


Mark Warren
Experienced Manufacturing Professional "Discovering Solutions with People"

# Walkabout - Developing Awareness

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**Part 1 of 3**

### Ideal for Startups and Small Businesses

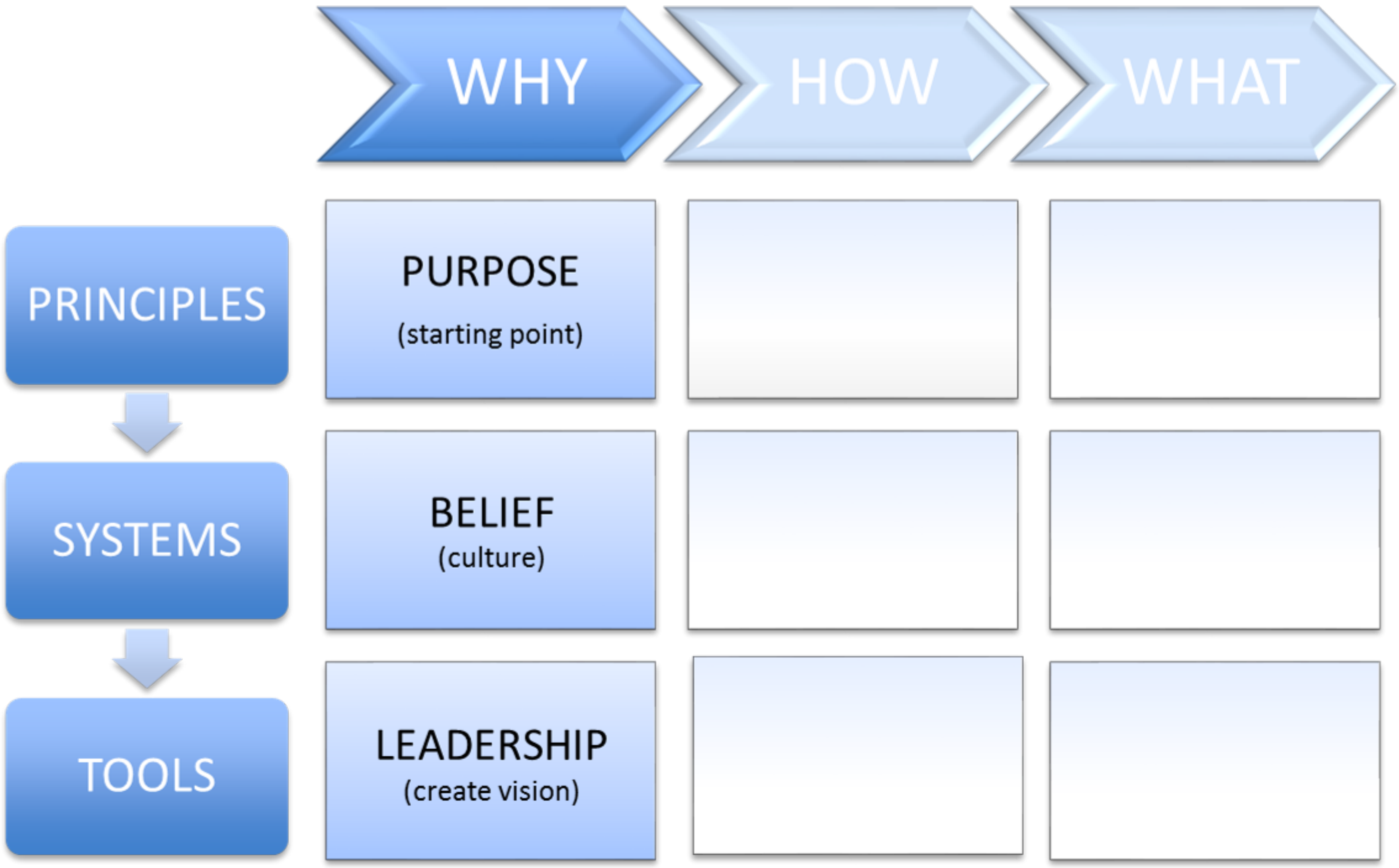
## "We are different..."

In just about every organization I have visited, somewhere in the early discussion, there is the comment that *"we are different"* or *"we don't make cars"* so lean will not work here like it did for Toyota.

You are correct, every organization is different, yet there are some fundamental patterns that can be applied, no matter what product or service your organization delivers, of whether it's a for profit, nonprofit, or government organization.

The ***"Walkabout - Developing Awareness"*** visit can take various paths. You choose what you think will be most useful for your organization and the small team that you choose to participate.

## Option 1 - High Level Discovery (Leadership - Customer - Production connections)




*"Leadership is the outcome of your actions."*

It is top management's responsibility to define the *Purpose* of the organization, establish the core *Values*, create the *Vision*, and build a *Team*.

