

Pulling Away

Today's economic crisis presents a rare opportunity for lean and operational improvement leaders to drive deep structural and cultural changes that will not only help their companies survive but pull away from their competition.

Stiles Associates
Lean Leadership Survey
Spring 2009

INTRODUCTION

Stiles Associates Lean Leadership Survey

The market changes over the past 12 months are mind-boggling. Despite a great deal of hope, no one knows for certain what will happen in 2009. Some companies have put the brakes on additional investments in operational improvement activities, intent on capturing their gains and hoarding cash. Other firms are using the crisis to heighten their focus on cost cutting and efficiency improvements. They are increasing the number of projects, increasing the visibility of their efforts, and maintaining or dedicating additional resources to their lean initiatives. By continuing to invest in process improvement these business leaders believe that their organizations will emerge stronger when markets turn around.

The **Stiles Associates Lean Leadership Survey** is designed to reveal insights into current trends in lean leadership. We asked operations leaders what impact the recession has had on their organizations' lean programs, their priorities, spending plans, staffing levels, training hours, and project activity. In this time of leadership transition at the national level, we also invited operations managers to share their thoughts on the role of the new chief performance officer, as well as the predicament of the domestic auto industry.

Here are just a few of the highlights:

- Operational improvement programs have been highly effective at helping companies respond to the recent market turmoil.
- Cost cutting is everyone's top priority.
- Three out of four companies are increasing or maintaining their improvement project activity.
- Corporate visibility and expectations of lean initiatives has increased.
- As the recession deepens, short-term cash and working capital priorities are reducing the ROI cycle time for all projects.

We sincerely appreciate the input and candid observations of everyone who participated in this research initiative.

I hope you find this report helpful and informative, and wish you the best of luck in your efforts to survive and transform your organizations in these perilous economic times.

— *Jake Stiles*
President & COO
New London, N.H.

Research Methodology

The **Stiles Associates Leadership Survey** was designed to collect operational insights and near-term outlook at organizations that are pursuing lean and related process-improvement practices within manufacturing and other business sectors, including healthcare, financial services, and insurance. We e-mailed an invitation to respond to the 19-question, online survey to 3,382 senior business and operations leaders on February 5, 2009 (321 invitations were undeliverable, for an invitation total of 3,061). We sent a follow-up invitation to non-respondents on February 12, 2009. Each participant was anonymous and had the option of receiving a copy of the survey results in exchange for their participation. By the deadline of February 20, 2009, Stiles had received 524 responses for a total response rate of 17.1%.

EFFECTIVENESS

Lean Works

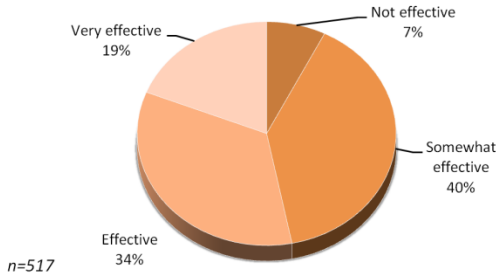
Almost nine out of ten operations and corporate business leaders whose companies have deployed lean believe that their initiatives have helped them achieve their objectives over the past three years. An even greater proportion of respondents to the Spring 2009 Stiles Lean Leadership survey believe that such initiatives have helped them to effectively manage their operations over the most recent six months.

“Our long-term dedication to continuous improvement, which is focused on customer value and lean processes, pays off in these times by having established robust customer relationships and a competitive cost structure,” states a corporate manager of a pharmaceutical firm with annual revenues from \$101 to \$250 million.

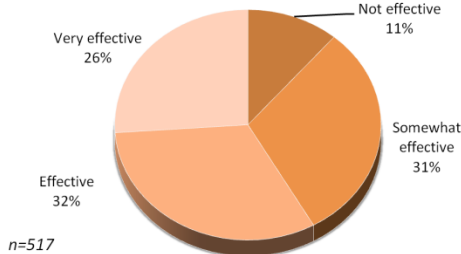
Assessments of lean effectiveness vary little based on company size or job title. In general, companies that have been pursuing lean for three years or less rate their programs as less effective than those that have been able to maintain their commitment for 10 years or more.

“With the current economic challenges, management is willing to embrace change faster,” adds an operations manager of a food and beverage producer that reports over \$1 billion in revenues. “The lean group is viewed as a huge part of the ‘solution’ to our current economic challenges.”

Effectiveness of operational improvement initiatives in helping manage the recession over the past six months



Effectiveness of operational improvement initiatives in helping the company achieve its operational and market objectives over the past three years

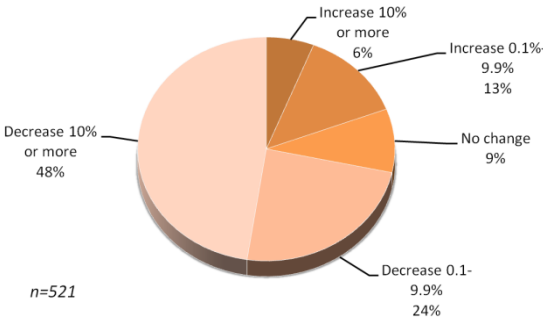


PRIORITIES

Bleak Outlook Prompts Focus on Cost Cutting

More than 70% of the business leaders surveyed anticipate a revenue decline in the first half of 2009. It's no surprise then that respondents put cost cutting at the top of their list of priorities by a wide margin. Cost cutting is followed by efforts to improve customer value/service, boost revenues and maintain margins, which makes sense. After all, any effort to cut costs in today's fickle markets cannot undermine how well a company serves its customers or jeopardize revenues and earnings. Long-term objectives, such as developing future leaders, are a distant concern today. It's a good thing that times of crisis tend to be when new leaders rise to the top.

