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Changing The Culture

Agenda

- Why Change?
- What Will Change?
- How To Manage Change?
- How To Sustain Change?

Why Change?

To achieve the vision of growth in a competitive environment

- To gain industry leadership and provide meaningful job security to employees
- To attract and retain the best people by providing personal growth opportunities

What Will Change?

- Management Systems

- From standard cost to direct product costing
- From scheduling / MRP “push” to “pull”
- Supplier relationships
- Performance measures

- Management Policies

- Financially-driven and operationally-driven
- From individual to group incentives
- Capital investment decisions
- Valuing people instead of assets

What Will Change?

- Performance Measurement
 - Traditional measures (financial orientation)
 - Financial analysis
 - Financial accounting
 - Labor efficiency
 - Equipment utilization
 - Individual / departmental performance
 - New measures (quality-cost-customer orientation)
 - Customer satisfaction index
 - External quality (customer returns & warranty costs)
 - Internal quality (scrap & rework)
 - Cost (value added per employee)
 - Delivery (performance to schedule)
 - Lead time (inventory turnover)

What Will Change?

- Employee Relations

- From autocratic to team-based

- Responsibility / accountability

- Job security

- Organizational Structure

- From functional to product-line-focused

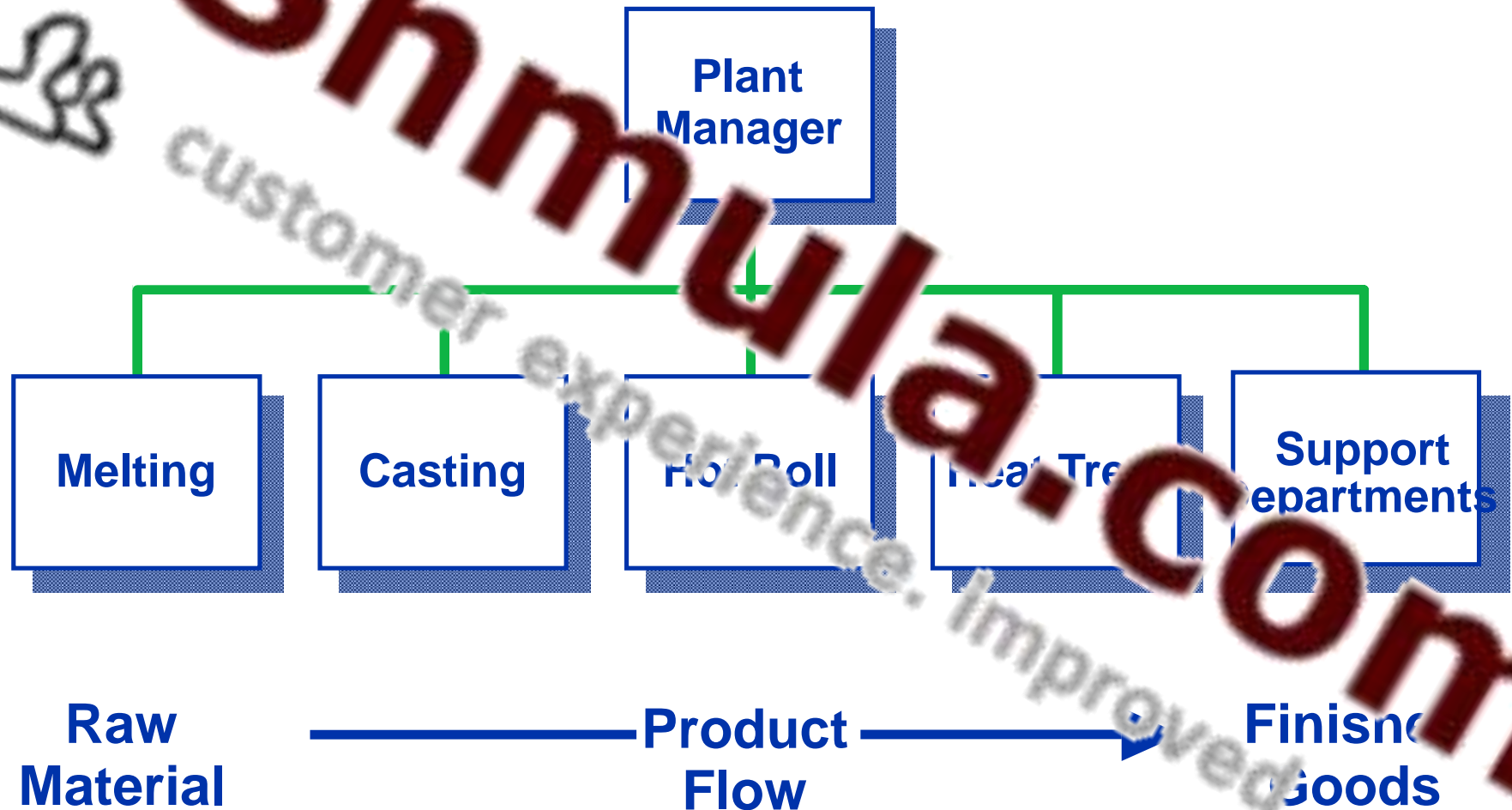
- Minimum job classifications

- Multi-skilling for flexibility

- Customer responsiveness

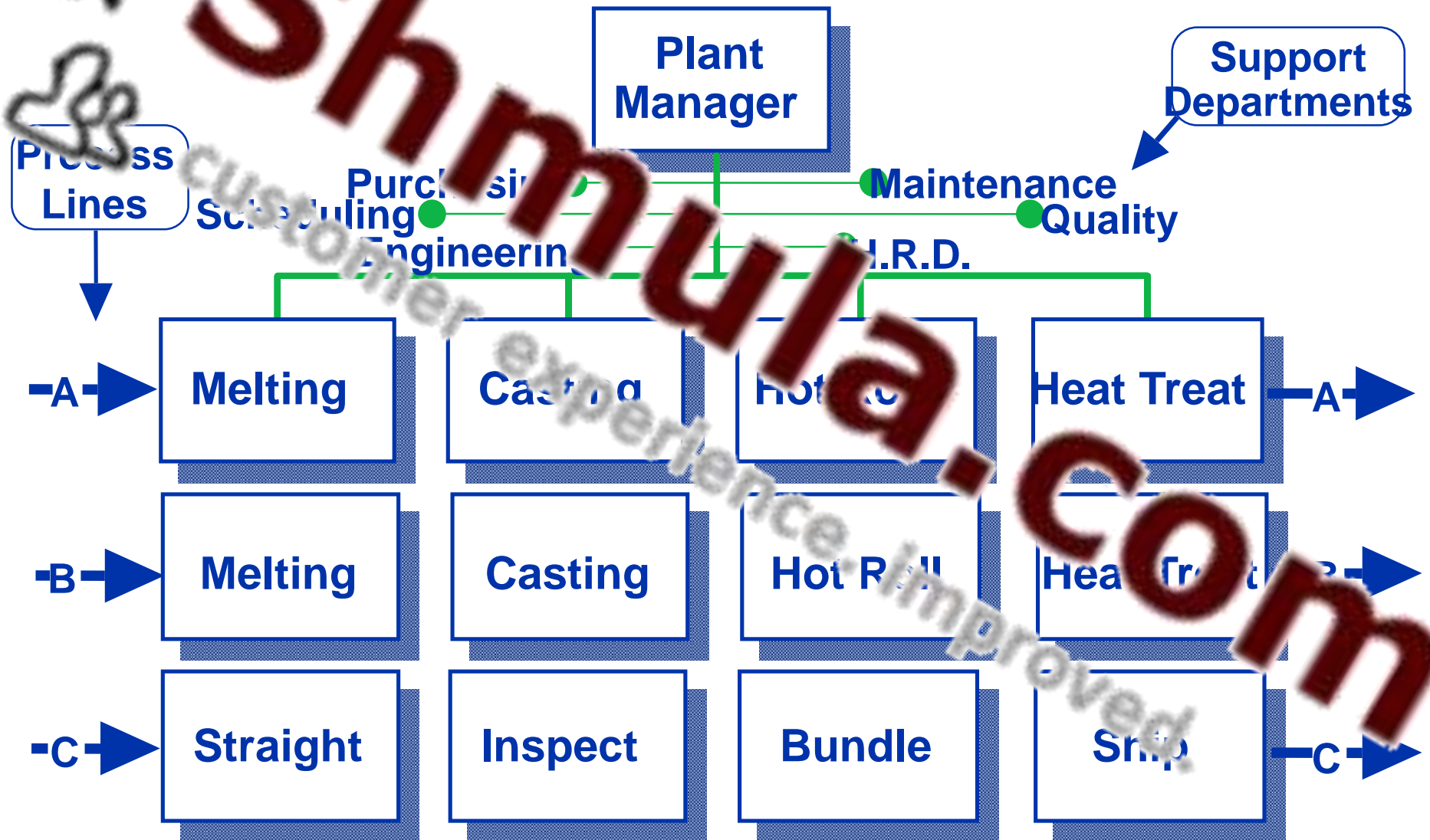
What Will Change?

