

A Simple Way to Generate Competitive Advantage

through Continuous Process Improvement

a presentation for



September 30, 2005

2003 Quote from a Major Manufacturing Company

We at _____ believe that the most important part of our manufacturing process is the ideas that come from our workers. Just imagine, in 2002, we got over 2 million process improvement ideas. Even though some may have been small ideas, add them all up and you can see the dynamics.

Millions and millions of dollars are being saved each and every year by tapping into the ingenuity and motivation for process improvement that exists within every one of our employees.

Toyota's Performance

- **Despite gains in the three domestic auto makers, Toyota showed the most improved productivity in 2004 in a closely watched study of efficiency of auto manufacturers in NAM.**
- **Toyota's productivity rose 5.5% to pass the former leader, Nissan. Nissan fell to second, Honda ranked third followed by GM, Daimler-Chrysler and Ford.**
- **This gives Toyota a \$350-\$500 per car advantage over domestic auto makers.**
- **In pure size, Toyota blew past the competition in the third quarter of 2003, overtaking Ford, to assume the #2 position among the world's auto makers.**
- **Toyota's revenue in 2003 was \$132B versus GM at \$184B. But Toyota's profits dwarfed GM - earning \$13.6B compared to GM's \$2.8B.**

The Punch Line

“The Toyota Production System is the heart of everything we do.

Based on the concept of continuous process improvement, every Toyota team member is empowered with the ability to improve their work environment.

This includes everything from quality and safety to the environment and productivity.

Improvements and suggestions by team members are the cornerstone of Toyota’s success.”

...Toyota Management

The Key Question...

Why isn't every company taking team-based process improvement as seriously as Toyota?

There is proof that it works - fully supported by hard data on Toyota's outstanding performance empowering all 91,150 employees worldwide.

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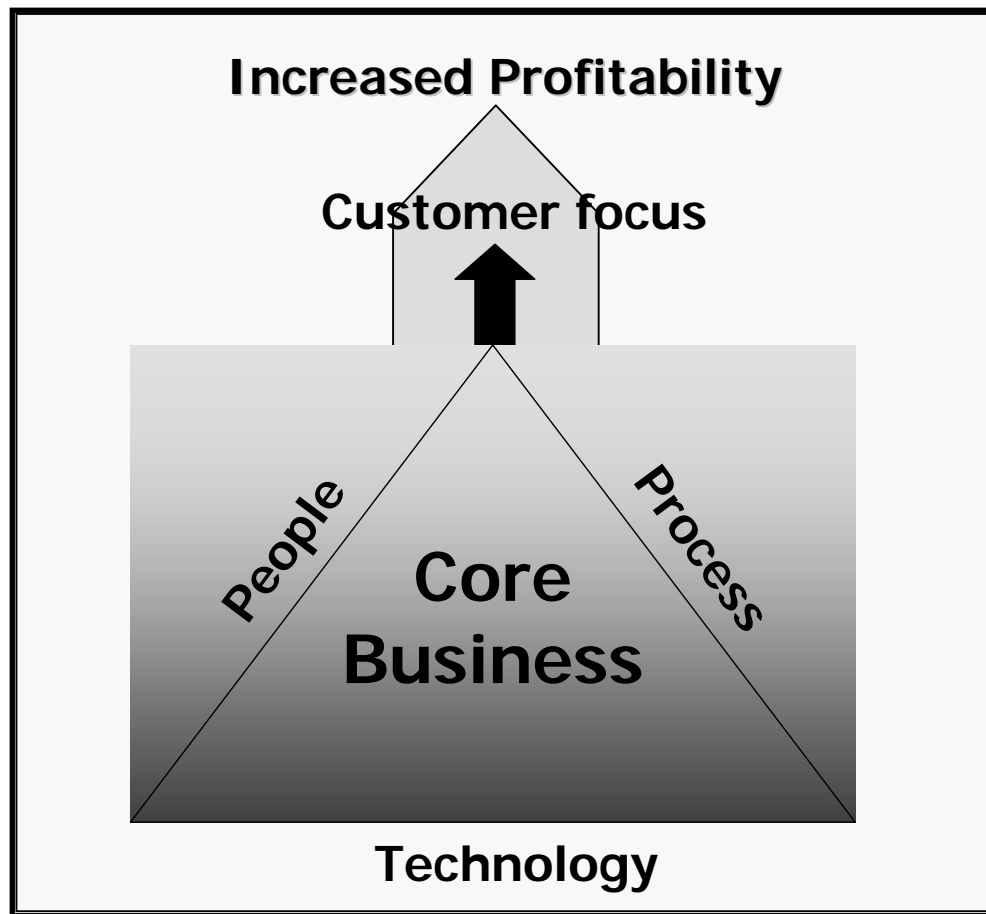
*" Making the simple complicated is
commonplace.*