Leadership
Create the vision

# Defining the Purpose of your Organization

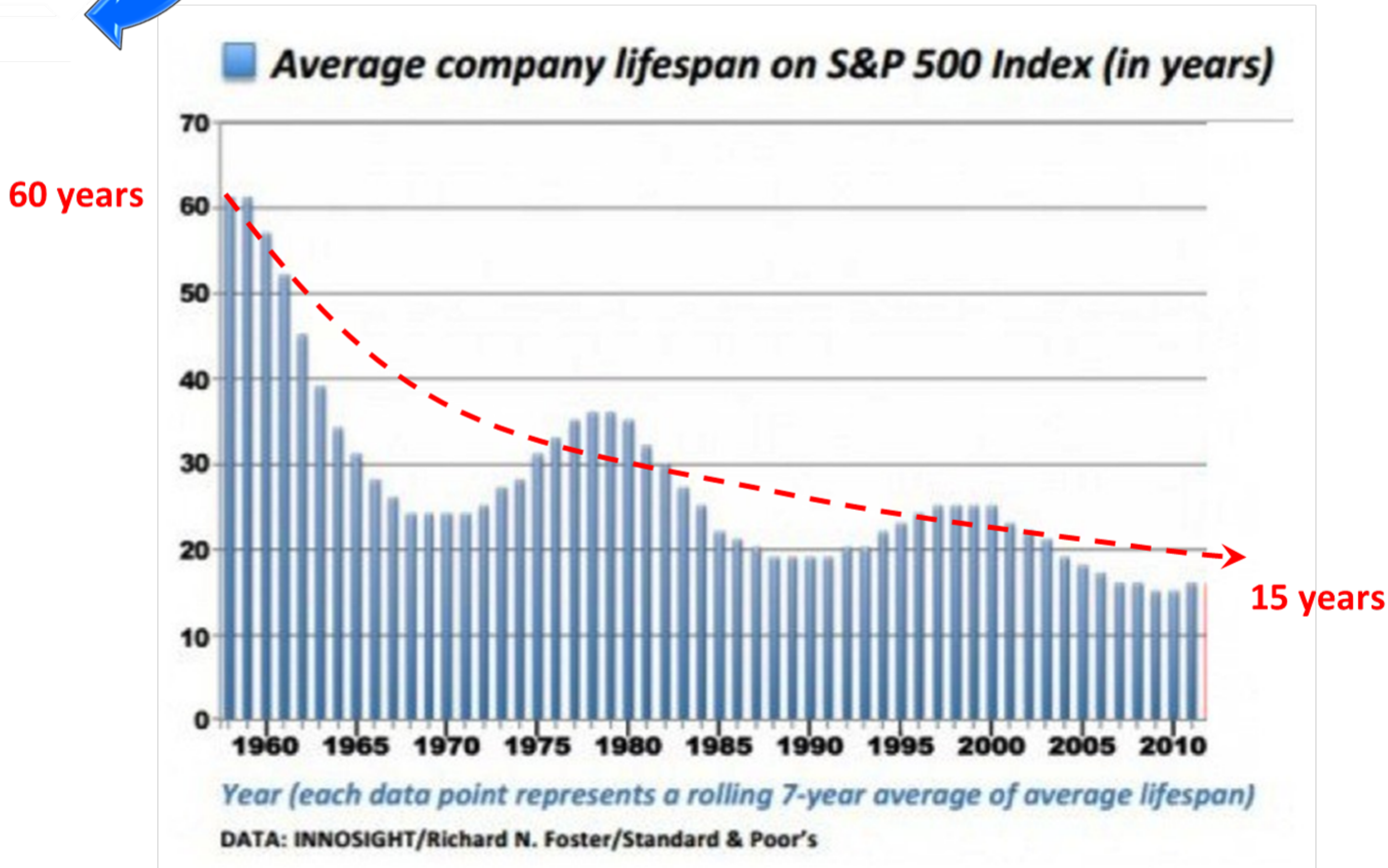
## Determines the long-term viability of the organization

1. Do nothing
   - You will eventually get '*eaten*'
2. Wealth Transfer – illusion of early success followed by premature death
   - Declining life of companies on the Fortune 500 list
   - Declining length of tenure for top CEO's
   - Behaviors that corrode an organization… and beggar nations
3. Value Creation for society – longest life, greatest shareholder wealth creation over the long-term
   - Founders vision of creating value… just happened to also make money
   - They believe in the potential of people and invest in them

