Building a sustainable lean organization through internal heartbeat development

Paul Murphy
VP of Operations
Electri-Cable Assemblies
Presentation Objectives

• Show how we sustained 18% a year sales growth for 8 years, by building a sustainable lean organization through internal heartbeat development.
  – The importance of core values
  – SABA
  – Effective On-boarding
  – Developing a leader first program
  – Creating the learning organization
  – The 5th metric

Use the 8 year journey of ECA to show a journey of growth and development
Who is ECA?

A maker of Power and data solutions for the furniture industry
A Quick History

- Founded in 1975 by David McCarthy
- Built new building in 1998
- Initial lean Journey began in 2000
- Russ, Dave & Glenn Purchased Company in 2006 (about $4.5M in sales)
- Survived the loss of the largest customer. 25% of the business
- Sold to Dekko in 2016
- 6 of 8 Senior leaders leave the company
- Continued growth to $36M in sales in 2019
So here we were in 2011 – ready to grow

- A good management team
- Eager and willing to work hard
- A desire to succeed
- Committed to the company
- Committed to being different
Start applying lean tools at a high rate

• Policy deployment
• Value stream mapping
• 5S
• Visual workplace
• Kanban
• Cellular manufacturing
• Kaizen
Finally success starts to happen

• Sales rise from $7.6M to $9.5M
• Profitability grows
• Customers are happy
• Employees are involved and excited

“Making ECA easy because it’s really a great place where I can grow and have lots of fun!”
Ping, Operations Analyst
Then struggle

• We can’t seem to all get on the same page.
• Uneven growth. Large rocks.
• Differing agendas.
• Differing ideas of what success is and how to get there.
• Difficult to sustain – Involved v’s committed
Plan

Do

Check

Act

Reflect

Check

Check
Success has many parents, failure is an orphan.
Clarify our MVVP

Disconnect between vision and execution
- We lacked true engagement beyond the leadership
- We had a vague view of what success looked like but hadn’t clearly explained it or agreed to it.
- Clarity of alignment
- Result: Frustration
What We Want To Do

Our Mission

Our Mission
1. Describes what business we are in and
2. Who our customer is
It captures our relationship with our customer.

ECA provides innovative power and data solutions. We are committed to delivering the ultimate customer experience by building strong relationships focused on our customer’s individual needs.
What We Want To Be

Our Vision

Our Vision tells the world – our employees, customers, consumers and the communities where we make and sell our products – what we care about.

To bring passionate people together to work hard, have fun and inspire each other.
What We Believe Is Important

Our Values

Our Values describe how we will conduct ourselves each and everyday.

1) Create and embrace change
2) Strive to be the best
3) Be honest, open and respectful
4) Inspire others
5) Be passionate
6) Accept responsibility and be accountable
7) Learn – everyday
8) Have fun
What We Mean to the World

Our Purpose

Personal Achievement
Community involvement

Learning - Everyday
Striving to be “better than the best”

Helping others
Being a Leader
Clarify our MVVP

Everyone, Everyday

Believing the **Vision**, Executing the **Mission**, living our **Values** and working with a common **Purpose**...
Clarify our MVVP

Clarity of vision

• Three month rollout of the mission, vision, values and purpose for all employees

• Started to tie to
  – Strategic planning
  – Policy deployment
  – Training
  – Hiring
  – Reviews
  – Rewards (Gain sharing)
  – Daily decision making
Clarify our MVVP

What did this do for ECA?

• Alignment through the organization
• Clarity of who we were
• Easy Decision guide

• Trust up
• Reliability up
Some more Success then failure

- Sales, Profits and Customer satisfaction rise
- True employee engagement rising

- However.......  
- Not enough talent to sustain the growth  
- Hiring was hit or miss  
- We would train and then they would stop showing up
Revelation – Hire the right people

• Hire for values, train for skill

Cost avoidance –

• People
  – Recruitment
  – Training
  – Productivity
  – Management
  – Firing

• Materials
  – Sourcing
  – Machining
  – Rejection
  – Rework
  – Disposition
  – Scrap
How do we create the desired attitudes?

By installing **Structures** that precipitate specific **Activities** to occur.

