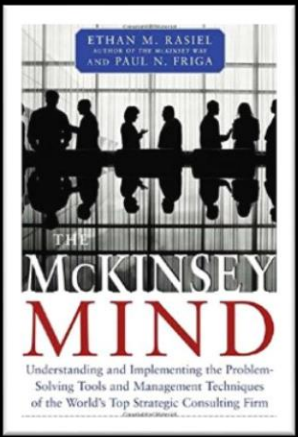
LEADERSHIP SHAPING PRINCIPLES

Art Smalley
President
Art of Lean, Inc.

Outline

1. Background
2. Leadership & Management
3. Leadership Shaping Principles
4. Question & Answer

Personal Background



柔術

Jiu-Jitsu

Leadership vs. Management

- Management tends to be more about adhering to a process and managing complexity
- Leadership tends to be more about direction, change, people, and delivering results
- Most North American companies are “over managed” & “under lead” (MBA effect?)
- Albert Einstein – “Repeating the same process over and over and expecting different results is the definition of insanity”
- Stephen Covey – “You manage things but you lead people”

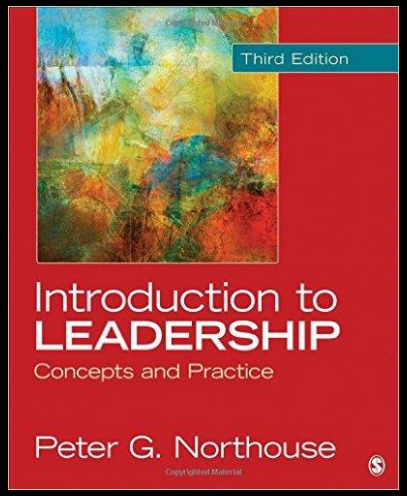
A Kaizen Mind Must Be Developed

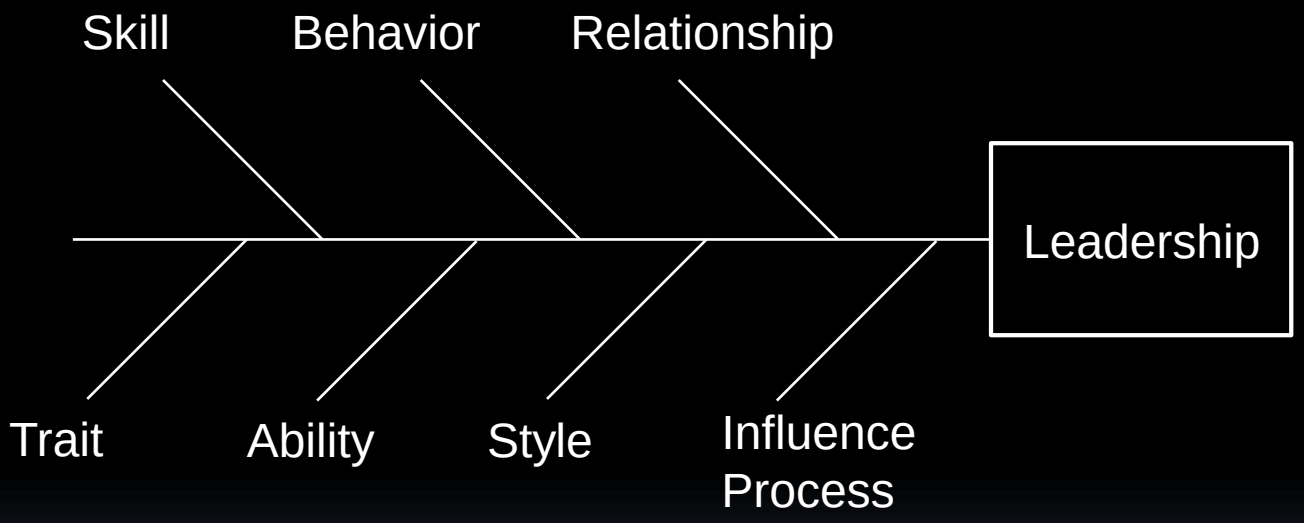
Former Toyota Exec. VP Mfg. Taiichi Ohno

"It is important for employees to be able to look at the work they are performing and be able to properly identify waste. Once the waste is spotted It is the responsibility of the team to improve the process. The important thing is to teach people to challenge problems and apply the thinking process of Kaizen. We as leaders need to foster the habit in employees of trying to change things for the better."

