

Leaders need to ensure they have a single-focus strategy to realize the significant benefits of an engaged workforce.

This method of determining the single focus becomes easier when the management team asks, “What, more than anything, do our customers want, that if we achieved it we would have a definite competitive advantage?” The answer common to most organizations is lead time improvement. To achieve this, the management team should use the Six Sigma tool of SIPOC (suppliers, inputs, process, outputs, customers). In this case the single output is lead time, and some of the inputs are quality, work in progress (WIP) levels, process capability, supplier deliveries, safety, and others. So you can now see how a single-focus strategy still requires a strategy of improving in other areas that are inputs to the single focus. This approach makes it much easier to communicate the strategy, why we are working on these inputs, and how everyone contributes.

A strategic leader can utilize decision-making teams as a powerful asset in successfully coping with the environment. Such teams improve their decision making by using a process of consensus, which is useful when developing a single-focus strategy. Knowing how to forge consensus for single-focus development and implementation is critical to successful

management and leadership. The single-focus strategy does not prevent improvement in other areas of the business but enhances and provides speed to these other improvements because the culture of improvement is developed at a fast pace. Consensus decision making offers the benefit of using more fully the experience, judgment, perceptions, and thinking of a team of people.

A high-performing team can be a positive force in assessing strategic situations and formulating the single focus.

Effective strategic leaders employ a strategic team to help them in the formulating process. This team “sees” the strategic environment from various frames of reference, visualizing the effectiveness of proposed strategies over time. Teams help leaders to understand a complex situation and gain insight into how to achieve long-term objectives, allocate resources, and integrate operational and tactical decisions into strategic plans.

Strategic teams that perform with unity of purpose contribute to the creation of strategic vision, develop long-range plans, implement strategy, access resources, and manage the implementation of the strategy. Given the nature of the strategic environment and the complexity of both local and global issues, strategic leaders must use teams. They cannot do it alone.

The team’s objective is to find the highest quality solution to a complex strategic problem and minimize risk of failure. In execution of the agreed strategy the management team must maintain the single focus. This approach will clarify any complications that arise during the planning and execution of the strategy.

With the single-focus strategy agreed upon, it is now the team’s responsibility to determine the key metric and how this will be cascaded, communicated, and supported. The self-directed team’s organization plays a critical role in meeting these targets through homogeneous improvement efforts throughout the value streams.

Communication of the single-focus strategy does not happen through a one-time organization meeting, posting, or newsletter. These are helpful, but the key communication is through the daily management Gemba walk, where questions related to the single-focus strategy are tested for comprehension. Does everyone know the single-focus strategy and how they are able to contribute? These are two critical questions to continue to ask until the management team feels comfortable that 100% of the people clearly know.

A study by Ernst & Young (1998) of 275 professional managers, “Measures That Matter” determined that the ability to execute strategy

was more important than the quality of the strategy itself. Another study by management consultants reported that less than 10% of effectively formulated strategies were implemented successfully (Kiechel 1982). This is because of the typical organization’s low level of involvement in directly executing the strategies, which results in lesser results even though the strategy is very well devised. With a self-directed team organization, a high percentage of people know the single-focus strategy and know how to contribute. This generates individual value and from this motivation to execute.

LEADERSHIP RESPONSIBILITY

The best minute I spend is the one I invest in people.

—Kenneth Blanchard

According to a study of more than 1,700 CEOs from around the globe, human capital was cited as the most important factor in maintaining competitive advantage (see Figure 1.1). So why do organizations continue

