Leading a Lean Organization

The New Leadership Role

Sammy Obara
www.honsha.org
Honsha Bi-Annual Study Mission

- Have an insider view of a Japanese Toyota plant, the birthplace of lean.
- Spend a day at the Honsha-Hirayama Dojo immersed in lean simulations and open discussions with former Toyota executives.
- Visit the origins of lean and understand the core concepts that can only be seen at the Toyota Kaikan and museum.
- Be guided by experienced Toyota trained professionals during your weeklong mission.
- Choose to extend your study trip with a cultural tour in Tokyo, Osaka, Kyoto and Nara.

Executive Development Mission

Toyota City – Japan
May 20 – 24, 2013

More information on www.honsha.org

Toyota gives Virginia Mason docs a lesson in lean

At Virginia Mason Medical Center, doctors are required to understand firsthand how Toyota manufactures cars.

First, Virginia Mason's senior executives traveled to Japan to work on Toyota's manufacturing floor. Then a contingent of doctors and managers did the same thing.

“We've been to Japan twice, and we will do it again in the near future,” said Virginia Mason CEO Gary Kaplan.

It's all about learning the techniques of what's called "lean manufacturing," and then applying them to health care.

"Lean" means doing without what's not needed, said VM president Mike Ross. "It's taking out the unnecessary stuff in processes," so that everything's more efficient.

Eliminating waste, things that add no value, that's what this is about," said Kaplan, who sometimes refers to Virginia Mason not as a hospital and clinic network but as "the company."

According to mathematician and consultant W. Edwards Deming, as much of 40 percent of a company's expenses result from waste — systems and processes that are poorly designed, Kaplan said.

Waste and the quality of health care are linked, Kaplan said. Waste is directly related to low patient and employee satisfaction, poor customer service and errors in medical treatment.

Virginia Mason’s been working to eliminate waste in all its forms during the past few years. It's paid off.

The dollar value of respiratory-need inventory supplies, for instance, has been slashed 45 percent. Savings on space have accrued as well.

Radiation oncology staff cut the time from patient check-in to leaving the department from 42 minutes to 15.
### Rank of countries by size

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<td>Japan</td>
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The Need to Eliminate Waste

“The only thing we are doing is trying to reduce the lead time line.”
Taiichi Ohno

Order → Processing → shipping → delivery → receive $
The Need to Eliminate Waste

What if there is no need?

McKinsey&Company

June/2000

- Organizational capability
- Physical process capability

- Cisco
- BAE
- BSC
- GM
- USPS
- Thomson
- Toyota
- GP

Increased focus

Historical focus

Target
GM posts record 2Q profit

NEW YORK (CNNMoney) -- General Motors Corp. reported a record second-quarter profit Tuesday, beating Wall Street forecasts despite some loss of market share in its home market.

Company officials say that, despite some softness in North American sales, it is on target to meet forecasts of a record profit for the year -- and that it is using additional share repurchases as a way of continuing to improve earnings per share.

The world's largest automaker reported second-quarter net income of $1.8 billion, or $2.93 a diluted share -- more than consensus forecasts of $1.82 a share, according to First Call, which tracks analysts' estimates. A year earlier, earnings were $1.7 billion, or $2.65 a share.

Revenue rose to a record $48.7 billion in the quarter from $46.1 billion as the number of vehicles sold rose to 2.36 million worldwide from 2.33 million.

"If things seem under control, you are just not going fast enough"

Tom Peters
The Need to Eliminate Waste

What if there is no need?

Leadership must create the need
Employee Engagement

1 Kaizen/day

1 Kaizen/week

1 Kaizen/7 Years

Source: Fortune magazine - 2006
Japan Post Office has been increasing the profitability after implementing TPS in 2003.

Eliminate waste!

= Fast response to Customers!!
Shorter Lead Time!

**PROFIT**

2003 = -US$25 Million
2004 = +US$115 Million
2005 = +US$200 Million
2006 = +US$220 Million

The Need to Eliminate Waste

Leadership may create the need, but...

...how will people know what to do?
Leadership must equip its forces

The Most Studied Company in The World

PURPOSE
5S
What is the purpose?
Kanban
What is the purpose?

PDCA
What is the purpose?
Kaizen Teian
What is the purpose?

What is the Purpose of Kaizen?

Don’t start it if you don’t know the purpose
The three Purposes

• Reduce Waste
• Improve Quality
• Improve Safety

1) Reduce waste? Improve quality? Increase safety?

2) Does it address the root-cause?

3) Is it standardized?
Is This a Kaizen?

1. Check if it addressed AT LEAST one of these areas:
   - Problem Type: [ ] SAFETY, [ ] WASTE, [ ] QUALITY
     - SAFETY: [ ] Waiting, [ ] Correction
     - WASTE: [ ] Overproduction, [ ] Motion, [ ] Ideas not used
     - QUALITY: [ ] Inventory, [ ] Overprocessing, [ ] Conveyance

   A Kaizen must address Safety, Quality or Waste. If you can quantify the benefits, chances are you improved the issue.

2. Check if it addressed the ROOT-CAUSE:
   - A Kaizen MUST go after the real causes of the problem. Superficial remedies result in unpredictable results.

3. Check if it is STANDARDIZED:
   - A Kaizen will not roll-back with time. It will be sustained through standardization techniques.
Small but Incremental Gains

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The essence of Kaizen Teian...

Kaizen

1% improvement...

...every day
The essence of Kaizen Teian...

100% improvement in 70 days

The essence of Kaizen Teian...

- Kaizen Event
- Kaizen Blitz
- Kaizen Breakthrough
- Kaizen Week
- Kaizen ...

Kaizen in Batches
Lost in Translation

Thank You!

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