Revenue expectations for the first six months of 2009 compared to last year



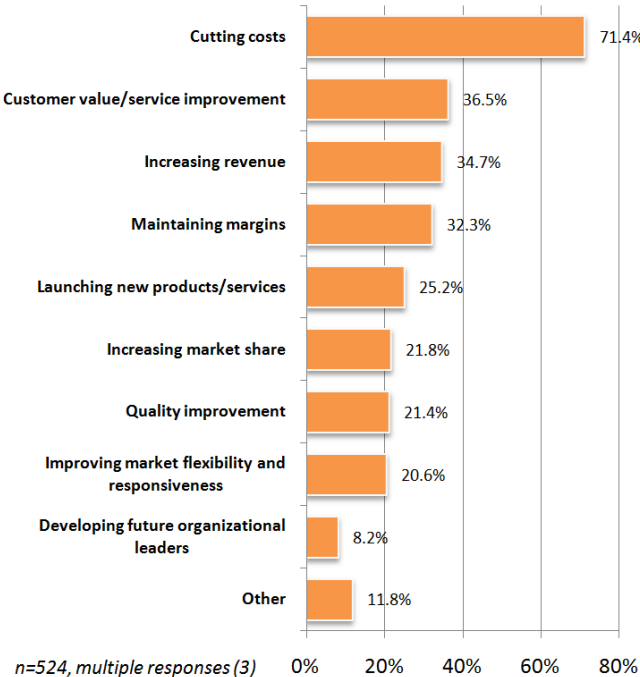
Although cutting costs is everyone's top priority, those firms anticipating revenue decreases are much more focused on saving money. Such a single-minded emphasis can have a disastrous impact on a company's lean program and long-term competitiveness.

"After a successful launch of lean and a lean culture, the organization I led through this initiative for the last four years decided to go to a straight cost-cutting model, laying off engineering and leadership staff, the very core of their continuous improvement efforts," reports one operations manager.

In contrast, a corporate executive at a mid-sized manufacturing company says his firm's lean efforts are "keeping us in a strong position to weather the storm. As others fail we will be sitting in a good position to take on new business."

The minority of companies anticipating no change or an increase in revenues are placing more emphasis on launching new products and increasing market share. By job title, operations managers are more focused on what they can impact – cost cutting – than business unit or corporate managers, who are placing a greater emphasis (although cost cutting is still their top priority) on increasing revenues.

Top priorities for the next six months



INVESTMENT

Budget Expectations Dictate Lean Program Spending, Hiring and Training

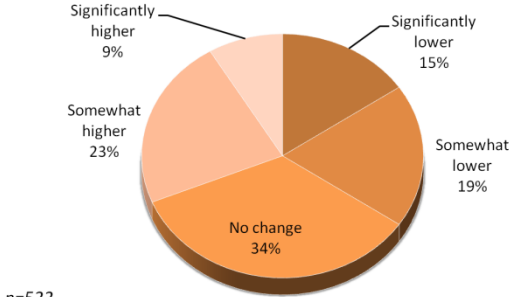
Like all budget line items, which tend to rise and fall with the top line, those companies anticipating revenue declines are more likely to be cutting spending on their lean programs. Overall, roughly one third of companies are lowering their lean investments, one third are maintaining past spending, and one third are increasing spending.

Those anticipating increases or no change in revenues are increasing or maintaining their current investment levels in operational improvement. Perhaps because they are satisfied with the results so far, those operations managers who are most positive about the effectiveness of their lean programs are most likely to be holding funding constant.

While some report that their companies are in basic survival mode, and that all operational improvement efforts have come to a full stop, others are accelerating their implementation plans. "Our company recognizes that our operational excellence system is the only way that we will preserve our long term viability, and is reacting accordingly," reports an operations manager at a \$5-billion-plus company in the computers and electronics sector.

Those firms that are lowering their lean spending are, logically enough, focusing on cost cutting, and they're de-emphasizing market share growth and revenue growth.

Projected lean and operational improvement spending for the first six months of 2009, compared to last year

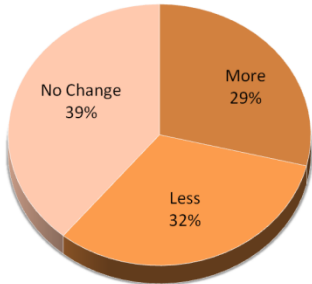


n=522

By contrast, as they prepare for the future and the opportunity to grab market share, those firms that are increasing spending on their lean initiatives are placing a greater emphasis on customer value/service and quality improvements.

Encouragingly, despite the overwhelming emphasis on cost cutting, over two thirds of companies surveyed aren't reducing the size of their process improvement staff or are actually hiring more people. The worse the revenue outlook, however, the more likely that continuous improvement staff is on the chopping block: 42% of firms anticipating 10%+ sales declines in the first half of 2009 plan to reduce process improvement staff, compared to 30% that are anticipating a 1 to 10% revenue decline, and 17% looking at no change or a sales increase.