My Translation:
Improvement is not an accident and will not happen naturally.
We as leaders must **shape the conditions** to make it occur…

Background Research





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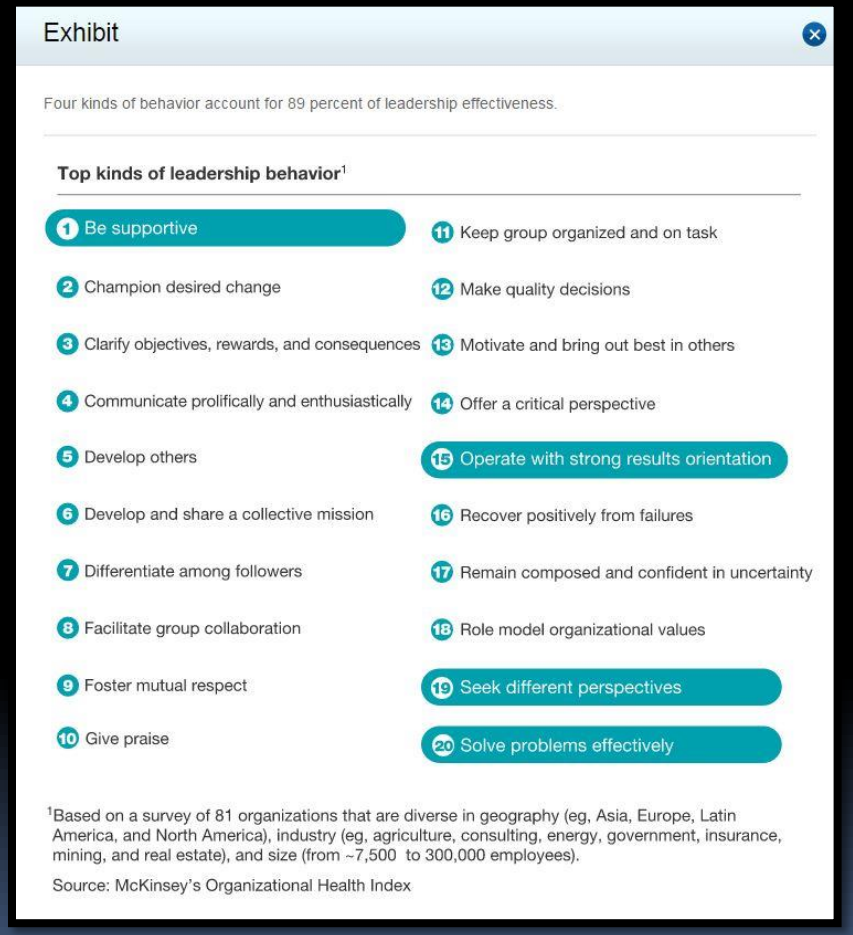


Exhibit

Four kinds of behavior account for 89 percent of leadership effectiveness.

Top kinds of leadership behavior[1]

1 Be supportive	11 Keep group organized and on task
2 Champion desired change	12 Make quality decisions
3 Clarify objectives, rewards, and consequences	13 Motivate and bring out best in others
4 Communicate prolifically and enthusiastically	14 Offer a critical perspective
5 Develop others	15 Operate with strong results orientation
6 Develop and share a collective mission	16 Recover positively from failures
7 Differentiate among followers	17 Remain composed and confident in uncertainty
8 Facilitate group collaboration	18 Role model organizational values
9 Foster mutual respect	19 Seek different perspectives
10 Give praise	20 Solve problems effectively

[1]Based on a survey of 81 organizations that are diverse in geography (eg, Asia, Europe, Latin America, and North America), industry (eg, agriculture, consulting, energy, government, insurance, mining, and real estate), and size (from ~7,500 to 300,000 employees).

Source: McKinsey's Organizational Health Index

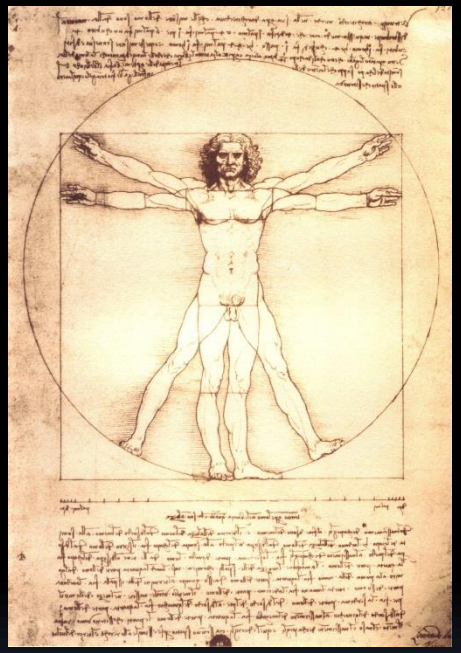
McKinsey&Company

Leadership Effectiveness Survey

1. Be Supportive
2. Operate with strong results orientation
3. Seek different perspectives
4. Solve problems effectively

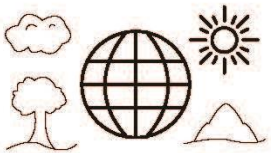
Leadership Shaping Principles

1. Purpose
2. Environment
3. Structure
4. Systems / Tools
5. Communication
6. Thinking Patterns
7. Behaviors & Action
8. Standards & Procedures
9. Time Frame Management
10. Support and Resources