*Making the complicated simple is the
key to success."*

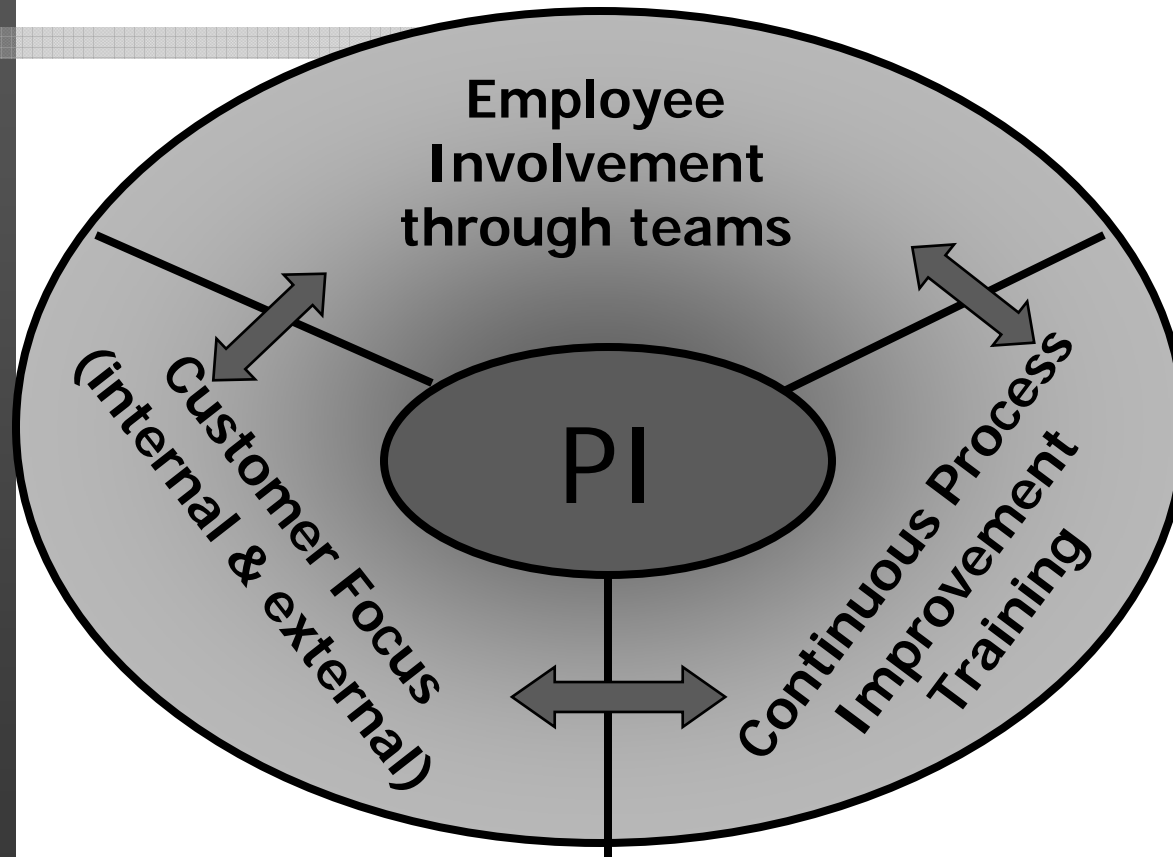
Key Facts/Beliefs for Successful PI Implementation

- Fact 1:** People inherently want to improve their processes to be the best – although they don't always know how.
- Fact 2:** Employees must understand the needs of their immediate customer(s) (internal or external) – in order to focus on the proper improvement opportunity.
- Fact 3:** The employees run your company since they control all the processes that are your company.
- Fact 4:** Teams always perform better than individuals on tough problems.

3 Key Elements for Business Success



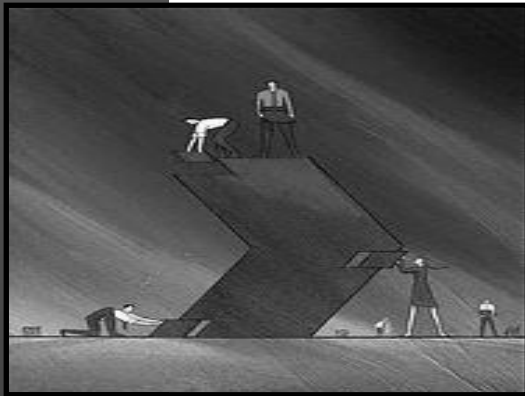
Process Improvement



Process Improvement is not a program or a thing.

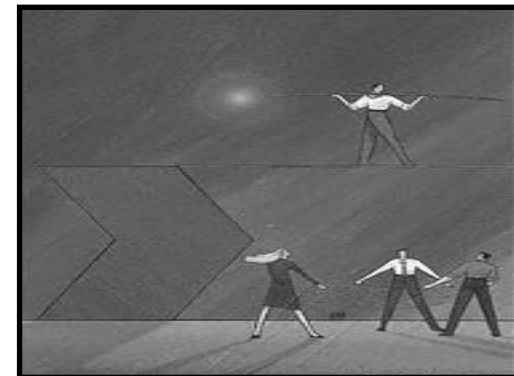
It's a management philosophy/culture. *(A way of doing business)*

Definition of Team-Based Process Improvement



The continuous endeavor to satisfy customer expectations and reduce costs by improving processes via the reduction of variation, complexity and cycle time.

