

PODCAST 283: THE LANTECH LEAN EVOLUTION

By Mark Graban



Jim Lancaster is the Author of The Work of Management: A Daily Path to Real Improvement, published by the Lean Enterprise Institute in March 2017.



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For episode 283 of the Lean Blog Podcast, I spoke with Lantech CEO Jim Lancaster. Jim is also the author of a new book, *The Work of Management: A Daily Path to Real Improvement*, which documents his dramatic experience leading a Lean transformation not once but twice at Lantech.

As Jim explained, he took over Lantech in 1995 at age 28, when his father wanted to move into a product development role. Jim's father was the inventor of Lantech's stretch wrap technology, which is the clear film that encases goods on shipping pallets that

started the company in the 1970s. Today, in addition to its sales and manufacturing headquarters in Louisville, Lantech has sales and manufacturing facilities in The Netherlands, and sales and service operations in Australia and China. Lantech's annual gross sales exceed \$130 million and it employs approximately 475 people.

"I tell people 80 per cent of what you buy at the grocery store comes across a Lantech wrapper on the way to the shelf."

A lot of that growth is attributed to Toyota's Lean management

principles first brought in to Lantech in the 1990s, as chronicled in *Lean Thinking*, the Harvard Business Review, and other publications.

Lean, the First Time

"The short story is we were in pretty big trouble in the late 80s early 90s when we at Lantech lost a patent case on a core piece of technology around stretch wrappers," Jim said. "We promised to deliver our customers a machine, it's just that we weren't real sure which month it would be in that they would get it. We

weren't all that profitable and had a fairly large debt load that had accumulated in trying to grow the business. And in 1990 or so, right after this happened, my father ended up having to let go our operations director because we just couldn't get it under control. I would call it luck, he found a gentleman who was working for Danaher who decided to move to Louisville and come help us with our operations. This fellow's prerequisite for coming here was to put us on a Lean journey and to get involved with a consulting firm called TBM and another one called Shingijitsu. So my dad, in desperation, said, 'absolutely.'"

"We essentially converted all of our products and production lines in about a year and a half. And then we went to work on the office components because we could build a machine faster than we could enter an order pretty soon after we started the process."

Jim explained the transformation from this initial Lean journey was dramatic and happened quickly.

"We started doing Kaizen events, and the impact was just incredible," Jim said. "We essentially converted all of our products and production lines in about a year and a half. And then we went to work on the office components because we could build a machine faster than we could enter an order pretty soon after we started the process. And it had just an enormous effect on us, we freed up something like 60

or 70 people and we redeployed them to product development and sales, which is where I was at the time, and we utilized that extra capacity in product development and sales to grow the business, and we doubled the business in the next couple of years. So Lean is what facilitated that process."

Jim explained that there was a connection between the consultants used during that transformation and James P. Womack, Daniel T. Jones, who came to look at Lantech as one of the early adopters of Lean in the United States.

In the years that followed the release of the book, which saw people touring the factory to learn how a company committed to continuous Lean improvements operated, Jim became concerned that Lean activities weren't having the impact they once did. While the company's results continued to improve, thanks to the big investments in technology and sales that continued to grow, it was clear to Jim that by the late 90s impact on the business from Lean activities had stalled.

"There's times where you're making improvements and they don't quite hit the bottom line yet, but you just know they're right and they're absolutely making an improvement because you can see the waste just come out of a system or a process. And there's other times when maybe the results are looking better but you look at what you're doing and know you're not really making any difference," he said.

A New Strategy

To combat this, Jim rolled out a whole new strategy focused on global expansion.

As Jim explained, the idea was to take the lessons learned in Lean

in Louisville to other overseas businesses that served the same basic customer base, and through the same process get those businesses to take off as well.

"So we did that, we acquired the business in the Netherlands, we acquired another business in Florida that we basically closed down in Florida, moved back to Louisville redesigned all the products and then relaunched it," Jim said. "We also made some pretty big investments in Asia. They worked fairly well. I mean we did the Lean conversions and they worked, we did the new products and they worked, we did the channel expansions in Asia and they worked, but the problem was at the end of the year all that growth we got from that was completely offset by deterioration back at home. Not only did I have to succumb to my dad looking over his glasses and saying, I told you so, but also I mean I was working my tail off flying all over the world, and I had young kids, and I just wasn't seeing the impact and so I just got really frustrated with what was going on, and we weren't in trouble, it's just for as hard as we were working it should have been a whole lot better."

Through our conversation, Jim came to the point that the type of Lean approach used at Lantech in the 1990s and the kind they employ now differs. Today, training and teaching is at the core of their improvement efforts as it offers the best gains for their efforts.

"So the difference, in the 90s was we ran Kaizen events to really convert an area from batch to one piece flow or to take waste out of a business process; today we run workshops on for example standardized work, or on problem solving, or on pull, and the primary

purpose of those workshops is for the people in the workshop to learn. The by-product is an improved process in the area. And the results are not overly different in terms of the change in the environment, but the focus of the preparation and how you think about team make-up and how you think about what you do in the report outs, all that changes when your primary focus is development. That's the only way I get enough improvement. Now we've got 500 and some odd people, I can't have a KPO office [Kaizen Promotion Office] with two or three people and have a meaningful impact on the business, I've got to have all our team leaders understanding these principles and able to implement them and train their folks."

