

## Lean for the Long Haul

by Rick Pay, as Published in *Digger Magazine*, the journal of the Oregon Association of Nurseries

According to a recent study published in the Wall Street Journal, 60 percent of the companies that embarked on Lean, 6-Sigma, or other process improvement programs were right back where they started after five years, despite their initial success.

When you launch a process improvement project, how can you ensure that your results will last? By attending to these things: setting the proper foundation for change, intelligent implementation, and adhering to the five keys of success.

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### Solidify Your Strategy

Setting a strong foundation for Lean means knowing your business. Do you sell high-end products? Do you focus on high volume? Do you ship out of state or internationally? Do you have retail operations, or are you strictly wholesale?

When your operations strategy matches your business strategy, then you may be ready for Lean.

Having a clear business strategy helps to develop your priorities for Lean. For instance, if your company is the low cost

producer, your Lean objectives may be somewhat different than if your company focuses on high quality, yet more expensive items. Understanding what your business priorities are will help set the direction for Lean initiatives.

### The Key Players

Tying Lean into your operations is critical in gaining the support of top management. Without that support, any benefits you see from Lean will dwindle over time.

The embodiment of high-level support is known as a Lean Champion. A Lean Champion is an individual who has the power to provide resources, make a commitment, and keep Lean a high priority. This person could be the COO, CFO, CEO, or vice president of operations.

Appoint a Lean Coordinator to track projects, implement training, assess progress, and establish a culture that unifies everyone in the organization, from the workers on the floor, in the greenhouses, and in the fields, to the supervisors. Because Lean drives decision making down to the lowest levels, managers and supervisors must relinquish some responsibility.

If long-term employees feel threatened by giving away some of their decision-making power, then Lean doesn't stand a chance. A trusting management-employee relationship is a prerequisite for long-term success with Lean. There will be times when management has to step back and

let people make decisions, even if the action is not exactly what the manager would have done.

The changes that Lean brings about affect not just staff but also constituents, especially suppliers, because the way you pull in materials will undoubtedly change. For example, instead of getting a year's worth of pots all at one time, you might start taking shipments monthly, weekly, or even daily. Suppliers need to remain flexible and be on board with the changes that you bring about.

### Start Strong

Carefully choosing your starting point, also known as a pilot project, will help you capture attention and garner support within your organization.

Select an aspect of operations that is both highly visible and fairly easy to fix, so that workers witness the change and management sees results right away. Keep your overall goals in mind as you orchestrate the Lean process. By learning as you go you might refine and change your goals, but start with a solid plan in place.

### Prioritize

Make Lean a high priority. Competing concerns can easily overshadow a Lean initiative. Examples include a pending merger and acquisition, cash flow problems, an opportunity to open retail stores, or a big, unforeseen order. Any of these situations can divert management's attention

away from the project. Losing staff and resources midway through can stop a Lean initiative in its tracks.

### **Slim Down Before You Go**

#### **Lean**

If your operation is a little fat, go on a diet before you start Lean. Unforeseen circumstances can and do arise, like a market turn, or losing a big customer.

Lay-offs are unavoidable, but they must not be attributed to the Lean effort. Why would workers participate in the project if it means they could lose their jobs?

Improved productivity is possible either by growing while maintaining a level headcount, or by eliminating positions through attrition. Lean gives you the opportunity to do more with less, but never let Lean cause lay-offs.

How do you know before you start Lean where you can afford to lose personnel? First, look at how much natural attrition you have, at your normal turnover rate, which for most companies is around 10 percent. If you have a 10 or 15 percent turnover rate, and you can avoid rehiring and you implement Lean, you can achieve a 10-15 percent productivity improvement.

Try to identify any market conditions that may cause lay-offs, and look for causes of waste in the organization.

#### **Be Prepared for a Learning Curve**

Things are going to get worse before they get better, and not everything you try will be successful. That's part of the learning process.

For example, let's say one of your targets is excess inventory. Some of that inventory is probably obsolete, and it's hard to get rid of.

It's always easier to bring in what you need than to get rid of things you have. Therefore, when you start measuring inventory turns as part of your Lean process, they typically will get worse before they get better.

Top management needs to be prepared. Otherwise, when the inventory turns get worse, the CFO could pull the emergency brake on the project before it has time to show positive results.

When I first did Lean, I asked the CEO not to look for six months, and sure enough, after month five we started to improve inventory turns from 2.3 to 17, and labor as a percent of sales went from 13 to 3. Management believed in the process and trusted the key players, and we grew from \$13 million in sales to \$60 million in five years.

#### **Keys to Success**

There are five keys to the success of any Lean initiative.

- 1) Top management must be engaged.** Not just supportive, but actively engaged in the process.
- 2) Everyone must recognize that this is fundamentally a culture change.** You will change the way you look at your business. You'll start seeing problems, and problems are a good thing because you can solve them and get better over time.
- 3) It's vital to establish the right people in the right positions.** Managers need to be open to change, supervisors need to be

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willing to trust their people, and you need a Lean champion and Lean coordinator.

**4) One must set up systems that support the process.** Examine your accounting systems and financial reporting, especially your cost accounting, and include the controller or CFO in this process. In many cases the accounting systems make it look like Lean isn't working, because overhead and labor start to shrink. This can make the cost per part appear to have gone up. You have less inventory - less waste because you're not overproducing - so there are fewer units over which to spread cost.

**5) Make sure that Lean is the right approach based on your goals.** Stop and ask if you should do 6-Sigma, Theory of Constraints, or a combination of those rather than Lean. About 90 percent of the time, you'll find that Lean is the right answer.

Ask yourself if you're ready. Is now a good time? Do I have the right people, is management on board, and are we ready for Lean? If you're not sure, you might want to get a Lean readiness evaluation to find out.