

# Out of Another #\$\$&\*% Crisis

A Joint Presentation by  
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# How Long for Transformation?

*“It might be obvious to anyone, on reflection of the obstacles that we have seen, that a long thorny road lies ahead in American industry - 10 to 30 years – before we can settle down to an acknowledged competitive position.”*

*Dr. Deming, Out of the Crisis, 1982*

*Where do we stand today?*

# How Long for Transformation?

*“Americans need Deming more today than the Japanese did in the 50’s.”*

Clare-Crawford Mason

January 2009

Producer of “If Japan Can, Why Can’t We?”, 1980

# The Top 10 Least Adhered Points of Dr. Deming's 14 Points

## 10. 6. Institute Training on the Job

*“The greatest waste in America is failure to use the abilities of people.”*

*Dr. W. Edwards Deming, Out of the Crisis, p. 53*

# The Top 10 Least Adhered Points of Dr. Deming's 14 Points

## 10. 6. Institute Training on the Job

- We now consider this to be 8<sup>th</sup> Waste in Lean speak
- One of the two pillars in the Toyota Production System is:
  - Respect and Involvement of People
  - How many American “lean” companies really address?
- On the Job Training – watch and learn someone else
- Six Sigma focuses on training Belts, not all people
- ISO addresses competency, but only barely
- TWI, the Roots of Lean, addresses very well – limited use

# The Top 10 Least Adhered Points of Dr. Deming's 14 Points

9. 11. Eliminate work standards (quotas) on the factory floor. Eliminate management by objectives, numbers, and numerical goals. Substitute leadership.

Still too much focus on outcome, not process, in American management

Management by Objective exist everywhere – keeps managers in their offices/conference rooms

Engineers have quotas for designs to be completed. Sales have quotas for sales calls.

Defects “created by operators” count against them in performance reviews

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9. 11. Eliminate work standards (quotas) on the factory floor. Eliminate management by objectives, numbers, and numerical goals. Substitute leadership.

Companies track % on-time completion rates of CAPAs

Companies track number of Black Belts trained and number of Six Sigma projects completed (i.e. 800 Black Belts in one company)

Zero defects before & now 3.4 DPMO (how to achieve: open specs, open definition of opportunity)

Lean Culture and Gemba walks try to place the focus on process more than outcome

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8. 12. Remove barriers that rob the people (hourly worker, management, engineering) worker of their right to pride of workmanship. Abolish the annual rating.

Lean attempts to do this – TPM, 5S, respect for people

However, supervisors still evaluated on getting out as much production as possible – *end of month and year push.*

Purchasing told to buy from China, India, no matter what

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8. 12. Remove barriers that rob the people (hourly worker, management, engineering) worker of their right to pride of workmanship. *Abolish the annual rating.*

Merit ratings still exist in most companies

Long term planning and teamwork is still being hurt; radical thinking is not allowed

The Short Term rules – relaxed lending standards – economic mess

Performance Evaluations done once a year in batches, everyday leadership is lacking

Grades – Pay for Grades – Pay for Play – the present & future of America

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7. 8. Drive out fear, so everyone can work more effectively within the company.

ISO Audits

Six Sigma and/or Lean Projects (\$ saved)

Reduction of customer complaints

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- 6. 5. Improve constantly and forever the system of production and service, to improve quality and productivity, and thus constantly decrease cost.

Many Lean programs championed by Production people who use Lean to do what they've always done – increase numbers

Lack of understanding of Deming cycle – improve quality first, then production number go up and costs go down

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- 6. 5. Improve constantly and forever the system of production and service, to improve quality and productivity, and thus constantly decrease cost.

Americans still try to meet specifications – Six Sigma fuels this

Little focus on eliminating variation. Little understanding of variation.

Housing Prices – unnatural escalation - special cause never corrected

Americans like heroes – fire fighters

We hire problem solvers – not problem preventers

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- 6. 5. Improve constantly and forever the system of production and service, to improve quality and productivity, and thus constantly decrease costs.

Six Sigma projects end at Control (DMAIC).

PDCA never ends

ISO 9001 references PDCA, but then promotes Continual Improvement, not Continuous Improvement.

Kaizen means “continuous improvement”

# Continuous –vs- Continual (Improvement)

They Should Not be Used Interchangeably!

There is a difference,

and both are important!

# Continuous –vs- Continual (Improvement)

- Continuous means extending uninterruptedly in time (i.e. a continuous procession of cars)
- It is more synonymous with the term - Single Piece Flow – as opposed to doing things in Batches
- Continuous Improvement involves the little improvements that take place every day, by many people, throughout the company

# Continuous –vs- Continual (Improvement)

- Continual implies recurrence at regular or frequent intervals (i.e. Dancing requires continual practice)
- It is more synonymous with Batch Processing
- It is more project oriented
  - Six Sigma Projects
  - Kaizen Events
  - Corrective/Preventive Actions

# Continuous –vs- Continual (Improvement)

- Both are of value
- The challenge for a company is to evolve itself into an organization that is involved in *continuous* improvement, with many people involved on a day to day basis
- This is where true benefits are achieved
- A culture allowing for continuous improvement is absolutely necessary

# The Top 10 Least Adhered Points of Dr. Deming's 14 Points

5. 9. Break down barriers between departments.  
People in research, design, sales, and production must work as a team, to foresee problems in production and in use.