Before Reorganization



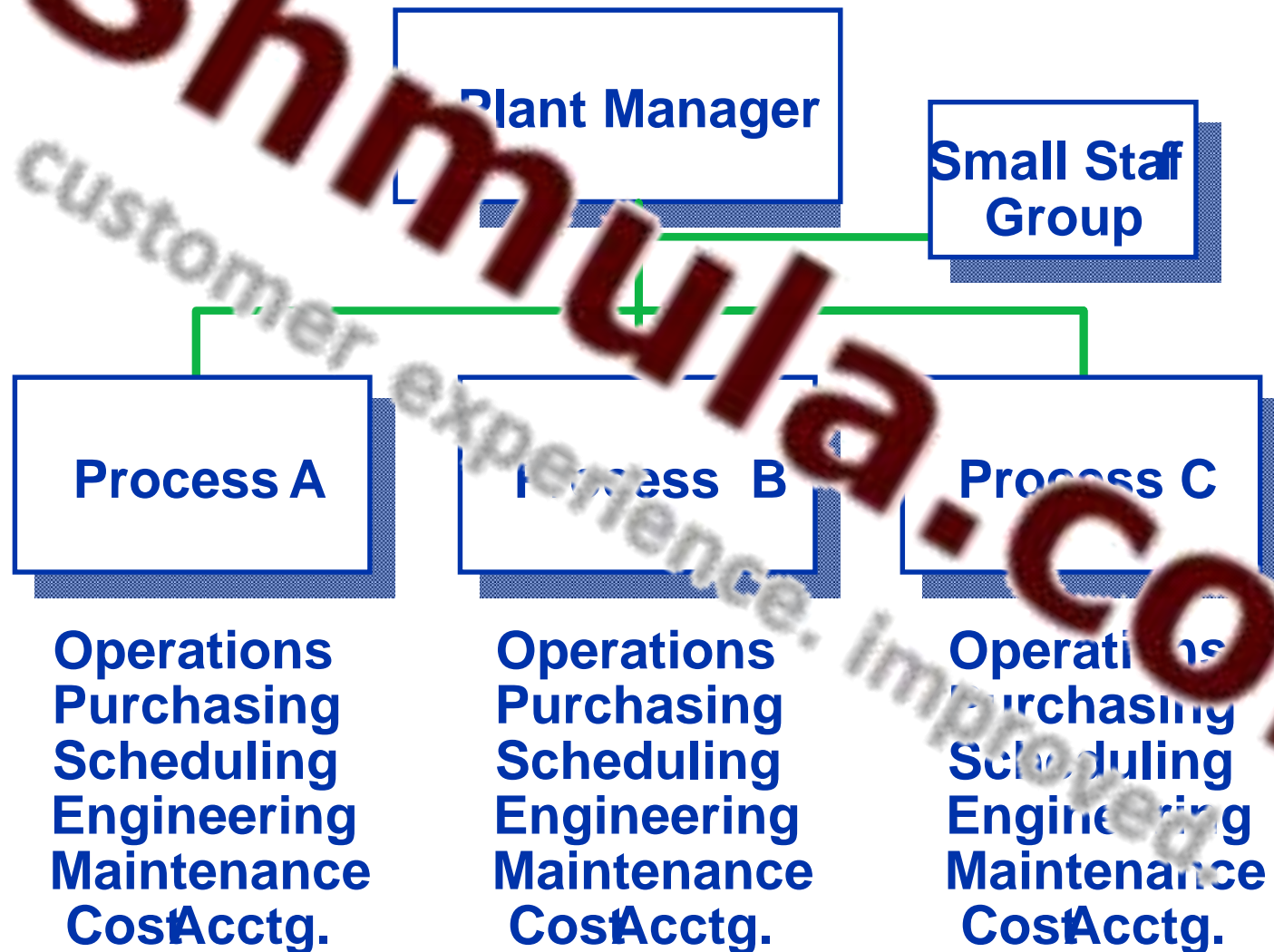
What Will Change?

