Kanban Course in 5 E-Mail

Module 2

Management, Employees, and HR are not interested in Kanban.

Chapter 5

How I convinced the company to implement KANBAN. A real story

Let me say one thing.

Kanban has to solve your problem; then you can interact with Managers, HR and others people in the company.

How **hard is to block** something **you** already did and **tested?**
Hard as a rock. *Is not it?*

The same has to be with Kanban!

If you did the actions of the "module 1", you **should have one problem supported by data**.

If you did it, please write your problem in the box below:

<div style="border:1px solid #000; width:100%; height:300px;"></div>

Before going into your problem, I will **tell you precisely** how I was able to extend **Kanban for consumables in a shop of 200 people, with 500 SKU with a stock reduction of 30%** and almost **2 years without any stock out!**

Incredible? You can do it!

Here my story ...

In 2004 I was the **supervisor in a Painting Department of a Company.**

The company used to be open **Monday to Friday on 2 shifts.**

The work was to **paint plastic cabinets** into an automatic machine, and the paint was loaded each batch according to a scheduled program.

We should paint in these colors:
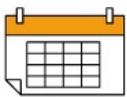
Blue

Red

Yellow

Black

Green

The paint was in the warehouse in big cans.

The work **should be done in this sequence:**

1) See the schedule (i.e. **Red Paint**)

2) Take the red paint from the warehouse

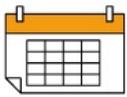**3)** Load the machine

4) Start!

The reality was:

 Day 1

1) See the schedule (i.e. **Red Paint**)

2) Take the Red Paint from the warehouse

3) AHHHHH! The color was **not present at the warehouse**

4) Line **stopped!**

5) I am the supervisor! I **need this color**! The **pieces are urgent**!

6) Who buys this paint for me? --> Mike the buyer

7) It is **your fault**! I want the red **paint here tomorrow!**

8) Mike the buyer: "It is your fault! In the 2nd shift, they had an **extra consumption not communicated.**"

9) 2nd shift guy: "But at 8 p.m. **there is nobody to speak** with, and I left a note."

10) AAAAAAHHHHHH!!!!! I need this paint; the **line is stopped!**

11) Buyer: "Let's buy 3000 kg, I will **pay an extra delivery** to the supplier, and then I hope not listen to you again."

12) OK! Let see tomorrow. Meanwhile, we have **lost 4 hours of production.**

Sound familiar?

Let me tell you the **rest of the story.**

📅 *Day 2*

13) The **red paint arrived**.

14) STOOOOOPPPPP! We have to **do the red cabinet!**

15) Production guys: "Boss, but we **just loaded the yellow color**, almost 50kg are loaded in the machine."

16) I do not care! We need red.

17) Machine discharged with a **waste of time**, **waste of material**, **waste of production.**

📅 *Day 3*

18) Finance: "We have a **lot of money in the paint inventory**, we have **to cut down immediately**!"

19) Mike the Buyer: "But we have **to grant the production**."

20) Finance: "**I do not care!** We have to cut down the inventory."

Some week later ...

21) See the schedule (i.e. **Green Paint**)

22) Take the Green Paint from the warehouse

23) AHHHHH! The color **was not present at the warehouse**

Go back to point 1.

Almost **20 wasteful steps vs 4 simple steps.**

Is it crazy! Is not it?

Real story; I remember I did it **at least 5-6 times a year** if not more.

I was very frustrated.

Do you want to know **what happened later?**

I **discovered the Lean Manufacturing**, and I **started to read** something on the internet and reading forums.

Some months **later I tried something different**; I did something I never did before.

I decided to **buy a book I found on the Internet**. This book was supposed to **teach how to have no stock out of materials with inventory under control**, and everyone involved **working efficiently and happier.**

Do you want to know which book is?

Well,

The book is named:

Making Material Flow by Lean Enterprise Institute.

Could this book solve my problems?

Sure **only reading the book was not the solution,** but I told myself:
"Let's try something different, I cannot work this way!"

