

LEAN...
IN THE END,
IT'S ALL ABOUT
PEOPLE

Orest J Fiume
Vice President Finance - Retired
The Wiremold Company

The Wiremold Company

West Hartford, CT

- 108 years old
- Product lines: wire management systems, power & data protection equipment and communications devices
- \$450 million in year 2000 sales
- 12 plant locations in five countries
- Sell to electrical, electronic & telecommunications distributors, DIY and OEM's

Wiremold Results: 1987 - 1990

1987 - 1990

Sales	↑	20%
Operating Profit	↓	(82%)

Time For A Change

A Simple Strategy Established in 1991

Be the leading supplier in the industries we serve and one of the top ten time-based competitors globally

- Constantly strengthen our base operations
 - 100% customer service
 - 50% reduction in defects - each year
 - 20% productivity gain - each year
 - 20x inventory turns
 - 20% profit sharing
 - Visual control and “5Cs” (clean, categorize, cart away, consistency and commitment)
- Double in size every 3-5 years
 - Pursue selective acquisitions
 - Use QFD to introduce new products every month

LEAN

A Business Strategy

Not

A Manufacturing Tactic

Not

A Cost Reduction Program

A Simple Example

Two Companies in Same Industry Using Same Equipment

Company A

Set Up Takes 1 Hour

Company B

Set Up Takes 1 Minute

- Who Has Lowest Cost?
- Who Can Provide Best Customer Service?

A Small Process Improvement Provides
Enormous Strategic Advantage

Time-Based Strategies

Lead-Time Reduction



Critical for driving improvement to your customers

Lean really is a Growth strategy

Competing on Time...

ASK. . . Can we grow our business By:

- ❖ Significantly reducing Lead times?
(quote, order, submittals, quote to cash)
- ❖ Offering a wide range of configurations fast and low cost?...
- ❖ Increasing quality, reducing customer downtime?
- ❖ Bringing new innovations to the market based on real customer needs in half the time?
- ❖ Bringing new tack-on acquisitions in existing facilities?

Wiremold Before and After Lean

	1990	2000
Total Company		
Assessed Value	\$30 Million	\$770 Million
West Hartford:		
Sales per Employee	\$90K	\$240K
Throughput Time	4-6 Weeks	2 Hours – 2 Days
Product Dev'l Time	2-3 Years	3-6 Months
# Suppliers	320	43
Inventory Turns	3.4	17.0
Working Cap % Sales*	21.8%	6.7%

* $W/C = A/R + Inv - Trade Payables$

Why Doesn't Everyone Do This?

- **Easy to Agree With**
- **Hard To Do**

Why Is It So Hard?

Most Companies View “Lean” as Some Manufacturing Thing

- Just an element of strategy
- Delegate it down in the organization - but don't remove the barriers
 - Make the month
 - Absorption accounting
 - MRP and other computer systems
 - Inappropriate performance measurements
- Try it bottoms up - never works

Must Be Company Strategy To Be Successful

Implementing Lean Thinking

It is a Cultural Change
That Requires
Leadership...
Because in the End
It's All About People

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

The Toyota Way: 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

**Challenging People to Develop
Them to Be the Best that they
can Be**

Wiremold Core Values



CODE OF CONDUCT

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

Leadership's Role

- Learn Lean Thinking
- Out Front - Hands On - Don't Delegate
- Lots of Leaps of Faith
- Change Metrics and Set Stretch Goals
- Create an Environment Where it's OK to Fail
- Provide Air Cover for early adopters
- Eliminate Concrete Heads
- Have a “no-layoff” policy
- Organize around Value Streams
- 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



Key Success Factors

- Must see it as core business strategy
- Drive to implement must come from the top
- Need to measure results

What to Measure?

Why are Metrics Important?

- Metrics send a message to employees as to what management thinks is important
- Employees want to appear to be doing what management wants them to do
- METRICS SHAPE BEHAVIOR

When Should Metrics be Addressed?

AT THE BEGINNING OF THE LEAN TRANSFORMATION

Who are the Principal Users of Metrics

The Workers

How should Management use metrics?