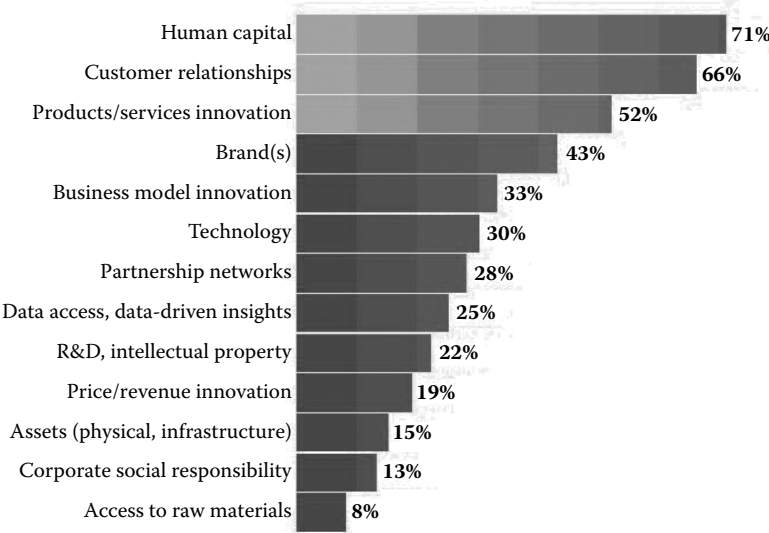


FIGURE 1.1
Human capital, most critical asset. (From *Leading Through Connections: Insights from the Chief Executive Officer Study*, IBM, 2012. Reprinted with permission.)

to remove this number one asset during a time when they feel they need cost reductions: Is it the only cost they have? Can they not provide innovation to generate more profitable revenue? Why do most companies spend 40% to 60% of their money on salaries and only 1%–2% on training? Is this all an organization gets from highly paid leaders?

In 1914 Henry Ford shocked the world by announcing he was going to double the salaries of most nondirect employees to \$5 per day. After his announcement, thousands of prospective workers showed up at the Ford Motor Company employment office. They came from all over, including Europe. Ford not only doubled their salaries but also reduced their hours from nine to eight. This enabled three shifts, increasing productivity. Now the motivation to do this was that Ford Motor Company was experiencing problems with a high attrition rate. However, Henry also reasoned that with mass manufacturing and with fast cycle times resulting in lower cost, employees with higher wages could afford to purchase the products of their labor. Henry Ford changed manufacturing forever. He demonstrated responsibility to the world leadership and during the time was actually thought of as a folk hero. Where are the Henry Fords of today?

Leaders today must stop thinking of their employees as an expense and start thinking of them as an investment. Let's take a look at a sample income statement:

Revenue:	20,000
Cost of Goods Sold (COGS):	13,000 (direct labor is 4,000)
Gross Profit:	7,000
Selling Admin:	5,000
Depreciation:	300
Total:	5,300
Earnings before Interest and Taxes (EBIT):	1,700

Now let's say the organization is focused on improving EBIT. In most cases, what is the decision of most leaders today? You guessed it: Cut direct labor! But let's now take a look at improving any line on the income statement by 5% and understand the effect on EBIT. So we reduce labor by 5%, EBIT improves to \$1,900, an 11.8% improvement. Now let's look at a 5% improvement in revenue and EBIT improves to \$2,700, a 58.8% improvement in EBIT. Which one is simplest to do? Of course, cut the expense line of our most valuable asset, the people. Absolutely, to improve the revenue by 5% takes more innovation, creativity, better people than the competitors have, and leaders who

can lead. Which company do you want to work for? If you are a leader, which direction and culture do you want to aim for?

On this topic of cost, the other method popular with leaders is outsourcing to lower-cost countries. They started by going to Mexico, China, and South America. Today China is not low-cost enough, and products are now going to countries like India and Cambodia. Over the past 15 years we have begun to see a change: U.S. manufacturing productivity has increased 4% per year. This is because some leaders are starting to look at the ignored costs when sending products to low-cost countries:

- Intellectual property at risk
- Cost and time of travel to visit distant plants
- Costs due to poor quality
- Negative impact of separating corporate engineering and other skills
- High oil prices and thus cost of shipping finished goods
- Customers demanding faster lead times, which can result in loss of revenue if not met
- Cost of natural gas—twice as high in China as in the United States
- Wages in China have been increasing 15% per year
- China's overheating economy, so service has increased in price
- Natural disasters interrupt key supply chains and then the ability to recover

"The re-shoring moves come as average manufacturing costs continue to fall in the U.S.," Jennifer Booton wrote in an article for Fox Business (2012). "BCG [Boston Consulting Group] estimates that they will be 8% lower than in the U.K. in 2015, 15% lower than in both Germany and France, 21% lower than in Japan and 22% lower than in Italy. China will still be about 7% cheaper than the U.S., but that doesn't include the high cost to ship bulk items around the world."