ISO and Lean encourages us to do this.

We do not: We are still organized by departments with departmental goals

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5. 9. Break down barriers between departments. People in research, design, sales, and production must work as a team, to foresee problems in production and in use.

We also have new departments: Lean and Six Sigma departments to further isolate improvement processes

Many lean/six sigma projects do not improve the system – they just sub-optimize an existing area

Root Cause Analysis continues to suffer

# The Top 10 Least Adhered Points of Dr. Deming's 14 Points

4. 4. End the practice of awarding business on the basis of price tag. Instead minimize total cost. Move toward a single supplier for any one item, on a long-term relationship of loyalty and trust.

Done today more than ever before.

Well documented quality problems and many more not documented

Offshoring all of our manufacturing capability

What costs play into total costs that are oftentimes not evaluated?

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4. End the practice of awarding business on the basis of price tag.

*"Outsourcing is not Lean Manufacturing. It is Quitting."*

Bill Waddell, Norm Bodek

*"If you are going to China solely to reduce costs you probably don't understand your problems"*

Honda Executive to a US Golf Manufacturer

# The Top 10 Least Adhered Points of Dr. Deming's 14 Points

4. 4. End the practice of awarding business on the basis of price tag.

*“Be flexible in style, but unwavering, like a rock, in principles.”*

*Thomas Jefferson*

Those who pursue Lean and Offshoring are being flexible in the Principle of constant focus on the elimination of waste.

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4. 4. End the practice of awarding business on the basis of price tag.

The Eight Wastes – which ones occur when offshoring?

- Defects
- Overproduction
- Waiting
- Not Using Employees' Minds/Skills
- Transportation
- Inventory
- Motion
- Excess Processing

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3. 7. Institute Leadership. The aim of supervision should be to help people and machines and gadgets to do a better job.

Out of college, I was recruited by a manufacturing company to be a floor supervisor

The degree (as well as the Belt and the Certificate) is of most importance today

What does this say about knowledge?

What does this say about leadership?

What does this do to the morale of the workers?

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3. 7. Institute Leadership.

“What part of Certification do you not understand?”

3.4 DPM has replaced Zero Defects

Certification, Belts  $\neq$  Competent

Certification, Belts  $\neq$  Having knowledge

Certification, Belts  $\neq$  Being a Leader

# The Top 10 Least Adhered Points of Dr. Deming's 14 Points

## 3.7. Institute leadership.

A Leader ....

- 1) Treats everyone with respect and dignity
- 2) Sets the example for others to follow
- 3) Is an active coach
- 4) Maintains the highest standard of honesty and integrity
- 5) Insists on excellence in effort and holds people accountable
- 6) Builds group cohesiveness and pride
- 7) Shows confidence in people
- 8) Maintains a strong sense of urgency
- 9) Is available and visible to the staff
- 10) Develops self to the highest potential
- 11) Understands the three sources of power and uses them appropriately

# The Top 10 Least Adhered Points of Dr. Deming's 14 Points

## 3.7 Institute Leadership

*11) Understands his three sources of power and uses them appropriately:*

- a) Authority of office
- b) Knowledge
- c) Personality and persuasive power; tact

- Develops "b" and "c"; he does not rely on "a"
- Uses "a" to improve the process and reduce variation in output

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## 3.7 Institute Leadership

### Leadership Preventers:

Micro-management, fed by short-term objectives

Micro-management is the opposite of leadership

Ego-centric managers, lacking humility

Short-term Greed

Lack of leadership discipline

Not involved in process

Focus on results, not the process

# The Top 10 Least Adhered Points of Dr. Deming's 14 Points

## 3.7 Institute Leadership

### Leadership Promoters:

Only in Lean (not ISO or Six Sigma), when and if practiced:

Mentoring relationship as a result of proper Gemba walks, in accordance with Leader Standard Work

Mentoring relationship that develops as a result of doing proper A3's

Visual management

Training Within Industry (TWI)

Job Instructions, Job Methods, Job Relations

Established Principles of "Respect for the People"

No annual performance reviews – daily leadership

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2. 14. Put everybody in the company to work to accomplish the transformation. The transformation is everybody's job.

ISO is Quality's job.

Lean is the Lean experts job. Kaizen events are conducted by the resident Kaizen Team Leader.

Six Sigma projects are performed by black belts.  
It is an elitist system.