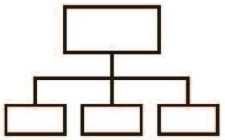


1 PURPOSE

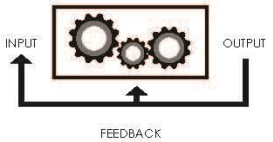
2 ENVIRONMENT



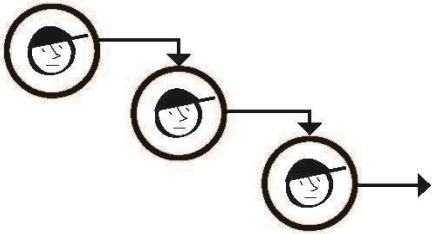
3 STRUCTURE



4 SYSTEMS/TOOLS



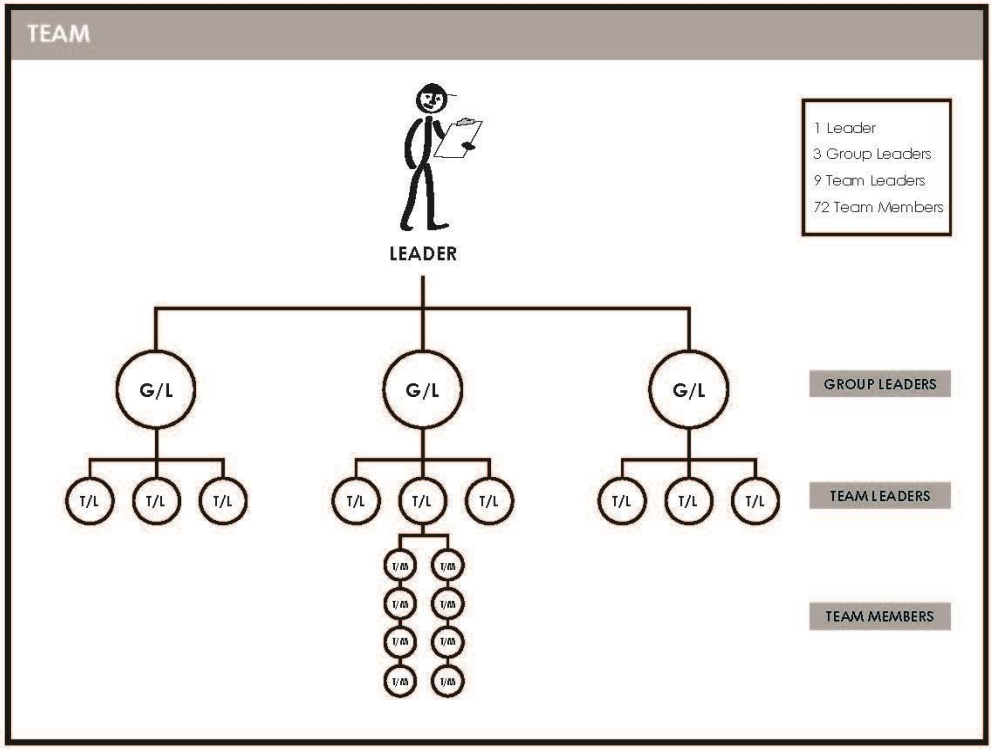
LEADERSHIP WORKS THROUGH LEVELS



LEADERS OBTAIN RESULTS THROUGH PEOPLE & PROCESSES

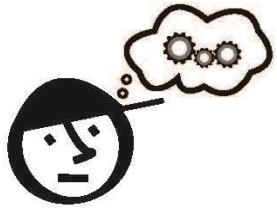
- METRICS
- ATTITUDES
- RELATIONSHIPS

TEAM

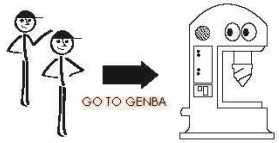


5 COMMUNICATIONS

6 THINKING PATTERNS

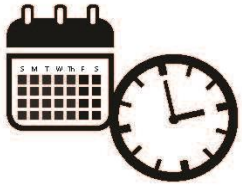


7 BEHAVIORS & ACTIONS



8 PROCEDURES & STANDARDS

9 TIME FRAME



10 RESOURCES & SUPPORT

Shape the Purpose

Strategy Development

Strategy document
5 yr Initiatives

3 yr - 5 yr financial projections

3 yr – 5 yr KPIs

5 yr +

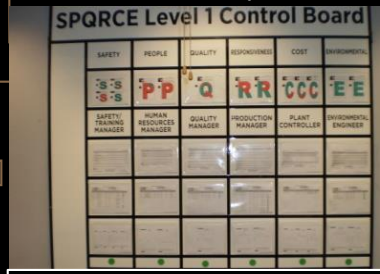
Annual Operating Plan

- AOP document
- Financial plan
- Level 0* KPIs
- Level 0* **initiatives**

* Level 0 = corporate

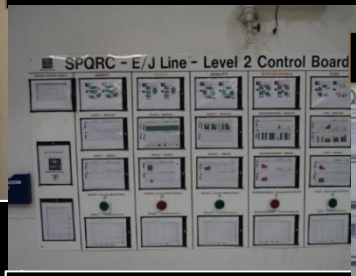
Cascade of key performance metrics in order to align the business operations

