

# LEAN

In the End...  
It's All About People

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The Wiremold Company

# LEAN

A Business Strategy

*Not*

A Manufacturing Tactic

*Not*

A Cost Reduction Program

# Fundamental Wiremold Premise

Companies are just collections  
(teams) of people trying to  
outperform other collections of  
people to satisfy a set of  
customers

The best, most motivated and focused team wins

# Wiremold Core Values



# Implementing Lean Thinking

It is a Cultural Change That  
Requires Leadership...

Because in the End It's All  
About People

# Lean's Two Pillars

- Continuous Improvement
  - Respect for People

# Respect for People

- Give him or her the job as their own...give them responsibility and challenge them
- Let them think; Let them try...don't assume that they can't think, don't try to think for them, respect their competence
- Help him or her see...give them the tools they need to see
- Force Reflection...help them learn from what they see and what they try...let them stop and see what the lesson is

Fujio Cho

Develop People By Challenging  
Them to Be the Best that They  
Can Be

## But Regarding People...

- A small number will quickly understand it and like it
- A small number will feel threatened and try to kill it
- What is everyone else doing?

Waiting To See Who Wins



# EXPECTED REACTIONS THAT ALWAYS HAPPEN

- Hourly workforce convinced they will all lose their jobs
  - Publicize your successes
  - Redeploy without loss of pay
- “Hey, I used to run one machine and now I run four. What’s in it for me?”

# Leadership's Role

- Learn Lean Thinking
- Out Front - Hands On - Don't Delegate
- Create an Environment Where it's OK to Fail
- Have a "no-layoff" policy
- Change compensation systems that don't support Lean

# Learn Lean Thinking

- “Lean is a personal journey as well as an institutional one”
  - Jones, Aguirre and Calderon
- “If the CEO doesn’t know Lean and how to do it, you’re not going to be successful at implementing it in that company”
  - Art Byrne

# Out Front-Hands On-Don't Delegate

- “Lean Thinking...is an entire business model that must be run by the CEO”
  - Jim Womack
- “If you can't get the CEO to lead this, then don't start because you are wasting your time.”
  - Art Byrne
- You must know WHY you are doing something, so Learn by DOING...NOW
  - Shiego Shingo



# The Disconnect Between What Senior Managers Believe and Reality

	<b>Senior Managers</b>	<b>Middle Managers</b>
The company has good leadership	82%	52%
The company's "espoused values" are reflected in what is actually happening	74%	25%

Create an environment where it is OK to fail

# Failure vs. Making Mistakes

“Every failure teaches a man something, if he will learn”  
Charles Dickens

# CODE OF CONDUCT

- Respect Others
- Tell The Truth
- Be Fair
- Try New Ideas
- Ask Why
- Keep Your Promises
- Do Your Share

# Have a “no lay-off” policy

“No one will lose their employment as a result of productivity gains”



# Change compensation systems that don't support Lean

## Factory:

- piece work incentives
- narrow job classifications and many pay grades

## Middle management:

- Bonus based on individual performance

## Sales:

- Bonus based on meeting quota

## Senior Management:

- Incentive Compensation based on individual performance

# To Develop Individuals

Replace ladder climbing with broad experiences

<i>FLSA</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Broad Bands</i>
Exempt	935.00	2,095.00	IV
Exempt	700.00	1,560.00	III
Exempt & Non Exempt	520.00	1,145.00	II
Non Exempt	365.00	795.00	I