In the next pages, I **will show you all the most important points** that helped me **to implement the Kanban System** that solved my problems and was **convenient for everyone involved in the process.**

Please note:

At that time <u>**nobody**</u> **was interested in implementing something new,** <u>**nobody**</u> **would like to have extra work** and everybody was used to spend the time to blame the others.

Briefly, was **not a favorable environment.**

How I was able to start implementing a Kanban System. Explained step by step.

Step 1 - I did my homework on the daily consumption.

The first **change** was in **my mindset.**

Typically, I used to think: "*I am the **supervisor of the production, I do not care about the problems of the others**. They have to **give me what I need immediately.**"*

Well, I told myself: "*I am wrong, I have to help the others to help me.*"

Hence, after a tough day, I **went into the system**, and I did a **historical research** to answer this simple question: "***How many kg of paints** I usually consume **in a week**? Color by Color*"

I knew that **the consumption**, was **not constant every week** but I told myself that I had **many years of experience** and **I was the guy** that could do the **best estimation** in the company.

I imagined a scene where the buyer was willing to help, and I was not able to answer a simple question like: "Ok, I will help you but how many kgs of red paint do you use weekly?"

If I was not able to answer immediately, probably, I was very close to losing the "momentum."

If **you have not a prompt reply** and data to support, **they will not consider your intention to change** a **"real purpose"** but only another waste of time.

To put differently, you have to know what you want and be ready to answer the questions they will do when you ask for help.

The more you are prepared, the more you are credible.

Coming back to the story here is the **table I calculated:**

Blue - 50 kg/week

Red - 25 kg/week

Yellow - 50 kg/week

Black - 75 kg/week

Green - 25 kg/week

Step 2 - I found an ally to share vision and benefits.

After, I did myself another **simple question:**

"Who buy the paint in the company?"

Specifically, I was **looking not for the office** or department I was **looking for a person with a name.**

So, after an easy investigation, I found my person; **the name was Mike!**

Mike was the colleague that **was buying for me the paint**, and **I had a lot of arguments** with him in the past because of the **shortage of material.**

Honestly, **I did not that Mike was accountable** to buy all the paint I needed. Here I **did something different again.**

I **did not send any e-mail**, but I went off from my office, and **I walked to Mike's office to speak** with him **face to face.**

Here the **exact phrase I used:**

"Hi Mike, I did not know you were buying for my department all the paints, and I know we had a lot of problems in the past. I am here to propose you something different that will solve our problems forever."

I still remember Mike's face ...

Mike **was thinking of a more complex** or further **work for him**, but I immediately told:

*"Mike, I want to propose you something very simple. For **2 months do not do any calculation** of what you have to buy, just **buy every week the quantity I estimated**. What do you think?"*

Mike told me:

*"Ok, you are saying that **I have not to calculate nothing and buy on weekly base**. It could be interesting but do you know how many kgs do you consume every week?"*

Homework of Step 1 ... *do you remember?*

I took from my folder the **sheets with the data I collected** with my notes.

This was a killer!

Mike was impressed and **willing to listen**.

I told him: "*Let us fix this simple rules*"

1) Every **Tuesday you will buy** the fixed quantity we agreed.

2) Every **Friday we will check** if the paint has arrived.

What do you think?

Mike told that for him **was a game changer** and a very simple work, but what about the **inventory and cash control**?

Here the **exact sentence I used:**

"Mike, I do not think that 6 SKU over 500 SKU will affect the stock and cash of the company. What do you say?"

He agreed, so we started ...

IMPORTANT NOTE:

Use as much as you can: *What do you think? What do you say?*
Involvement is the key! Moreover, **listen and listen again.**
It is better a rough solution with a shared vision that a fine solution alone.

Step 3 - Learning by doing.

For the **next 2 months** Mike **bought the quantity, we agreed**, and we set a 5-10 minute meeting to check orders and delivery of the paint.

Important!
I created into department a Visual Control (**Red**, **Yellow**, **Green**) into the paints cabinet and I put a **simple rule shared with workers**: "*We have never see the RED LEVEL, if someone sees the RED, notify this to Mike and me.*"

This is the KANBAN. This is the signal!