Level 4 Board (Initiatives,



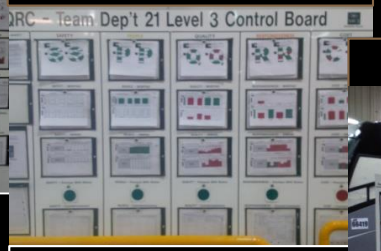
Owner: VP/GM/Plant Manager
Category Owners: Functional Reports
Review Frequency: Monthly
Review Scope: **Initiatives/**KPIs

Level 3 Board (KPIs)



Owner: Superintendent/Director
Category Owners: Functional Peers
Review Frequency: Monthly
Review Scope: KPIs

Level 2 Board (KPIs)



Owner: Supervisor
Category Owners: Functional Peers
Review Frequency: Weekly
Review Scope: KPIs

Level 1 Board (KPIs)

Owner: Hourly Team Leader
Category Owners: Level 3 Functional Group
Review Frequency: Daily
Review Scope: KPIs

Metrics + Attitudes + Relationships

Shape the Environment

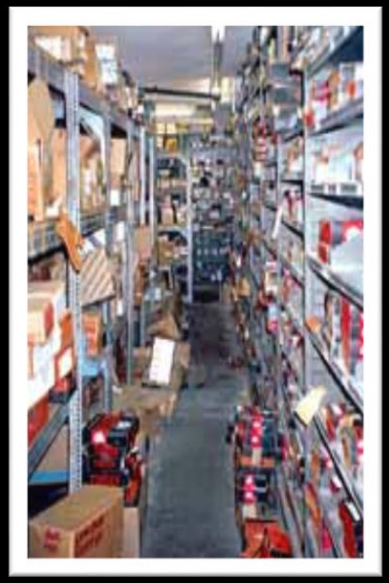
Shape the Environment

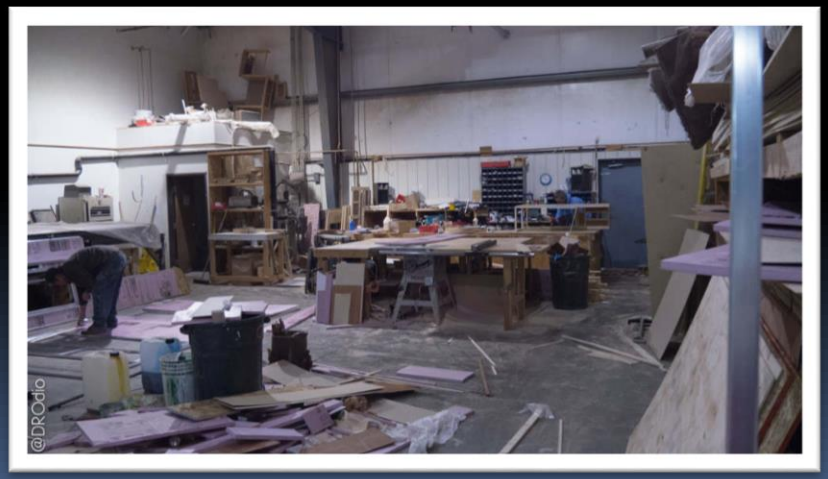
Daily Shift Cadence

06:00 Start of Shift
09:00 Quality Review
11:00 Mid Day Review
13:00 Material Review
15:00 End of Shift Status

Top Five Issues Start of Each Day (Purpose)
Prime Directives: 100% Safety, 100% Quality, 100% On-Time
Status / Abnormality Report Instantly (Red or Green)
Immediate Countermeasure Action / Root Cause Analysis Emphasis
Coordinate Technical Support Help & Follow Up

Shape the Environment





What do these environments tell us?

Shape the Structure

工場長	Plant Leader	1
部長	Department Leader	5
課長	Area / Production Leader	25
組長	Group Leader	125
班長	Team Leader	625
技能員	Team Member	2,500
Sample Plant Head Count		3,281

