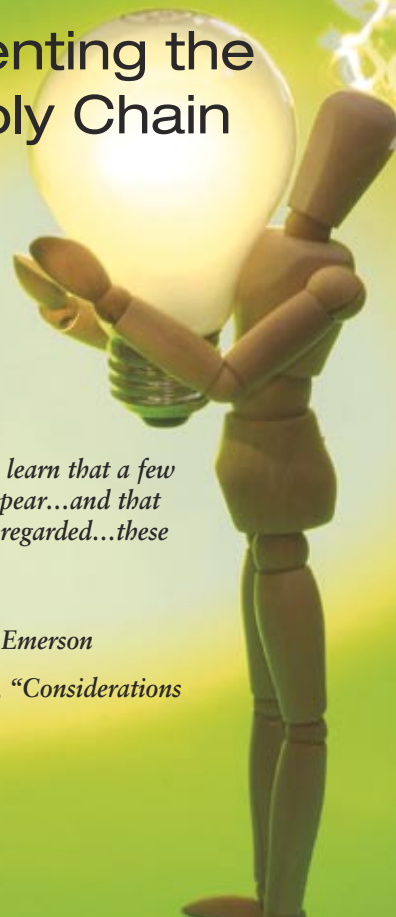
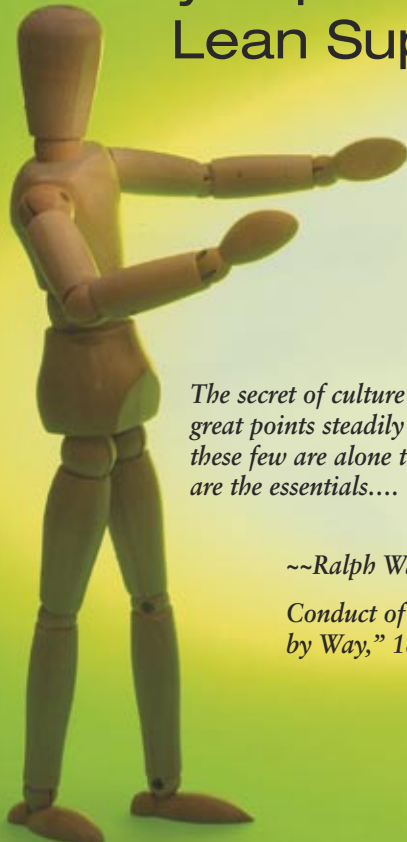


Theory of Base6[®]

Successfully Implementing the Lean Supply Chain



The secret of culture is to learn that a few great points steadily reappear...and that these few are alone to be regarded...these are the essentials....

~~Ralph Waldo Emerson

Conduct of Life, "Considerations by Way," 1860



This is the first in a series of three articles by Robert Martichenko, President of LeanCor LLC in Florence, Kentucky, with contribution from Dr. Thomas Goldsby, Associate Professor of Supply Chain Management at the University of Kentucky in Lexington, Kentucky.

Introduction

What an exciting time to be a supply chain professional! Our old guard, seemingly stable organizations now face possible extinction. New organizations appearing on the scene are flexible, fast, and agile. Through thoughtful supply chain strategies and disciplined operational tactics, many of these new companies are taking over what were once considered mature industries.

Many of us are watching from both sidelines. Some of us are peering out from inside the storm. Just like in the movie *Butch Cassidy and the Sundance Kid* when Butch and the Kid were being pursued, we are constantly asking ourselves, "Who *are* these guys?" and, more importantly, "What are they doing that is different from what *I'm* doing?"

It may come as a surprise that many of today's most successful organizations are, in fact, not doing anything new, but rather, they are focusing on business basics that have existed for over a hundred years. Believe it or not, focusing on the basics is all you need to do. Yet, this seems to be much easier said than done.

Learning from Experience

There's an old saying that goes, "When the student is ready, a teacher will appear." As a logistics and supply chain management student myself, the teachers appeared for me when I had the fortunate experience of supporting Toyota during the greenfield plant startup at Toyota Motor Manufacturing in Indiana. I *now* know that, at the time, I did not fully understand the lessons I was being taught there on a daily basis. Today, however, discussions from those years and the instruction I received continue to become clearer and more meaningful than ever.