This is the **KANBAN SYSTEM**. A standard way to **see the signal and act accordingly.**

Honestly, was **not easy at the beginning** to deal with this little **extra work** and to motivate our self we printed a sheet in our offices with this slogan:

"Never again without paint!"

Do you want to listen more?
Here the **difficulties we experienced:**

1) I **underestimated the quantity of the Red paint**, and we were very close to stock out again.

2) I **overestimated the amount of the Green**, and the inventory increased.

3) People was looking at us and wondering what we were doing together.

4) The **supplier was not reliable** in deliveries.

Here what was a game changer?

Because **was a "team project"** made with the scope to a **mutual benefit (win-win)** when something went wrong we **worked together to find a solution** to fix the problem for the future.

We **passed from blame** each other **to help each other.**

Can you see the difference?

Now read this **important rows.**

There is a **moment** of the transformation **where everything seems to go wrong**. People starts to look at you and **indicators appears to go into the wrong direction**.

Well,

this is the moment where you have to **sit with the team (even if 2 people)** and start with the **5 why's analysis**. Ask yourself and the team **why the indicators are going wrong** and do **a plan to fix it.**

Go for **reality**, **interview people**, see **numbers**, sketch **models at the whiteboard.**

To give you an idea we tested more than 5 different way of doing before finding the model that worked for everyone.

Once a consultant told me the **real "win-win" solution is when the model is "convenient" for everyone** involved in the process.

Step 4 - No more fire-fighting.

After **4-5 months** we celebrated our **first goal.**

We were able to have **no stock-out of the six SKU under the project.**

Honestly, **the inventory was a little bit higher compared to the past**, **but** we were able **to work smoothly by doing the ideal sequence** you can read below:

1) See the schedule (Red Paint)

2) Take the red paint from the warehouse

3) Load the machine

4) Start!

We were able to **move from a 23 Steps to a 4 Steps process.**

Can you see the difference?

Step 5 - It's time to improve.

When you have **not to firefight every day**, you have **time to think.**

We decided to **refine our inventory level, by "jumping" some order** of paint we had too much in stock.

Then, we **called the suppliers to find a better way of communication** and sharing the idea and the standard.

At the end of **1 year, we were able both to work smoothly and have the inventory under control.**

Step 6 - It's time to go to managers.

Once chatting with Mike, we told: *"**Why we have to struggle** with the others materials? **Now we know how to solve it!**"*

So, we **decided to prepare a short presentation** on what we did **with steps and numbers.**

Then, we **went to a department close to us where Mike used to buy** another kind of materials, and **we spoke to the supervisor proposing** him the project in this way:

> *"Hey, David! How are you? May we ask if you have any problem with the stock out of material?"*

We knew that the answer was YES!

> *"We would like to propose you a deal. You tell us which are the most critical SKU you are struggling with your weekly consumption and we will guarantee you no more shortage. What do you think?"*

David was in doubt.

We told him:

"Look at this presentation and ask the paint workers how is their work in the last 6 months. We will be back in 7 days".

7 days later we went back to David and **asked for his thoughts.**

David told that he **did some investigation** and was willing to join this project.

Mike and I were now **ready to go to managers** to ask **for support,** and so we did.

We asked a manager an **appointment of 30 minutes.** The subject of the meeting was: "**How to avoid stock out of material with the right level of inventory - A real experience**."

Step 7 - The meeting.

Mike and I **prepared the meeting into details.**

We decided for **6-7 slides with pictures and graph** and with **few words** of text.

Then, we agreed that the **scope of the meeting was to have the commitment** from the manager by going into the departments to support the projects and **asking update every month.**

The day arrived, and **we did the presentation**. The **manager was impressed by the results**, and we told that **we already had another department willing to implement the Kanban System.**

The manager said: *"Ok, what do you want me to do?"*

We answered: "We would like you to **set a monthly meeting of 30 minutes at the shopfloor** asking for an update and give some support in case."

The manager said: *"OK, I think is a good deal."*

Step 8 - The end of this story.

The **manager did what was promised** (30 minutes a month was a good deal to him).