In general there is a 1 to 5 leadership ratio

Main emphasis in leadership training and development is at G/L & T/L level

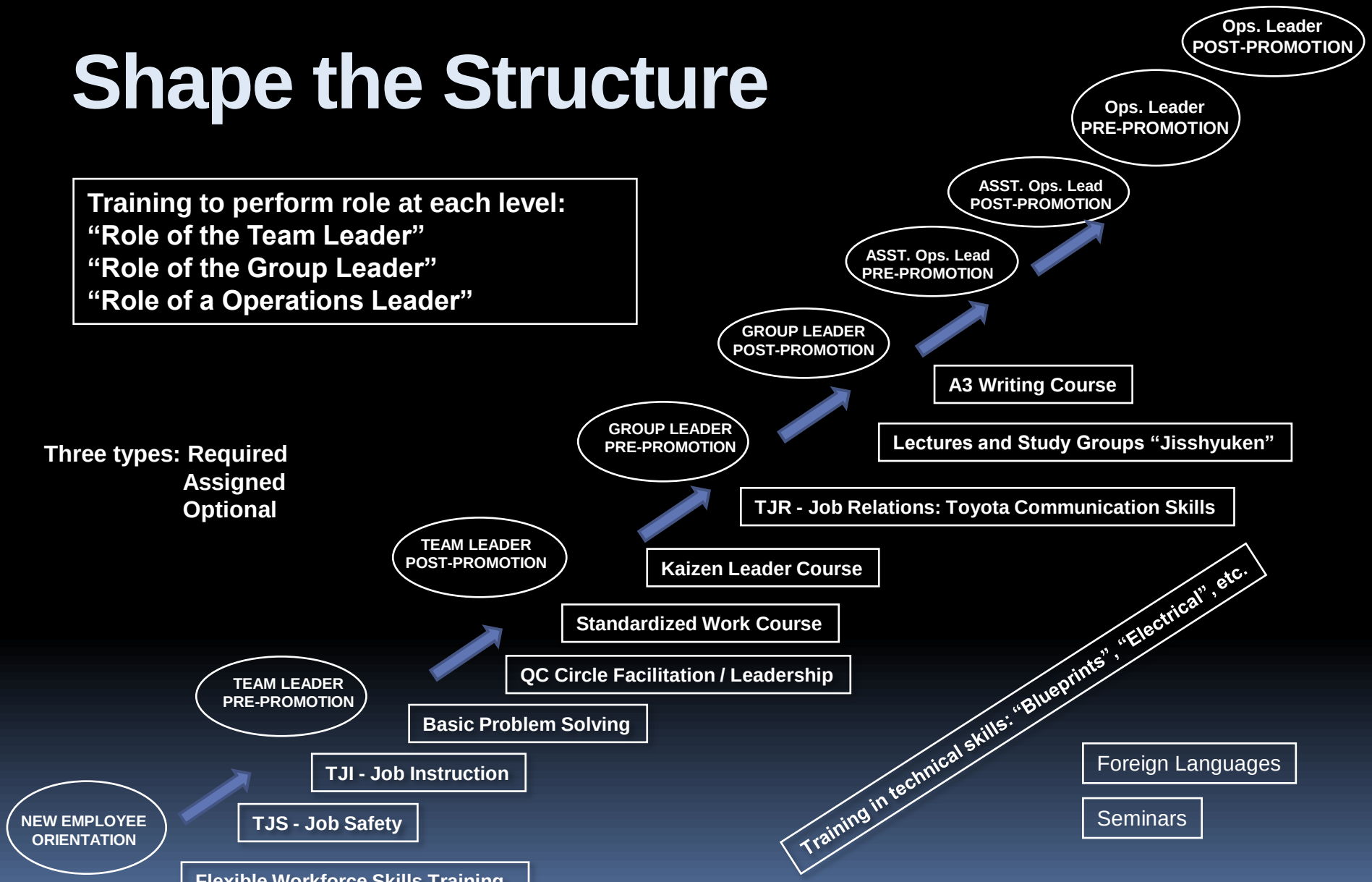
長

Pronounced: Osa or Chō
Meaning: Leader, Head, Chief, Director, Commander

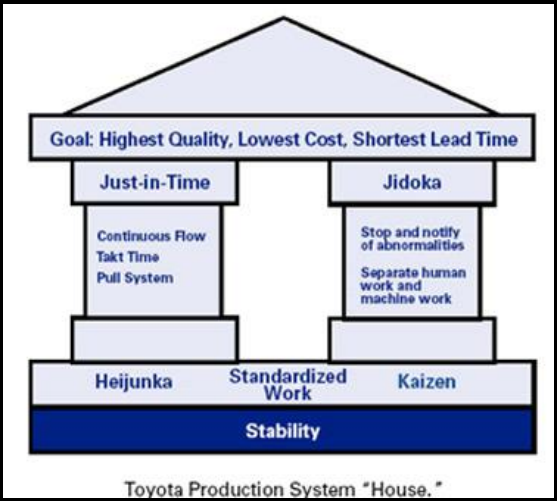
Shape the Structure

Training to perform role at each level:
“Role of the Team Leader”
“Role of the Group Leader”
“Role of a Operations Leader”

Three types: Required
Assigned
Optional



Shape the System



Toyota Production System "House."

Performance Management System

JIT Production Scheduling & Delivery System

Quality Control / Abnormality Detection System

Work Productivity System

Equipment Reliability System

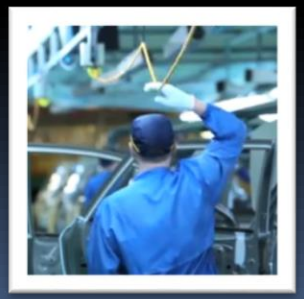
Team Based Participation & HR Development System

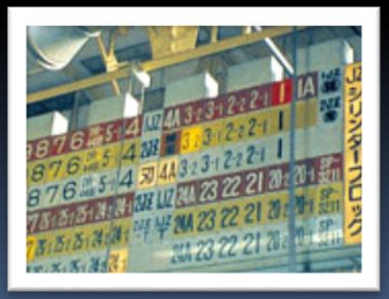
It's not really one system…in reality it is a comprehensive, interwoven, "system of systems" which interlink to surface problems, create a response, foster accountability, and drive improvement.