Process improvement staff size



n=520

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Firms that regard their programs as not effective or only somewhat effective are more often adding process improvement people than those that regard their programs as effective. Those firms with effective programs aren't reducing staff, but are more likely to be maintaining current levels.

"Despite layoffs in the 15 to 20% range, we are dedicating more resources to the operational excellence program to help drive significant reductions in working capital and improve our competitive position," reports a corporate executive at metal fabricator with \$1 to \$5 billion in annual sales. "Our lean efforts are helping us quote shorter lead times so that our distributors can manage their cash flow better."

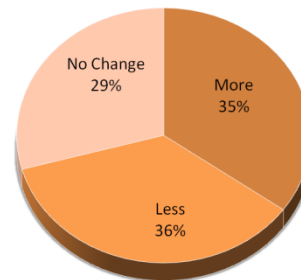
Dedicating more resources to lean initiatives generally means more training. Almost two thirds of companies plan to hold steady or increase their investment in process improvement training for their people, despite anticipated revenue declines.

"When the market is down it's time to cut and watch discretionary spending," notes an executive of a company in the petroleum, coal and chemical sector. "However it is also a time to train and prepare for when the market comes back, and it will come back. When it comes back the companies that prepared and trained will be far ahead of those that didn't."

It comes as no surprise that those anticipating revenue increases are most likely to be increasing training, and that those anticipating revenue declines are most likely to be reducing training. Firms that regard their lean programs as effective or very effective are less likely to be increasing training, and those that regard their programs as not effective or somewhat effective are more likely to be increasing training.

"The investment in leadership training for all managers at all levels including sales managers is helping them stay positive through these difficult market conditions," reports a corporate executive of a healthcare firm with less than \$25 million in annual sales. "The personal responsibility aspects of the training provide the platform for them to be receptive to more aggressive initiatives during the sudden downturn as well as provide them the ability to take the lead for their markets."

Process improvement-related training (all personnel)



n=519

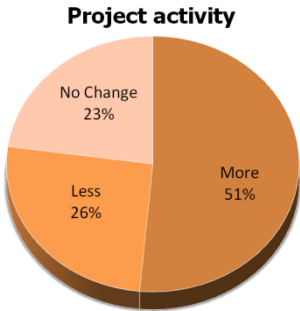
ACTIVITY AND PAYBACK

**More Activity, Faster ROI
Higher Visibility**

With the rapid onset and global extent of the recession, some respondents report that the only way their companies have been able to respond quickly is through job cuts and restructuring. They don't have time to wait for operational improvement and waste elimination projects to bear fruit. Other respondents report that their organization's improvement projects have become more heavily slanted toward cash generation, inventory reduction and improvements in receivables and payables. By nature such efforts extend beyond the plant floor and into administrative areas, such as billing and accounting.

"We are cultivating true employee involvement this year across the whole enterprise to sustain 2008 improvements and identify more improvements through better alignment between our strategic plans and level one Kaizens," states a lean program director at a metal fabricator with \$250 to \$500 million in annual sales.

"We have elevated the culture and leadership involvement to enhance communication," adds a business unit manager in the aerospace sector. "The quantity of projects hasn't increased, they may even be a little less, but we are working on the right things more than before."



n=516

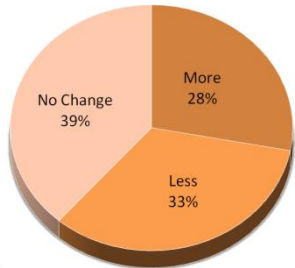
While roughly a third of companies report that they will be increasing lean program funding and hiring additional process improvement staff, more than half (51%) plan to complete more improvement projects in 2009. That will obviously stretch resources, but the motivation to get more done has never been more urgent.

The right things to work on today will deliver a return on investment or payback of less than one year, or even faster. ROI expectations are decreasing or staying constant for almost three out of four firms, especially for those managing the most pessimistic revenue projections. Some of these have stopped all such projects altogether, regardless of the projected return, because of financial reporting standards.

"Our organization has sustained significant investment losses," observes a director of performance improvement for a healthcare provider with more than 2,500 site-level employees. "We are also facing reimbursement challenges from key payers. In response we are ramping up improvement efforts. Improvement is more highly motivated when there is a 'burning platform,' which we certainly have now."

As they move to push ahead of the competition, those companies that anticipate increases or no change in revenues are much more likely (67%) to report that they will be increasing lean project activity (and less likely to be reducing projects), compared to all respondents (52%).

Project ROI and payback time expectations



n=516

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“There are absolutely no new activities. There are no funds available to staff projects and no funds available to put improvements in place no matter what the ROI,” confirms one production manager from Michigan. “If it were in the same month there’s the chance I could expense it, however, with [Sarbanes-Oxley] constraints, anything outside of a month is a capital project, which will not be approved.”

Interestingly, those organizations that rate their lean programs as effective or very effective are more likely to report a decreasing ROI time expectation (40%) compared to those that do not rate their programs as being effective (25%). This could be because managers are more confident that their efforts can deliver faster returns.

“Projects are being critiqued more,” notes an operations executive at a transportation equipment company reporting annual sales of more than \$5 billion. “ROI has to be cash positive in the calendar year.”

