

## Are You Getting Lean Fast Enough?

*by R. Michael Donovan*

Manufacturers today must become faster and more nimble than was needed in the past. Offshore competition is getting fierce and customers have become much more demanding and have higher expectations than in the past. Many companies are feeling the pressure to more aggressively pursue lean manufacturing processes to avoid the risk of losing business to lower cost and faster performing competitors. As a result, more manufacturers are returning to lean manufacturing techniques to drive out waste and to dramatically improve on cycle time, productivity, inventories and delivery. Although lean manufacturing can achieve significant cost savings in the form of reduced inventory costs and improved productivity, the more significant strategic advantage comes from revenue building opportunities as customers respond more favorably to lower cost, flexible and responsive manufacturers.

### **Perceptions and Lean Realities**

The perception often is that manufacturing is the weak link in the supply chain. Yet, the reality is that manufacturing operations are often besieged with constantly changing priorities, demand for product that doesn't match forecast, suppliers not delivering on-time, product specification problems, capacity imbalances, material flow interruptions, long cycle times and ineffective ERP systems which are of little help in dealing with these day-to-day issues. All of these variables prevent lean operational capabilities and result in unpredictable performance. The need to correct processes internal to manufacturing as well as those external, which are often informational, is a very common problem that needs management's immediate attention.

During the last 10 years, top management has sought to meet various business performance challenges by focusing internally, hoping to correct faulty processes by applying lean manufacturing techniques to bring about needed major changes. However, many of these lean initiatives never achieved what they could and should have, primarily because many so-called lean manufacturing efforts were not really effective at all. Many lean manufacturing efforts failed to consider the need for comprehensive internal and external business process changes including policies, attitudes, performance measurements, peripheral business practices, organizational behavior, and supporting information technology. Our consultants agree that, on a scale of 1 to 10, 90% of the manufacturers with lean initiatives would not score higher than a 3 and only 1% could score 8 or higher by our Lean Manufacturing Certification™ standards. For most manufacturers there are still plenty of performance improvement opportunities.

## Are We Getting Lean Fast Enough?

How can a company gauge whether it's getting ahead or falling behind in its lean manufacturing initiative? One place to start would be to "benchmark" your improvement track record to some general lean performance criteria to get the thought process of the entire management team into action. For example, have the entire management team gauge your company's business operations performance improvement progress by candidly and realistically answering and, subsequently, discussing the following ten questions and the answers to benchmark performance improvement progress:

	YES	NO
1. Have we reduced our total cycle time (order to cash) by at least 50% over the past 3 years?	<input type="checkbox"/>	<input type="checkbox"/>
2. Have total inventories decreased by at least 50% over the past 3 years?	<input type="checkbox"/>	<input type="checkbox"/>
3. Do 99% or more of our orders reach customers on time?	<input type="checkbox"/>	<input type="checkbox"/>
4. Our supplier base has been reduced by 2/3 over the last 5 years?	<input type="checkbox"/>	<input type="checkbox"/>
5. Our supplier lead times have been reduced by 50% or more over the past 3 years?	<input type="checkbox"/>	<input type="checkbox"/>
6. Have we reduced scrap, rework and warranty costs by at least 50% over the past 3 years?	<input type="checkbox"/>	<input type="checkbox"/>
7. Has our cost to produce decreased by 20% or more over the past 3 years?	<input type="checkbox"/>	<input type="checkbox"/>
8. Have we reduced our cost of quality by at least 50% over the past 3 years?	<input type="checkbox"/>	<input type="checkbox"/>
9. Have we reduced direct material costs by at least 10% over the past 3 years?	<input type="checkbox"/>	<input type="checkbox"/>
10. Have we reduced our product development cycle time by at least 50% over the past 3 years?	<input type="checkbox"/>	<input type="checkbox"/>

## How Is Your Score?

If you answer NO to any one of these critical questions, it's a solid indicator that you're not progressing ahead as fast as you should. Using the following scoring system will help you to generally evaluate and categorize your company's progression rate.

### YES ANSWERS

### EVALUATION AND RECOMMENDATIONS

9 to 10	You are in an elite class of highly focused and top performing lean manufacturing companies. Of course, 'yes' answers do not guarantee market leadership or profitability. Your competitors may be just as aggressive. Keep the improvement momentum in high gear.
7 to 8	You are in the high performance group of companies and may actually be outperforming most, if not all, of your competitors now. However, any 'no' answer may present an unacceptable risk for which immediate action is necessary. Keep "leaning-out" your business and production processes following a well thought-out plan to make sure you are, in fact, out in front of your competition.
5 to 6	Some lean manufacturing progress has been made but you need to reach new levels of performance. Delay will cost your company money and, most importantly, remember, both domestic and foreign competition have not stopped searching for how to win.
4 or less	You are in a very high-risk category with a need to intensify or initiate a high priority lean manufacturing effort. Delay most certainly has cost you money and limited or no action will ultimately lead to customer losses and other major problems.

## Lean is Critical to Success

A higher performance Lean Manufacturing enterprise will be a strong link as razor-sharp synchronization of an entire lean supply chain will undoubtedly be a major performance success factor in the years ahead. Manufacturers with the best value-centric offers for their customers including flexibility and responsiveness will easily gain more market share in the future as customers push for better supply chain performance from their suppliers.

The successful and most profitable manufacturers will diligently and aggressively pursue lean manufacturing as a prerequisite to getting the weak links strengthened in their entire supply chains from beginning to end. Within a few years, companies that have not achieved lean supply chain management to drive out the unnecessary costs, time and other waste so they can deliver high quality, best value products at lightening speed will run a very high risk in customer retention. Remember that it is likely to take most manufacturers a number of years and a lot of

effort to fully apply all lean principles and get the supply chain in good working order. The unpleasant consequences of inaction, and the time required to get the job done, makes getting and staying lean a very high business priority.

### **About The Author**

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