Many challenges for leaders have been dragged from previous years to the present. The main challenge is related to coaching people to be experts in whatever they do. Leadership has this responsibility to the people who work for them because these people are adding value to the products and services every minute of a working process. These people are clearly the executors of the value that the R&D and marketing departments have developed. One challenge from previous years is competing with lower cost countries. How are we going to do this? We have to do something lower cost countries cannot, and we must develop our people to a higher

level than the competition is. Leaders today must stop thinking of their employees as an expense and start thinking of them as an investment.

At-will employment is a doctrine of American law that defines an employment relationship in which either party can immediately terminate the relationship at any time, with or without any advance warning and with no subsequent liability, provided there was no express contract for a definite term governing the employment relationship and that the employer does not belong to a collective bargaining group (i.e., has not recognized a union). Most leaders within U.S. organizations unfortunately take advantage of at-will employment. It is very easy to remove the most valuable asset and remain receiving a year-end bonus. Productivity, when defined as $\text{units produced} \div \text{direct labor}$, can be improved *simply* by removing direct labor. Lean Sigma, when starting to gain success, provides a myopic leader with the first thought and opportunity to remove direct labor. This is a fatal error. The same leaders created the beginnings of momentum to provide some success but not world-class results. The valuable people who took the risk, working within the process, then begin to lose confidence in the new Lean Sigma effort. Even after the basic building programs like 5S (see Chapter 5), Kaizen events, Total Productive Maintenance (TPM), and some continuous flow from cell layouts, they lose most of the required momentum. And then fire fighting comes back also.

Leaders fail when they cannot improve productivity without taking advantage of things like the at-will employment doctrine of American law. The challenge for leaders is not to remove our most valuable asset but to use known Lean Sigma methods of improving productivity (without removing people) and therefore provide social responsibility. This might not be the easiest path, but this is why leaders are paid more and granted more power. So take on this social responsibility and enjoy the higher reward levels of people thanking you for your leadership and trusting to follow your leadership

Your assumptions will change when transforming from traditional management to today's leadership style; in the past your assumptions of a subordinate might have been that they are lazy and unmotivated, but with the new leadership style your assumption will be that everyone inherently wants to do a good job.

There is a definite transition management has to go through, and it can be either very painful or actually enjoyable, depending on the understanding and motivation. What specifically is this transition? It has several areas: transfer of perceived ownership to where the ownership belongs,

from directive to supporting, transfer of knowledge (part of empowerment), knowledge gain, from assignment of tasks to enabling, and understanding their value as a leader.

Transferring ownership—This is probably the single most important change to happen. Without it we will continue to see lackluster results from the shop floor. Self-directed teams must feel that it is *their* business, not management's. They work there, it is their environment, and they own the improvements and the failures. As an analogy, when your car breaks down, who decides where you get support from? Who decides if the solution presented to you from a service station is of value or not? What would you do if the service station had the authority to install an expensive and ambiguous repair solution? In my analogy the owner of the car is the self-directed team, and the service station that has authority to provide unsolicited repairs is the supervisor. Management always feels that they can provide a better solution for the process than the actual owners of the process, the self-directed teams. They probably can, *but* the solution typically fails because it is not owned by the self-directed team and can be too difficult to understand. Because of this, implementation of management's solution is by compliance, and slowly the solution is dismantled until they are back to the original state.

From directive to supporting is one of the later stages in the management transition process. The leaders of the plant are sometimes the main roadblocks. There are many changes that have to occur in implementing world-class results. This is one of the main reasons it can be very difficult to have a successful implementation. Please do not be discouraged, as the rewards of success are tremendous! The day-to-day pressures of meeting the production requirements almost always will override any world-class implementation. Amazing, when you consider that leaders are the ones implementing the plant strategy of world class. However, this is reality, and we always have to have a reality check. To start the transition from being a directive leader to a supportive leader you must first accept humility. You must accept that everyone within the organization can contribute something toward meeting the organization's strategy. Everyone has a role to play. As a leader, one of your main roles is to be supportive of people's efforts and creativity toward meeting the strategy. Go to the Gemba, ask questions about their progress, about roadblocks preventing this progress, about needed resources, and when you see a lacking skill, provide it. Use and develop your Mentoring skills, not your power.

