

Business Essentials: The Real Need for Change

Using Kaizen to make it happen, starting now!

by Tom Dzialo, CPIM CIRM

To remain viable, organizations are being forced to change the way they do business. Many companies have made great efforts to improve their processes, including modernizing their systems.

How about your organization? Is it slow to make progress, or is it not making progress at all against its goals? Are you sustaining gains you've previously made? If this is a concern for you, you are not alone. As a true agent of change, you probably are not satisfied with that knowledge.

Each year, Industry Week magazine recognizes ten facilities as "Best Plants," and they are currently in the process of narrowing down the finalists for this year's award. According to their statistical profile, winners and finalists improved productivity a median 15.1% in the past three years; however, that doesn't mean every finalist or winner showed improvement. As a matter of fact, at least one of the winners/finalists reported that productivity (as annual sales per employee) declined by 25.3% in the past three years. Take a look at this data from the Best Plants competition:

Productivity improvement, last three years, defined as annual sales per employee (%):

Year	Median	Average	Minimum	Maximum
2004	27.0	32.6	17.0% decrease	110.0
2005	25.0	34.0	2.5% decrease	134.0
2006	30.0	36.8	18.2% decrease	106.0
2007	29.0	42.8	6.2% decrease	163.0
2008	15.1	49.3	25.3% decrease	676.8
2004 - 2008	25.0	38.5	25.3% decrease	676.8

Source: Industry Week magazine, 2008 IW Best Plants Statistical Profile

Delivering and sustaining results such as these takes a high performance team and organization. Creating a High Performance Team and an organization culture receptive to and supportive of change is no small feat. As with most competitions, be it sport or business, there is usually only one #1. With a global economy and competition from around the world, that leaves most organizations with plenty of opportunity for improvement.

"Long-term commitment to new learning and new philosophy is required of any management that seeks transformation. The timid and the fainthearted, and the people that expect quick results, are doomed to disappointment."

- W. Edwards Deming

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Systems: "Best of Breed" versus "Integration"

by Fred Heintz, CPIM CIRM

I once worked with someone who said the best computer system would be one that took all the "Best of Breed" programs and linked them together. I can see all the IT people shuddering as they read that line. At the time, it was not an uncommon belief. Fully integrated ERP systems, such as SAP and Oracle, were not as sophisticated as they are now. Many "integrated" systems still interfaced to their own financial modules using overnight batch jobs.

This is no longer true, and even inexpensive ERP systems are truly integrated. Sixth Floor Consulting Group believes 80% of all companies can run a standard ERP system without major modifications. Very few businesses require specialized computer programs

So, does this mean a company needs to only look at price when selecting a system? Besides being a risky strategy from an ongoing support standpoint (software companies tend to have lives shorter than fruit flies), a company cannot ignore the software strengths it needs to run its business.

Only in highly specialized situations does a company need to use a separate piece of software to run its business. For example, an engineer-to-order company will probably have separate CAD/CAM software along with its ERP system. While some systems can interface CAD drawings into the software, the actual drawing

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Kaizen provides the opportunity to drive out fear, eliminate waste, and build a culture receptive to, supportive of, and focused on continuous improvement.

Kaizen is not a silver bullet answer to all of your problems. Rather, it is a process requiring focus and effort, and it can transform your organization over time. Kaizen is a never ending journey towards perfection.

For the unfamiliar, the guidance of a sensei (teacher) is recommended. Don't feel daunted by the task. Programs are available in some states to give you a jump start.

In Connecticut, the PRIME program (Process Reengineering for Increased Manufacturing Efficiency) is one such

program. It is offered through two of the state's utilities, CL&P and UI. The PRIME program provides businesses with training in "lean manufacturing" techniques in order to streamline product flow, eliminate or reduce waste, improve production efficiency, minimize environmental impact, and reduce electrical energy consumption. These programs can be used to start a continuous improvement program.

Kaizen allows you to accomplish performance improvement in days rather than months, and to sustain those gains.

According to Wikipedia.org, Kaizen is defined as follows:

The term "kaizen" is the Japanese word for "improvement, and it was

adopted into English to refer to a philosophy or practice focusing on continuous improvement in manufacturing activities, business activities, and even life in general, depending on interpretation and usage.