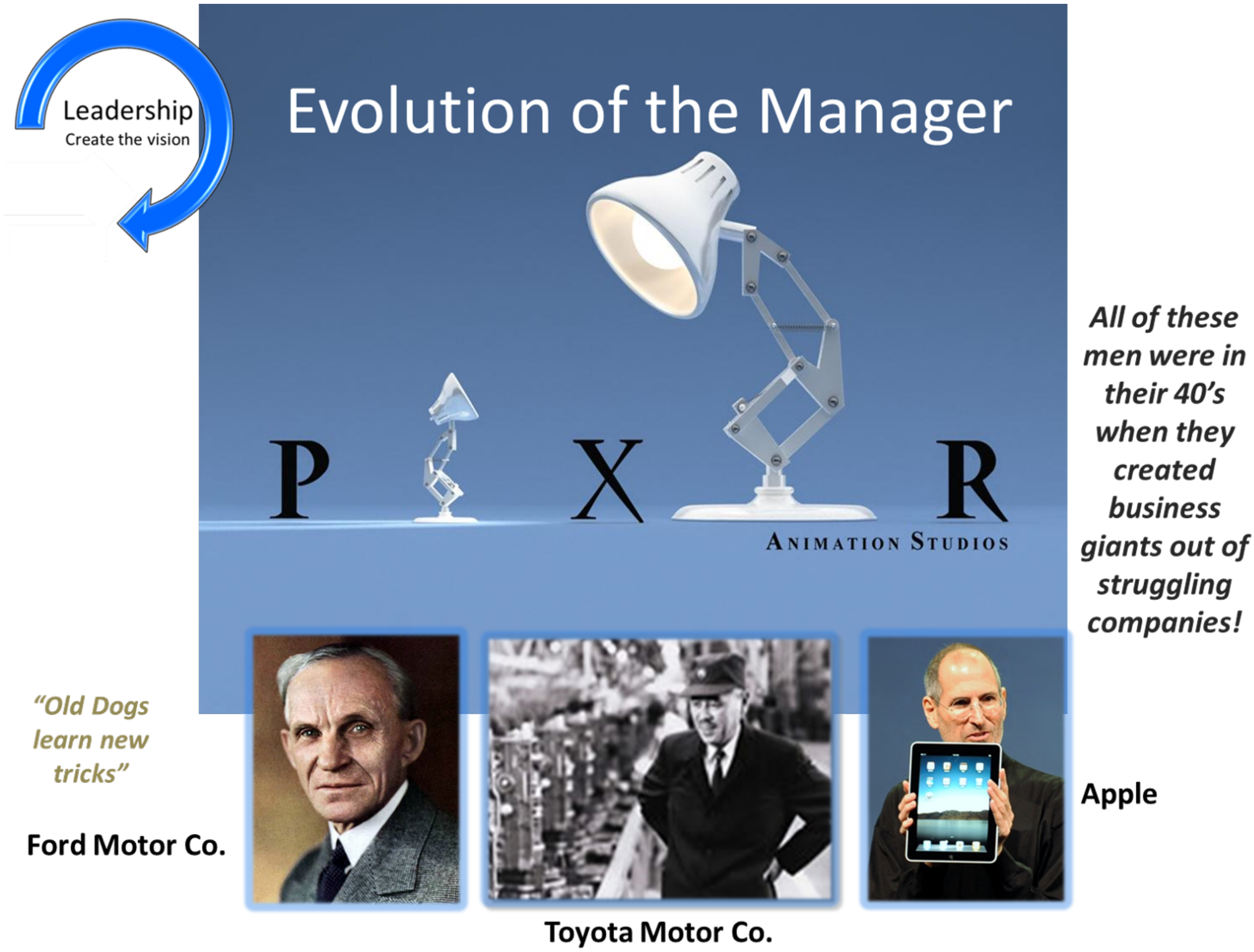
It is the choices of the leaders and their behaviors set the tone of the organization.

In the book *"The Living Company"*, Arie de Geus brings out the point that companies should have a *natural lifespan* of about 300 years. Yet, for the last fifty years the lifespan of listed companies have steadily declined from an average of about 60 years to under 15.

# MBA focus on Managing by the Numbers




Focusing on ethics has a better return than focusing on the numbers. Sisodia, Sheth & Wolfe, in their book *"Firms of Endearment"* document a case study spanning 15 years. They chose companies base primarily on their ethics and compared their returns to the market average. The ethical firms returned an average better than 3x the market. They also compared the performance of their selections with the 11 companies chosen by Jim Collins for his *"Good to Great"* book. None of the *"Good to Great"* companies made the ethics cut... although Gillette nearly did. Over short 3 year spans, the groups of companies had similar returns, but when you look at a longer 10 year term, the ethical companies out performed at a 3.1 to 1 ratio.




You don't have to be young (under 30) to learn to change. You don't have to be a startup to recreate a culture that people find stimulating, one that they become fully engaged.

The leaders can define the culture, or just accept what emerges. They have a choice.

# Change is not dependent on a single person

**The leader creates an environment where innovation can happen**

| Henry Ford | Taiichi Ohno |
|---|---|
| James Couzens | Yukio Arima |
| Charles Sorensen | Itsuo Mamiya |
| Max Wollering | Kikuo Suzumura |
| Harold Wills | Takeo Watanabe |
| Oscar Barnholdt | Masanobu Morita |
| Carl Emde | List courtesy of Art Smalley |
| William Knudsen | Key men in Ohno's machine shops |

**Walter Flanders**
Should be credited with starting the innovation revolution at the Ford plant – he trained most of the men listed above

**Eiji Toyoda**
Should be recognized for his role in protecting Ohno from political issues arising during the development of TPS

While the success stories usually hinge around one individual, the success is never one of a single individual. The leader creates an environment where innovation can happen.

The success stories are not just auto companies or high tech companies like Apple. Who would think these leadership principles would work at a supermarket chain? Terry Leahy details the turnaround of Tesco in *"Management in Ten Words"*. The shift started when they began to question the purpose of their business.

