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Lean strategies can help Canadian firms with high currency

Business survival strategies require more than scenario planning, considering every possible permutation and having an actionable plan of attack. The dramatic increase in the value of the Canadian dollar has put extreme pressure on Canadian manufacturers and their ability to compete and be productive.

In turn, this has made it even more important for Canadian manufacturers to adopt new processes, business strategies, and/or management philosophies to remain competitive in a rapidly changing economic environment.

Most proponents of lean manufacturing agree that it contains at least the following elements: waste elimination throughout the entire production process; adjusted product flow so that all production processes are value-added and production operates on a demand-pull basis; a policy of striving for continuous improvement at all times (kaizen); and team-based operations, frequently configured around workcells.

In the recent past there was difficulty in achieving buy-in from manufacturing employees which caused a lean initiative to dissolve into an ineffective effort. With a strong Canadian dollar there is recognition by all, from C-level to part-time line workers that "something" must be done to remain competitive.

Consequently, putting companies on a "lean" diet is now much readily accepted than even two years ago, when the U.S. dollar was still 10% (or more) higher than the value of the Canadian dollar.

Lean manufacturing emphasizes quickly eliminating obvious sources of waste by focusing on processes. Starting in the 1980's companies like Boeing began the lean process to improve the quality of products and processes. The need for continuous quality improvement and total quality management became the cornerstones of Lean manufacturing principles and practices.

By the 1990s most of the Fortune 500 companies were searching for techniques that would result in continuous quality improvement. Core concepts of lean, such as just-in-time delivery, error-free production, and continuous, were not fully understood, nor how to apply them.

By the end of 1999, most lean corporate manufacturing pioneers were implementing visual controls (kanban), simplifying the reorder systems, and reducing the error-prone double data entry. Just-in-time had replaced lagging indicators.

According to Stephen Parker, chief executive officer of Datacraft Solutions, makers of Signum, an electronic kanban solution, "Lean thinking and practices have been incorporated into all levels of the manufacturing

business operation. Kaizen shop-floor improvement is commonplace. Lean principles have spread throughout the operation, far broader than just the manufacturing operations. The lean methods are in engineering, logistics, customer support, transporting, and suppliers."

Despite lean roadmaps, business process mapping, and a myriad of consulting experts, little data has been gathered to determine the actual percentages of lean methodology adoption. At a conservative estimate more than 150,000 Canadian manufacturers have yet to implement a lean process. With 91% of Canadian manufacturers employing less than 100 people, the vast market potential of kaizen, kanban, and continued process improvement is staggering.

According to Evan J. Miller, chief executive officer of Hertzler Systems, specialists in lean and Lean Six Sigma, "With the increasing price pressures, currency pressures, proven merit, established methods, lean methods are migrating to the smallest Canadian manufacturing organizations because the elimination of waste guarantees a competitive advantage or at least a chance of manufacturing survival."

Lean manufacturing is defined as a process to improve manufacturing and service operations, reduce waste, improve quality, and drive down costs. One of the first areas that manufacturers and their consultants have examined is the supply chain, where storage, shipping, packaging, resellers and multi-national regulations can reduce profits if not intelligently managed.

Miller suggests, "Our web-enabled economy allows all aspects of a modern supply chain to be defined by business data-data on many fluctuating factors, such as the costs of raw materials, labor, fuel, real estate, warehousing and shipping, plus consumer patterns, reseller-arrangements, insurance rates, weather trends and security needs. Data needs to be continually weighed, considered, and evaluated to determine how, when, and if a manufacturing supply chain should be adjusted, or how efficiencies might best be gained."

Implementing lean manufacturing practices has never been more important; Canadian manufacturers can and must streamline their operations and remain competitive in the face of a rising currency and increasing costs.

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