Try Broad Band Pay System

Note: Wage rates for illustrative purposes only...not real rates

# To Develop Individuals

## Try Dual Career Paths

### LEADERS

#### Senior Leaders

Team Leaders  
Regional Sales Managers

#### Leader

Foremen  
First Line Supervisors

### SINGLE CONTRIBUTORS

#### Advanced professionals

Product Managers  
Senior Engineers

#### Professional

Engineers  
Programmers/Analysts  
Field Sales Reps  
JIT Facilitators

#### Technical

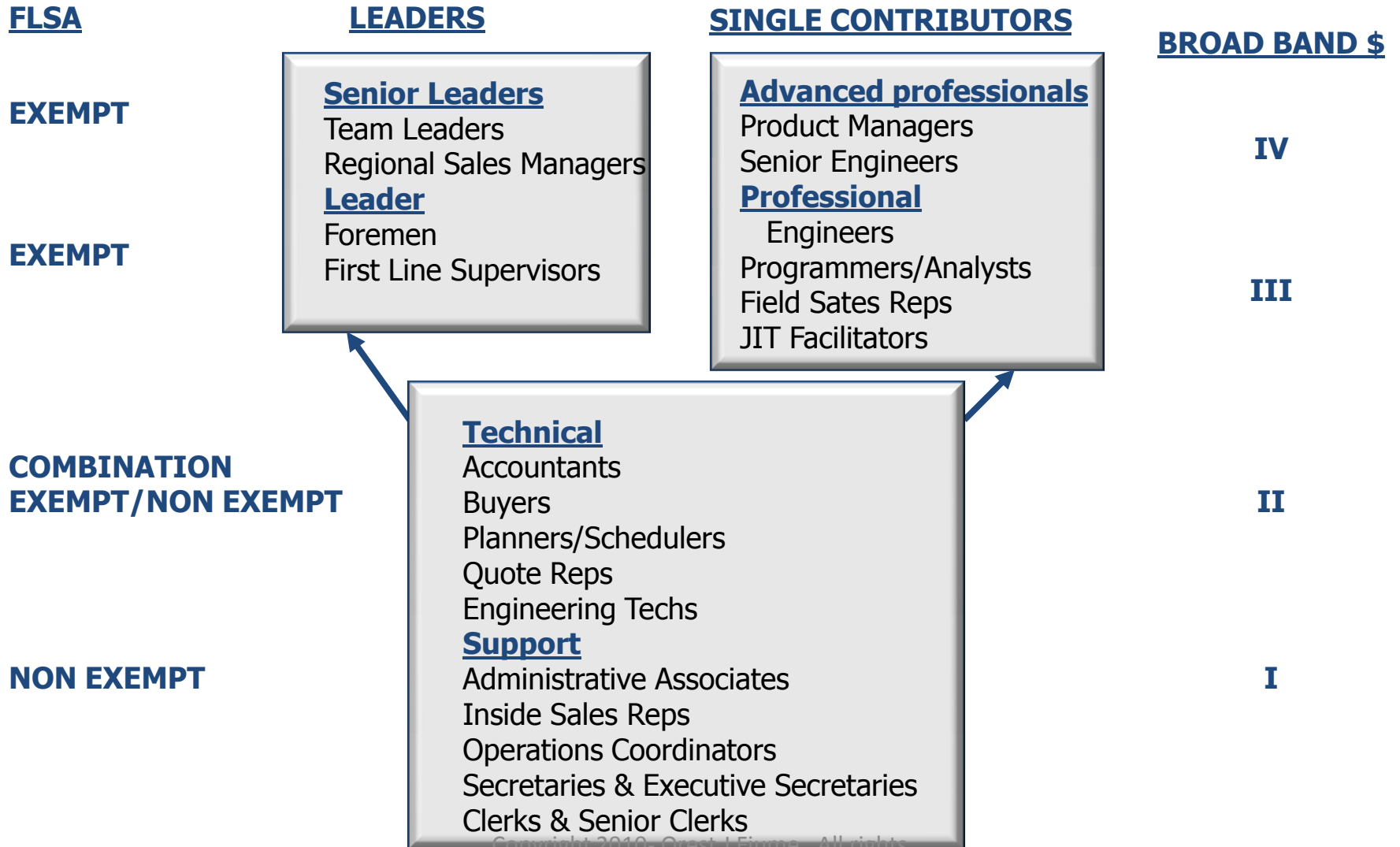
Accountants  
Buyers  
Planners/Schedulers  
Quote Reps  
Engineering Techs

#### Support

Administrative Associates  
Inside Sales Reps  
Operations Coordinators  
Secretaries & Executive Secretaries  
Clerks & Senior Clerks

# To Develop Individuals

## Overlay Dual Career Paths Onto Broad Band Compensation



# Both Financial Capital and Human Capital Should Share in the Company's Success

**Financial Capital → Dividends + Cap Gains**  
**Human Capital → Profit Sharing**

Profit Sharing Answers the Question  
“What's In It For Me”

# WIREMOLD COMPENSATION PHILOSOPHY

## PRODUCTIVITY = WEALTH

- Stay competitive with the market for base wages
- Additional short term gains in personal income come from increased profit sharing
- Additional long term gain in personal wealth comes from increased value of Wiremold stock in the 401k plan

Everyone gains when the economic health  
of the company improves

# PRODUCTIVITY = WEALTH

	<u>1990</u>	<u>1996</u>	<u>Incr ease</u>	
			<u>\$</u>	<u>%</u>
Annual Wage				
Increase (3.5%)	20,000	24,585	4,585	23%
Profit Share %	1.3%	10.9%	9.6%	738%
Profit Sharing	260	2,680	2,420	931%
Total Cash Comp	20,260	27,265	7,005	35%
401k Match	405	818	413	102%
'96 Gain Wm Stock		2,990	2,990	
Total Compensation	20.665	31.073	10,408	50%

Total compensation increased  
by 50% in just 6 years

# Implementing Lean Thinking

It is a Cultural Change That  
Requires Leadership...