These activities foster certain **Behaviors** which over time motivate the formation of desired **Attitudes**.
Hire the right people

Onboarding process

- It's like dating.
  - Recruit through temp agencies who understand our values.
    - Toured our facility and understand our culture.
    - Meet our people
    - Apply our filters
    - Hire all direct labor people through these agencies
  - Referral program
  - No relative’s policy
  - Community outreach
  - Social media
- Experience is not a requirement
Hire the right people

Onboarding process

• The agencies are the 1st filter, weed out those who don’t meet our core requirements
• Team supervisors interview the candidates for fit within their teams
  – If they approve then we bring them on board.
Onboarding process

- Then the 3 month dating process
- 8 on boarding classes in the 1st 3 months. All employees
  - MVVP
  - 5S
  - Safety
  - 10 Commandments
  - 8 Wastes
  - Kanban
  - Cellular manufacturing
  - ECA products
Onboarding process

• Monthly production manager - supervisor lunch
  – Review each candidates’ progress in several key areas.
  – Monthly feedback is provided to the employee in all areas but one.

• Test the potential employee to ensure that we know who they truly are. (Fox hole, and that they know us)

• After 3 months they are hired as an ECA employee.
Hire the right people

Onboarding process

<table>
<thead>
<tr>
<th>Name</th>
<th>Mirelys P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department</td>
<td>COC</td>
</tr>
<tr>
<td>Position</td>
<td>ASSY II</td>
</tr>
<tr>
<td>Shift</td>
<td>1st</td>
</tr>
</tbody>
</table>

**Reporting Supervisor:** Keichmarie H.
**Temp Start Date:** 6/18/2018
**Agency:** Hamilton Referral
**90 Day Date:** 9/16/2018

**Orientation Completed:**

**1 = Unsatisfactory, 2 = Needs Improvement, 3 = Meeting Expectations, 4 = Exceeding Expectation, 5 = Exceptional**

**30 Days**

<table>
<thead>
<tr>
<th>Productivity</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitude</td>
<td>5</td>
</tr>
<tr>
<td>Quality</td>
<td>4</td>
</tr>
<tr>
<td>Lean/CI mind</td>
<td>2</td>
</tr>
<tr>
<td>Learning</td>
<td>5</td>
</tr>
<tr>
<td>Special Skills</td>
<td>1 - 5</td>
</tr>
<tr>
<td>What is the Special Skill</td>
<td></td>
</tr>
<tr>
<td>Target Score: 10</td>
<td>20</td>
</tr>
<tr>
<td>Attendance Points</td>
<td>2</td>
</tr>
</tbody>
</table>

**Supervisor Notes:**

Mirelys has a great attitude, focus on her work and she has an interest on growing in the company since day one. She follow the processes and question things that are not clear for her or on the team.

**30 Day Plan:**

- Keep training her in products like Knoll.

**Associate Comments:**

**Associate:**

**Date:**

**Supervisor:**

**Date:**
Onboarding process

• The process of onboarding is reviewed on a regular basis to make sure that it is effective in finding the right people.

What did that do for us?
• Attrition rate after the 3 month period dropped dramatically
• Our employees are now our foundation.
  – Bad hires wastes significant resources and causes a large investment in training.

Hire the right people
Success then struggle

- Now had a flow of good core value people
- People who match the values we aspire to uphold
- Yearning to be engaged
- Training for skill was easier than expected.
- Less time fighting for alignment

- The challenge
  - Ineffective heartbeat leaders
People don’t leave the company

They leave their leader

Solution: Provide good heartbeat leaders
People don’t leave the company

Go Gemba!

What we found was

• Some leaders were good raw material but were never trained
• Others were capable but were set up to fail.
• Others were good people not capable of leading.
Provide good heartbeat leaders

People don’t leave the company

Solution

• Clarify & document team leader and supervisor roles
• Set the correct leader led ratio 7:1
• Provide the tools that a leader needs to win
• Train all current leaders to be heartbeat leaders
  – Reassign those who can’t to roles that better fit their talents
  – Promote and train those who can get it, to fill the gaps

Goal: Give each team the perfect leader
Provide good heartbeat leaders

Promote & train those who can get it

• What does the perfect leader look like?
• Key attributes
  – Actively engaged
  – Process focused
  – Core values
  – Problem solvers
  – Ability to self-reflect and think deeply.
  – Applying the principles of lean
Provide good heartbeat leaders

Success ......

• The result
  – More active empowerment and engagement
  – Role models for others to follow
  – Clarity of purpose
  – Stability of the work force
  – Opportunity for employees
  – More learning
  – More Improvement activity

• Business grew
........ then failure

• Oops, we are out of “natural” leaders.
• Didn’t have an internal pool of “lean leaders”

Solution

– Hiring outside.
– Hire for values. Hire good raw material.
– Look to develop and promote from within.
Solution – Hire experience

• Hired 2 team leaders and 5 supervisors with lean experience
• Good core values

Result

EPIC FAIL
Why?

