



Strategy to Reality

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Happy New Year and welcome to the first TXM Newsletter for 2008. If you wish to discuss the topics further or are interested in how TXM can help your business, please don't hesitate to contact me on 0404 480 517 or tim.mclean@txm.com.au

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5S—"More than Just Pretty Place"

Of all the Lean Enterprise tools that have been adapted by companies over the years, the most popular and widespread is 5S. It is usually the first tool adopted and gives fast visible benefits that often transform the appearance of the workplace. The ideas behind 5S are very simple and it is a great tool to involve everyone in your workplace in improvement. But what is 5S? Is it really just an excuse for a good overdue cleanup or is it something more?

What is 5S?

5S is one of the many tools of the Toyota Production System. 5S is a system for organising any workplace based on five steps that have been translated from Japanese into words that start with the letter "S" (hence 5S):

- Sort – remove rarely used items and rubbish from the workplace.
- Set in Order—work out what you want to keep in the workplace and create a label and a place for everything.
- Shine—Clean the workplace until it "shines".
- Standardise—Create procedures to maintain the standards in the workplace.
- Sustain—Keep standards up and improve through regular audits.

Frequently the energy and effort of "5S" programs are focused on the first three "S"'s. This will lead to a gradual decline in standards after the initial "event". In many ways standardise and sustain are the most important elements if 5S is to ensure lasting benefits.

5S is not the Whole Answer

5S should be seen as the starting point for a lean transformation, not as an end in itself. I recently visited a Melbourne factory that had done a nice job of implementing 5S weeks before it went into receivership. This seems to be a case of badly misplaced priorities, particularly given that at least some of the company's troubles were caused by a supply chain that was anything but lean. A clean organised workplace will not improve service to customers or returns to shareholders. Rather 5S is a cornerstone of a lean workplace because establishing effective systems based on visual control on the shop floor such as kanban or standard work is not possible when the workplace is disorganised.

Leadership a Key Factor

5S is perhaps the most readily accepted improvement technique, because almost all employees welcome a cleaner and more organised workplace. However it often fails because of lack of support from leadership. 5S action plans need to be followed up, audits must be completed and high standards set and maintained. If your front line leaders are not committed you need to address this first as success of the program will depend on them.



Above: "Before" and "After" pictures such as these ones from a TXM 5S Workshop help reinforce the message about 5S!!

Enterprise Connect—New Funding for Small and Medium Sized Manufacturers

Late last year the Federal Department of Innovation, Industry, Science and Research announced funding for manufacturers and service companies with turnovers in the range of \$2m to \$100m per year. The program will provide up to \$20,000 in assistance on a dollar for dollar basis for companies to engage specialist advice to assist in implementing change in their business.

The first step in the process is for the company to apply for a business review. These reviews are conducted free of charge by government appointed business advisors. The advisor will assess your business against one or more recognised benchmarking techniques and provide you with advice and a report outlining the key opportunities for improvement within your business.

You can then apply for the funding to engage an a consultant (such as TXM!) as a tailored advisory service to assist you to implement the improvements outlined in the business review. The funding can assist in a wide range of improvement activities depending on the needs of your business. For example the funding could assist with the development of a new plant layout, a lean implementation plan, a feasibility study for a plant relocation or even for project management assistance to manage the move.

Getting the Right Layout

The team at TXM are constantly asked for advice on plant layout. Relocating provides the best opportunity to reduce waste by improving layout, but improvements can also be made without moving sites. We recommend some simple guidelines when deciding where to put things in your plant.

Start with the Customer, Not the Machines.

Determine your rate of production by the needs of your customers now and in the future, not by the output of your machinery.

Don't Let the "Tail" Wag the Dog.

Focus on your top products first. Work out a good layout for them and then worry about the low volume exotic products later.

Map the Process.

Use value stream maps to identify your key production flows and eliminate unnecessary production steps and waste.

You Don't Have to Use all the Space.

Keep things close together and design U-shaped cells if possible to minimize walking and transport distances. It also improves productivity by enabling operators to switch easily between neighboring functions when underutilized.

Operations First Storage Space Second

Design a good production flow first to minimize waste and then any space left over can be left for storage. If you do not think you will not have enough storage space focus on storing less, not on rearranging the plant layout to put in more pallet racks.

Involve the People Who Create the Value.