- “Leaders may be judged by the numbers they deliver, but that’s not the way they should run the company”
 - Rowan Gibson
- “The winners will be those companies that focus on their processes, not their results”
 - Art Byrne

We don’t want to be a “make-the-month” company

What is Process Focus

- Focus of a Traditional Company
 - Results, Results, Results
- Focus of a Lean Company
 - Process, Process, Process...and Results
- Lean Companies care about how they get Results in order to make them **Repeatable**

Wiremold Measurement Focus

- 100% Customer Service
- 20% Annual Productivity
- 20x Inventory Turns
- 50% Annual Reduction in defects (quality)
- 5c's and degree of visual management
- 20% Profit sharing

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

PROFIT SHARING

Summary

According to Jim Womack: The Ages of Lean

- 1935 to 1977: Invention and Innovation
- 1977 to 1990: Discovery
- 1990 to Present: Diffusion out of auto industry
- 1990 to 2006: The Lean “tool” age
- 2007 → : The Lean Management Age

Ask yourself:

Are you a Lean Organization or
an Organization Doing Lean
Stuff?

“It is not the strongest species that survives, or the most intelligent but the most responsive to change”

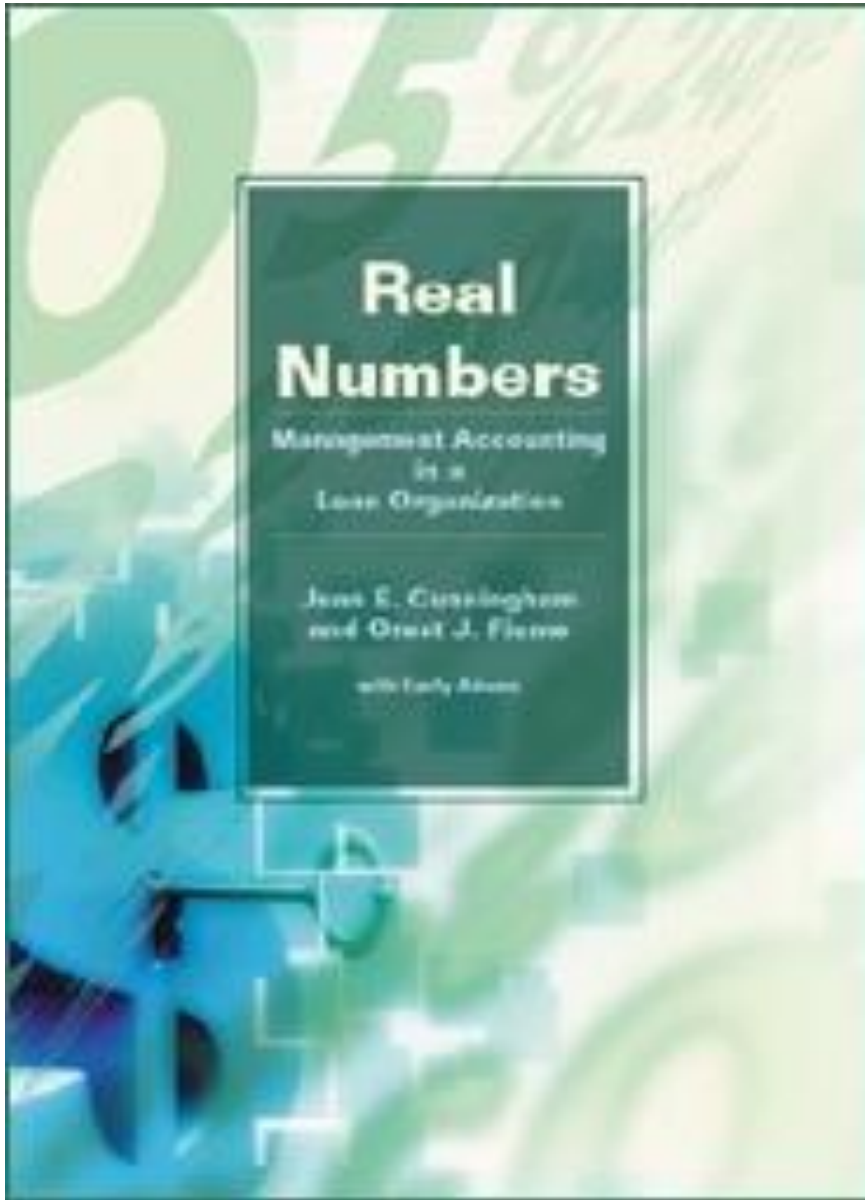
-Charles Darwin

“It is not necessary to change...survival is not mandatory”

-W. Edwards Deming

THANK YOU

ojfiume@comcast.net



- www.tbmcg.com
 - (go to TBM store)
- www.lean.org
 - (go to Store,
 - then Lean Applications)
- www.amazon.com