In Transition



What Will Change?

After Reorganization - Product-Focused Teams



How to Manage Change?

- Establish the Need To Change
 - Communicate the competitive environment
 - Establish aggressive objectives to obtain competitive advantage
 - Create a crisis (if necessary) to instill a sense of urgency

How to Manage Change?

• Job Security & Redeployment

–Kaizen Impacts:

- Kaizen will improve productivity, requiring fewer workers to do the same work
- Kaizen is an employee involvement process requiring full creative participation
- The process will fail if people are laid off after participating

–Implications:

- Give employment security assurances in case of layoffs
- View workers who become available as an opportunity
- Plan for the job security issue up front

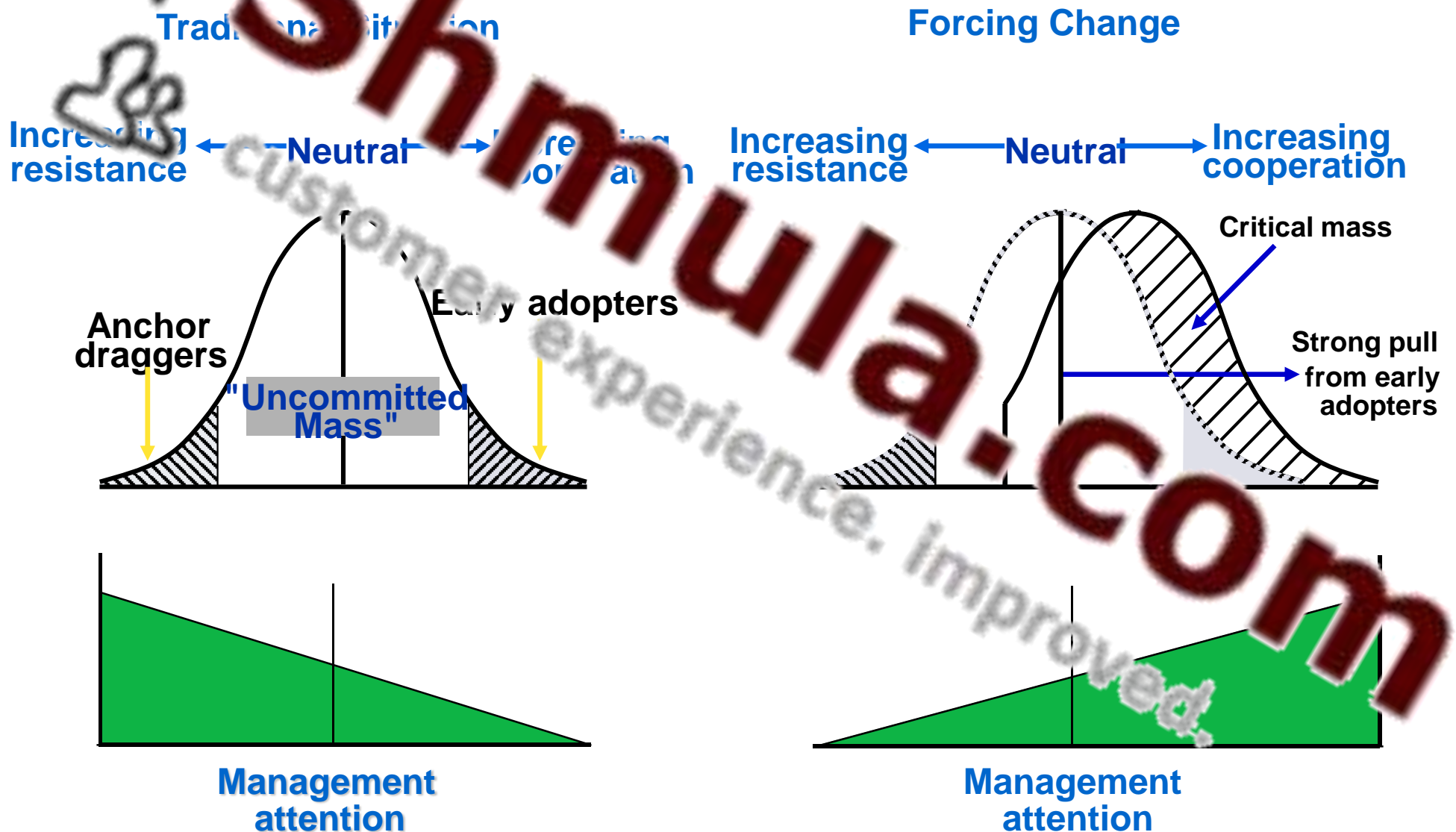
How to Manage Change?