This is done in a team-based environment promoting empowerment and ownership by all involved.



Types of Teams in PI Implementation



Natural Work Teams (NWTs)

- **Already exist in the organizational structure - comprised of the supervisor and direct reports**
- **NWTs are permanent and represent a team approach to managing the business at all levels**
- **Their main task is to determine what processes they “own” or have total responsibility for and how to improve them**

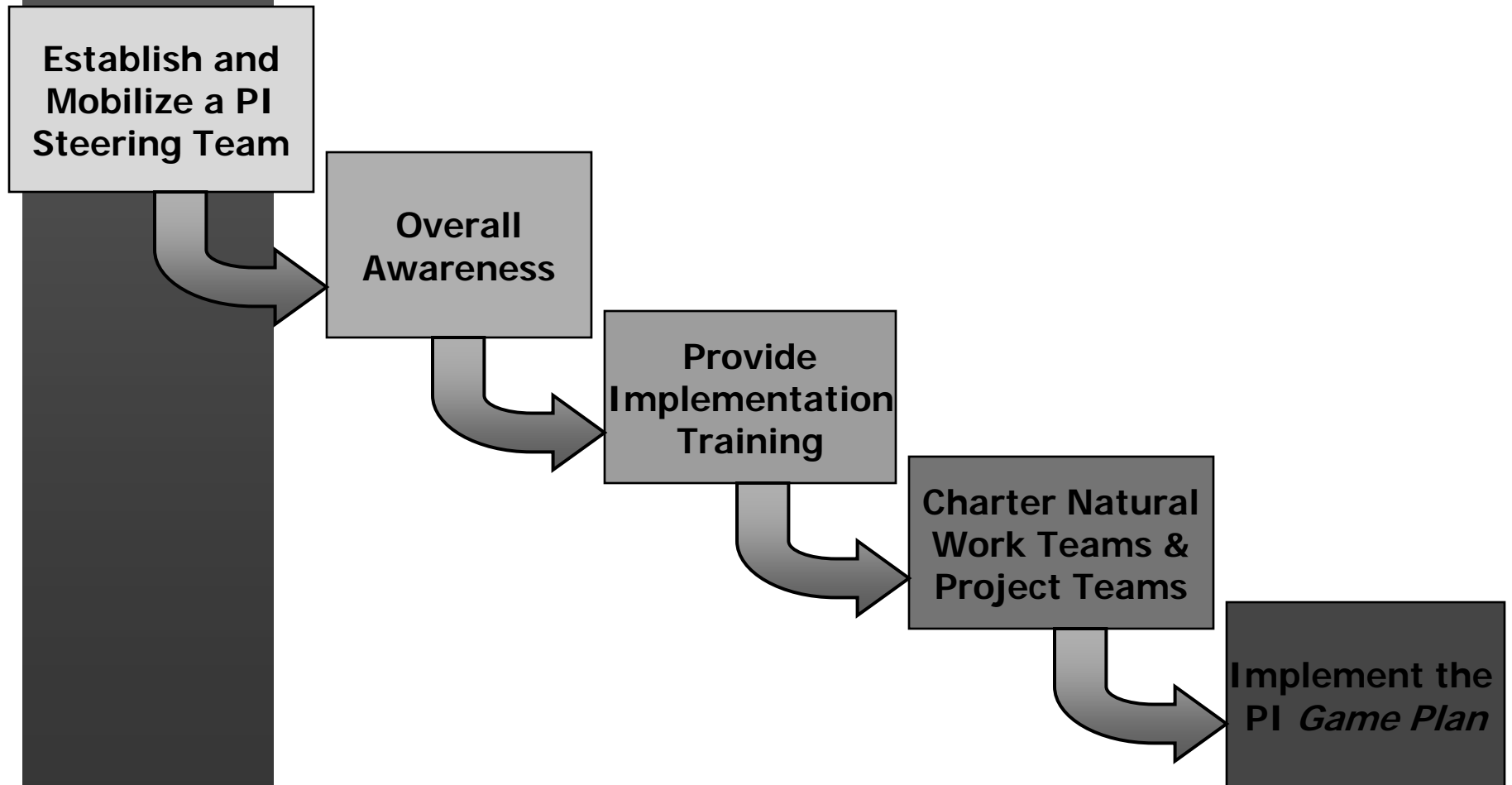
Types of Teams in PI Implementation



Project Teams

- Formed by NWTs to improve a specific process or solve a problem
- Project teams are comprised of subject matter experts that temporarily come together for a particular project then disband when complete.

Process Improvement Implementation Road Map



Sample PI Project Results

- **Reduced machinery downtime by over 75%**
- **Reduced cycle time by 20% on key product lines**
- **Increased inventory turns by 37%**
- **Reduced mean time to invoice by over 66%**
- **Reduced top causes for rework by 45%**
- **Safety team citations reduced from 38 to 0**
- **Reduced inventory by 13% without affecting customer requirements**
- **Waste management savings drove an additional 4% to bottom line annually**
- **Annual increase in profitability of 10% (\$10M) resulting directly from PI efforts**

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P SQUARED MANAGEMENT CONSULTING

Maximizing the Synergy of People and Process Improvement