Transfer of Knowledge—Knowledge sharing as a leader will not only increase the pace of effective decision making, it will also increase the trust of the people reporting to the leader. These two benefits alone will quickly translate into a competitive edge for the organization. Trust within the organization is difficult to achieve but when the leader is the pioneer of transfer of knowledge the culture rapidly follows.

From Assignment of Tasks to Enabling—Using power to impose what a leader wants people to do slows the organization down. This happens because the people always being assigned the tasks will develop a culture of waiting to see what the leader wants to do. Creativity is suppressed and risk taking is not part of this culture. Enabling people by investing in developing their skills will also provide a competitive edge. People will be engaged, feel valued, and feel secure.

The Management Steering Team must be skilled in managing change. It is not inherent, and if you think it is, you are well on your way to failing. The Management Steering Team will need to invest some time in obtaining change management skills.

At this point I would like to tell you of a real example of leadership. We had some mature teams who had reached the performing stage of the traditional team life cycle. The plant manager was asked to speak at a yearly, state-sponsored event for manufacturing companies of world-class strategy. The plant manager was provided with only 15 minutes to talk about self-directed teams. He decided the best and most effective method of communication was to have self-directed team members address the subject personally, but this was not communicated to the meeting organizers. This meant that the selected team members would personally have to present the benefits of working in a team environment. We asked for volunteers, and there were only a few. The two team members who eventually became the presenters were very nervous when we were traveling to the Baltimore Aquarium Center, where the meeting was being held. Their anxiety was beyond high. Upon our arrival, we found that newspaper, television, and other media were there. There were also many people (over 1,000) representing manufacturing businesses in the state. The great turnout was because the state governor was there. None of these media paid any attention to us. We were then all called to the conference room, where there was an agenda of distinguished speakers presenting their methods of world class. They were all authors of books and well known within their field. The conference room was extraordinary—the walls were actually the aquarium, where you could see the various fish

Team Stages to High Performance

Forming Stage:

- Providing a team structure with a facilitator, leader, scribe for problem solving meetings, and time keeper for problem solving meetings
- Establish which team members can be assigned expert roles such as TWI-JI Trainer, TPM, Quality, 5S, and TWI-JM
- Start developing team operating norms. What are some of the rules and processes all team members must follow in order to be efficient and effective. For example how will decisions be made, how will suggestions be processed, and how will the team address required discipline.
- Establish when problem solving sessions will be held. Weekly meetings or planned Kaizen events
- Will the team member roles change and how often

Emergent Stage:

- Development of Levels of Empowerment, what decision making and tasks will the team be responsible for. What is the time line?
- Assigned Key Performance Indicators (KPI) from Management Steering Team. Part of the organization's strategy deployment. Visual management of these KPI's are reviewed and supported daily with the Management Steering Team.
- Problem solving has started with support from their Facilitator
- Internal supplier and customer connections are made and part of the improvement program.
- A "Rite of Passage" for new team members has been established

Ownership Stage:

- Established Levels of Empowerment are almost completed and mastered
- Team is less dependent on their Facilitator for problem solving
- Regular internal supplier and customer improvement meetings are being conducted

- Responsible for their process scope operating budget
- Owners of the Standard Work for their scope of the process

High Performance Stage:

- Team pride is evident through their enthusiasm and creativity to go beyond assigned KPI targets
- Standard Work is reviewed and improved on
- All levels of empowerment have been achieved
- Team Leader attends Management Steering Team meetings
- Completed improvement and successful projects have increased to 15 per year
- Improvements are sustained
- Continuous skill development to meet changing needs are owned by the team

gliding by. The conference room also included a very intimidating podium in the middle of the room. This might not be a problem for people used to presenting, but to our two selected team members it was a serious concern. After all of the authors presented, the Governor of Maryland called our plant manager to the stage. He came to the podium and said a few nervous words. He then announced that if you want to hear what it is really like to work in teams, then you have to hear it from two people who live and work it every day in their daily work lives. They are extraordinary people who helped transform their work team from the Forming Stage to the High-Performance Stage of today. From that introduction, a special thing happened—the anxiety left; you could see the pride in their eyes as they walked to the podium. From there they just talked and articulated the benefits of having the ownership of their process. When they completed their communication to the people in that conference room, there was a measureable moment of silence and then a thunderous standing ovation. It was unbelievable and emotional. It was so rewarding. When everyone left the conference room, all of the news media, lights, cameras, and people conducting interviews were surrounding our two team members.

