

Business Essentials: Back to Basics

Toyota shifts focus from volume to value

by Tom Dzialo, CPIM CIRM

As reported in the media last month, Toyota is no longer pursuing a 15 percent global market share under its new president, Akio Toyoda (grandson of the company's founder). He has stated that he wants to return to "the old Toyota Way" of understanding customer needs and developing products to fill them.

Make no mistake — numbers will still be used in Toyota's business plans. It's simply that growth will come as a result of focusing on producing products that customers will really value, rather than focusing on growth for growth's sake.

In his excellent book *Lean Thinking* written back in 1996, Jim Womack summarized the five principles of TPS (Toyota Production System) as:

- 1) Identify value in the eyes of your customers
- 2) Determine your value stream
- 3) Implement "Flow" in your value streams
- 4) "Pull" where flow isn't possible
- 5) Pursue perfection

As you may recall from our June Newsletter and articles in the media from the spring, Toyota was required to take plant shutdowns to reduce inventory levels after they had climbed to unusually high levels. The economic downturn that started in 2008, of course, exacerbated the problem.

The point here is that *everyone* needs to stay focused on their goals. Even the best are sometimes forced to revisit business essentials.

Continuous Improvement is difficult without Continuous Learning. Take advantage of the untapped knowledge that exists in most companies in the heads of employees, suppliers, and even your customers.

There are some indications that the economy is starting to recover and it is our wish that this is true for you and your company. ■



September is the Time to Get Back to Learning

by Fred Heintz, CPIM CIRM

Education is a social process. Education is growth. Education is, not a preparation for life; education is life itself.

- John Dewey

It's September and time to get the kids off to school. It should also be a time for you to think about getting back to school, too!

Sixth Floor Consulting Group lists education and training first among the services we offer. Is that because we're the best providers? We'd like to think so, but really it is because we believe in "Lifelong Education for Lifetime Success."

Education doesn't stop once you've graduated school or gotten a "real" job. Only those people willing to learn new skills will be valuable to their companies in the coming years.

You'll find a listing of professional development opportunities on the last page of the newsletter and on the Calendar section of our website. These cover a wide variety of educational needs, from classes on basic Microsoft Office skills to workshops designed to help you better control some key business processes. You can receive education, training, and certification through professional organizations such as APICS, IMA, AME, and SME. For further discussion of these options, see Tom Dzialo's article in our August 2008 newsletter on our website. Many of these

cont. on page 2

"FAILURE TO CHANGE IS A VICE"

- HIROSHI OKUDA

cont. from page 1

organizations also offer monthly meetings with presentations on the latest business topics.

You need not limit yourself to education for your business life. Take a course at the local community college or your town's adult education offerings. Any activity that challenges you to think will be valuable to you. So look into that photography class or psychology course. Any education you undertake, whether directly job related or not, will help you in your career and will enrich your life.

So this fall, get off the couch, turn off the TV, and start the journey to life long education. ■



The goal of Sixth Floor Consulting Group is to create best-in-class processes, allowing each of our clients to take their businesses to a higher level of quality, profitability, and Lean operation.

Contact us today to put us to work on your team.

Sixth Floor BOOK REVIEW

by Fred Heintz, CPIM CIRM

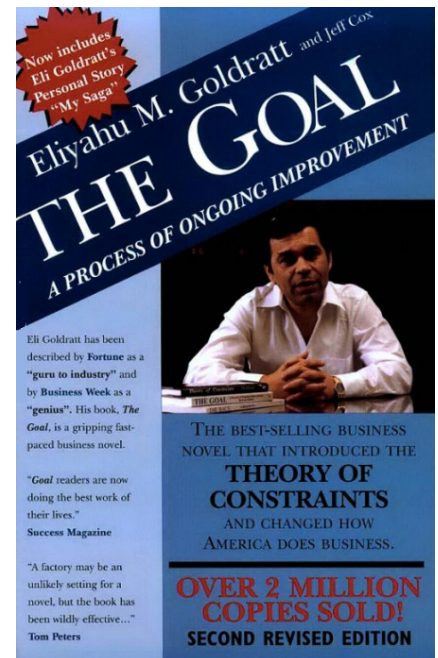
The Goal: A Process of Ongoing Improvement by Eliyahu M. Goldratt and Jeff Cox (Paperback 1992, North River Press)

It has been 25 years since *The Goal* was first published in hardcover. This book is by far the most successful business novel ever written. It introduced Goldratt's Theory of Constraints to business leaders. Simply put, a chain is only as strong as its weakest link. Only by finding and exploiting the constraints to the plant/business can a company optimize its operations. Because the book is a novel, the reader absorbs these theories while engrossed in the story of how Al Rogo can save his marriage and his plant.

The theory of constraints, which came out well before Womack's books on Lean (but well after Toyota was actually using Lean) mirrors many of the practices we see in lean manufacturing. Machines need to produce to match the drumbeat of the constraint not to be the most "efficient." Goldratt was one of the first to point out the shortcomings of standard cost accounting and how it drives operations to make the wrong decisions. It also drives home the point, like Lean, that equipment and operations need to be planned to optimize the whole

business, not a single machine or department. The "goal" is to make money, now and in the future. (Many publicly traded companies seem to forget that second part.) Goldratt stresses measuring financial health by looking at Operating Expenses, Throughput, and Inventory Investment.

The Goal is one of the top 10 books that all business people should read. Even after 25 years, the lessons still ring true. Because the book is a novel, the reader is better able to grasp the concepts being taught, and it is something you can look forward to reading. Too many business books, no matter how valid their concepts, are just too boring to finish. That is not the case with *The Goal*. ■





Mark your calendar ...

Date	Event
September 21	Half-day Workshop: "How to Have an Effective and Accurate Physical Inventory"
September 22-23	5th Annual Lean Accounting Summit
September 22-23	Northeast Region IMA (Institute of Management Accounting) Conference
Sept. 29 - Oct. 1	Aero & Defense Test 2009 Exhibition and Open Conference
October 4-6	2009 APICS International Conference & Expo - Global Ability
October 7-8	5th Annual Shingo Prize Conference
October 19-23	AME (Association for Manufacturing Excellence) 2009 International Conference
October 19-20	"Developing Lean Supply Chain Partnership to Compete Globally" Workshop
October 26	Half-day Workshop: "Don't Count on It - Effective Cycle Counting"
October 26	Lean Workshop: Lean Enterprise Overview w/ Nerf Ball Factory Simulation
November 23-24	Executive Lean Benchmarking Tour and Training

For full details, see the Calendar section of our website at www.sixthfloorconsulting.com.

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