03-20-13 Governor's Office of Accountability and Performance Tape 1/30

Review of chapter three for this week's lean review for dummies. I apologize for the technical difficulties that we had at the beginning getting this thing off and going. We have some sick people and some trying to log in and host from other locations but I think we are there, so welcome with that very exciting beginning. I am Scott Baird from the Accountability and Performance Office and I will be one of the online facilitators today joined by Sammy Obara from Honsha Associates. He's one of their managing partners. I will introduce Sammy a little bit more in a minute. Now let's prepare to get into this week's presentation. A reminder about the analogy with the mountains that we're doing a high level review and it's up each week to do your deep dive in the chapters as we go through. I also wanted to remind you we have this session every week 12 to 12:30. Hopefully we won't have technical difficulties like we did today.

I want to thank you for the feedback that you continue to send in. We've tried to apply some of the feedback already. One of the main challenges was with the quiz answers and getting information out so we wanted to know we created a web page that you can follow along that we will post the Prezi. There is a link to the Prezi there. You can see the recorded Webinar and after it's completed can you click on the link for that date and it will take to you to the presentation as well as the quiz and answers, so before we were trying to embed those in the Prezi. I think this will be an easier way to get the quizzes and the answers to you so at the end of the today's session when we send out the Survey Monkey Email which also has a link to the quiz we will also send you a link to the website and hopefully this will help with the dissemination of information better as we move forward with things.

So thank you for your ideas. Please keep submitting those as we go throughout. So this week we're onto chapter two, our third week, Foundation and Language of Lean. This is a high level overview. This is still part of part one in the book covering the Lean basics so some of today's language maybe familiar from previous weeks. But again this is still part of the basics making sure we understand before we dig in deeper. We have updated as well on the list of our private sector partners there on the side. You can see for this week we have Sammy Obara who is joining us. As I mentioned earlier he is one of the managing partners from Honsha Associates, so we are very pleased to have Sammy with us today. He's implemented the Toyota Production System or TPS as it's referred to at Toyota facilities in Japan, Brazil Venezuela and here in the United States, and he's taught Lean to a lot of consulting firms and educational institutions like Harvard and Stanford and even humanitarian missions throughout Asia and Africa. So with nearly 30 years of this Lean experience he's got a lot of incite and we are thrilled to have you on with us today Sammy. He's going to present a little later when talking about the Toyota Production System. We are fortunate to have him here with us.

Thank you.

Thank you. So we will continue moving forward here. Just a few reminders again the way to get the most out of the session is the reading of your own, discussing this with co-workers ask questions there. We try to get through as much as we can in the short time that we have, but you will get the most value doing this on your own. As a reminder we tried to mute everybody and will help as you come into the presentation. If you have questions please submit those via the chat function in Webex. You'll need to scroll to the top of your web page,

and there should be a green bar and provide a drop down box and allow you to chat. You can submit your questions that way throughout the presentation. We will holding off to answer those until the last 10 minutes. So please submit those. If you would like the questions to be seen by everybody please you can choose to send them to everybody or just me as the presenter, but I encourage you to submit those to everybody, so we can all see and benefit from that and the final reminder if you haven't done so yet please fill in the polling information, your city and the number of people that are there participating with you in your conference room if that's what you have today with today's review Lean for Dummies.

So with that let's move into chapter two, the foundation and language of lean. The Lean of contents for today is really again understanding some more of the basics of Lean. Creating the foundation and learning from the Toyota production system and how it relates to the language that we're talking about here and then we will have a brief section on waste, so with that chapter two the foundation and language of Lean. Last week we spent some time trying to define what Lean was, and as you read through it you might have been frustrated because you didn't find a definition and that's true. There isn't a single concise definition of Lean. As we have here on the key points Lean experts and practioners don't even agree on a single set of standard priniciples. Many of you in agencies that had consultants work with you on projects have probably seen this as well. Different approach from one consultant to another consultant.

But there is a generally accepted framework and tool set for Lean as well as some foundational beliefs, and that's what this chapter focuses on today, and it focused on three main areas that we're calling here the language of Lean. Again there's not one set standard or specific approach but these are terms, ideas, principles and things that will be commonly used and common language in the Lean community, so the first one some of the basic Lean principles that you maybe familiar with. First customer value. We mentioned that last week. The idea of analyzing our vaule stream, everyday improvement. Some new terms I believe are flow and pull, and matter of perfection which we talked about last week as well, so I want to go into each of these a little bit.