Leadership
Create the vision

# Leadership


Define the Vision

Build the Team

Model Behaviors

Be a ‘Multiplier’

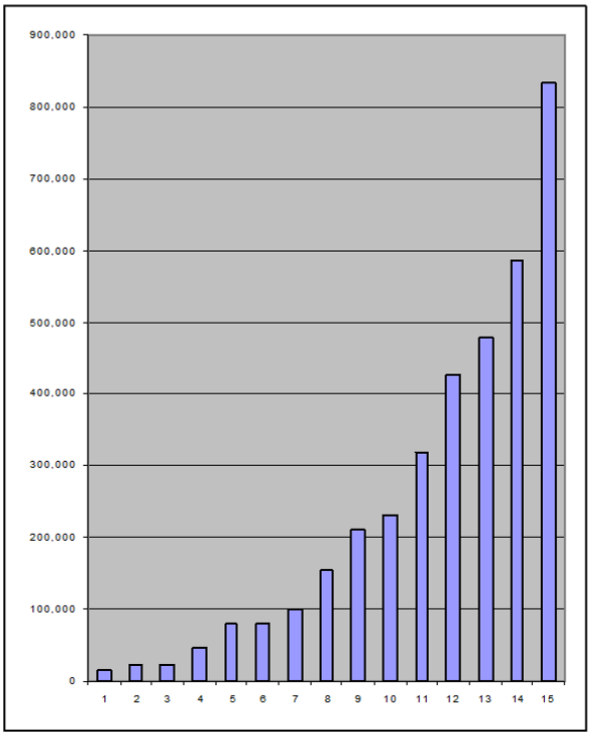
> *Leaders succeed* with *people. Choose to become a* Leader, *not a follower*.

Create the Customers

# Growth at Toyota following TWI Implementation

One of the projects that drove sales was the establishment of driving schools, not just the improving economy or value of goods (cars).

This increased demand stressed the production system and forced its improvement to meet deliveries.



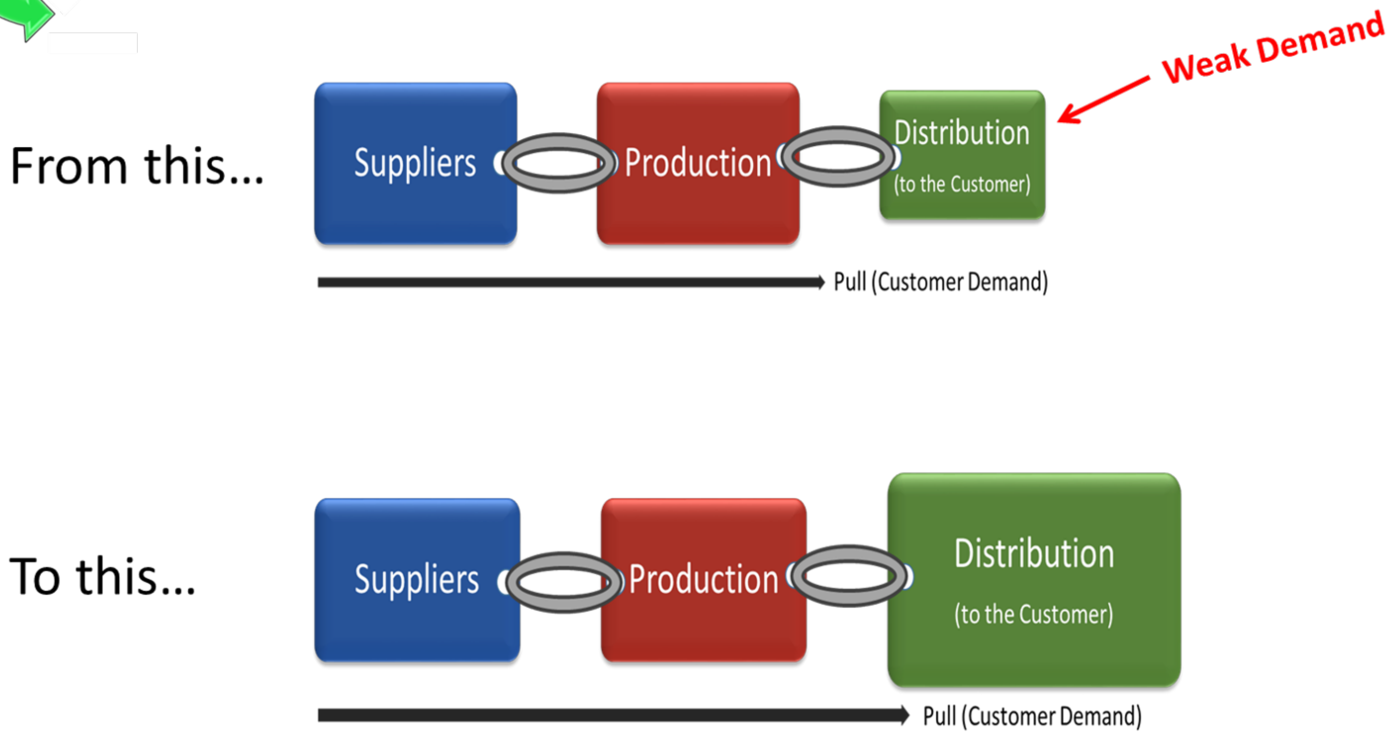

More than 35% annual compounded growth for the next 15 years.

