

TXM Lean Solutions – Strategies for uncertain times

If we were to choose one word to describe business conditions today, it would be “uncertainty”, writes Tim McLean, Director of TXM Lean Solutions.

In Britain and Europe, business is trying to figure out Brexit. The US faces government shutdown and stagnating markets. China is dealing with a trade war. Meanwhile Australians face political uncertainty and a housing crunch. The consequences of all this is that we are experiencing the most uncertain times since the Global Financial Crisis a decade ago.

Too often the response of business in uncertain times is to do nothing and “wait and see”. This approach unfortunately means the business is unprepared when the underlying direction of the economy (upwards or downwards) becomes clear. Instead we recommend businesses take proactive steps during uncertain time to prepare for whatever future conditions they might face.

Reduce lead time

The “father” of the Toyota Production System, Taiichi Ohno, is once reputed to have said: “All we are trying to do is reduce the lead time.” Which lead times do I mean? Every lead time! Obviously, the lead time from receiving inputs to shipping finished goods, but also design lead times, quote lead times and supplier lead times. When you reduce lead times in your business you bring your business closer to its customers. You then can respond more quickly to rapid changes in demand and meet unexpected customer needs. Remember, if the economy slows, customers become more demanding as they usually have more choice who to buy from. Therefore, reducing lead time will give you a competitive edge that can protect your business in slow times and provide an advantage if the economy improves.

Reducing lead times will free up cash, by reducing the overall time from outlaying cash to purchase materials to receiving payment from customers. Inevitably this involves reducing inventory at every stage of the process. Working with suppliers to reduce order lead times is also the most effective way to reduce your materials inventory.

To reduce your lead time, start by mapping your end-to-end process using the Manufacturing Agility Process. You will then understand the drivers of your lead time and can develop a future state plan to radically reduce it.

Increase your capacity – without capital investment.

Uncertain times mean the risks around major fixed capital investment are increased. Therefore, taking steps to get the maximum out of your current equipment and facilities is one of the best ways to make your business more robust.

A Total Productive Maintenance (TPM) program based around improving Overall Equipment Effectiveness (OEE) is the best way to get more out of your assets without the need to invest more. When businesses honestly measure OEE, most find that it is very low. However increasing OEE from 40% to just 50% represents a 25% increase in available capacity. That can have a radical impact on your business.

Another key strategy is to make the most of your facilities. Creating a Lean layout using the Facility Layout Development Process can free up at least 30% additional space in your current facility as well as delivering higher productivity as waste of motion and transport is eliminated. This extra space can then be used as room for growth if the economy improves, or an opportunity to introduce another revenue stream if business slows.

Involve everyone in solving problems

Cost reduction programs are often driven from the top down. This usually involves reducing people and breeds fear and poor morale. When times are uncertain you need your people engaged and on your side. Harnessing ideas at every level of the business and empowering people to make improvements can help you both reduce costs and engage your people.

Your frontline people see how your business wastes money every day. Therefore, by getting them to share these observations and even help fix some problems themselves, you can significantly reduce costs without anyone needing to lose their job. The Lean Daily Leadership Process provides an effective framework for leaders at all levels to engage their teams in improving performance, bringing together three key elements:

- Visual Workplace Management, with daily performance recorded by frontline leaders and displayed in the workplace, so that every team can see how they are performing every day.
- Ten-minute daily stand-up meetings, where leaders at every level meet with their teams to briefly review daily performance, recognise success and highlight problems. The teams can then use simple problem-solving tools such as Solving Problems Every Day to find and fix the root causes of many problems themselves.
- Daily routine tasks for leaders creates a structured menu of activities that leaders perform every day. This ensures leaders get into positive habits that support and engage their teams, prevent problems (rather than firefighting them) and drive improvement.

Implement a strategy deployment process

One of the biggest issues businesses face when economic conditions change is that they are too slow to respond. While senior leaders may see the direction the business needs to take, many lack the mechanisms to ensure that the rest of the business follows that direction. For this reason, now is a good time to establish an effective process of strategy deployment.

An effective strategy deployment process based on A3 plans enables senior leaders to set a simple and clear direction. This can then be quickly and effectively cascaded through the organisation as each business unit or function develops their own A3 plan in response to the overall strategy. An effective strategy deployment process must also incorporate a “catch ball” process so that feedback can be given up the organisational structure. The strategy can then be adjusted based on this feedback, ensuring that the strategy process is adaptive to market conditions and making sure there is complete strategic alignment through the business. Once this process is established, strategic change can be quickly communicated up and down the organisation in an effective, consistent way. This will enable your business to respond much quicker to any change in your market conditions.

Times are uncertain around the world, but “wait and see” is the worst possible strategy to respond to this uncertainty. Instead apply some Lean thinking to increase the resilience and agility of your

business. That way you can face whatever conditions that emerge from these uncertain times with confidence.

TXM Lean Solutions will be exhibiting at Austech 2019 at stand 505.

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