The first one of being of customer value, so one of the fundamental premises of Lean is that we need to figure out who our customer is and what they value and what they want from us. I know we mentioned briefly this last week but that's what we're trying to get at to provide the most value for our customers. And for it to value added book mentions three key points. The customer must be willing to pay for it or that the activity that we're doing has to contribute directly to that product or service we're giving to the customer, and last that the activity must be done correctly the first time, so these are some of the principles involved with this customer value, and one of the main important things with Lean. The next concept being the value stream analysis. We need to identify all of the activities that we go through to produce our product for our customer. And then at the end we envision this ideal state how we want it to be and work towards getting at that perfect state.

A lot of times Lean teams will conduct kaizen or continuous improvement activities to identify and implement these future state or move closer to the future state. Teams will come together using tools and significantly improve a segment of the value stream quickly and a lot of times in three to five days. But in a mature Lean organization that value stream analysis and that kaizen is part of a daily business activity, so while you may start off with one of these big three-five day events it needs to be daily business activity, and that's the idea behind the value stream analysis. The next idea is pretty straightforward,

that of everyday improvement. While it maybe straightforward it's difficult to actually implement fostering that always learning and improving everyday. Now one of the newer terms this week is the idea of Flow where everybody in this system keeps the system along at just the right speed to deliver the right amount at the right time to each of your customers. This isn't an idea or even the way that we're trained. We try to organize them in groups or batches and approach our work that way, but the idea of flow is having a consistent constant flow from the customer -- the moment the customer demands it, constant flow through us until they receive it and that's a challenge. It's hard to overcome and it's one of the reasons we analyze our value stream to get to that flow and that constant process.

The next idea is also pull and this is waiting until the customer demands it or asks for it, pulls it through the system instead of us pushing and pushing and having extra inventory or things on hand or whatever our product is is really producing it at the right time for the customer as they're asking for it, so instead of building up all this work in process or inventory customer's demand is really pulling our products or whatever it is that we're producing through the system, and then the last idea in the main basic principles is that of seeking perfection, always eliminating waste. I know last week we had the phrase perfection is a direction not a destination. A lot of times in Lean they use an analogy of draining a swamp or a pond and you start to drain it you see something messy or some process not fixed and attack it and fix it and then you drain the swamp more and you see another problem and it's not until we start to improve each of those that we expose something else that is wrong and that's this continual direction of working towards perfection, so those six ideas capture some of the basic Lean principles that we have. Now, Lean obviously evolved from a study of the Toyota production systems and it's important to understand that as well so with they would like to turn it over to Sammy to share with us a little bit about the Toyota Production System and how that fits from the Toyota Production System, so Sammy if you would like to explain that that would be great.

Sounds good. Thank you Scott and good morning everyone. I hope that you all can hear me okay. We had a little glitch as Scott said. We are looking at these slides 76 on the Prezi presentation now, and it shows a house. And I wanted to share some insider information how Toyota sees that and why it shows the concept all in house shape rather than a tool box or some other type of graphics. First when I was in Toyota it was very clear that Toyota was reluctant in accepting the label of TPS or Lean is a tool box full of techniques and tools that we can use as we need or want. Rather they wanted Lean to be seen or TPS to be seen as a house that needs to be built, so they use a house as a way to visually not independent tools but dependent and sequential progress. One thing that we used to hear a lot from our sensei is our culture from Toyota Japan was the foundation always comes first, so if we have a core foundation we will consequently have a core house. What they meant is that we needed to put much effort in stabilizing the process even before trying to improve anything because it's difficult to improve something that is moving.

The other thing is advice. You never try to get the benefits of a steady roof because we always want to get that roof even if we are building our house. Maybe one of the most important things is the shelter, having that sense of protection so they said well, you will never get a good roof if you don't put your effort into building steady pillars, and if you see those pillars on the slide 76. They are formed by different techniques and tools, and one interesting way that they show this was they tell us it doesn't matter how well you build them. If you don't build them brick by brick and in parallel you will not have

the progress that we need which is -- you need to build them in parallel because one helps the other if you can see on the left-hand side you have quick change over or flow. You cannot reach some of these here if you don't have the right-hand side which is the jidoka pillar that talks about error proofing, that type of thing. Now, it looks from this picture that there is a central pillar. In Toyota they call it two pillars. The central piece is -- in Toyota they show a little person. A little person showing this is the central piece that will build a strong house and that is summarized in good culture. Good culture inside the house will allow us to build all of these pillars or implement all the tools with that mind-set that if there is a problem I will go there and fix it, so working internally on developing and equipping them with the Lean mentality is essential for us to build a good house, and that is the reason why we see this House of LLean or House of Excellence or House of TPS very commonly in many organizations, so in a nutshell that's how we read this diagram.

Yeah, that's wonderful Sammy. Thank you for that explanation and as you look at this diagram you can see again some of those basic Lean principles that I talked about before like continuous flow and pull. These are again built throughout in this language of Lean, so you can see some overlap in a lot of these areas and the important thing is trying not to define a single set of standards but understand the language in where they come from so that's a great explanation Sammy. Thank you for that.