When used in the business sense and applied to the workplace, kaizen typically refers to activities that continually improve all functions of a business, from manufacturing to management and from the CEO to the assembly line workers.

By improving standardized activities and processes, kaizen aims to eliminate waste. Kaizen was first implemented in several Japanese businesses during the country's recovery after World War II and has since spread to businesses throughout the world.

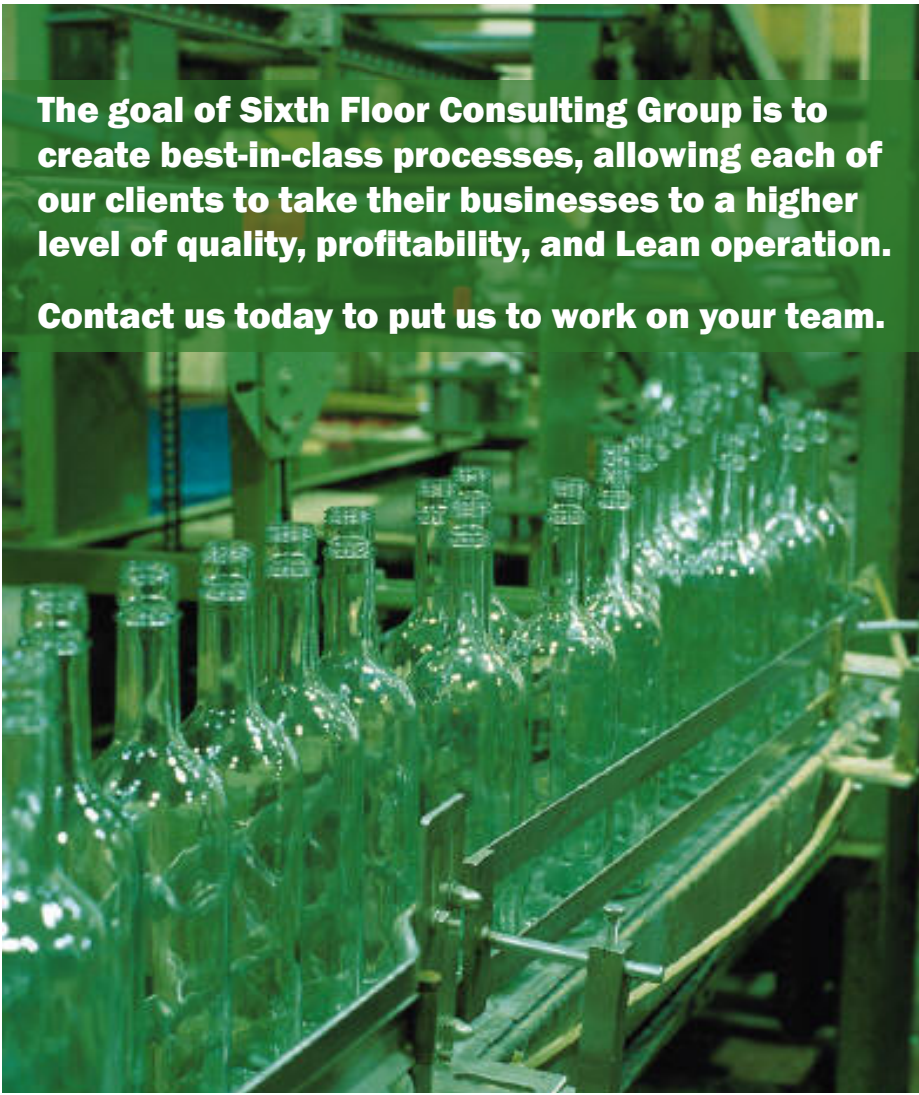
There are a number of advantages to the Kaizen process:

1. It focuses on specific deliverables
2. It follows a defined, structured process
3. It speeds up the change process
4. It empowers Process Change that improves communication & team work
5. It finalizes the solutions into a standardized process

An effective Kaizen program allows you to deliver dramatic results quickly. It does this by enhancing communications and confirming or clarifying accountabilities. The use of a cross-functional team provides the opportunity for the team to see and learn from others on the team and about areas in which they do not work.