Faster ROI expectations go hand in hand with higher visibility of lean programs within the corporate suite. After all, when the opportunity to grow revenues becomes limited, executive attention always returns to cost cutting. Corporate visibility of operational improvement initiatives has increased in almost half (47%) of firms.

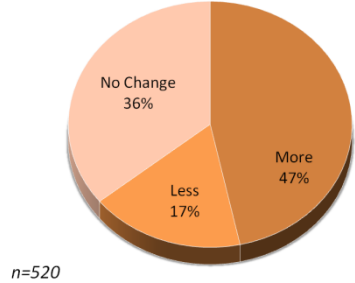
“The continuous improvement mindset is more pervasive in the organization. People are starting to ‘get it,’” notes an operations manager at a manufacturer with less than \$100 million in annual sales. “Some small wins are occurring more naturally with not as much backsliding.”

Contrary to what one might expect, the more pessimistic the company outlook in terms of 2009 revenues, the lower the corporate-level visibility of the lean program. Perhaps these corporate managers are more focused on survival and stemming the revenue decline, and less so on offsetting such declines with process improvement cost savings.

Lean program visibility increases or decreases based on projected changes in lean program funding. Perilous economic times aside, this implies that if lean leaders increase the visibility of a program’s results, and communicate it to all levels, they are more likely to get additional funding.

“There is a renewed understanding at the senior level of the business that getting back to the basics matters in terms of moving from a lethargic continuous improvement program to a proactive aggressive program,” observes a business unit manager of a company with \$1 to \$5 billion in revenues. “Though cuts have been made in CI resources there is still an expectation that these efforts will be more aggressive and impactful.”

Change in lean program visibility within corporate management



COMPANY SIZE

Large Firms Are Most Pessimistic, More Focused on Cost Cutting

Although market outlook is the primary indicator of near-term operational improvement strategy and spending, there are some interesting differences by company size. For example, company leaders at firms with annual revenues of \$100 million or less are slightly more optimistic about the first six months of 2009. Perhaps because of this optimism, they are less likely to be reducing spending on their operational improvement programs.

Projected lean and operational improvement spending by revenues

Revenues	\$100 million or less	\$101 million to \$1 billion	More than \$1 billion
lower	27.1%	32.6%	39.7%
No change	41.0%	37.2%	29.7%
higher	31.9%	30.2%	30.6%
n =	144	129	219

A smaller proportion of companies with \$100 million or less in annual revenues plan to lower their spending on lean; they're most likely to be holding steady. Companies with revenues of \$1 billion or more are most likely to be lowering spending on operational improvement.

In general companies with sales of \$100 million or more are more focused on cost cutting (76% rate it as their top priority) compared to those with sales of \$100 million or less (56%). These firms are placing more emphasis on increasing revenue, improving market flexibility

increasing market share, and launching new products.

"We continue to uncover opportunities for operational improvement, which is enabling us to offer attractive solutions to our customers," reports a business manager at an aerospace company with less than \$100 million in annual sales.

Companies with revenues from \$101 million to \$250 million rate the effectiveness of their improvement programs higher than both larger or smaller companies. Unlike the divergent assessment of operational improvement activities over the past six months (see table at bottom of page), which vary considerably by annual revenues, there's little variation in program effectiveness by company size over the past three years.

Looking at the largest companies, by revenues and by the number of employees, very few (less than 3%) anticipate any revenue gains in the first six months of 2009. Companies with more than \$1 billion in annual sales are also more likely to be reducing training.

"This economic downturn is contributing special cause variation that is more severe than the natural oscillation typically seen in industry," states an executive at a manufacturing company with more than \$1 billion in annual sales. "The fact that we effectively pursued improvement initiatives over the past six years is what has kept us as flexible as possible to make it through the current conditions while many of our competitors are closing up shop."

Effectiveness of operational improvement initiatives over the past six months by revenues

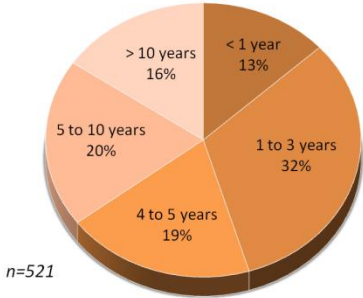
	Less than \$25 million	\$25 million to \$100 million	\$101 million to \$250 million	\$251 million to \$500 million	\$501 million to \$1 billion	\$1.001 billion to \$5 billion	Greater than \$5 billion	All
Not effective	6.1%	9.3%	3.8%	8.5%	6.5%	7.5%	7.2%	7.4%
Somewhat effective	42.4%	41.3%	28.8%	36.2%	29.0%	44.1%	41.6%	39.5%
Effective	30.3%	28.0%	46.2%	34.0%	25.8%	29.0%	39.2%	34.2%
Very effective	21.2%	21.3%	21.2%	21.3%	38.7%	19.4%	12.0%	19.0%
n =	66	75	52	47	31	93	125	489

DEDICATION

Long-Term Commitment Pays Off

For the purpose of this research we characterized the serious pursuit of operational excellence as having dedicated continuous improvement leaders and teams, regular training at all levels, enterprise-wide performance metrics linked to strategic goals, and a cultural commitment to learning and improvement. Within our unique cohort of operational improvement leaders, most report that their organizations have been applying lean for four years or more. That isn't necessarily reflective of industry at large.