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# Differences in Culture

## Traditional

- Functional Focus
- *Management Directs*
- Management Delegates
- *Fear of Failure*
- *Blame People*
- *Us vs. Them*
- *Results Focused*
- Internal Focus
- Status Quo
- Forecast
- Presentations

## Lean

- Business Focus
- *Managers Teach/Enables*
- Management Supports
- *Share Success*
- *Root Cause Analysis*
- *Real Teams*
- *Process Focused*
- Customer Focus
- Change to Improve
- Make to Demand
- Key Metrics

# Differences in Culture

## Traditional

- Dedicated Equipment
- Slow Changeover
- *Narrow Skills*
- Managers Control
- Supplier is Enemy
- Guard Information
- Linear Design
- Volume Lowers Cost
- Local Optimization
- Complex Inventory Mgmt
- Labor Cost Reporting

## Lean

- Flexible Equipment
- Quick Changeover
- *Multi-Skilled*
- Workers Control
- Supplier is Ally
- Share Information
- Concurrent Design
- Remove waste lowers cost
- Value Chain Optimization
- Simple Inventory Mgmt
- Prime Cost Reporting

# Differences in Culture

## Traditional

- Shallow Process Knowledge
- Quality Inspection
- Hierarchy
- Short Term Thinking
- *Internal Competition*
- Drive for Results
- Complex
- *Employee as a Cost*
- *Rewards: Individual*

## Lean

- Deep Process Knowledge
- Quality Built In
- Flat Organization
- Balance Thinking
- *Internal Cooperation*
- Process Improvement
- Simple
- *Employee as an Asset*
- *Rewards: Group Sharing*

# Differences in Culture

## Traditional

- Expert Driven
- Expert Designers
- “Not Invented Here”
- *Weak Respect for Standard*
- Undetectable Process flow
- Independent MBO
- Hiding Problems

## Lean

- Process Driven
- Product Development System
- Adopt Best Practices
- *Standardized Work*
- Visual Workplace
- Linked Organizational Visions
- Expose Abnormal Conditions

# Differences in Culture

## Traditional

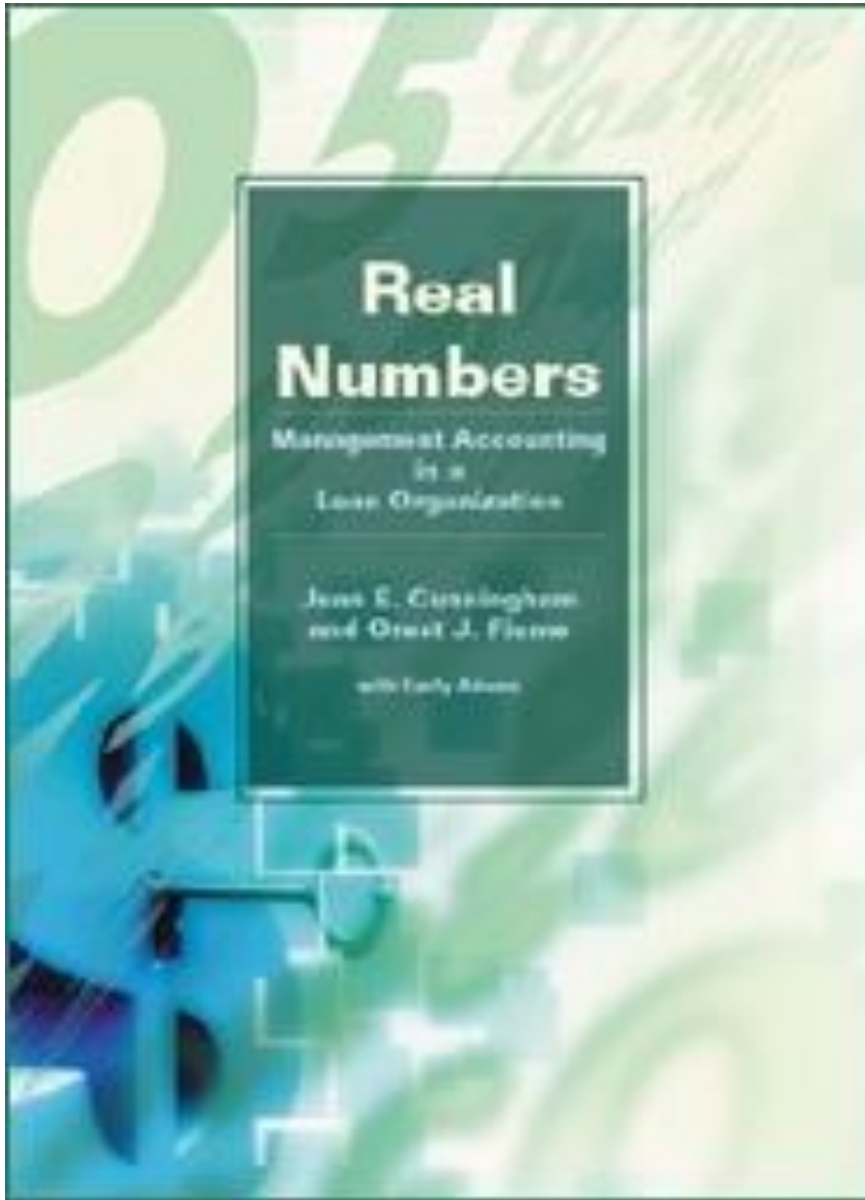
- 100% Reactive Maintenance
- *Functional Silos*
- Repetitive Mistakes
- Dead-End Management Jobs
- *My Production Job*
- Reactive Quality (failure management)

## Lean

- 100% Preventive Maintenance
- *Interdisciplinary Teams*
- Lessons Learned
- Periodic Management Rotation
- *Flexible Workforce*
- Proactive Quality (assurance management)

**THANK YOU**

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