

# MANUFACTURERS' DIGEST

The Quarterly Guide  
to Lean Manufacturing  
SPRING 1998

## LEAN MANUFACTURING & THE BOTTOM LINE *an interview with Capitol Resource Partners*

### LINE-UP FOR THE UNIVERSITY OF KENTUCKY'S INTERNATIONAL LEAN MANUFACTURING CONFERENCE ANNOUNCED

The University of Kentucky's Center for Robotics and Manufacturing Systems (CRMS) has announced that 1998's Lean Manufacturing conference will be centered on the theme of "the implementation journey." The three-day event (May 20-22) will include tours of the Johnson Controls and Toyota Motor Manufacturing plants in Lexington, KY as well as presentations by Lean Manufacturing experts and CRMS professors. *Manufacturers' Digest* contributor, Russ Scaffede (VP for Manufacturing, the Donnelly Corporation) will deliver the keynote presentation and kick-off a presentation of 6 Lean Manufacturing implementation journeys taken from industry case studies. Other Lean Manufacturing experts presenting at the event include representatives from RWD Technologies, Lockheed Martin, Lantech Corporation and Jasco Tools. For more information on the second annual International Lean Manufacturing Conference, please contact Patricia Hammond at 606-257-4295.

As a private investment firm, Capital Resource Partners is in the business of making its companies more profitable. A few years ago, executives from the Boston-based firm were invited to tour Dana's Jake Brake division plant in Connecticut and witness first-hand the benefits of Lean Manufacturing. While the shop floor operational advantages were obvious, the financial opportunities were truly impressive.

Shortly after its visit, the firm signed Art Byrne, CEO of the Wiremold

Company, to its advisory board and began the process of converting its batch-flow companies to Lean Manufacturing facilities. To date, Capital Resource Partners has introduced Lean Manufacturing in approximately eight of its portfolio companies and even now uses Lean as a way of measuring the potential pay-off of its potential acquisitions. *Manufacturer's Digest* recently sat down with Capital Resource Partners' Bob Amerman and Steve Jenks to discuss the bottom-line benefits of Lean Manufacturing.

*What is it about Lean Manufacturing that impresses you?*

**Bob Amerman:** We are driven towards creating economic value in the companies we invest in. That is the paramount goal. Lean Manufacturing is one of the most productive methods for a variety of reasons: reducing lead times, reducing inventory levels, improving quality—all it all can be measured economically. The savings, the opportunities, the advantages, they're not hard to find, they're not hidden and they're not small.

Also as an outgrowth, we've seen that companies work better. They work smarter. The employees tend to feel more productive and like their jobs better. Overall it promotes a healthier environment and it's easier to get things done. And in the end, the value of the company is higher than when you started.

**Steve Jenks:** In the first instance, the only thing you have control over is what it costs to make something. You don't get to set the price. You don't get to make somebody buy your product. So if you want to effect the profitability of your business, the only thing you have absolute control over is how much it costs to make it.

*From a financial perspective, were there any risks that concerned you in the beginning?*

**BA:** Initially, I thought you could really upset production. That you would take pieces apart and put them back a different way and create ripple effects across the whole plant. As I've seen it, though, I don't believe that's a risk at all. Because with just the minimum amount of planning, you can work around any disruptions, which are incremental. Nobody's talking about shutting down the whole plant for thirty days and completely revamping it.

The real risk is in not managing expectations. People expect everything they do to have a significant impact and everything to be exactly the right thing to do when in reality, you're lucky if half of the things you do are right.

*Do you have to be willing to suspend some financial/productive expectations for a period of time in the beginning?*

**BA:** You have to be willing to expend some resources, particularly on the human side, because you will need to staff a little more heavily to get around any short-term production bottlenecks.

## FROM THE EDITOR'S DESK

Welcome to the first 1998 issue of *Manufacturers' Digest*. This issue introduces a few improvements in operations at Linford E. Stiles Associates worth mentioning: First of all, we have completed the updating of our logo and the redesign of this newsletter. We have also moved, so please take note of the updated address below. And for our clients who may have missed the announcement, Linford E. Stiles Associates now has video conferencing capabilities; it's an addition to our services we're sure you will appreciate.