(starting in 1953)

**Creating Customers** - One of the hidden stories behind Toyota's success, was the efforts of Toyota Motor Sales in creating customers. They had a '*customer centric*' process that helped create products that the customer wanted and considered to be of value.

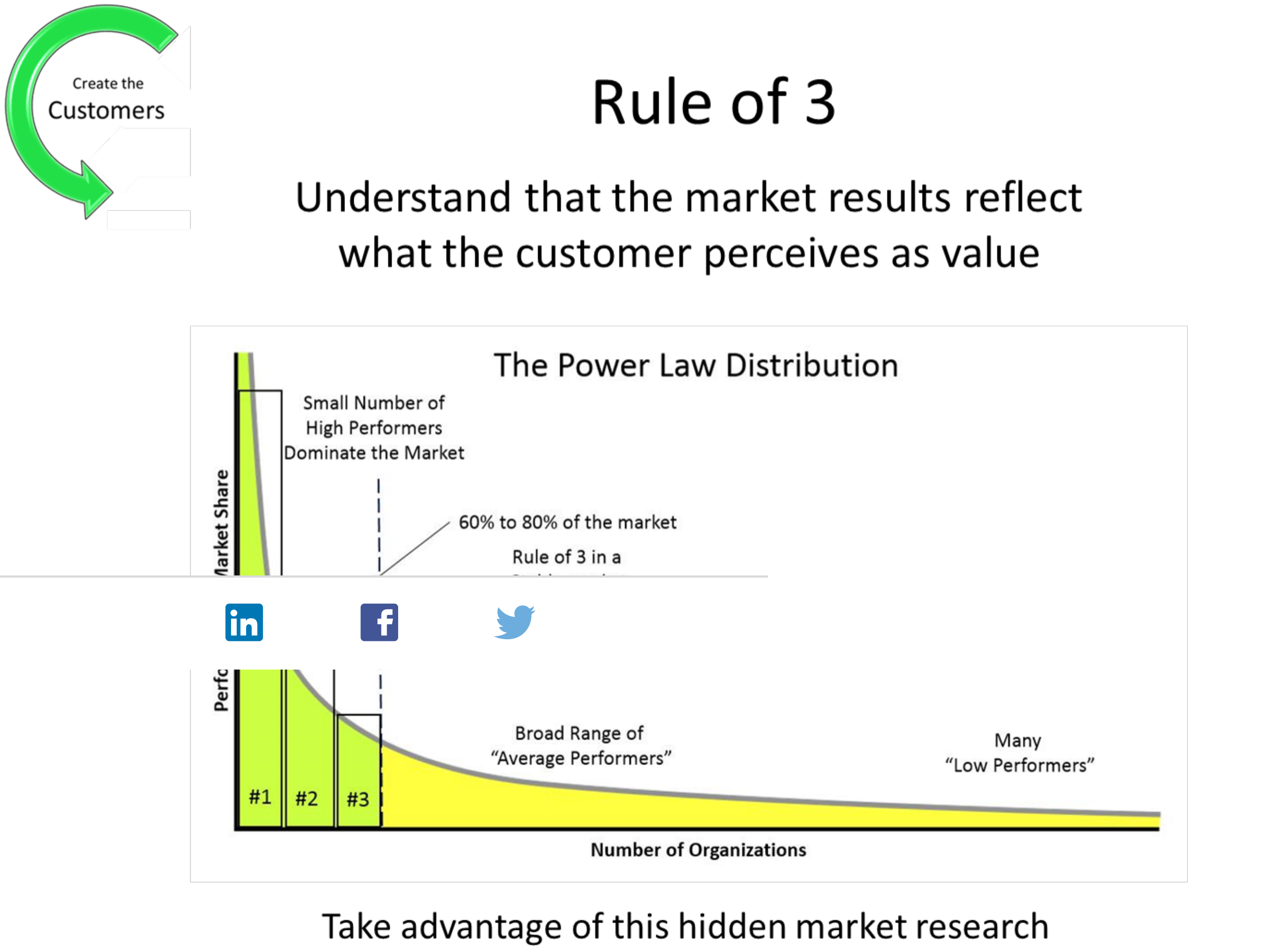
Create the Customers

# Solve for the Weakest Segment

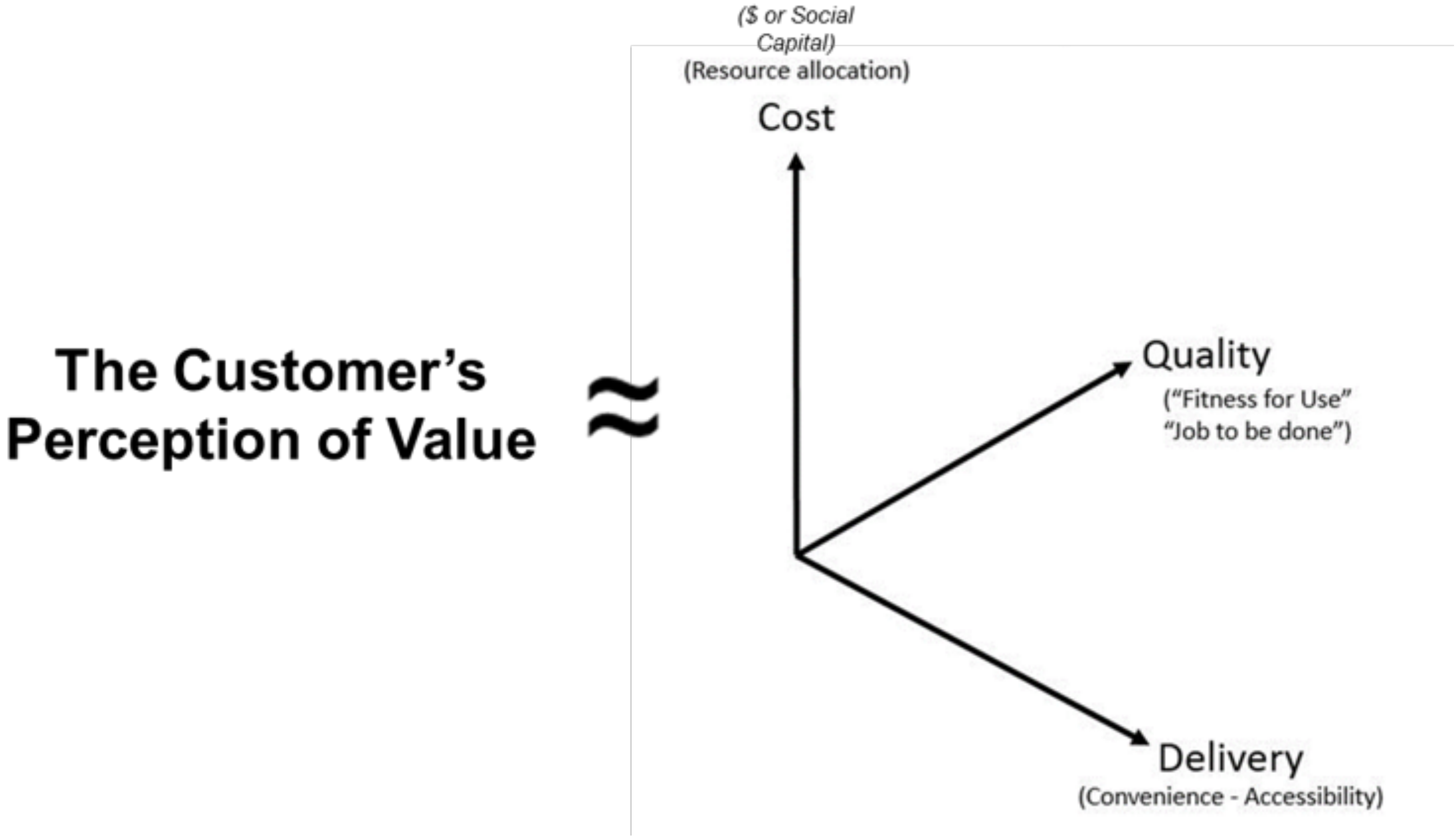



In addition to seeking the elusive '*product-market*' fit, they found a way to create the desire for their product. A unique idea for people to experience driving a car that created a desire to own one - a driving school.

In the beginning, Toyota was like most organizations, they struggled to have sufficient stable demand to load their production capacity.