# The Top 10 Least Adhered Points of Dr. Deming's 14 Points

- 1.1. Create constancy of purpose toward improvement of product or service, with the aim to become competitive and to stay in business, and to provide jobs.

What would most American CEOs say is the purpose of their company?

Make money for the shareholders  
Meet quarterly numbers

These are far more important than creating jobs, improving products and services, and innovating for the long-term, or staying in business.....

# The Top 10 Least Adhered Points of Dr. Deming's 14 Points

1.1. Create constancy of purpose toward improvement of product or service, with the aim to become competitive and to stay in business, and to provide jobs.

The evidence of not doing this is the collapse of our economy due to:

Fannie Mae, Freddie Mac, investment banks, and insurance companies falsely increasing housing demand by manipulating the financial system, through

cheap credit,  
relaxed lending standards,  
fanciful mechanisms to spread lender risk.

Why?

Greed  
Short-term profits

# The Top 10 Least Adhered Points of Dr. Deming's 14 Points

The evidence of not doing this is the collapse of our automotive industry:

*“The essential problem (in the US automotive business) is management thinking. Competitors have continually improved their ability to design, build and bring to market more rapidly better-quality, better-selling vehicles. Most telling, Toyota and Honda already have a seven-year lead in development of hybrid vehicles and may be expected to maintain their technological edge.”*

Clare-Crawford-Mason, 11/2008

Meanwhile, Detroit focused on building large SUVs, trucks, and Hummers because of the lure of short-term profits.

As worldwide “Oil Peak”, most believe, was surpassed in 2005

# The Top 10 Least Adhered Points of Dr. Deming's 14 Points

The evidence of not doing this is the collapse of our automotive industry and:

The financial bailout, using our money, of the automotive industry.

The collapse of several brands, including Saturn, the answer to the last time America responded to short-term thinking.

The overwhelming desire to off-shore (for all industries), rather than work on bad internal processes, and provide jobs to our communities

... and the fact that Honda and Toyota in the US buy from suppliers located near them, in the US

# The Top 10 Least Adhered Points of Dr. Deming's 14 Points

- 1.1. Create constancy of purpose toward improvement of product or service, with the aim to become competitive and to stay in business, and to provide jobs.

*"Now more than ever, we need to remember Deming's teachings: simply put, quality first and follow through with the honest practice of developing quality products and quality people,"*

Shoichiro Toyoda  
Chairman and former President of Toyota

# American CEO Assessment

Since CEOs are those who have excelled within an organization and usually enjoy performance appraisals, here is your grade:

F-

How do you feel?

You should be happy. We are rewarding your failure with money. You can still throw lavish parties as you lay off employees

Is this unfair? Should we blame the system?

# American CEO Assessment

In fairness, CEOs are victims of a system that is broken ....

Many CEOs are now being prosecuted (in the spirit of blaming someone).

*“The job of the prosecutors is not to ferret out the root causes of what went wrong with the economy. That’s a task for historians. The prosecutor’s are to look for unambiguous, intentional wrongdoing”*

*Fortune Magazine, September 19, 2008, Sending Wall Street to Jail*

In the present, no one is searching for root causes. The solutions (money, new laws) are only band-aids. The band-aids will not cure our deeply flawed system issues.

# American CEO Assessment

*“If we believe the (Bear Stearns internal report is) ANYWHERE CLOSE to accurate, I think we should close the funds now ... If (the report) is correct, then the entire sub-prime market is toast.”*

*Matt Tannin, Bear Stearns Hedge Fund Manager, internal email 4/22/07*

*“So from a structural point of view, from an asset point of view, from a surveillance point of view, we’re very comfortable with exactly where we are.”*

*Matt Tannin, told investors, 4/25/07*

# American CEO Assessment

CEO after CEO feels the same need to lie, or bend the truth. But why .....

*“The reality is, you’ve put your finger on one of the most difficult situations that will come up in counseling executives of corporations. You can’t lie. You’re trapped between serving the best interests of shareholders and the legal requirement not to lie. You need to thread the needle.”*

*Anonymous lawyer who advises corporations*

# American CEO Assessment

- The system encourages CEOs to lie. We would be prone to the same problem, working within that system.
- The system of encouraging people to lie must be changed. Wall Street hurts itself. This is where root cause analysis must be focused.
- It's no different than a system that encourages students to cheat, teachers to cheat, people to lie on resumes, and employees to play the game and not improve the company in order to earn rewards.

We Must Return to the Principles of  
Dr. W. Edwards Deming!!

We Must Educate CEOs and Government  
Officials

Please, help me do this!!

***“Be flexible in style, but unwavering,  
like a rock, in principles.”***

***Thomas Jefferson***

***“Principles 1<sup>st</sup>, Culture 2<sup>nd</sup>, Tools 3<sup>rd</sup>”***

***Mike Micklewright***

***“Tools are fleeting, principles are forever”***

***Mike Micklewright***

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