



# Total EXcellence in Manufacturing

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## Lean Leadership

Highlights from the Keynote Address at the TXM Executive Breakfast on 6 May 2009

TXM is pleased to be working with Australia's leading international lean expert, Tony McNaughton and he was an excellent choice as our keynote speaker at our recent lean breakfast. Tony spoke about his personal experiences at Toyota Australia and his understanding of the Toyota Production System and what it means for leaders in manufacturing.

### Toyota Does Not Have Heroes

In western business we are trained to look up to "hero leaders" who take control, fight fires and impose orders. Toyota aims to achieve "... brilliant results from average people operating and improving brilliant processes".

### The Four Rules

Four rules guide thinking at Toyota. **All Work is Highly Specified:** This means that standard work is used to specify tasks through the organization including for management and administrative processes. **Each Customer-Supplier Relationship is Simple and Direct:** Links between processes ensure a close linkage between the downstream (customer) and upstream (supplier) process. There are clear linkages from the shop floor to team leaders, managers and support staff based on straightforward yes-no ways to send requests and receive responses. This starts with the Andon system to instantly signal problems on the production line. **The Pathway for Each Product is Simple and Direct:** Plant layout focuses on achieving an efficient flow of product to the customer. Finally **Scientific Method is Used to Solve Problems.** This means preventing a problem occurring again by eliminating its root cause. Managers and team leaders are taught to solve problems from their first day at Toyota. Tony gave the example of his Toyota mentor who made it clear that he was not considered to have added value as an engineer until he had successfully solved problems on the line.



Above: Tony McNaughton speaking at the TXM Executive Breakfast.

**Method is Used to Solve Problems.** This means preventing a problem occurring again by eliminating its root cause. Managers and team leaders are taught to solve problems from their first day at Toyota. Tony gave the example of his Toyota mentor who made it clear that he was not considered to have added value as an engineer until he had successfully solved problems on the line.

### Lean Leadership

Lean leadership is about moving from the "five who's" to the "five whys". Leaders need to focus on finding out why things go wrong rather than who is to blame. Leaders need to encourage everyone to identify and highlight problems rather than hiding them. Hiding problems means that they never get fixed and this undermines performance. Lean leaders ask questions about what has happened and why it has happened in order to gauge understanding and ensure that the team is responsible for solving the problem themselves. Lean leaders empower their people and do not tell them what to do, but rather give them clear responsibility to propose solutions to problems they own. [Contact us to Find Out More.](#)



Above: TXM Principal, Tim McLean explaining the benefits of lean to a client at Austech 2009.

## TXM News

### Austech Promotion Winners

Our stand at Austech 2009 was an outstanding success for TXM. Thanks to everyone who visited our stand at the Austech exhibition. The five winners of our Austech promotion were:

- AA Gaskets
- Bitzer Australia.
- Fairmont Medical
- Tuff Tonneaus
- Gippsland Aeronautics

These companies are each receiving a free lean diagnostic assessment and action plan.

### New Land Line Number

TXM has a new land line number. Our receptionist, Kate will be able to connect you to the TXM Associate you need. Our contact numbers are now:

**Phone: +61 (0) 3 96078241**

**Fax: +61 (0) 3 9481 3770**

or you can call Tim McLean directly on:

**Mobile: +61 (0) 404 480 517**

### Upcoming TXM Events

Australian Food Engineering Association

**"Fixing problems and Finding Waste – Quality & Lean Fundamentals for Food Engineers"**

Keynote Speaker: Tim McLean, TXM Pty. Ltd.

**Engineers Australia, Melbourne, 27 August 2009**

# Mass Customisation - a Manufacturing Trend Australia Can Lead

One of the rapidly growing global trends is the rise of mass customization. Mass customisation means giving customers the opportunity to purchase a personalised product at a competitive cost and lead time. Customers usually use a website to select the options they want on their product such as the Nike example. Other examples include Dell computer and printing and merchandise supplier, Vistaprint.com.

In Australia we have a small domestic market which means that local manufacturers often operate small scale operations that must efficiently produce a broad range of products in small volumes. Once we saw this lack of scale as a huge disadvantage, however now with the growth of mass customization our ability to handle complexity and short runs could be a competitive strength. This experience is ideally suited for adaption to a mass customisation approach. Customising your product also inhibits imports competitors as long import lead times often dampen customer enthusiasm for a customized product.

Great examples already exist of Australian companies offering Mass Customisation. Paccar Australia allows buyers to customise around 500 different aspects of their Kenworth truck from the engine and axle layout to the interior trim and paintwork. This infinite array of variations is run down a single production line at a regular production takt time. Thanks to an impressive lean production system, TXM customer Branach Technology are able to offer their customers a 10 day lead time on fully customized extension ladders. Branach customers can specify a wide range of industry specific fittings and attachments, a service their Chinese-made competitors can not match.

The keys to mass customisation are identifying the areas where customer needs diverge (and those where customer needs are common); providing simple tools (such as the Nike software shown at left) to guide customers through their choice; and developing a robust and flexible process to manufacture and deliver the products. From an operational point of view this means the capability to do short runs and rapid changeovers for a wide range of products. It is not surprising that most mass customizers are also lean businesses. Product design can also be important as it pays to delay the customization step to as close to the end of your process as possible in order to minimize lead time to the customer and reduce the complexity of your operation. Being a manufacturer in Australia is not getting any easier, but mass customisation provides one way to add more value to customers and differentiate our product offering from imports by the leveraging skills that we already have in managing a complex product range.



*Above: Nike iD is a system that enables customers to customise the colours and style of their Nike shoes. TXM Associates, Tony McNaughton and Anthony Clyne have worked with Nike plants around Asia to achieve the flexibility and quick turnaround required to make this system work.*



*Above: Lean systems mean that Branach offers customers fast lead time on customized ladders.*

## A Last Word on the Importance of Strategy and “The Vision Thing”

At TXM we focus on helping companies implement business strategy in operations in the supply chain. In our experience, having a clear vision and a well thought out and well implemented strategy is one of the critical success factors for the success of any lean implementation and for overall business success. Without a sense of how it fits into the overall strategic plan for the business, lean implementation and operational improvement can struggle for relevance and get lost in the day to day cut and thrust of fulfilling today's orders. More importantly we find that the businesses that have a clear sense of where they are going are frequently the most successful and profitable businesses we see.

Good strategy takes into account the business environment, likely future market trends and the capabilities of the business as well as (in the case of private companies) the personal objectives of the owners. Lean implementation is then a means to achieve some of the businesses strategic goals, not a strategy in itself.

Strategy is useless if it is not implemented. The dusty business plan on a shelf will not drive profitability. Therefore an effective system for policy deployment is needed. This ensures that the priorities and actions of every function and every level of the business are lead by the overall strategy and vision for the business. This will also ensure that progress against goals at every level are regularly reviewed and there is a mechanism to allow feedback on the strategy and vision to flow up the line.

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