

The Challenge for Leadership Thinking

“Moving leadership thinking from traditional budget driven, short-term thinking to total cost, long-term thinking has been one of the great challenges facing many sites.”

This year's CTPM Annual Forum was honoured with a multitude of guests, speakers and industry professionals from around the world, giving the **TPM & Lean / CI in Action Conference** a distinctly international feel. The seaside city of Wollongong turned on a beautiful day and the new Sage Hotel provided a luxurious, modern arena for the day's proceedings.

Taking the stage first was **CTPM President, Ross Kennedy**. Ross founded CTPM in 1996 after more than 20 years of manufacturing and operational experience covering maintenance, production, operations and executive roles along with 5 years of international consulting experience. Recognised as Australasia's leading authority on TPM & Lean, he is currently assisting sites throughout Australia, New Zealand, Indonesia and Thailand to strive for and achieve Operational Excellence.

Ross spoke about the need for moving **Leadership thinking from traditional Budget driven, Short Term thinking to Total Cost, Long Term thinking**. He emphasised that all Leaders at a site need to develop **Long-term Thinking** if the site wants to achieve and sustain Operational Excellence or World Class Performance. Unfortunately short-term thinking seems to be the order of the day at many sites where quick wins through work-arounds occupy the focus of many Leaders.

Ross explained that in Professor Jeffrey K. Liker's book *The Toyota Way*, he states that the first of Toyota's 14 Management Principles that have made them the greatest manufacturing company in the world is:

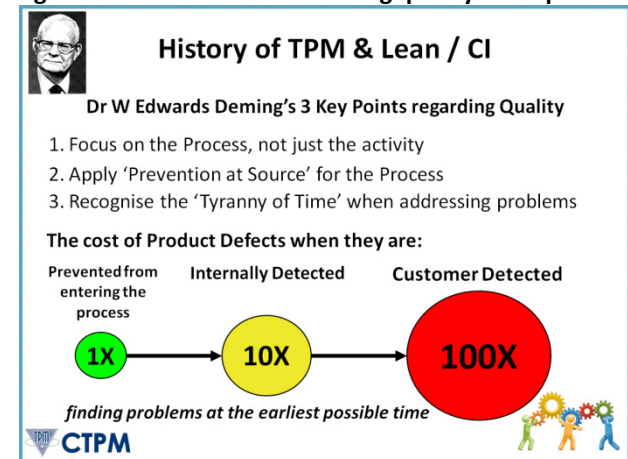
“Base your management decisions on long-term philosophy, even at the expense of short-term financial goals.”

Another issue raised was taking a Total Cost perspective on decisions rather than just looking at one aspect of cost. An example used was the focus

some sites have on production labour recovery rather than the Total Cost of Operations. By not allocating time to develop their Operators to identify safety, quality and equipment problems at the earliest possible time, they may be saving money in labour recovery however they could be suffering larger quality or maintenance costs.

Ross also referred to Dr. W. Edwards Deming's three key points regarding Quality that underpin TPM & Lean / CI and how all Leaders need to understand and practice these key points which are based on the need to identify and rectify problems at the earliest possible time rather than wait until the problems emerge at the end of the production line, or worse, from the customer.



Figure 1: Dr. W. Edwards Deming quality concept





Ross then went on to use a comparison framework of Mass Production versus Lean Production to reinforce the different Leadership Thinking required by all Leaders at a site highlighting that some organisations still have a Mass Production mindset as opposed to a Lean Production mindset.

The seven areas of the comparison framework as seen in Figure 2 were: *Focus, Technology, People, Cost Control, Quality, Management and Improvement*.