Years pursuing lean and operational excellence



"We are very dedicated to our Lean initiatives," reports a business unit manager at a manufacturing firm that is still hiring operational improvement managers. "This year my plant has lost 40% of our sales due to the automotive downturn. And yet with our Lean initiatives, continuous improvement activities, etc., we will have only a slightly lower percent profit in 2009."

A higher percentage of companies that have been pursuing operational improvement for four years or more rate their lean programs as effective or very effective, compared to those that rate it as not or only somewhat effective (see table, right). Those that have been pursuing lean for 3 years or less rate their programs the least effective by a wide margin. This reinforces the long-term commitment required to fully realize the benefits and returns of such initiatives.

Firms that have been working at operational improvement for 4 to 5 years are the most likely to be lowering spending on their lean programs. Those that have been at it for 3 years or less are more likely to be increasing lean spending or keeping it constant. Similarly, the longer a firm has been applying lean, the less likely they are to be hiring additional people or increasing training, perhaps because they've reached adequate staff and knowledge levels. The converse is also true. The shorter the timeframe for operational improvement, the less likely that a company will be reducing staff and training. Spending on improvement initiatives follows a similar pattern.

"Our improvement programs are geared at creating a win-win situation for both our customers and ourselves," reports an improvement team leader whose company specializes in aerospace repair and maintenance. "We pride ourselves on being able to deliver products that are very cost competitive, of high quality and reduced turn times. This translates into reduced operating costs for our clients as well as longer service life of our products in the field."

Effectiveness of operational improvement initiatives over the past six months by years of effort

	3 years or less	4 to 5 years	Longer than 5 years
Not effective	12.9%	2.0%	3.3%
Somewhat effective	45.1%	34.0%	35.0%
Effective	27.9%	44.0%	37.2%
Very effective	14.2%	20.0%	24.6%
<i>n =</i>	233	100	183

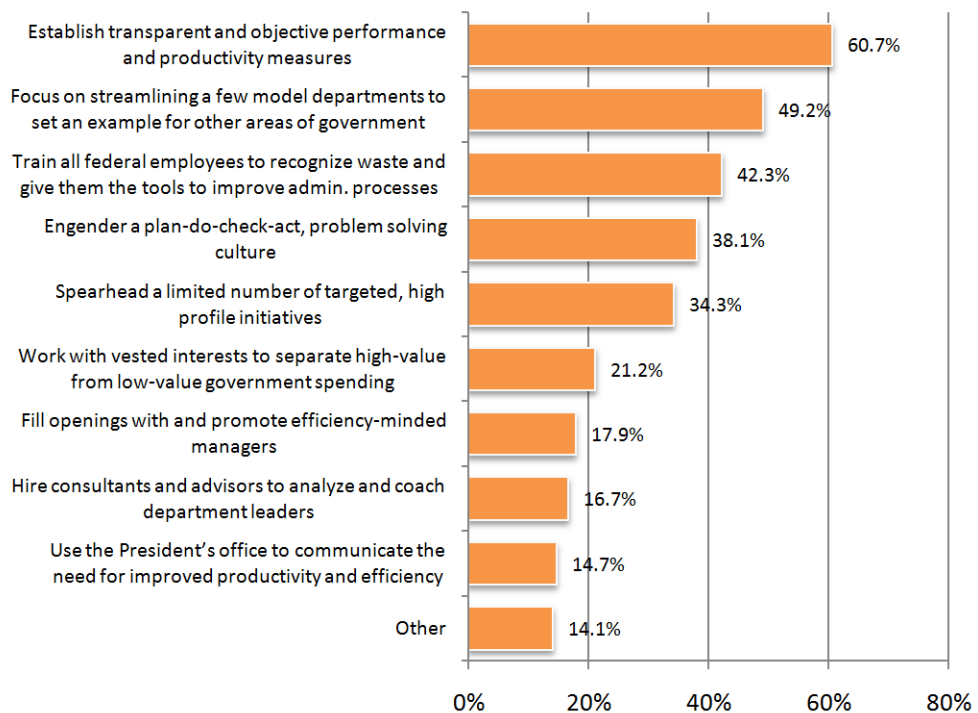
LEADERSHIP CHALLENGES AT THE VERY TOP

Priorities of the “Chief Performance Officer”

Based on your experience as a lean and operational improvement leader, how should President Obama’s Chief Performance Officer focus his or her time to achieve the quickest and highest returns?

(Note: Nancy Killefer withdrew her candidacy for the chief performance officer position in the middle of our data collection effort. In our second invitation we asked respondents to identify the top priorities for the CPO position itself.)

Government Chief Performance Officer Priorities



n = 504, multiple responses (3), total exceeds 300% because of rounding

Respondent Advice

Leadership

“First, President Obama needs to understand process improvement and waste in order to be a true change champion and leader. You can’t lead from the middle. The PDCA should emphasize checking, as sustainment is the Achilles heel to lean and other process improvement activities.”

“It is unrealistic to think that anyone can boil the ocean. Just like private industry, leadership is important to any significant change. The government should put proven leaders into positions where they can focus on a few high impact initiatives; implement a public relations campaign to educate the public on the techniques, progress and results; and come up with some form of recognition and incentive for organizations that achieve their objectives.”