If you were selected as a speaker for your organization's world-class success, would you consider sharing the spotlight to the degree our plant manager did? Without question, this is powerful leadership.

This leader also valued having fun within the workplace to break down organizational barriers. If people were going to work hard and achieve extraordinary results, then he felt it was the responsibility of the leadership to provide rewards and recognition for the commitment. We never knew when the announcement over the public-address system would come: “Everyone must stop work now and get on the bus!” This was always a pleasant surprise—the whole plant would be treated to bowling, an afternoon at Pimlico Race Course, or a cruise on a dinner boat on the Chesapeake Bay. These events were not like planned team-building events; the only requirement was to get on the bus and have fun. I steadfastly believe these events significantly contributed to tearing down the hierarchical barriers within the organization and the departmental barriers, bringing people unequivocally together. Yes, this meant the complete manufacturing process was shut down for an afternoon. Did this ever create a missed on-time delivery? The answer is an emphatic no! This is leadership: investing in people and being confident of the expected result.

TRANSFORMATIONAL LEADERSHIP—ELIMINATE “US AND THEM”

First let’s take a look at the first part of the lyrics of “Us and Them,” a song by Pink Floyd:

Us, and them.
And after all we’re only ordinary men.
Me, and you.
God only knows it’s not what we would choose to do.

We as leaders must realize we are “only ordinary men.” We do have a position to provide transformation, but it is through “Me, and you”. Of course the “Us and Them” in this chapter refers to the management and the workers, respectively. Most organizations have the culture of “us and them,” presenting a lack of trust, creativity, and contribution.

Let’s now take a look, from an “us and them” perspective, at what each group might be thinking during common business activities.

Activity 1: General Communication Meeting

Us: What is important to communicate, what do they need to know, and what can I not trust them with? How can I present the bad news in a more positive light? Should I present the bad news? What kind of responses and questions should I expect?

Them: Do we really have to attend? It is difficult to understand the information. Am I allowed to ask...? I would like to present what we would like to improve and how we could contribute. We do not understand the metrics being presented. This is difficult to believe. What is expected from us?

Activity 2: Management Gemba Walk

Us: What is the output? Are we on target? What are the quality levels? What are the issues preventing us from meeting our targets? I am concerned that I am the only one providing solutions.

Them: Are they coming today? Get ready; here they come. What happened to my suggestion from last week? What are we supposed to do about these issues? How do they know? We will try their suggestion, but we know it will not work.

Activity 3: Executive Leadership Visit from Corporate

Us: I must prepare an agenda to present the positive messages. I will lead the tour so they hear what is needed. We must prepare and rehearse the management presentations. They do not want to hear from anyone lower than the department managers.

Them: I would like to tell them what it is really like to work here. We have contributed a lot; I wonder if they know this? Don't worry; you will only see them for about 10 minutes. I wonder what they thought? What do they talk about? They have visited twice this month; are we closing?

Activity 4: Problem Solving Session

Us: They are not capable of understanding this. I will need to steer them toward a solution that will work. Why are most of them not

saying anything? That will never work. Everyone seemed happy with the solutions.

Them: This is confusing. I do not understand the discussion. I have an idea; should I say something? Last time they ignored my suggestion, so let them solve it. We were trained in DMAIC but never seem to follow the process. Just tell us the solution and we can save a lot of time. We missed the last three scheduled problem-solving sessions; where are we? They really do not understand this, but we do, so let us solve it. If continuous improvement is important, why do we need overtime to work on it?