Thank you.

Additional principles with Lean -- some of them are common sense. Just respect for people 10is one of the main purposes organizationally that we need to have. That people are the most valuable asset that we have and using that to create the value for our customers. Making it visual instead of having to dig for information but quickly being able to see that long-term journey that this is not a quick approach. It's a way of life. That simplicity is better. That we need to build in quality at the source. That we don't let things pass along to quality control coordinator at the end, but that we build it in and we don't let it keep going through the system if it's not perfect from the beginning. Measurement systems that need to be in place to enforce those Lean behaviors and this is the long-term journey and that it lasts a lifetime. This is continual improvement. And Sammy, I don't know if you have something to share as well on the measurement system and help to reinforce the Lean behaviors.

Yeah, I think that is such an important piece implementing Lean in the way that we measure things. There are classes, one day classes on Lean metrics and all sorts of ways to measure but the key point is what are you going to be measuring? We need to learn that whatever we are measuring it has to have connections to the customer because that's where the value is perceived. The other thing is where we're going to be measuring it? Are we measuring it at end of the game? That might be too late. It might be a couple of weeks, a couple of months. Sometimes companies usually have quarter reports. That might be too late already or are we measuring at the middle of the game? Meaning measuring the process, the performance of each one of the techniques that we are implementing? And also how often we are measuring it? Are we measuring on the weekly basis, or hourly basis?

And there is a very common belief inside Toyota that you know it's not as much for results that we measure, but we measure for process. The process being reliable results will come, so instead of having great results with bad process that is possible, we want to have great processes, even if the results are not the best ones because if we have good processes then we can improve upon the

process, and learn and get good results, but if we have great results that is pure luck, and if there is no process we can't repeat those results ever again.

Great. Thank you for that Sammy and obviously in the Accountability and Performance Office we are interested in measuring results as well, and that will be part of it understanding what the measure is. Again you can see all of these ideas that we have talked about contribute to this broad language of Lean. There is not a concise definition. That is hard for them but the important factor is we try to understand all of the language and that it's okay if people use different approaches within this language of Lean. The last point that we want to make today is just the categories of waste that are noted. Three categories: Muda, Mura, and Muri. The first one are often referred to in seven forms of that waste that maybe familiar to you waste in transport, or waste in waiting time, waste in over production, or waste in defects or in inventory, waste in motion or extra processing.

Those are a lot of different wastes that we're not going to go into much now, but we want focus on two types of that. The first being wasted actions that are not value added but necessary versus the type two that are not value added but not necessary. There maybe some points in a process where it doesn't add value. It doesn't necessary touch the product that is going to the customer, but it's still a necessary step, and there's nothing we can do about it. Our efforts are focusing however on the type two getting rid of the non value added wastes that aren't necessary. The next category of waste, that being Mura describing the variation in an operation. This really is talking about the cost or the waste that come as a result of extra testing or inspections or rework because of the utter kind of waste that happens in a process and the last process being that of Muri, overdoing or the unnecessary or unreasonable overburdening of the people in the process so from a Lean perspective it applies to how the work and the tasks are designed, so those are the three kinds of waste that refer to often in Lean and that cover's today's presentation and gives us about nine minutes left for the Q and A so we will have questions now.

Again a reminder if you want to submit those via chat or to me as the presenter that would be great. It looks like we have one question already and the question is "Does the information about customers on pages 28 through 34 apply to internal customers?" I would say a resounding yes. Depending on who your customer is it applies. For some of us our customers are all completely internal. For others they're completely external. But whoever that customer is it applies to them. Sammy, I don't know if you have any other thoughts on that as well whether this information applies to internal versus external customers? Any thoughts on that?

Well, yes. It's exactly what you said. We always said customer is always the next process.

Right. That's great. Great. Other questions that you have please submit those via the chat. I don't believe we have any others in the cue right now, so if you have questions about this chapter or questions for Sammy now is the time to submit those. Perhaps now I should turn back on the lovely guitar music that we started out with as we wait for questions to come in want as we are waiting -- Oh here we go. Great. So the next question is since "Some of us are government the customer is sometimes the legislature and sometimes the public. Who is the one to focus on?" That's a great question. Again the key to understanding your customer and Sammy you can correct me if I am wrong here, but is understanding what it is that 14we're producing. Who gets the product that we're producing? If it's a report that goes to the legislature then I think the legislature is going

to be your customer, but the best way to identify the customer is who is the actual recipient of the product? There maybe other smaller customers, maybe big C and little C customers. The main one being that person who receives the report or whatever we're working on whereas the public may also be a beneficiary of that in a more distant way. Any other thoughts on Sammy on helping to define the customer?