Motivation

“Simply stated, there is no incentive for government employees to do their best and continuously improve. If you can turn a two-hour job into a three-hour job, or a two-day job into a three-day job, government employees interpret that as more job security. Until we fix this in all government (federal, state, county, city) we will not see the kind of productivity that we need and are capable of.”

“Everyone needs to understand why it’s important to go after these changes, what are the benefits to change, and why we need to do something.”

Roll out

“The CPO must start with getting the RIGHT people in the RIGHT positions as soon as possible and the wrong people out. After that many things must happen simultaneously: training, goals, PDCA culture, and many experiments and pilots.”

“To create a new culture hire the right people then set upon the following steps, 1. Educate and train. 2. Support projects that demonstrate the effectiveness of this new knowledge and show others that it works. 3. Force a process (by reward and recognition) that requires the use of the tools. 4. Engage the next level of converts to continue the process.”

“Identify the key streams of value associated with the government and manage the Value Streams. This will take an entire culture shift within government thinking, a very difficult paradigm to break. [Government employees] live for budget dollars and expansion of those dollars, not for process management or waste elimination.”

“Find some internal champions to train, and get them focused on real money-saving projects. Create the train the trainer approach and make sure that training includes projects to save cost. Create the performance metrics and scorecards to monitor success and build the momentum to continue the efforts for real gain.”

Results

“In addition to training and measurement, I would suggest developing some key projects in various departments to show the value of process improvement and relate the results to the American taxpayer. Each year, there should be a summary report given to the American people to discuss the progress of government efficiency.”

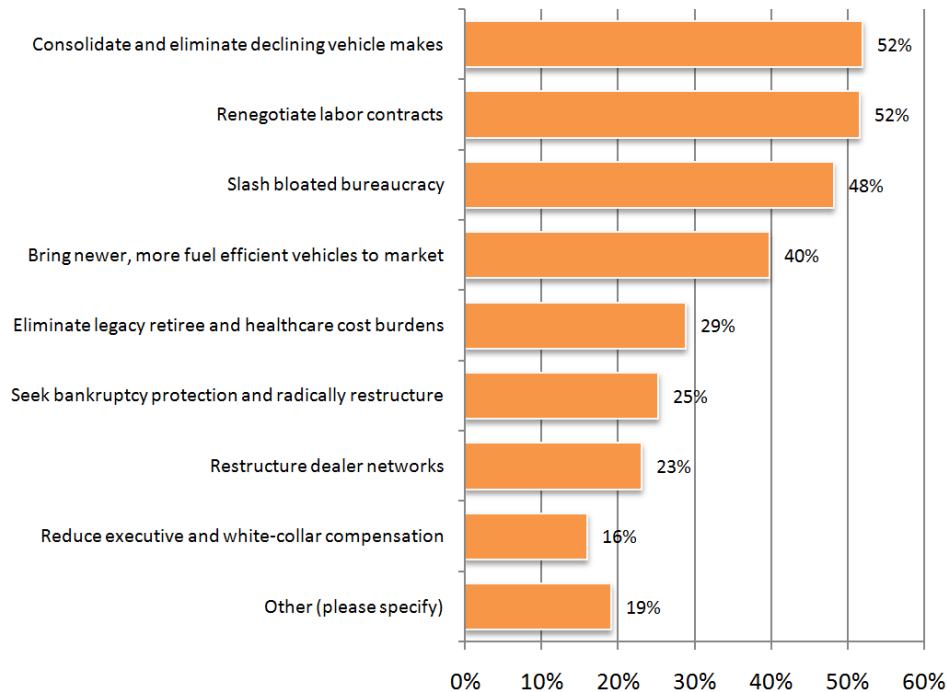
On the Plight of the U.S. Auto Industry

If you were the Obama Administration’s new car czar, what actions would you expect the U.S. automakers, unions, creditors and suppliers to take to regain profitability and ensure that the government loans are paid back?

Note: Since we fielded the survey the new Administration eliminated the single position of a government car czar and replaced it with a special Presidential Task Force headed by Treasury Secretary Timothy F. Geithner and the National Economic Council Director Lawrence H. Summers. It includes the Chair of the President’s Council of Economic Advisers, the Director of the Office of Management and Budget, the EPA Administrator, the Director of the White House Office of Energy and Climate Change, and others. Steven Rattner, a New York financier previously considered for the car czar position, joined the Task Force as an advisor.

Respondent Advice

Advice for the U.S. Auto Industry



n = 502, multiple responses (3), total exceeds 300% because of rounding

Leadership

“Sorry, but the U.S. automakers need to have a revolution and change leadership and culture radically. To approach this with any standard tools is too slow and will not address the root causes. You need to reinvent the U.S. car industry and make a jump into the future. This requires 100% exchange of leadership and a huge portion of middle management and the unions.”

“Retrain those who have forgotten how to align goals, targets and execute initiatives to create and sustain a successful business.”

“Become serious about eliminating waste in their operations, and demonstrate this by starting at top executive levels.”

“The U.S. automakers need to realize that bargaining their way out of problems is not a solution. They need to address root cause and, more importantly, need to develop a culture of mutual trust and interdependence with both the unions and their supply base.”

Government's role

“Get out of the way and allow the industry to restructure. Government involvement will not improve efficiency by definition.”