Activity 5: Quality Issue Stopping Production

Us: Increase the sampling. Let quality look at it. We must get production started again. I am concerned this happens too frequently. The customer will never see it; we should be able to continue.

Them: This will require more work. Why don't we just try... This happens too many times. They preach zero defects, but we will let this go; production is first. What happened to my suggestion about this same issue? They are responsible for resolving quality, not me.

Transformational leadership works toward the elimination of “us and them” through the following:

Emulation—an effort to develop equality and be a model of the expected culture

Trust—developed through accepting and learning from mistakes

People development—providing higher level skills and the best opportunity for everyone to contribute to the overall strategy

Individual value development—through the autonomy of empowerment, encouraging people to explore new ideas and make decisions, leading to satisfied customers

Strategy alignment—100% of the people clearly know the strategy and how to contribute

Develop your organization through transformational leadership and realize the rewards of an engaged workforce.

Robert Baird

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Going Beyond Lean
Sigma Tools



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Foreword

In my role as vice-president of North American operations for a global manufacturer, I would frequently be asked if we were a world-class manufacturing organization. I would answer yes, as we had a dynamic market share, state-of-the-art product offerings, and a seasoned management team. I really did not understand exactly what *world class* meant in detail, but assumed we were. From interfacing with other senior managers outside of my organization, I learned what world-class manufacturing really was and realized we were far from it.

We then embarked on a transformation to world-class, Lean, Six Sigma—many names are used, but the essence is developing a fast-paced organization that goes beyond Lean Sigma tools and emphasizes leadership, organizational structure, process design, and knowledge sharing.

Robert Baird was our quality manager at the time we started this transformation. He had recently joined us, and he embraced our evolution to a world-class organization, leading the way. Robert is a Six Sigma Black Belt and has detailed knowledge of both the hard, technical Six Sigma skills and the soft, people and organizational development skills.

Robert was instrumental in developing our self-directed, high-performance teams throughout the plant that enabled 100% of our workforce to be engaged and committed to executing our manufacturing strategies.

Robert led our Management Steering Team, where he enabled a horizontal flow of knowledge and collaboration between departments, eliminating the departmental silos that tend to develop in an organization, leading to fast-paced communications and problem solving within and between departments.

This book demonstrates the ability to simplify the organizational structure with leaders as supporters, teachers, and promoters improving the speed of transformation to a Lean environment.

My experiences as a senior manufacturing manager who participated in this transformation to Lean exceeded my most optimistic expectations. Our yields steadily increased to 99%+ in key product lines, our productivity improved by 50%, indirect labor costs were cut in half, and we unleashed the potential of our workforce. I encourage organizational

leaders interested in transforming to world class to read Robert's book detailing how your manufacturing operations can become an elite, value-adding part of your overall business.

Louis Bisasky

Vice President of North American Operations

Acknowledgments

There are certain people in business and life you have the good fortune of knowing. My understanding is that there are very few people who have the inherent passion and ability to motivate, whatever the situation. They are passionate people who are able to see the best in people, where job position plays no role and company politics are a negative input.

To my wife: It is crazy that I have such a loving and smart person and am always asking more from her. She always helps and her love is endless.

To the employees of the Owings Mills, Maryland Advanced Card Center: The inspiration for this book came from your ability to achieve such a high level of performance. A once-in-a-lifetime experience and rewarding journey—thank you so very much!

To my friend and mentor Lou Bisasky: The Lean journey we traveled in Owings Mills was led by Lou. He is a true leader who valued the people who worked with him. To this day I have never met another leader with his many leadership qualities. Lou ensured it was fun.

To my friend Jim Jamieson, who is one of the rare people who realizes the importance of empathy and having 100% commitment: He is passionate, caring, and motivated to accomplish world-class business results. He always globally promoted Owings Mills as a world-class operation.

Finally, to Pat Callahan, my brother-in-law, who was recently diagnosed with the terrible disease of amyotrophic lateral sclerosis (ALS): He maintains a wonderful outlook on life.

About the Author

Robert Baird has practiced successful applications of Lean Sigma globally for the past 20 years, including three complete Lean Sigma transformations. Each transformation achieved world-class business results.