We **continued in the paint department and started in David's department.**

Every month we met with the manager looking at the **simple metrics** of **inventory** and **n° of stock out.**

Then the **manager started to see results** and **start bringing guests** and other **managers** to **see what we were creating.**

Finally, in a **couple of years**, we **were able to expand the Kanban System** for **500 SKU's without any stock out** and with a massive reduction of inventory.

Conclusion.
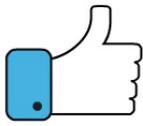
In this pages, **I reported** what I did to implement a **Kanban System on 500 SKU with 2 years of "NO STOCK OUT"** and a huge reduction of inventory.

I do not know if it is the best way but worked great.

To start **implementing a Kanban System** you have to **start with WHY!**

Here the steps I followed and suggest you to follow.

1) My suggestion is to **start with a problem you have.**

2) Then, you have to **state your problem and be prepared with data.**

3) Then, **find someone in the process to work together.**

4) Create a team! It is easier, funnier and more engaging.

5) Start **implementing the Kanban System for a limited list on SKU**, set a metric and **meet weekly** to monitor what is wrong by **5 why's analysis.**

6) Resist during the **tough moments.**

7) Then, the **results arrive. It is proven**! See some video on the Internet of large enterprises (www.leanvlog.com - Philips, Boeing, Harley Davidson, etc.).

8) Once the **first results are stable**, prepare **another area to start** the Kanban System implementation.

9) Then, go to **managers with results and a plan for implementation.** Moreover, ask for 30 minutes a month to support you.

10) Finally, **reiterate the process again and again**. This is also called **continuous improvement.**

Now it is your turn!

Let's go back to the first page and review your problem.

It is the first step to do! Without a clear problem you cannot start the Kanban Implementation.

Now, I leave the word to Luis, our **logistic expert to answer the frequently asked question on Management Engagement** in the Kanban System Implementation.

Chapter 6

They are resistant to Kanban System ... FAQ

Question n°1 - What are the main barriers to the Kanban Implementation?

One of the **typical questions**, when we decide to implement a kanban, is related to **change resistance. How can we overpass that resistance?**

It happens with **any new thing we start**, people have their ideas about what will happen, and this **makes them feel uncomfortable**. Therefore **they prefer to continue working as usual.**

It is like the refrain: "Better the devil you know than the devil you don't."

Then **we must demonstrate** that there is a **better way to act** and not only **for the company** (that is really important) but **also for operators.**

If the **change is only good for the company**, but **not for the operators**, they will not cooperate, and **Kanban will not succeed.**

So, we need to **explain with many details**, **what** is a kanban, **who** does it work, **new replenishment process** will we use, **how** will we **produce** and **how** will we **deliver goods** among the different machines, and so on.

Also is **crucial to explain how the company will save money** reducing the inventory level, and how **these funds not invested in inventory permits** to have a good **cash flow**.

Now we **need to explain**, that **we will stop producing if our kanban is full** and that, this **doesn´t mean, we have an excess of operators**. This means that **workers will be flexible** and **will work in other areas**, and also they will get **training accordingly.**

Therefore our **operators will be flexible** and will work in different areas when need it, **permitting the company increases its performance.**

All this **information must be explained in a very detailed process**, and if you show **pictures or videos of how others did**, people will understand much better.

The better you explain, the less resistance to change you will obtain.

So the **trick is** quite simple, **explain, explain, explain** and when you have explained all, **explain again.**

It is better to explain many times than permit that gossip and rumors will spread everywhere.

I remember a **visit I did when I was a consultant.**

When I told that **machines would be stopped if Kanban was full**, **operators** asked me if was I there to **fire them**.

I **explained** to them that hiring a consultant to fire people was very expensive.

It should be cheaper for the company to ask HR to fire people directly.

So I **explained, the process for days till all doubts disappeared,** and then we started working with Kanban.

A few weeks later everybody was happy with the new process, and **nobody wanted to come back to the previous process.**

Question n°2 - Management is not interested in Kanban. How to convince them?

This is a very typical question, and the answer is simple.

Why is management not interested?