Effective systems don't spontaneously occur in corporations

Shape the System – Abnormality Detection

	Level	Area “Problem Rate”	
組長	Group Leader	25 ~ +	Per Day
班長	Team Leader	5 ~ +	Per Day
技能員	Team Member	1 ~ +	Per Day





Shape the Communication

Close to real time

Hourly / Daily / Monthly

Plan vs Actual

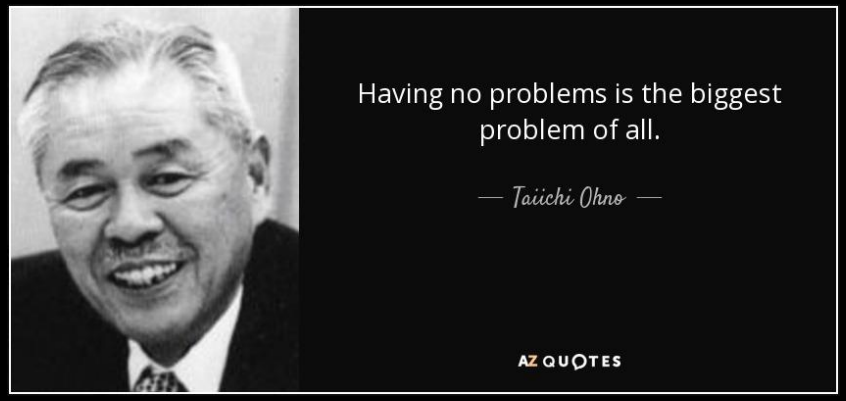
Problem surfacing

Early proactive measures

Rapid reactive measures

Clarity of assignment 5W 1H

Shape the Thinking Pattern



People
- Training
- Relations
- Methods

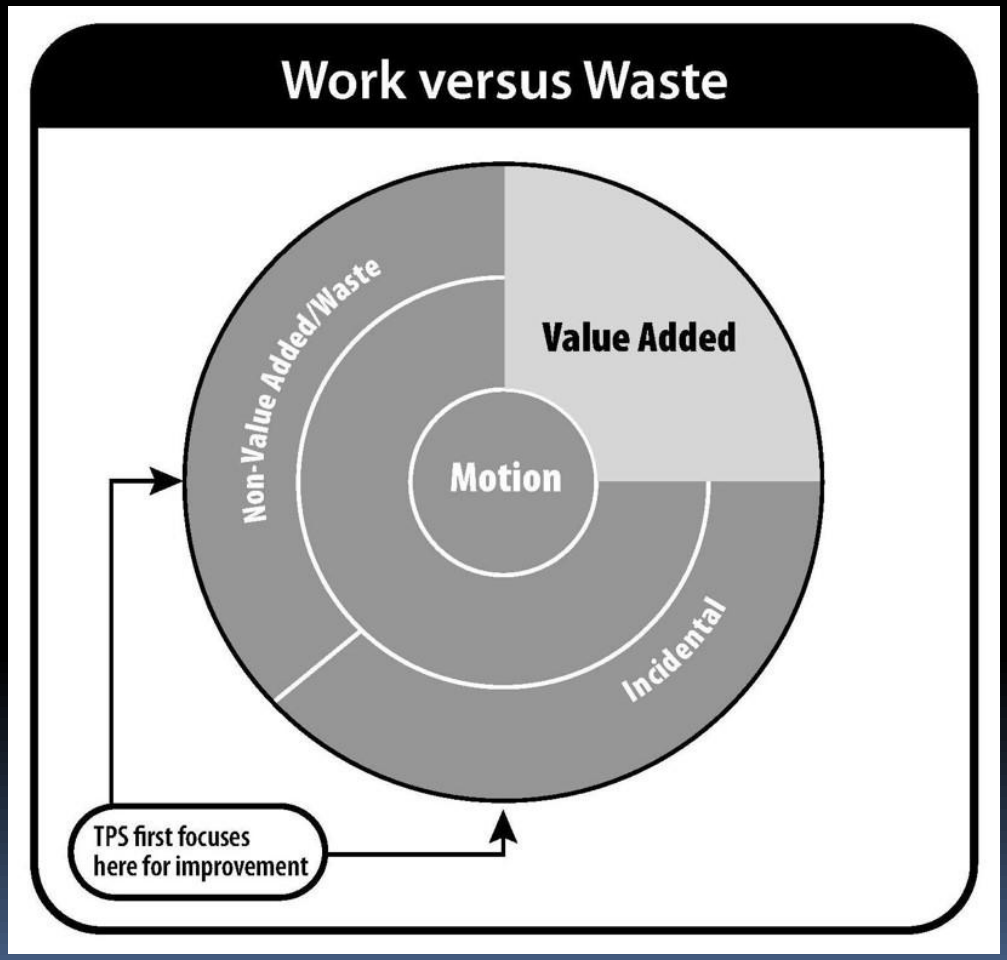
Product
- Quality
- Features
- Cost

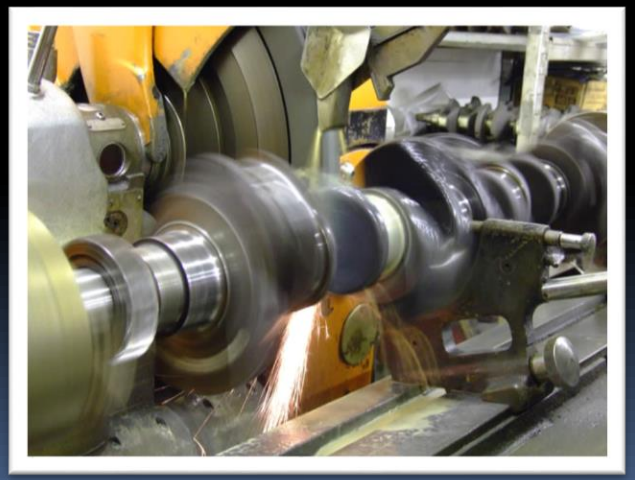
Process
- Standards
- Maintenance
- Characteristics

Problem = Gap from standard or expected outcome

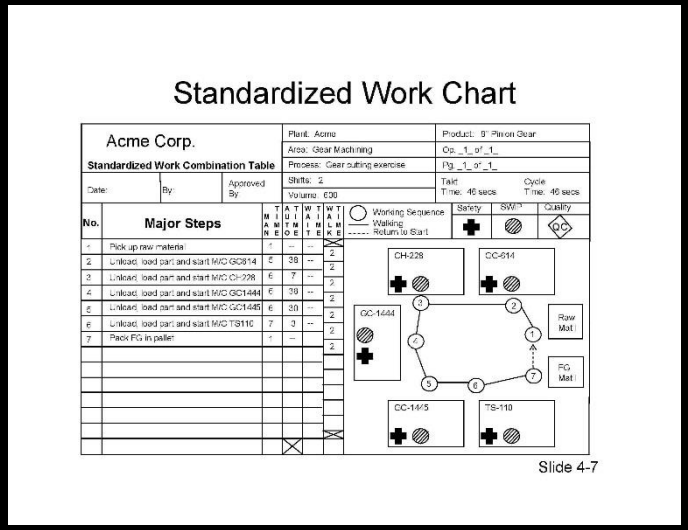
Kaizen = True sustainable improvement above and beyond the standard