My life after working with Toyota is similar to others who have had the "Toyota experience." We attempt to help organizations become lean. In some cases, lean is being implemented to gain a competitive advantage and, in others, it is a case of corporate survival. Either way, these organizations are trying to do the "right things right." But many are simply not getting the job done. For whatever reason, companies just can't seem to "do the right things" or "do things right." Specific to the

supply chain, the opportunity to become more efficient and effective is obvious.

Developing the Theory of Base6[®]

Ideas in business come and go, but some get traction and have a lasting effect. When thinking about business, there are a few initiatives we are most interested in. These are the ones that organizations have chosen to implement. They clearly have some value proposition. For purposes of the Base6, our list is as follows: (We apologize if you feel we left any initiative out.)

1. Total Quality Management – Dr. W. Edwards Deming influence
2. Six Sigma – Dr. W. Edwards Deming influence – Motorola and GE developed
3. Lean Manufacturing – Dr. W. Edwards Deming influence – Taiichi Ohno, Eiji Toyoda, Shigeo Shingo, Toyota Motor Manufacturing developed
4. Theory of Constraints – Eliyahu Goldratt
5. ISO Certification – influenced by engineering groups from many countries

6. Good to Great – Jim Collins

7. Seven Habits of Highly Effective People – Steven Covey

Note: The last two made the list because they are books that describe a model to be used.

Lean Manufacturing	Kaizen
Six Sigma	Process capability improvement – shift the mean
Total Quality Management	Continual improvement
Deming Principles	Constantly improve the system of production and service
ISO Certification	Process approach to continuous improvement
Theory of Constraints	Complete the cycle and find the next constraint
Jim Collins – Good to Great	Confront the brutal facts
Steven Covey – Seven Habits	Sharpen the saw

Comparing the initiatives above is not difficult, but it is also not simple. Even though there are common themes, they are not obvious as the language used for each initiative is different. That is, the terms used to describe a management concept have been changed to create new packaging. For example, the table on page seven shows different terms used to describe the idea that continuous improvement is necessary for success.

After a thorough examination of the main business initiatives on our list, clear themes develop. Interestingly, there are six common themes that span the major initiatives embraced by industry in the last several decades. They are:

- | | |
|------------------------------|----------------------------------|
| 1. Customer Focus | 4. Teamwork |
| 2. Vision Deployment | 5. Quality at the Root |
| 3. Process Management | 6. Continuous Improvement |

In order to continue our discussion, it makes sense to briefly examine these themes.

Theme #1 – Customer Focus

Customer focus is the process of understanding and meeting the needs of all aspects of the customer experience. This gets to the heart of managing customer satisfaction through customer awareness. From a supply chain perspective, it also means that we recognize that the customer is the “pace-setting” process and we, therefore, need to understand the rate at which customers create demand.

Theme #2 – Vision Deployment

Vision deployment is the process whereby an organization develops a corporate vision and turns this vision into strategy, goals, and tactical objectives for the medium and long term. The most important aspect of vision deployment is to create the infrastructure and process to deploy the strategy and tactics to all members of the organization.

Theme #3 – Process Management

All organizations service their customers through the execution of a series of processes. Process management recognizes that we need to manage and improve upon the processes that support the customer experience. Through process management, we make the important distinction between “value-added” and “non-value-added” processes. Non-value-added processes are considered waste and must be eliminated.

Theme #4 – Teamwork

Teamwork is generally defined as a group of people working together to reach a common goal. Organizational success today depends on the engagement of every individual in a firm to eliminate waste. We must create a culture based on problem-solving, which will, in turn, create an environment where teamwork happens naturally.

Theme #5 – Quality at the Root

Quality needs to come first. Dr. Deming showed us that defects cannot be inspected out of a product or service, but rather quality needs to be built into the product or service. He also taught us that quality does not cost, but rather that focusing on quality will, in fact, reduce costs. Quality at the root initiatives includes error proofing and making the important differentiation between a process error and a customer defect. Errors happen, this is a fact; however, customer defects do not have to be the result of these errors.

Theme #6 – Continuous Improvement

Continuous improvement is the theme above all themes. Yet, how many organizations truly engage in thoughtful, continuous improvement? Continuous improvement is a process like all other processes. It requires inputs, procedures, time, and expectation of specific outputs. To become a teaching/learning organization is the ultimate reward of creating a business culture based on continuous improvement. ■

In Part Two of our three-part series, we will discuss the Theory of Base6 in more detail and address implementation of the Base6. Theory of Base6 is a copyright of LeanCor LLC, Trademark Pending, January 2006.