Last year saw the mailing list for *Manufacturers' Digest* grow tremendously and we're looking forward to reaching even more readers in 1998. As always, we plan to continue to cover the ever-growing shift towards Lean Manufacturing and its revitalizing impact on the American manufacturing industry. More importantly, we hope our readers will continue to use *Manufacturers' Digest* as a forum, where critical information and Lean Manufacturing experience can be exchanged.

In the past, *Manufacturers' Digest* has published several interviews with manufacturing executives and consultants who preach, practice and pitch Lean Manufacturing as the only way run a shop. Through such articles we've presented compelling arguments for how Lean Manufacturing can reduce such critical operational factors as inventories, scrap, defects and cycle times. This issue's interview with Capital Resources, however, presents maybe the most compelling case of all—Lean Manufacturing improves the bottom line.

Over the past five years this private investment firm has witnessed, learned and successfully implemented this profit-building process in nearly all of its manufacturing companies. In fact, Capital Resources' Steve Jenks and Bob Ammerman are so impressed with Lean Manufacturing that they're looking for ways to introduce its fundamental concepts and techniques to the non-manufacturing companies in their portfolio as well. If you ever pondered the financial advantages of Lean Manufacturing, this is one interview you'll want to read.

Ted Stiles | Editor *Manufacturers' Digest*

You will need to staff more heavily in the maintenance area when you start moving equipment around. But those are fairly short dollars. And you'll see improvements on the shop floor immediately.

I adjust my expectations to look for more qualitative and quantitative improvements on the shop floor. When I can go to a company and they say, 'We've taken this lead time from 12 to 4 weeks on this set of products,' then I know that we're on track. Because in the future, we're going to be able to win some 'got to have it now' orders that our competitors simply aren't going to be able bid on.

*What about the amount of time it takes to implement Lean Manufacturing?*

**SJ:** I don't think we've had anything that was dramatically different in less than a year. It takes a while for the pieces to come together. But there are some things you can change rather quickly. And we always hope to have some early, tangible results because it helps spread the belief. But ultimately, I think we go into these things thinking that this is a multi-year process. We watched what Danaher did and we watch Art Byrne just raise the bar every year. So there's also the notion that this is a continuous process, which is something we believe in fundamentally.

When I think about time frames and milestones, I like to see a complete philosophical conversion in a year. You have to spend the six months convincing senior management and the manufacturing management that it's not a fad of the month. Then you're going to spend another six months having them change their way of thinking so that it becomes part of the fabric of their job. It becomes something they naturally think about and are attracted to on a daily basis.

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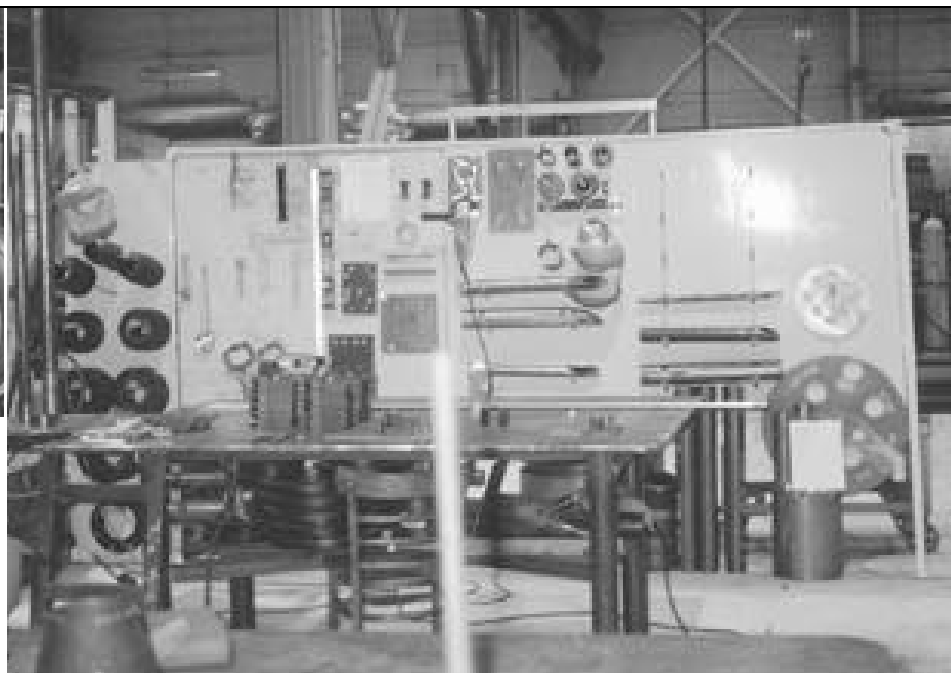
*Published quarterly by  
Linford E. Stiles Associates, L.L.C.  
for limited national distribution.*