A. Don´t like change. Then act as explained before (Question 1).
B. Management doesn't think we will save money.

Then you must **demonstrate how to save money**, and there I will **suggest 2 ways to do it.**

Solution 1

Show other companies that saved a lot of money; **you have multiple examples** in the automotive, big supermarket companies, pharmacy, and also in many small businesses who have excellent results. You can search some videos on www.leanvlog.com

Prepare in advance a good presentation showing **how they saved money**; I am sure your **manager will be ready to listen.**

Solution 2

Ask him to **do a test in a working area** if it is possible **into an area where he has more problems** and headaches. If **you can reduce his problems** there, **he will permit you to continue** with the rest of the plant shortly.

But take into consideration that **you need to analyze well what are you going to do and how will you do it,** if you fail, you will be dead on arrival.

Then plan perfectly and execute better.

Remember the **carpenter rule:** "**Measure twice, cut once.**"

Question n°3 - How to influence <u>top management</u> to implement Kanban?
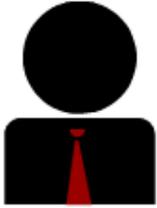
Similar to the previous item, but here <u>you are talking to your boss´s boss</u>, and then you must **be careful.** There is **nothing worse than your boss thinking** you are **overpassing him.**

The idea is that **you meet your big boss by "coincidence"** and says some **strategic sentences about Kanban.**

You must be prepared in advance, and have your **15 words elevator speech ready at any time**, explaining why Kanban can reduce his inventory costs.

15 words are the best method, as is short enough to get his interest and can be said at any place, even if you meet him in the elevator.

Could be something like this:

I know an excellent replenishment process that permits reduce stock by 50% with no investment.

15 words, no more, no less.

If big boss is fed up with inventory costs, that sentence will be **heaven music for his ears** and will ask immediately which one.

Now is your time to show **your management the presentation** (must be prepared in advance). It **must be 10 slides, no more no less.**

Show **Toyota or other companies examples** and show how to doa perfect Kanban Implementation.

Please check the **examples carefully**, don't get the first thing you see on the internet.

Then, **show** how to do it in **your plant** in a **pilot phase.**

Explain **you are the volunteer to execute the pilot phase**, but you need your boss authorization.

Why only 10 slides?

Top managers have no much time, **10 slides can be seen in 10 minutes**, and **it is good for managers.** If your presentation is longer, he will be bored and will be no interested.

Basically, it is just a **question of preparation in advance**, is not rocket science, **use the right tools at the right time.**

Chapter 7

Actions for the next 15 days...

Now, **it is time to action again!**

In the next 15 days, you should do actions to complete the following checklist.

A - State your problem clearly with numbers and statistics.

For example:

Problem on consumables.

In the **last 6 months,** I was forced to **stop the line 5 times** because

SKU 34534 and SKU 23434 were **missing at the warehouse.**

or

Problem on an internal supplier.

For example:

In the **last 6 months** my **paint machine** was **not able to be loaded** on time because the **department upstream** gave me parts (SKU 453234) with 2 days of delay.

Important note: In this course, we will focus more on the consumables but what we state is applicable for: consumables, parts to be assembled, parts to be produced, internal suppliers and external suppliers.

B - Find who buy (or produce) the SKU's of Point 1 for you

Search for a name!

Do not look for a department.

Moreover, **do not start with too many SKU's** and if you have only one that causes you problems try to enlarge a little bit with criteria that have sense.

For example:

If the SKU that cause you problem is just one tape, try to add some other tape that is bought from the same person and serve the same department. I would like to **suggest from 3 to 9 SKU's, no more.**

C - Do your homework on consumption.

Once the SKU's are selected, search into the system the **historical consumption and compare to your experience.**

For example:

From the Oracle System, you find an **average consumption of 56 kg/week** of SKU's 453453, but you know that because of rework it is better to **round to 70kg/week**

D - Stand up! Reach the buyer (supplier) and make a deal!

Reach the person **face to face** and make a deal with him. It is mandatory a **win-win proposal**. Read this module again to see how I did.

Finally, to remember that the **most important scope** of the **Kanban** is to let the **production flow** and not to have the lowest inventory ever, I suggest you read this funny strip (you are allowed to show in some presentation).

See you in 15 days!