Make sure that you consult widely and involve the operators, team leaders and maintenance teams extensively in the process. They will have to live with the layout and if they don't like it they will remind you about it for the rest of your working life!!

Is Chinese Quality Bad?

Today some of the most sophisticated products are now made successfully in China. From the Dell PC I am typing this on to E-Class Mercedes Benz cars to mobile phones and manned spacecraft, China produces an enormous range of high quality products at the leading edge of technology. Chinese quality could not afford to be bad for any of these products were to be made successfully.

So Why do We Have So Many Problems?

Whether you have just read in the newspaper about quality issues with toxic toys or contaminated food, or you are a manufacturer with first hand experience from sourcing faulty materials or machinery from China you will know about quality problems from China. They are certainly common—but can be minimized by following some simple rules.

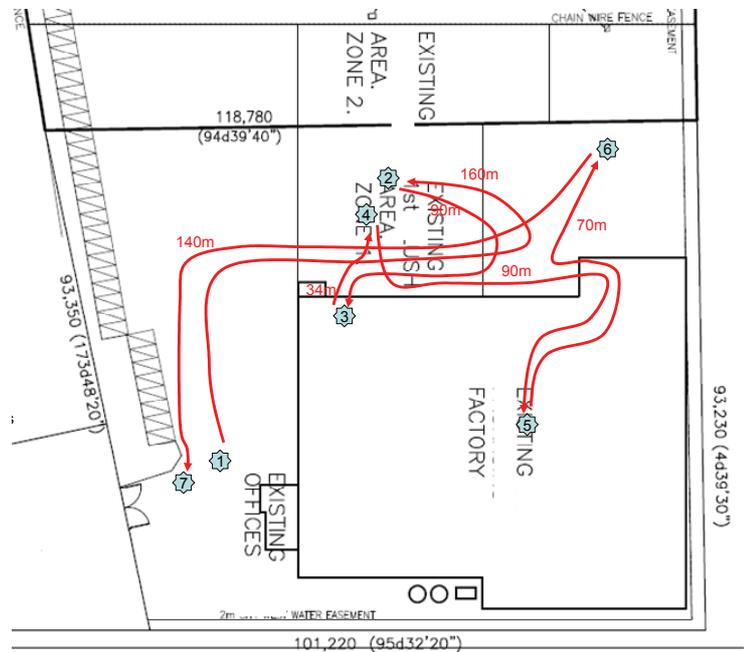
You Get What You Pay For: Like anywhere price is often related to quality. The cheapest supplier is not necessarily the best. To achieve good quality you need a supplier who uses quality materials, operates good, well maintained equipment, has well trained staff, is financially well resourced and has a robust and detailed quality system that they actually follow. All these things cost money. You will not find them from the guy operating from a draughty shed with a dirt floor, despite what he tells you!

You Get What You Ask For: Requirements not specified clearly on part drawings or product specifications will not be met. Every aspect of the product must be spelled out including standards of finish, functionality and materials to be used. I strongly recommend backing this up with technical visits to the prospective supplier to make sure that they fully understand every aspect of what you need and are capable of meeting all your requirements. If you can afford it, local Chinese staff who can keep a much closer eye on what is going at your supplier are very valuable providing you listen to their advice and ensure the supplier respects them.

What you Don't See Can be What You Get: It is essential to go and see your supplier. On a current TXM project suppliers had to complete a 20 page information questionnaire and a detailed request for proposal (RFP) document. From this information and brief visits by our client's Chinese staff, we selected a shortlist of three suppliers. However it took a full day on site quality audit to reveal serious problems that eliminated the front-running supplier. The impressive written information was simply not backed up in reality. If this supplier had been selected it would have been a disaster for our client.

So Why Not Just Buy Australian?

In many cases (in fact most cases), you should! Much production has been rushed off-shore with little thought of the full costs of doing business. In many cases costs have gone up compared to the local alternative. However, when it makes sense, we believe sourcing some materials from low cost countries can help manufacturers stay competitive and need not be at the expense of quality.



Above: A Simple "Spaghetti Chart" like this can reveal an amazing amount of waste. This one prepared for a TXM client revealed that each product traveled around 600m in the production process or over 5000km per year. With simple no-cost changes to the process this distance was halved.



Above: Mercedes Benz is now producing the new E-Class in Beijing—not a low quality product!