• Work Force Relations

- Involve shop floor associates early & often
 - Publicize Kaizen seminar participation
 - Communicate business objectives
 - Job security (joint development)
 - Initial Kaizen Breakthrough participation
- Form joint committee to communicate kaizen results and handle issues
- Address contractual constraints through side agreements
 - Job classifications & pay grades
 - Work rules
 - Job reassignments

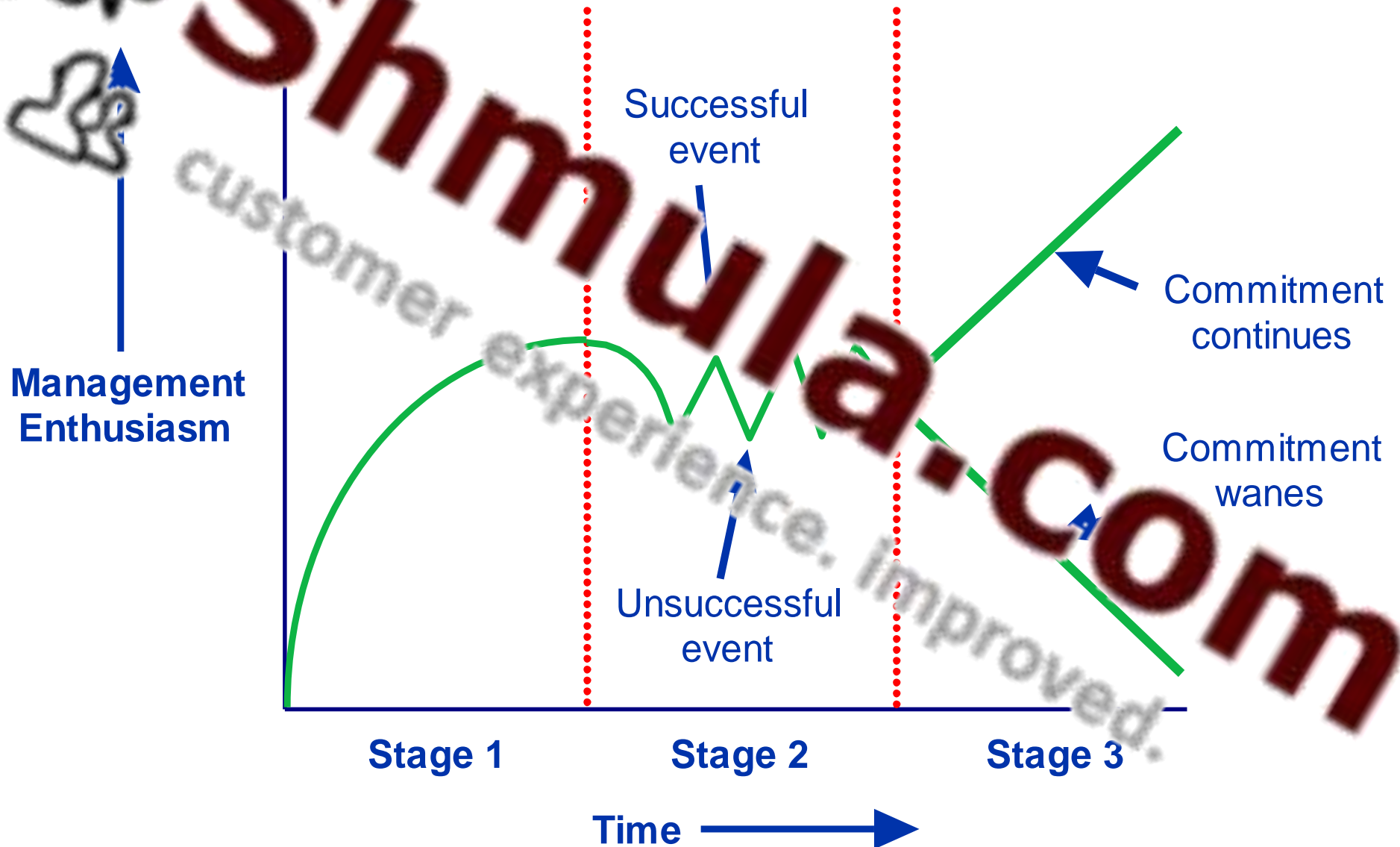
How to Manage Change?