Shape the Thinking Pattern



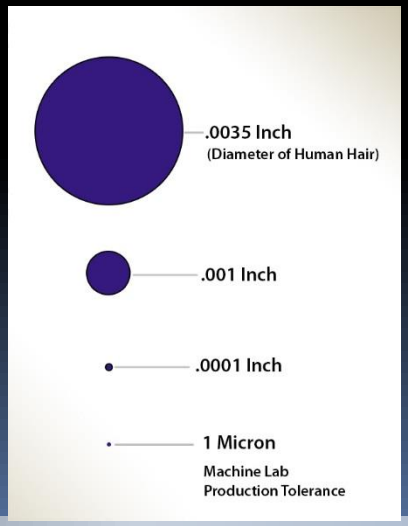


Shape the Thinking Pattern



Level of Detail

Seconds
Steps
Motions
Work Elements



Level of Detail

Micron (.001 mm)
Cpk > 2.33 Capability
<10 Defects Per Million

Shape the Behaviors & Actions

Taiichi Ohno

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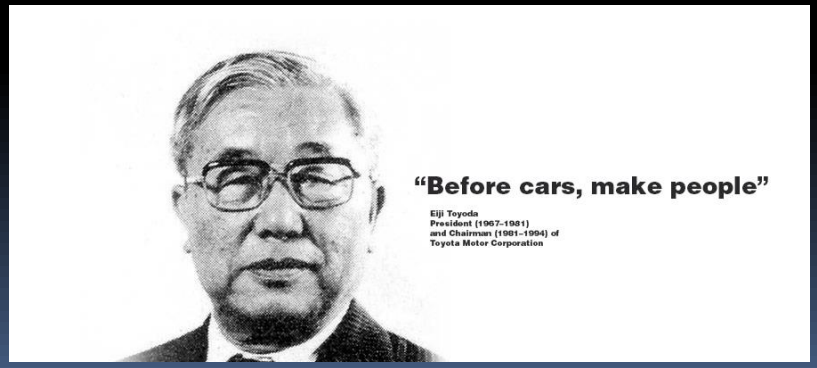

Eiji Toyoda

- Courage
- Creativity
- Challenge

Shape the Behaviors & Actions

Daily Shift Cadence

06:00 Start of Shift Huddle
09:00 Quality Review
11:00 Mid Day Status Review
13:00 Material Review
15:00 End of Shift Status

Top Five Issues Start of Each Day
Prime Directives: 100% Safety, 100% Quality, 100% On-Time
Status Report Instantly (Red or Green)
Immediate Countermeasure Action / Root Cause Analysis
Coordinate Technical Support Help