“I do not advocate government intervention in private industry. In my opinion, taking an historical perspective, government bailouts only magnify and prolong recessionary economic conditions. Left alone, private industry will work out of recessionary conditions in about one year or less. Loss of free-market economics will destroy the best industries and entrepreneurs (only promoting those the government selects for preferential treatment), and diminish customer focus.”

“I would not provide loans. It's not the place of government to support poorly managed companies.”

“Give them very specific targets to hit with defined deadlines. Clearly define the consequences of failure to hit the targets. Let them go under if they fail. Others will come into the market to fill the void. We should let the free enterprise system work.”

“Do nothing. Detroit's situation is purely their own fault and they should be left to market forces! I'm vehemently opposed to a Big Three bailout. Talk about waste!”

“I would give a \$1,500 or \$2,000 tax break for buying an American-made car, and for any foreign car a \$750 tax break. In short I would make it more profitable for Americans to buy American-made products.”

“Push for trade protections or forget it and outsource all American car manufacturing overseas. Can you really expect high-labor cost manufactured goods to compete with low-labor cost manufactured goods in a free market? It hasn't worked anywhere else, why should we try to pretend it will work in automotive?”

“I would structure vehicle manufacturing in the U.S. with two simple rules: a) If a vehicle is sold in the U.S., regardless of brand, it must contain 85% U.S.-produced content (not just labor but component parts going into the vehicle must also represent 85% content manufactured in the U.S.A.). Those that do not meet this requirement would have a \$15,000 import fee (just like other countries have currently). b) Dealers would be limited to sell one manufacturer, not multiple vehicle brands unless owned by the same parent company.”

Product

“Stop the government from setting rules for what is produced. The vehicles the government wants produced are not the cars the people want to buy.”

“Limit the production of oversized vehicles that are not fuel efficient.”

“Replace current oil-dependent power train with non-gas options: electric, air, etc. And invest in new, flexible, lean manufacturing processes to support production. Indoctrinate lean principles into new workers. Automobile buyers need to see a paradigm shift in automobiles of the future like they saw in quality of life and technology after World War II. We have not seen that type of change with automobiles yet.”

“First, design and supply automotive products that customers prefer to buy vs. their competitors. Second, identify and eliminate costs that are not competitive, e.g., retiree health costs if that really is the case.”

“Build better products that combine fuel efficiency, styling, value-added features and reliability and quality. Our carmakers still do not understand the quality and reliability aspect of car making. We need to produce out of this recession, not spend.”

Operational Excellence

“Create a problem solving business culture with a long-term view and respect for employees.”

“One of the issues I see with the automotive business model is that even though they may have lean tools in practice and that they may pull from their suppliers, they push to their dealers. So their finished goods strategy wasn't controlled. Their manufacturing processes continued to build and not adjust to true market demand. This created overproduction, buffered the true value customers were looking for, and so customer choice wasn't seen at the factories.”

“U.S. Automakers have never truly understood the culture of lean. Now is the perfect time for them to focus on a culture of continuous problem solving while their need to produce vehicles is reduced. It's time for them to fix the problem, not the blame.”

“Make improving design, performance, and quality a top priority, like it used to be and like it is in Germany and Japan. Develop a shared destiny and a teamwork mentality focused at excellence in customer satisfaction throughout the company with objectives and performance reviews to match the goals where the enterprise needs to be and destroy barriers that stand in the way of attaining goals. Let CEO's and VP's spend one day a month working on the production lines and in the field with dealers and handling with customer complaints.”

Union Relations

“Renegotiate labor contracts, not necessarily the labor pay rates, but the work rules, number of labor classifications, etc., that limit flexibility and drive wasteful practices.”

“Eliminate legacy retiree benefits. These costs are a major driver behind the cash-flow issues in the American auto industry. Solving this will require government engagement, I fear, but without it I think the auto industry in this country will continue to flounder, and eventually go belly up.”

“Work on building customer trust that American car makers care about their customers by offering great service, quality products and that they will be around for a long time.”

“Eliminate labor contracts and associations with unions. There is no need for them today as there was in the 1930s through 1950s.”

Note: All respondent comments have been edited for grammar, spelling, clarity and length.

SURVEY DATA
All Responses

How do you expect your revenues for the first six months of 2009 to compare to the same period of last year?

	Percent
Increase 10% or more	6.0%
Increase 0.1%-9.9%	13.2%
No change	9.2%
Decrease 0.1-9.9%	24.0%
Decrease 10% or more	47.6%

n=521

What are your organization's top priorities for the next six months?

	Percent
Cutting costs	71.4%
Customer value/service improvement	36.5%
Increasing revenue	34.7%
Maintaining margins	32.3%
Launching new products/services	25.2%
Increasing market share	21.8%
Quality improvement	21.4%
Improving market flexibility and responsiveness	20.6%
Developing future organizational leaders	8.2%
Other	11.8%

n=524, multiple responses (3)

Over the first six months of 2009 how will your organization's spending on lean and other operational improvement initiatives compare to the same period of last year?

	Percent
Significantly lower	15.5%
Somewhat lower	19.0%
No change	34.3%
Somewhat higher	22.6%
Significantly higher	8.6%

n=522

How do your company's current operational improvements initiatives and programs compare to last year?

