

Operation Excellence



March 1, 2012

Operation Excellence.

We have all been blessed by knowing special people on our journey through this life. Early on I had a very special mentor at my first job after graduating from graduate school – Emil Peslar, V.P. Manufacturing, The Bendix Corporation, Southfield, MI. Early in his career, Emil had been the youngest ever Plant Manager (at that time) in General Motors. He was a big guy – about 6’5” that truly spoke softly, and carried a big stick. One day he came into my office and sat down, and after about 20 seconds of pensive silence told me that, “I’m going to give you one of the most important lessons that I’ve learned about management...

“Jim, if you can’t measure it, you don’t know s**t about it!”

I’ve often shared that thought with many of the folks that I’ve since worked with – applying measurements in an effort to focus an organization to best eliminate waste and improve an organization’s performance.

During my time of being on his corporate manufacturing staff, he had a corporate wide conference for Bendix’s manufacturing executives. He picked the title for that conference: “Operation Excellence”. It was a format for sharing ideas, helping each other and increasing everyone’s knowledge of new ideas. In that spirit, (and as Pat McDonnell correctly pointed out, I needed to “spiff up” this newsletter) we are going to publish this newsletter under the title of “Operation Excellence”. Emil... may you smile down on me and all that read and learn from it.

Failed Lean or Six Sigma Implementation Efforts.

In one of my recent newsletters, I quoted Eli Goldratt as having stated that Theory of Constraints (TOC) was being used in about 5% of organizations around the world. As I stated at that time, to me that number seems high, but if we take that number, I’ll add that in my opinion of the 100 or so companies that I have fairly in-depth knowledge of, only about 5% of the Lean or Six-Sigma influenced companies have had successful “implementations”. About 1 in 20 seem to flourish... 19 out of 20 are failed implementations (even if upper management believes that their efforts have been successful).

What is a failed implementation? As an example, at a recent client, I asked a couple of members of management a couple of questions:

“How long have you been ‘Lean’?” The reply was, “probably about 8 years.” I continued, “What has it (being “lean”) done for you?... are you more profitable as a result?” There was a long pause, my two hosts looked at each other and one of them replied, “Well the plant is probably cleaner... (ok – we have better housekeeping!)... I don’t think that we are any more profitable as a result of our “Lean Initiatives”.

Please, consider that response for a moment. This company had invested hundreds of thousands of dollars over the better part of that last decade (yes, they had a Manager of Lean Initiatives)... they proudly touted to their customers (who mandated for them to be “Lean” as a requirement for being a certified vendor) all of the “data” and charts that were out on the shop floor (Yes, I put quotation marks around “data” as there is one heck of a difference between having “data” and having information! But that is another newsletter.)... but there was a solid feeling that “being Lean” hadn’t accomplished the main goal that is was supposed to ... to help the company improve its operating performance.

At another client, I was part of the interview team for a new Manager of Engineering. One of the candidates proudly stated that he was a certified Six Sigma Black Belt. Part of his efforts, at his current employer, was to train selected employees and certify them as Six Sigma Green Belts.

I asked him, “...how many Green Belts have you personally tutored?” He enthusiastically replied, “Over 30! Our management is firmly committed to this program!” I then asked him, “How much have your Green Belt trainees contributed to the bottom line?” The response was deafeningly quiet. (I let him squirm). “Are your company’s bottom line results better or worse than before you made this major effort to certify Black Belts and Green Belts?” He reluctantly admitted that, “no, our company is still in trouble, we really haven’t had any effect on the bottom line.”

I couldn’t help myself; I had to turn the knife... “How do you pick the projects that your Black and Green Belt candidates work on?” His reply was, “Oh we let the trainees pick their projects... it is whatever that they think is important.”

Folks... in the later situation, the “inmates were running the asylum!” You have to have a method of focusing your improvement efforts. Improving non-constraint processes does nothing for the bottom line!

I was reminded this week of a study done a few years back at Sanmina... a \$20B supplier (at that time) of electronic parts.

“In May 2006, an article was published Dr Pirasteh and Kimberley Farah titled “*Continuous Improvement Trio: The Top elements of TOC, Lean and Six Sigma makes beautiful music together*”. Their research was conducted over a two year period at a Global Electronics Contract Manufacturer (Sanmina SCI) with 21 plants to compare the impact of using Lean, or Six Sigma, in isolation vs. using Theory of Constraints to focus the Lean and Six Sigma initiatives. The results were quite staggering.

“The 4 plants using only Lean contributed 4% of the total audited benefits from all the 101 projects. The 11 plants on only Six Sigma contributed 7% of the total audited benefits. The 6 plants on TLS (Theory of Constraints with Lean Six Sigma) contributed 89% of the total benefits – a multiplier of 15x that of plants using only Lean or Six Sigma. In fact, Dr. Eli Goldratt, the creator of Theory of Constraints (TOC), has himself for many years recognized the synergy between TOC and improvement methods such as Lean or TPS (Toyota Production System) and Six Sigma. He recommends that organizations wishing to put in place a Culture and Process of Ongoing Improvement should use TOC as the focusing mechanism for the other improvement methods.”

I would suggest that at 15 of Sanmina’s plants, the stand alone Lean and Six Sigma efforts had failed. This failure is only obvious as it is compared to the 6 plants that used a combined approach of TLS – if this comparison were not available, I’m certain that those 15 plant managers would have celebrated their success as much as the executives at my two previous examples.

Efforts to improve your company’s operating results must focus on the entire system. Improvement efforts on non-constraining processes are a waste of time and will yield little or no results. Focus your teams on first Identifying the

Constraint(s) and then apply the Lean and Six Sigma tools to improve your organization's results. Your bottom line may have "no boundaries".

TOC, Lean, Toyota Production System (TPS) and Six Sigma should not be used in isolation and independent of one another.

What are the results from implementing TOC (with Lean and or Six Sigma)?

A report published by Steven J. Balderstone and Victoria J. Mabin shows the following data where TOC was used:

- Lead Times: Average reduction 69%
- Due Date Performance: Average improvement 60%
- Inventory levels: Average reduction 50%
- Revenue / Throughput: Average increase 68%

My personal experience in helping organizations improve their performance would suggest that these are very reasonable and attainable results.

Perhaps you need assistance or mentoring to get your process of ongoing improvement focused and helping to make 2012 a more profitable year. Please give us a call, we will be glad to help you!

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