Managing Resistance



How to Manage Change?

Impact of Management Enthusiasm



How to Sustain Change?

Sustain leadership vision and commitment

- Establish a Kaizen Promotion Office
- Develop supervisor skills
- Visual control and management (SQDC)

How to Sustain Change?

Leadership Commitment

Activities/Month	1	2	3	4	5	6	7	8	9	10	11	12
Shojo or Kaizen Festival (2 weeks)												
Kaizen Consulting (1 week)												
Senior Management Leadership Training (3 days)												
Planning & Review (2 days)												
Kaizen Promotion Office Training (4 days)												
External training and networking												
Managing Daily Improvement (1 week)												

How to Sustain Change?

Minimum Senior Leadership Time Commitment Per Year

Kaizen Team (Member) 10 Days

Kaizen Team (Sponsor Role) 20 Days

Senior Leadership 12 Day

Planning & Review 4 Days

External Training 6 Days

50+ Days Per Year

25% Plus of Your Time

How to Sustain Change?

Senior Leadership's Role During Kaizen Events

- Event Kick-off – Opening Comments (Monday)
 - Vision and direction
- Team Leader Meetings (Tuesday and Wednesday)
 - Team scope and progress
 - Issue resolution
 - Support needed

How to Sustain Change?

Senior Leadership's Role During Kaizen Events (Continued)

- Process Walk through (Thursday)
 - Visual control and management
 - Skill specific requirements
 - Transition status (loss training, backlogs)
 - Potential 30 day follow ups
 - Clear tie to financials
- Event Report Out (Friday)
 - Acknowledge accomplishments
 - Impact on overall business (\$)
 - Summarize tie to vision and direction
 - Challenges

How to Sustain Change?

Senior Leadership's *Role During Planning & Review Sessions*

- Review previous 6 months' activity
- Assess actual performance vs. improvement targets
- Identify key sustaining opportunities
- Review current business objectives
- Establish go-forward targets and value chain
- Develop go-forward activity plan
- Identify key personnel development needs
- Modify resource requirements to match go-forward plan

How to Sustain Change?

Senior Leadership's Role During an SML

- Overview of current business conditions
- Summary of progress versus plan
- Resource re-allocation
- Project prioritization

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Pete Abilla at shmula@shmula.com

or at 801-400-3895

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