Baird worked for Schlumberger Oilfield Services for 20 years, holding various management positions. He then transferred to Gemalto and worked there for 14 years, holding top management positions including vice president of operations and global world-class enterprise manager. Baird is currently founder and president of Lean Teams USA consulting firm.

He has introduced and supported a global Lean Sigma strategy for business results with his work in countries including Brazil, Canada, China, Finland, France, Mexico, Poland, Singapore, the United Kingdom, and the United States.

Introduction

The greatest enemy of the best is the acceptance of good.

Paraphrased from Voltaire

If you look at the characteristics of a successful organization, you will find speed as one of them. Staying ahead and achieving business results at a pace faster than the competitors are a distinct advantage. Within Lean we have some focus on just-in-time, lead time, and on time delivery—it is the nature of what Tom Peters (1992) called “Nanosecond Nineties”—but what are we doing about it? Are organizations focused on improving their organizational speed? We found that when there is a focus on speed, industry-leading improvements come with it and people are motivated to keep going; momentum is created, and all employees are engaged to execute the strategy. These are the outputs or effects on an organization when implementing all four of the components of a fast pace. Implementing one, two, or three of the components will certainly achieve results but not the sustained world-class results we are looking for. We all want a culture of continuous improvement, learning, and customer orientation; and this is what the four components were designed for. Following the implementation steps will inherently develop all of these organizational characteristics. It starts with the Leadership and Mentoring component. The leaders must be on board first, and then each of the other three components are to follow. The Leadership and Mentoring component provides the base that sustains the momentum and starts the culture. Leaders take responsibility for developing people who are trained, motivated, and supported to identify, solve, and fix problems. Leaders must empower people to be capable of process ownership. Leaders must guide and support a production system of continuous flow and quality products and service. Finally, leaders must build a learning organization. They are responsible for operational excellence.

Achieving excellence comes with a number of challenges. The first is to recognize the need for change. There have been many organizations with mediocre results from a Lean Sigma transformation, and I propose it is mainly from not providing a complete organizational change. Implementing Lean Sigma tools as the base will not provide world-class

results. It all starts with leadership understanding the scope of the required change. This does not mean it is a monumental and daunting change. With a leadership style of participation and learning, the change does not have to be daunting. It does involve the understanding and knowledge to develop and engage 100% of the workforce and ensuring 100% of the workforce clearly knows the strategy and how they can contribute to the strategy. Excellence also requires an efficiently designed process, a support organization, and systems to provide fast knowledge sharing.

In this book I describe, with implementation detail, four key components of an organization that must be in place to reach and sustain world-class business results at a fast pace. I also wrote the book in a style to provide only the needed details. How many people have read a 300+ page book and have only come away with one or two ideas they could use? My argument is for you to be able to get results from these proven components with, as you will see, reading as few pages as possible.

I was involved in a very special Lean Sigma transformation at an organization going through a market alteration. At the time there was discussion of outsourcing our production lines to low-cost countries; you could say it was our “burning platform.” The president of the organization knew the objectives were challenging and decided to take a very different approach. The main objective (later to be communicated as our single focus) was productivity above the proposed low-cost countries. The first step he took was to hold a meeting with all of the key managers, where he was very candid in presenting the daunting objective set by corporate. He also said that we had to meet this objective within a year. The next step was to brainstorm where we could possibly improve productivity—nothing was off the table. The next step was to determine where the “low-hanging fruit” was, and what we could do to provide the pace in achieving the results. At this time Lean Sigma was suggested as a methodology to support meeting our objectives. At the time only the human resources manager and I had experience with Lean Sigma. We agreed to hire a consultant to get us started. The management staff was then trained in 5S, Total Productive Maintenance (TPM), Kaizen, and manufacturing cells.

The president was not confident that these tools alone would meet our objectives, so he got us back together again and explained that we needed something else. The suggestion of self-directed teams came up. The president thought about it and agreed. At this same meeting we also decided on a single-focus strategy of productivity. The president also decided that we needed to have this group of managers meet every second day to create

the required pace for achieving the objectives on time. We then decided to call ourselves the Management Steering Team to provide some structure on how we would govern; we needed the input of everybody! From then on we always had an agenda item to discuss how we were creating pace toward our business results, and this is how the four components were developed. The result was that we doubled productivity, and along with these objectives, yield improved 75% and on-time delivery above 90%.