By going to the gemba (i.e., where the work is done), the team sees first-hand how the work is really done. Don't be surprised to find that the actual processes followed do not match your ISO documentation!

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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.



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Daily report-outs keep everyone in the loop as to what has been learned and done. These reports also document the ideas the team has come up with and which of these ideas they expect to utilize to improve performance. It's critical to listen carefully. Support and challenge the team. Do not criticize their brainstorming. Celebrate their creativity and their successes, and even support them in their failures. Trying and failing is often better than never trying at all. You always learn something in the process of trying something new.

All of this combines to build true Team Work. Team performance will build, event by event and your organization's culture will change.

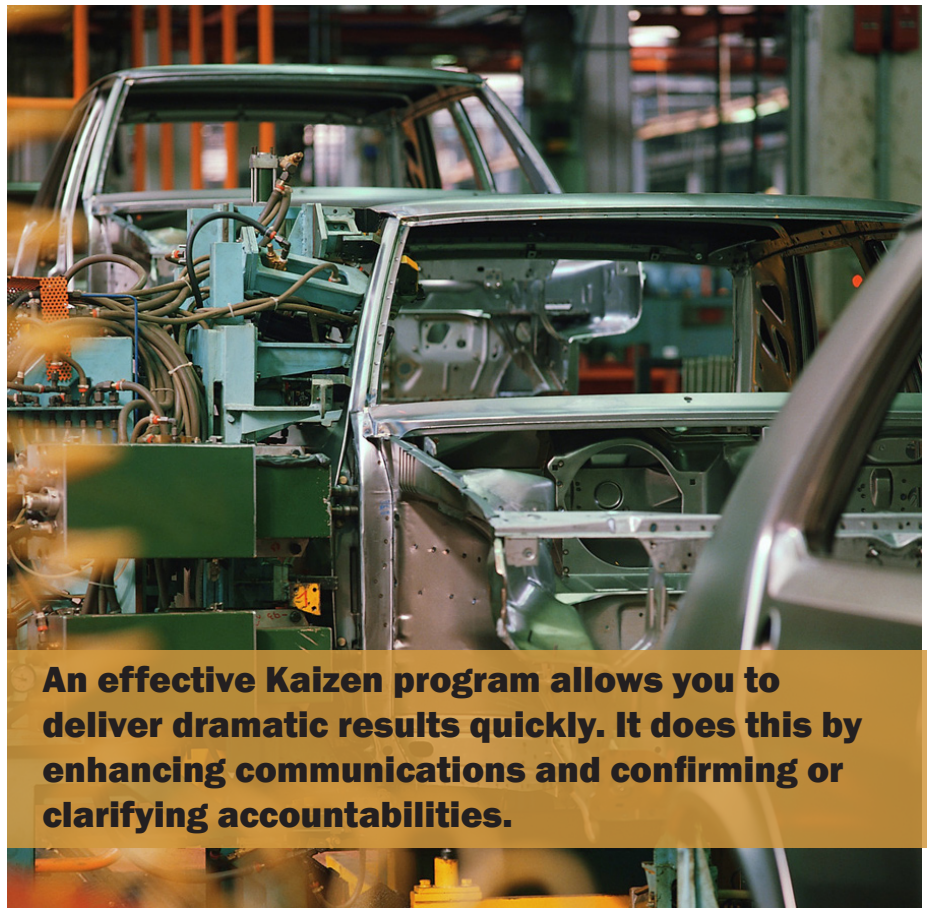
"A good leader inspires people to have confidence in their leader. A great leader inspires people to have confidence in themselves."

- Author unknown

Every organization and culture is different, so a cookie cutter approach provides limited results. Listed below are the ten steps in a basic Kaizen process, but a good Sensei will help you to adjust the use of Lean tools to your organization's culture.

Kaizen 10 Step "WOW" Event (WOW = Within One Week)

1. Document Reality
2. Identify Waste
3. Plan Counter Measures
4. Reality Check
5. Make Changes
6. Verify Changes
7. Measure Results
8. Make this the New Standard
9. Celebrate
10. Do it Again.



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Don't delay. Start or rejuvenate your organization's Continuous Improvement Journey now. Develop your High Performance Team. Recognize and celebrate their success regularly.