Shape the Time Frame

	Level	Time Focus
工場長	Plant Leader	Month - Quarter
部長	Department Leader	Week - Month
課長	Area / Production Leader	Day - Week
組長	Group Leader	Hour - Day
班長	Team Leader	Minute - Hour
技能員	Team Member	Second - Minute

Shape the Support & Resources

Daily Shift Cadence

06:00 Start of Shift
09:00 Quality Review
11:00 Mid Day Review
13:00 Material Review
15:00 End of Shift Status

Top Five Issues Start of Each Day
Prime Directives: 100% Safety, 100% Quality, 100% On-Time
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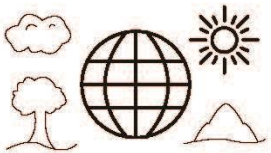
1 PURPOSE

2 ENVIRONMENT



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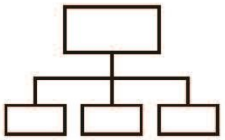

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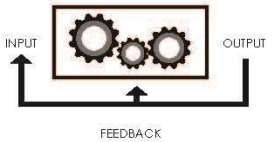
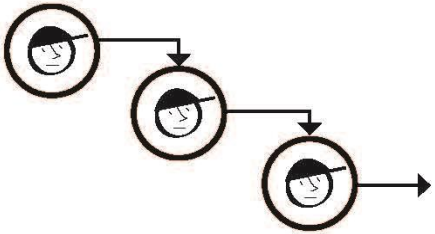


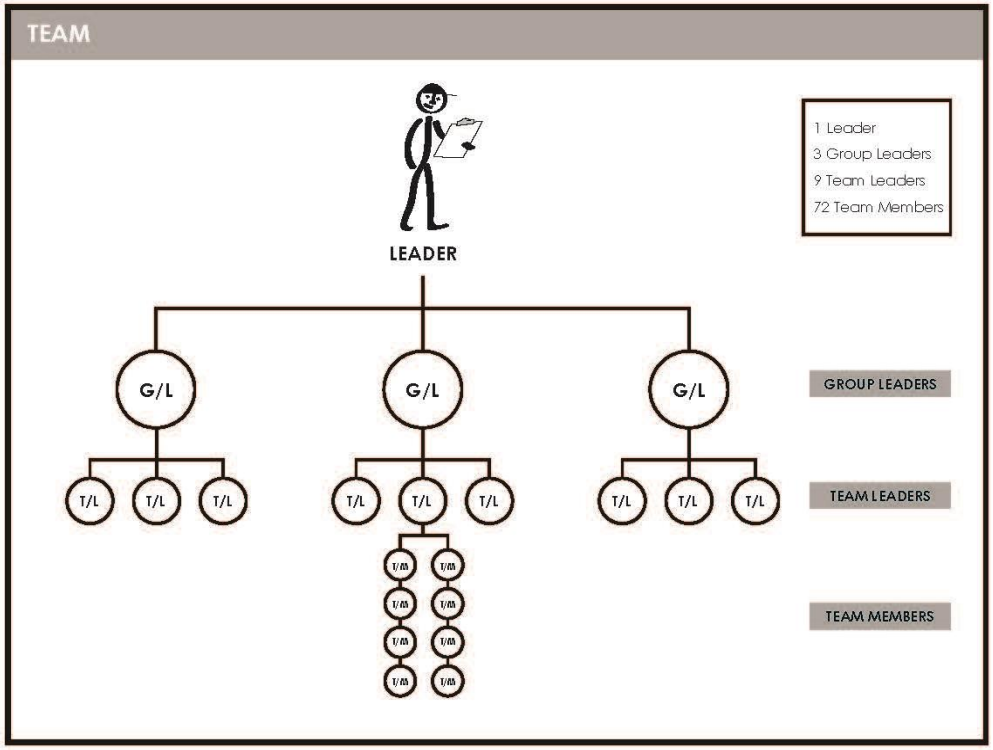
LEADERSHIP WORKS THROUGH LEVELS



LEADERS OBTAIN RESULTS THROUGH PEOPLE & PROCESSES

- METRICS
- ATTITUDES
- RELATIONSHIPS

TEAM



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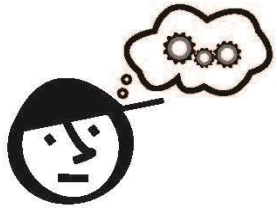

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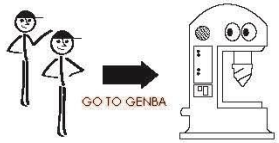
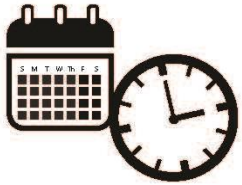


8 PROCEDURES & STANDARDS

9 TIME FRAME



10 RESOURCES & SUPPORT

Summary

- Leadership shaping principles
  - Results through people and processes
  - Metrics, attitudes, & relationships
- Homework is to find your own set of shaping principles and start designing your future
- Best wishes on your improvement journey!