EDITORIAL OFFICE:  
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NEW YORK NY 10016

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in continuous flow manufacturing methods.*



**REDUCING LEAD TIME:** Cells at Todd Combustion, one of Capital Resources' manufacturing companies



“GOING FORWARD, I THINK THERE ISN’T  
A MANUFACTURING COMPANY  
WE WOULDN’T TRY AND DO THIS IN.”

BOB AMMERMAN

If I can see that the senior management is getting to that point at the end of the first year then I'm confident that we're on track. It's literally a matter of execution from that standpoint on. It's the biggest milestone. If you're not there after a year, in my experience, then you probably ought to think real long and hard about whether you're ever going to get there.

*What are some of the things that help people get to the state of philosophical commitment?*

**BA:** Often it's the introduction to a resource that's always been there. And that might be an outside consulting resource, or us. Often it's a matter of sticking someone into the equation, someone who speaks exactly to their business who can come in and say “Well, let me at least paint for you the alternative.”

When we talk about Lean Manufacturing, it's not like I'm selling purple socks—I'm just not selling something that has a limited audience once they figure it out. Regardless of what you're manufacturing, everybody can conceptually consider the invitation ‘Would you like to be like Toyota?’ Nobody says no.

## NEWS & EVENTS

### SUGGESTION SYSTEM FORUM

MARCH 31-APRIL 2 | COLUMBUS OH

Productivity, Inc. will be hosting its 6th annual Suggestion System Forum in Columbus, Ohio. The event will include suggestion system implementation presentations as well as a tour of Honda's flagship motor manufacturing plant, which was designed using over 800 suggestions and recommendations from the employees on the shop floor. For more information, contact Productivity at 800-966-5423.

### SHOPFLOOR KAIZEN SERIES

MARCH 23-27 | LANTECH, INC., LOUISVILLE KY

MAY 18-22 | BLACK & DECKER, ASHEBORO NC

The JIT experts from TBM Consulting Group and Shingijutsu Company, the developers of the Toyota Production System, will be hosting a series of five-day kaizen workshops this Spring. The workshops will be taught on the factory floors at Lantech, Inc. (Louisville, KY) and Black & Decker (Asheboro, NC) as well as other locations this summer and fall. For more information, call Kathy Million at 800-438-5535 or check the TBM website at <http://www.tbmcg.com>.

## APPOINTED

JOSE URQUIA has joined TBM as a Senior Consultant. Jose was formerly a Senior Supplier Development Engineer with Nissan Motor Manufacturing Corp. in Smyrna, TN.

BILL HEDGES has taken a position as President of Daytronic in Ohio. Bill was formerly President of Angus Electronics Co.

KEVIN CUNDIFF has joined Stinger Industries as Director of Engineering. Kevin was formerly with Franke Contract Group as Manager of Engineering.

DAVID ADAMS has joined ACCO NA as General Manager of the OEM Stapler Group. David was formerly New Products Design & Manufacturing Manager at Schlumberger Industries.

BRUCE ANDERSEN has joined TBM as a Senior Consultant. Bruce was formerly with Nissan Motor Manufacturing Corp. in their Supplier Development Engineering Group.

STEVE PERKINS has joined RWD Technologies as a Senior Consultant. Steve was formerly with Toyota Motor Manufacturing as Group Leader of Engine Assembly.