Figure 2: 7 Comparisons of Leadership Thinking

7 Comparisons of Leadership Thinking			
	Mass Production		Lean Production
Timing	Developed in 1913		Developed in 1970 
Location	USA		Japan
Who	Ford		Toyota
1. Focus	Output		Customers
2. Technology	Inter-changeability of Parts		Process Control
3. People	Specialisation of Labour		Team Flexibility
4. Cost Control	Dept Budgets		Total Cost
5. Quality	Control by End of Line Inspection <i>Don't Stop the Line</i>		Control by Process Responsibility <i>Stop the Line</i>
6. Management	Autocratic		Engagement
7. Improvement	Specialists		Everyone

1. Focus

Most sites recognise and practice that safety is always first – if it's unsafe, stop, however the question becomes what is the next priority. Is the focus Output or the Customer. Most customers want the best quality at the lowest cost with the shortest delivery backed up by good service. Too often we find the focus is all about getting their product out the door to meet monthly targets while ensuring costs are kept to the minimum rather than ensuring what is being delivered is to the correct quality and on time. Sadly, some sites limit their Focus to:

"Good-Fast-Cheap... pick any two but don't expect the third."

Figure 3: Customer Service alternatives

We offer three kinds of service

GOOD - CHEAP - FAST

You can pick any two

GOOD service CHEAP won't be FAST

GOOD service FAST won't be CHEAP

FAST service CHEAP won't be GOOD

2. Technology

Deming bought the technology of Statistical Process Control to manufacturing to allow problems to be identified at the earliest possible time through monitoring trends rather than absolute outcomes. Leadership is about **not** overreacting to natural variations, but rather keeping track of daily and hourly progress, and monitor trends as well as fluctuations.

3. People

Ross referred to the Specialisation of Labour versus Team Flexibility. Specialisation was focused on getting a *single* worker to do a *single* job very well. This concept worked very well in a Mass Production environment where only 1 product was being made, however in a more customer focused environment, where a range of products or outputs are required, we need flexibility within our workforce through flexible Area Based Teams of 4-8 people which includes a dedicated and properly trained Frontline Leader (a wages person who spends no more than 50% of their time working on the line).

Each team member can operate all workstations within their team's area of responsibility while having ownership so there is a high degree of care and understanding about the work area, equipment and quality requirements. The alternative is having workers move throughout the factory, gaining average experience throughout the entire plant, with little ownership or care of their workplace or outputs.

4. Cost Control

Do we make decisions based on the impact they will have on our department's budget or do we take the bigger picture view of what will this do to the total cost of the site or business. A common example is where Maintenance decides to cut back their activities to ensure their Budget goals are achieved, however Production suffer disruption through poor plant performance resulting in an increase to their budget costs.

5. Quality

We often see two rationales when dealing with Quality Control. That is, control by inspection or control by worker responsibility. Occasionally, sites and their workers are faced with a quality decision of whether or not to stop the line. If the line is not stopped and the quality issue is not dealt with immediately, the problem is then pushed down the line for other operators or departments to deal with. A *Zero Defects Accepted* concept allows the quality problems to be exposed and resolved at the earliest possible time rather than worked around at a later stage.

6. Management

As Leaders, should we tell our people what to do to improve, or should we engage our people through emotive questioning so they come up with the improvement ideas that they will have

ownership to and ensure work. A culture change is required for a mentality that will encourage workers to be responsible and accountable for workplace improvements. We need to recognise that it is often the workers who can find problems at the *Earliest Possible Time*, and if they are engaged and supported, they will be able to do something about them while they are easy and cheap to fix resulting in better output and performance.

7. Improvement

Do we allocate Continuous Improvement to a small group of specialists or do we take on board Toyota's learning and unleash the potential of everyone on site by allocating say 5-10% of everyone's normal work time each week to strategically driven on-going Continuous Improvement activities. Obviously this approach needs to be progressively cascaded across a site rather than getting everyone involved all at once, and requires capable Leadership at all levels that is passionate about developing their people.

In conclusion, if you are striving for Operational Excellence, it is essential you develop your leadership thinking and capability in all of the above seven areas across all Leadership levels preferably starting at the top and working right through to your Frontline leaders.

With plenty to think about, Ross left us with one final word;

“Education alone is not enough. There needs to be a structured developed plan to allow Leadership at all levels to experience the benefits and means to achieve the required new thinking for an Operational Excellence workplace.”

For further information please contact:



Chris Polzot

Sales and Marketing Co-ordinator

Head Office: +61 2 4226 6184

Website: www.ctpm.org.au