No, I think you hit that on the nail. Actually I had a recent discussion exactly about that in a hospital environment where they said we have so many customers. One is the patient, one is the insurance company. There is the government who funds us and also the doctors -- we cannot leave them waiting. Who is our real customers? Well, you have a lot of different customers but the major one that you really have to -- you won't exist without them is the patient, and we need to make sure that the patients wait less and maybe by waiting less everything else is going to start flowing. Even the funds will flow better. The doctors will have better access with the patients at the right time, but yes the customer is maybe the person going to the agency asking for a service.

Great. Yeah, there is another question again about the customer defining the customer. In government oftentimes our customers don't pay. Is the customer the funding source? 15Again as Sammy mentioned the customer is whoever is receiving our product, and from agency to agency that's going to be very different if the customer if trying to get a license. Then it's the public and they're paying that fee for a license or a permit. They are paying that fee. Generally the public is paying in taxes, but again the key to understanding our customer and understanding what gives them value is who receives our product? The thing that we produce, who is the recipient of that? And while they're not paying for it perhaps they pay for it in other ways. Are they willing to wait for it or use it? Sometimes we may look at products that we provide to somebody they don't pay for, and maybe they never gets used and that's an opportunity to assess maybe we're providing the wrong product and it's not what they're trying to pull from us. So it's another great question, but I think the key is think about what you actually make, you produce, and that's going to help you figure out better who your customer is.

It's all about purpose.

Yeah perfect. There is another question. "Can you say more about groups versus single piece processing?" I'm not sure what that means. Perhaps there is some additional information that can you send in on that question. Send it in and if you can explain that a little more we will try to answer that. So we have another question that says "Can you go a bit into measurement systems and how cost accounting runs counter to Lean?" So that's on page 40, 16one of the points in there mentions that cost accounting runs counter to Lean. I think that's a question that may take a little more time and maybe more specific that we would love to answer. And perhaps we can send a follow up answer to Consolidated Technology Services.

I agree with that and Scott just a bit of anecdote about metrics. You guys all know probably the Geek Squad from Best Buy. A friend of mine was at the Geek Squad, and there was a metric he put in place a few years ago, and they said whoever sells more gift cards will get bonuses and et cetera and so what they started doing inside Best Buy when the customer came to buy a thousand dollars laptop they would sell the customer a gift card and ask them to pay using the gift card, so the sales of gift cards went through the roof but the revenues or margins, profits didn't move a bit, so the metric drove the behavior for everybody to get their bonuses and sell more gift cards but to Best Buy it

really backfired. They had to do more transactions, issue more cards. It took more time, so it didn't help. Establishing the right metrics is key just from this little story.

Yeah. Great. Thank you for that example. The next question -- it says what is an example of a non value but necessary step in a service oriented organization? And they suggest maybe it's regulatory compliance. I think about previous agencies that I worked for where you could produce a report but maybe it's this kind 17of hurry up to wait. You produce it. You work on it. You have this product and then it sits waiting for somebody to sign off on it. It maybe necessary that sign off happens but that sign off isn't actually contributing to the product itself that's making it way out, and that maybe one of the steps that is not value add,but it's necessary because we can't let stuff out the door without getting that approval. Maybe an example in a service related industry. I don't know Sammy if you have an example of a non value but necessary step in a service oriented organization.

One thing that we do with the Lean assessment and administrative work. We have this VACA analysis where we see if each one of the steps are valuable, adequate, capable, and available, and once we look at things like that even in minute step -- maybe you have to just stamp some paperwork. That's what is going to add value and be validated through other officials. You know, if you have to stamp that's value added. Now there is a timeline. You have to replenish the ink in the cushion there. That is not value added because it's not stamping anything and approving, but it's necessary every 10 hours or so the ink gets dried and you have to replenish but it's necessary, and if you think in terms of macro vision that's the question we should always ask VACA if each one of the steps is really valuable to get to the purpose?

That's a great clarification. Thank you for that Sammy. 12:30 is upon us. Our time is up. 18Thank you for all the questions. Some of the feedback we received is we wanted more time for questions and answers and I feel we had some great questions today. Thank you for those. I am sorry that we cannot address all of them but I think this highlights the importance out of this is by sharing the ideas with the coworkers and digging in and trying to find how a Lean approach can help answer some of these questions that you have. We are here in the Accountability and Performance Office to answer these questions as well offline. Thank you for your participation today. I want to remind you as well that Heidi will send you a link to the quiz on Survey Monkey. After you have taken the quiz you can check the answers on the website and that website will come to you as well in the Email from Heidi. Thank you for your participation and questions. We look forward to meeting you again next week, and thank you again to Sammy for your participation today. Thank you all.

Thank you. It was fun. Thank you.

Yeah.