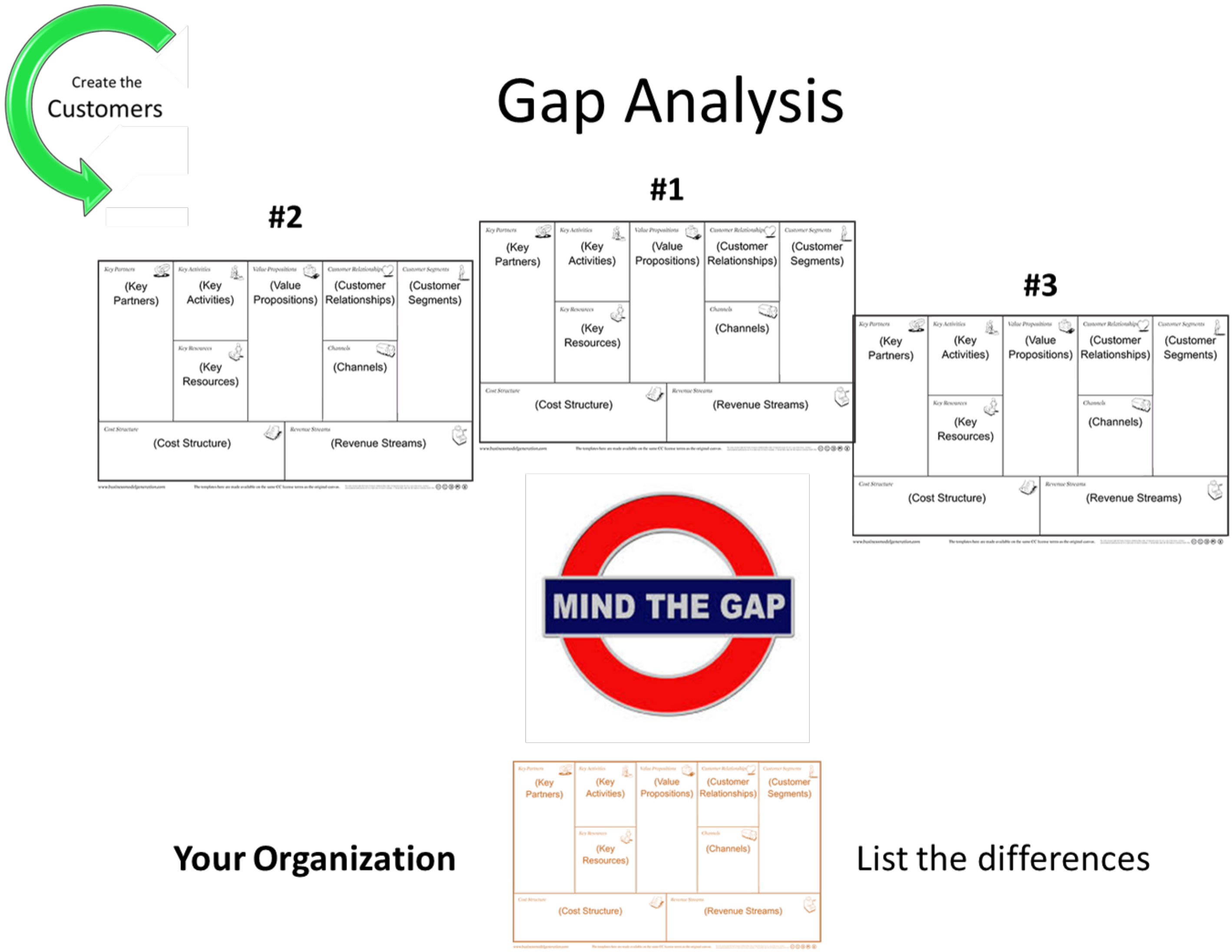



What can you do? First, understand that the market results reflect what the customer *perceives* as *value*. You might want to start with taking advantage of some hidden market research. Understand that the top three (or 4) organizations will dominate a stable market with 60%+ of the market-share. The balance of the market is subdivided among the rest of the players.




There are two common market segments where you have the opportunity to expand sales. *Non-consumption* - providing a value proposition that allows those not currently participating in the market, a reason to do so. *Displacement* - getting the customer to choose your product or service instead of other options.

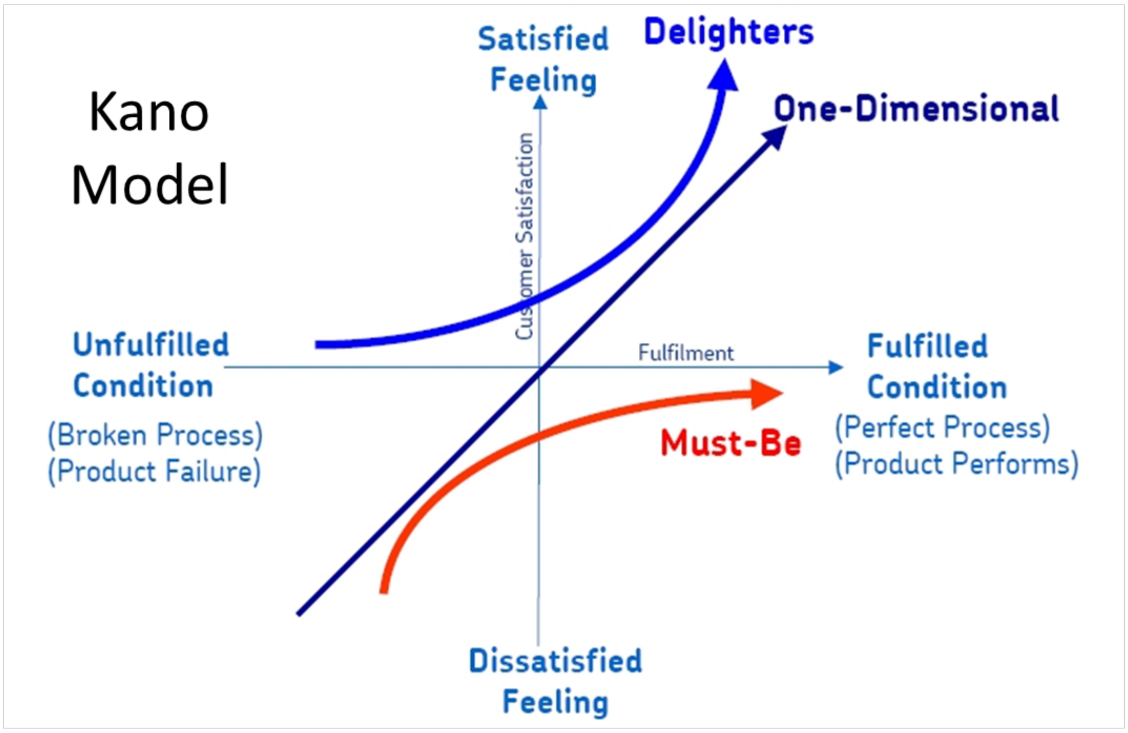
Is the customer not aware that you exist, or unaware of the value difference between your offering and what they are now using? Is your product or service not available or easily accessible? Are you cost competitive?