	Dedicated process improvement staff	Process improvement-related training (all personnel)	Corporate level management visibility	Project activity	ROI and payback expectations (months)
More	28.8%	34.9%	46.9%	51.6%	28.1%
Less	32.1%	35.8%	17.7%	25.8%	33.5%
No Change	39.0%	29.3%	36.0%	22.9%	38.8%
	<i>n = 520</i>	<i>n = 519</i>	<i>n = 520</i>	<i>n = 516</i>	<i>n = 516</i>

For how many years has your organization seriously pursued operational excellence*?

	Percent
Less than 1 year	13.2%
1 to 3 years	32.1%
4 to 5 years	19.4%
5 to 10 years	19.8%
More than 10 years	15.5%

*n = 521, *As characterized by dedicated continuous improvement leaders and teams, regular training at all levels, enterprise-wide performance metrics linked to strategic goals, and a cultural commitment to learning and improvement.*

How would you rate the effectiveness of your operational improvement initiatives in helping your company manage the recession over the past SIX MONTHS?

	Percent
Not effective	7.4%
Somewhat effective	39.5%
Effective	34.2%
Very effective	19.0%

n = 517

How would you rate the effectiveness of your operational improvement initiatives in helping your company achieve its operational and market objectives over the past THREE YEARS?

	Percent
Not effective	11.2%
Somewhat effective	30.6%
Effective	32.1%
Very effective	26.1%

n = 517

Respondent Profile

JOB TITLE

	Percent
Operations, Production and Site Management (VP and Director of Operations, IT, and Production, Plant Facility and Site Managers)	33.9%
Corporate and Executive Management (CEO, COO, CFO, CIO, President, Executive/Senior VP, and Managing Director)	24.8%
Business Unit Management (President, Executive/Senior VP and General Manager)	14.3%
Engineering, R&D, Design and Technical Management (VP and Director of Engineering, R&D and Information Technology)	5.7%
Purchasing and Supply Chain (VP and Director of Purchasing, Sourcing, Supply Chain, and Distribution)	4.2%
Other (please specify)	17.0%

n = 495

ANNUAL REVENUE

	Percent
Less than \$25 million	13.9%
\$25 million to \$100 million	15.4%
\$101 million to \$250 million	10.5%
\$251 million to \$500 million	9.5%
\$501 million to \$1 billion	6.3%
\$1.001 billion to \$5 billion	18.8%
Greater than \$5 billion	25.7%

n = 495

NUMBER OF EMPLOYEES AT LOCATION

	Percent
Less than 25	7.7%
25-99	9.7%
100-249	15.8%
250-499	15.6%
500-999	10.7%
1,000-2,499	13.9%
2500+	26.7%

n = 495

INDUSTRIAL SECTOR

	Percent
Manufacturing	38.4%
Other manufactured products	6.9%
Professional, Scientific, and Technical Services	6.9%
Aerospace	6.3%
Transportation (including automobiles, trucks and parts)	5.5%
Health Care and Social Assistance	5.5%
Computers and Electronic products	4.4%
Fabricated Metal Products	4.0%
Petroleum, Coal Products and Chemicals	3.0%
Pharmaceuticals	2.8%
Electrical Equipment and Appliances	2.4%
Utilities	1.6%
Food and Beverages	1.6%
Machinery	1.6%
Finance and Insurance	1.6%
Retail Trade	1.4%
Mining, Quarrying, and Oil and Gas Extraction	1.2%
Transportation, Warehousing and Distribution	1.0%
Educational Services	1.0%
Construction	1.0%
Wholesale Trade	0.6%
Information (Publishing and Broadcasting)	0.4%
Accommodation and Food Services	0.4%
Public Administration	0.4%

n = 495

Research management, analysis and reporting support provided by:

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ABOUT STILES ASSOCIATES

Since 1991 Stiles Associates has helped the world's most progressive companies transform their businesses by building exceptional Lean management teams. Our firm works at the mid- and senior levels of the organization and covers all functional areas including finance, operations, supply chain, engineering, and human resources. This broad-based coverage allows us to match companies on the road to Lean with the enterprise-wide leadership they need for success.

Given our history and focus on Lean, our clients benefit from our unmatched guidance, service, and access to the very best executive talent across the Lean leadership network. To date we have conducted over 800 searches for Lean executives and have a network of over 15,000 contacts across the industry. We use Lean thinking in our own business to constantly improve our service delivery and as a result offer an average assignment lead time 40% faster than the industry standard. Over 90% of our business is repeat or referred from someone who has experience with our firm.

Based in New London, N.H., Stiles Associates handles assignments throughout North America. As a member of the international executive search group IMSA, Stiles Associates also offers clients international search capabilities.

INDUSTRIES SERVED

- Aerospace
- Automotive
- Commercial & Residential Building Products
- Consumer Goods
- Cosmetics
- Defense
- Energy
- Furniture
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- Hospital & Healthcare Services
- Hospitality & Entertainment
- Imaging/Film
- Industrial Products & Services
- Management Consulting
- Medical Devices
- OEM Industrial Suppliers
- Office Supply Products
- Packaging
- Pharmaceutical
- Private Equity
- Professional Services
- Sporting Goods

ENTERPRISE COVERAGE

- C-Level Executives
- Operations Leadership
- Lean Program Leadership
- Plant Management
- Finance
- Procurement
- Planning
- Logistics/Supply Chain
- Information Technology
- Human Resources
- Training
- Sales & Marketing
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