"We believe that training and teaching is at the core of running these workshops on making improvements."

Jim stressed the importance of the development of people and buy-in during our conversation as well as the need to focus on improvements that are fixing pressing needs within the organization.

"If we're not creating believers if you will, we can't sustain the improvement and we certainly can't get any scale. And if we're not working on the most important things we got in the business, then everybody already knows that it's just a freakin' hobby. So it's a critical element for people to also learn, and also learn what's important to the business."

One of the key business problems at Lantech was deterioration. The Lantech Daily

Management System, which is outlined in *The Work of Management*, was created to fix that issue.

"If we don't a proactive process that's happening daily, that will go back to its original state very quickly. What I realized was that for us to be able to accumulate competitive advantage, which means accumulate benefit over our competitors, we had to plug the hole in the bottom of the bucket, if you will, of all this improvement we were doing," Jim said. "That deterioration is such a sucker-punch because it tries to draw you into blaming people for 'not having the intestinal fortitude or accountability system in place to hold it,' and that's just the furthest thing from the truth, but that's the even bigger danger."

Lantech Daily Management System

Jim explained that structurally, the Lantech Daily Management System is a process to catch deterioration at a detailed level, and then be able to get the right either level, or skill applied to the problem.

"It's our ability to make literally tens, if not hundreds of decisions on a daily basis to get the right resource focused on the right problem that's made a huge impact on our business," Jim said.

Also included in this system is a very specific and clear set of instructions for who decides what. Jim explained that if an issue only utilizes the resources within one functional area, then that team leader or manager makes the call. The leader still must make the issue visible, but the decision lies with that leader. If an issue crosses functional lines, the next level of management that has responsibility for all the areas

involved makes the decision.

"In most businesses what happens is, and I used to do this, I'd tell the operations guy, 'Well, go talk to the engineering guy and you guys work it out. If you guys can't work it out, obviously you're not a very good manager.' So I set them up to fight, and then they set this whole fight up and then all the politics start, and then finally I'll come in rolling my eyes later and have to break up a fight and make a decision. Now we're standing there at the board, I know when it's my decision and I don't set them up, and I make the decision right there, or if I need data, I'll get the data."

One shift this management system has created is that everyone spends a whole lot less time in meetings. In addition to the cross-functional work happening daily, and a process for making decisions, time is also freed up due to systematization.

"We have a process for decision making if you've got a capital request for example, there's a process you could go through, that looks a lot like an A3, you fill it out, and we're clear where the decisions get made, and you can get a decision really fast. But if you show up with, 'Hey, I really want an overhead crane.' And you haven't gone through the systemic thinking, then we just don't waste that time of having to have that meeting and ask seven more questions, then go back and get those seven questions, come back ask three more questions.... We've systematized that because most, for example spending decisions, really the questions are almost always the same."

Decisions are made much quicker at Lantech now with this system. As Jim explained, before the daily management system was developed, the decision-making process wasn't visible and the

purpose behind the decision-making process wasn't visible, so it was a mystery that left everyone unable to prepare. The approval process also involved several people. Today, it's clear who the one person is that needs to say yes, and it's clear what you need to prepare to get a yes.

“We make \$100 thousand, \$200 thousand decisions literally standing there at a board in 10 or 15 minutes.”

“I don't have that many noes anymore because people know what it takes to say yes, so they do that and it works. I mean I do have to say no sometimes only because magnitude gets out of whack sometimes, I only have so much capital that I'm going to apply on a quarterly basis,” Jim said. “We make \$100,000 , \$200,000 decisions literally standing there at a board in 10 or 15 minutes. Because you know we have everything we need.

And that's the critical slow down in decisions is either you don't know who makes the decision, which is what the case was here and in many businesses, or you don't have the data or information you need to make the decision. Those are the two key things that slow down decisions.”

Lean in Healthcare

I wrapped up our conversation asking Jim about his thoughts on healthcare in his community of Louisville with respect to Lean. While he has run into a lot of healthcare professionals in places like the Lean Enterprise Institute's conferences, etc., he hasn't really had the opportunity to speak to healthcare leaders locally. With that said, like all of us he did have enough personal experience with the healthcare environment to see the is opportunity there.

“What I'll say is work is work,” Jim said. “It's really not any different than the kind of work that we manage.

The challenge I see in healthcare is that they've got some cultural issues between doctors, and nurses, and administrators that culturally are different than manufacturing that poses a bit of an issue.”

Jim offered the great analogy of a traffic cone. Depending on the size a traffic cone is somewhere between five and 25 pounds and it's made out of plastic. And yet if you put out a traffic cone in front of a parking space people will 99.9 percent of the time not park in that spot, even though they are driving a 3,000-pound car.

“The reason I make this analogy is that some of these cultural elements between doctors, and nurses, and administrators are like a traffic cone. They look impenetrable, they look huge and they've always been there, they weigh 25 pounds, they're made out of plastic, and they're sitting in front of a parking spot. The reason I say that with such vigor is that I see that in my own organization.”



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