If you are not in the top three, it is worth the time to understand why the customers choose the leading brands. The first practice step is creating a Business Model Canvas of your organization. This can be an exercise in self discovery.

The next step is to begin filling out a Business Model Canvas for the top three organizations. This practice exercise should uncover some reasons why they can dominate the market. Look for glaring gaps between what you offer and what they offer.

# Sort Identified Gaps




**Focus on the "Unfulfilled Conditions" and missing "Must-Be" features**

The Kano Model is ideal in helping you sort which gaps to focus on first.

Start with focusing on the *'unfulfilled conditions'* and the missing *'must be'* features. These are most often the reasons for not being selected as the provider of the product or service.

# Progressively removing the barriers and disruptions to Flow

Production

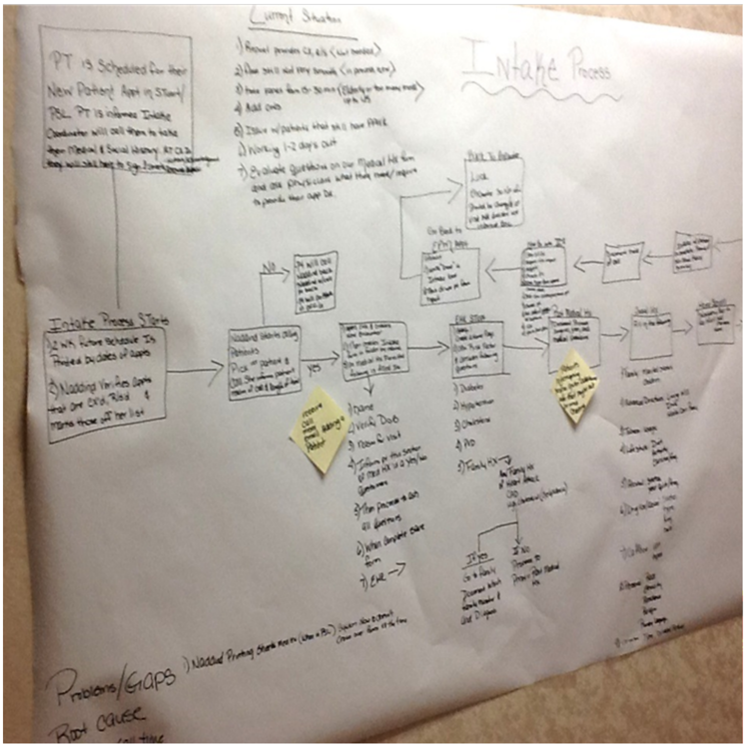
Create the value

**Create the Value** - value creation is where the outcome is worth more than the resources consumed and effort expended. The effectiveness of a production system can be evaluated by the lack of disruptions and barriers to flow in the process. You improve the value creation by progressively removing the barriers.

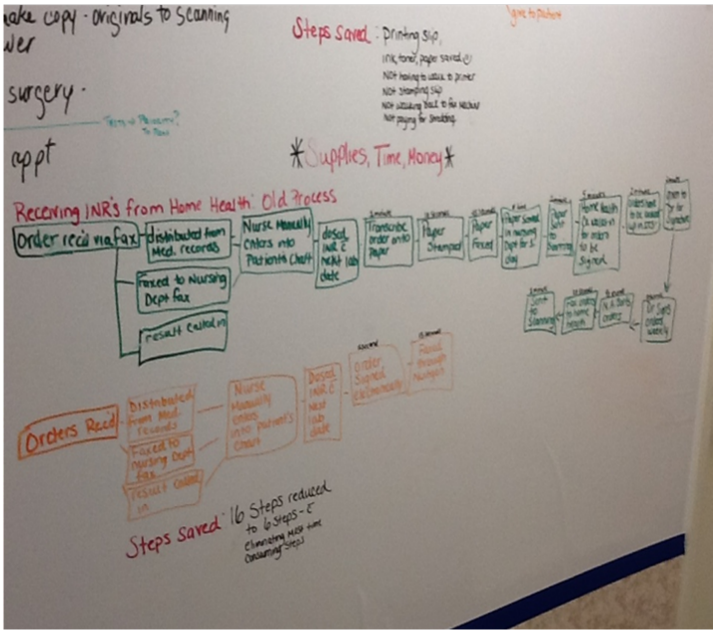
# Map the Process

Production
Create the value

Explore the process before choosing what needs to be improved.




Information flows..
16 Steps reduced to 6 Steps




Developing awareness starts with mapping the flow of the process. The next step is defining the problems - barriers, hurdles, snags, quality, productivity, safety, 7-wastes, etc... You start a fact finding process to have enough information to decide with facts what will make the most impact when resolved. Be aware that all the lean tools are counter-measures to help re-solve the barriers to flow that you have discovered.

If we have time, then we will proceed to the steps in *"Focus on Production"*.

> *To find out what the '<u>nearly free</u>' coaching offer looks like for a typical organization, contact me for details.*

Interested enough to apply? Contact Mark Warren (mark.tesla2@gmail.com)

Written by

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