Employee empowerment is the center pillar of the Toyota Production System. Successful organizations depend on the involvement and effort of everyone on their team to achieve the organization's goals.

Leadership is required. Find it or build it within your organization. Seek out Lean learning opportunities in your area. Funding programs vary from area to area, so contact your local utility or state Department of Labor for programs that are available to assist you and your company.

Hands-on learning opportunities will be available in the upcoming workshops:

- Executive Lean Leadership workshop
- Lean Leadership workshop

Obviously, this piece just skims the surface of the subject of workplace performance. Details can be found in other readings, including:

Driving Fear Out of the Workplace: Creating the High-Trust, High-Performance Organization (The Jossey-Bass Business & Management Series) by Kathleen D. Ryan and Daniel K. Oestreich

Out of the Crisis by W. Edwards Deming

Kaizen: The Key To Japan's Competitive Success by Masaaki Imai

Toyota Talent: Developing Your People the Toyota Way by Jeffrey Liker & David Meier ■

program is usually a separate program.

Many software companies tout that their software can be a “competitive advantage” to those who use it. This, of course, is complete rubbish. Any company can buy the same software, so the only advantage would be in how the system is used. Sixth Floor Consulting believes fully utilizing software is rare, so by truly and fully utilizing software, you actually can gain that advantage. Again, it shouldn’t require other, specialized software to do this. We’ve seen many companies claim they couldn’t do a task accurately without automation. We believe if you cannot manually do a task, you won’t be successful automating it.

Don’t confuse specialized reporting with needing customized software. Many, maybe most, industries have reporting needs that go beyond “standard” software reports (e.g., pharmaceuticals, aerospace, alcohol, tobacco). Customized reports are often needed, but they shouldn’t require changing standard business transactions that are in most ERP software

The other possible reason to have two systems is to try and keep the total cost of ownership low. The least expensive “systems” we have seen use a standard accounting package like Quickbooks or Peachtree, along with a separate manufacturing and/or distribution software program. While these are built to interface into the accounting package, they run some of the same risks as those discussed below. The biggest advantage is that a business can buy 5 to 10 seats (users) for less than \$10,000.

The other reason we’ve often seen doesn’t make much sense to us. This is a situation in which a company will run finance and distribution on one system and manufacturing on another. We have seen this quite often, and not just with small companies. Even huge multi-national enterprises make this mistake. What we’ve always heard is they can’t “cost justify” moving

manufacturing onto a new system; however, we believe factoring in IT maintenance costs would more than pay for integrating the systems.

In addition to being costly, the effort to maintain two (or more) sets of master data, even with interfaces, opens the business up to errors and missed opportunities. At some point (hopefully at regular intervals) there needs to be a reconciliation of the two systems to make sure everything is in sync. Also, any interfaces need to be monitored daily.

Finally, Key Performance Indicators

need to be reported out of more than one system if manufacturing is separate. This is never a good idea, as KPIs should always be transparent to those using them. Needing to log into two systems and/or getting spreadsheets in your e-mail does not encourage management to act on the indicators.

Integrated software should be every company’s first choice. While not always possible, it should be a well thought out decision to run multiple systems in one company. ■

Reviews of Inexpensive ERP Systems Now Available at www.sixthfloorconsulting.com

We are pleased to announce a new feature on our website. Sixth Floor Consulting Group has done some research and testing of ERP systems costing less than \$10,000 for 10 seats. As all reputable consultants will tell you, the Total Cost of Ownership will be anywhere from 2 to 4 times the software cost, depending on hardware, training, and data loading requirements.

We have studied two systems so far. Visit our website to see a comparison of the systems and their relative strengths and weaknesses. For these prices, these systems are not as sophisticated as SAP; however, they deliver solid performance, are easy to use, and have some features which may surprise you. One system is recommended for Build or Engineer to Order firms while the other would normally best fit a repetitive manufacturer.

Sixth Floor will be expanding these pages as we research more software packages, so we recommend checking back periodically. To view the current research, go to www.sixthfloorconsulting.com, and look for “Inexpensive ERP” in the “Resources” tab. Or, just click [here](#).