So here are the four key components:

1. Leadership and Mentoring
2. Process Design and Visual Value Streams
3. Organization Structure for Sustainment
4. Fast Knowledge Sharing

I also provide some explanation of some key Lean Sigma tools because they are critical in achieving the results you are looking for. However, Lean Sigma tool implementation by itself has been the mistake of many organizations. Too often the pattern is that someone in the organization decides Lean Sigma is something they would like to try. They start with some training, usually 5S, TPM, or even completing a value stream map. They see the early results and conclude: We were right—it did work. Then a few months later even the Lean tools are not part of the culture. This is a huge waste.

The approach I describe here with the four key components is more of a leadership and culture approach. I say leadership first because the correct culture cannot be established without talented leaders. There must be a strong leader, and this leader understands the power of teams, has empathy, is unpretentious, takes calculated risks, has fun, and is a strong communicator. The leader understands that Lean Sigma will be a complement to achieving business results; but he or she clearly knows that highly developed and motivated people, a self-directed team organization, and fast knowledge sharing and learning will bring sustained business results. It is also understood that this culture must be realized at a fast pace to maintain momentum. Leaders must understand that they must go to the Gemba; it is their responsibility to support, teach, and promote (what I call STP) the single focus strategy to achieve world-class results.

The single-focus strategy needs some explanation, as some people might think it is a limitation toward achieving world-class results. It is, as it states, a single focus; and the selection process for this measure is absolutely essential. We all receive what we need to improve from somewhere, from our

customers first, from our leaders, or maybe from our employees. And yes, it is never one measure we are summoned to improve. However, I have seen managers who had more than 100 measures they were trying to improve and actually reviewed each one on a quarterly basis. Do you think they were successful? The single-focus strategy makes you think about the one measure that, if improved, would most satisfy your customers, both external and internal. A great example is lead time. You cannot have world-class lead time with poor quality or productivity or even high costs. These measures are actually inputs to the output of lead time. So you must improve the inputs to achieve world-class lead time. However, it is now much easier to communicate to everyone what the organization's focus is and where you are going. It is also much easier for everyone to understand how they contribute toward this single focus. Understanding how you contribute to the success of the organization increases your individual value and thus motivation. The single-focus metric is visually managed so that people see progress on a daily basis and can have daily discussions on how they can further improve it.

The value streams must be of a design that is conducive to smooth flow. Work in progress (WIP) is low and the cells are in continuous flow. These value streams also require value-added visual management. The value comes from the managers being able to quickly see if the improvement projects related to the single focus are progressing, if orders are on time, if the quality is normal, if standard work is improving, and if gained results are being sustained. This design and visual management contribute significantly to the fast pace as the problems are easily seen, realized, and addressed. Small actions are assigned and followed up on a daily basis. Small improvements are made every day, in fact, every shift.

Organizational structure, also key to fast pace, provides a strong support structure for everyone. The vertical structures or silos are broken down when people are contributing more toward the single focus than to their own department measures. Department managers are offering resources to other departments when they need it. The structure starts with the Management Steering Team, and most managers are on this team with the main objective of strategy deployment. The structure of the organization includes the team facilitator, who used to be the supervisor; and the self-directed teams, that are now empowered to do most of the tasks that were previously performed by the supervisor.

Finally we get to the component of Fast Knowledge Sharing, which uses methods and tools like worldwide accessible databases, process

standardization, social networking, and breaking down of department silos. Being fast paced in knowledge sharing minimizes resources required for process improvement, and because of this, these same resources can do more projects that contribute to fast-paced results.

The four components also ensure that results are sustained because of visual management, Gemba walks, the organization's structure, and process ownership.

One of the keys is to keep strong momentum by leaders being involved at the value stream on a daily basis. When you have the four components in place, the organization is fast paced, which provides the momentum.

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Peters, Tom. 1992. *Liberation Management: Necessary Disorganization for the Nanosecond Nineties*. New York: Knopf.