• Didn’t have the lean experience we were looking for
• Values were hard to judge in an interview
• New leaders with little understanding of culture
  • Products
  • Process
  • Team dynamics
  • Or what good looked like
• Had a poor understanding what a heart beat leader is
  – Command and control v’s empowerment and engagement
Three Fundamental Questions

1. How capable is our organization of surfacing problems and opportunities and resolving them thoroughly and quickly at all levels?
2. How engaged are our associates?
3. Are we developing tomorrow’s leaders, today?
Solution: Develop heart beat leaders

- No quick fixes
- Patience to grow the right leaders. Create the right conditions.
- No leader is better than the wrong leader
- The west point experience and premise
- Leaders before you need leaders - TMG
Develop heart beat leaders

Created a Leader in training program

• Led by our Production Manager
• Run 2-3 times a year.
  – Anyone can apply, even temps.
  – They must be employees or temps in good standing.
• Basic training

• All we promise is that they can apply for a position as a lead when they complete the program
Leader in training program

- Takes place over several weeks
- 4 Class room sessions
  - Based on “Creating a lean culture” David Mann
- What it means to be a heart beat leader
- ECA production system
- Job shadow day
- Reverse job shadow
- Improvement project and final presentation
Outcomes of the Leader training program

Identifies good leadership candidates early

1. They learn what it takes to be a leader
2. They may decide that it's not for them
3. You may decide that it is not for them
Develop heart beat leaders

Outcomes of the Leader training program

1. A better first follower
2. Respect what their leaders have to do each day
   1. Support their leader more effectively
   2. Act as a back up when the lead is out
3. Use it as a spring board into a different role
4. Become more engaged
5. Become more loyal
Leader in training program - Results

- To date ~ 90% success rate
- Leads to support our growth 7-1 ratio
- Early engagement of our work force
- Consistency from team to team

- Unintended consequence
  - Production Planner
  - Maintenance tech
  - Fabrication tech
  - Continuous improvement facilitator
Develop heart beat leaders

Leader in training program - Results
Develop heart beat leaders

Characteristics of our heartbeat leaders

- Career v’s Job
- More introverted than extroverted
- Process focused
- Eager to learn
- Good listeners
- High standards
- Persistent and insistent
- Takes responsibility

- You are what you tolerate

1) Create and embrace change
2) Strive to be the best
3) Be honest, open and respectful
4) Inspire others
5) Be passionate
6) Accept responsibility and be accountable
7) Learn – everyday
8) Have fun
What else did we do?

• Rotate leaders regularly
  – Encourages leaders to rely on the process and not on their local knowledge
  – Taylor
    – Assembly 1,
    – Assembly 2,
    – Team lead COC,
    – Team Lead Paint,
    – Supervisor COC,
    – CI facilitator

• Move leaders into other roles within the company
  – Walter Fabricator - Team lead - Maintenance Tech
Success and then ….

• August 2016 Company sale.
  – A true test of the robustness of leadership
  – Dealing with a leadership transition.
    • 6 of 8 senior managers have retired/left
    • 2 new additions & one promotion.
  – The strength of culture.
  – Now have clarity of identity.

Result: Continued growth
New challenge: Sustaining engagement

- No obvious burning bridge
- How do we create a self generating organization
- Biggest threat is who is next to lead

Solution - Deploy
- 5th Metric Score card
- Targeted Employee engagement plans
What is the 5\textsuperscript{th} metric?

SQDCE
- Safety
- Quality
- Delivery
- Cost
- Engagement

If we \textbf{align} the organization and improve \textbf{leader behaviors} then…. …we will increase \textbf{team engagement} and improve \textbf{business performance}.
How do we measure and improve engagement

Engagement is about the relationship between the leader and the led
1. Set expectation between leader – led from the start
2. Leader sits with led each month and works on EIP
3. Monthly meeting rhythm

- Start slowly with expectation conversations
- Then one Engagement Improvement Plan EIP.
- More important to get the process working than to see results
The 5th metric

Monthly Report out
Engagement Improvement plan

The 5th metric

<table>
<thead>
<tr>
<th>Supervisor/Manager</th>
<th>Leader</th>
<th>Area</th>
<th>5MSC</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patricia Espinol</td>
<td></td>
<td>Fabric</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Paint</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Elizabeth Nieves (2nd)</td>
<td></td>
<td>COC</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Jackie Mendez</td>
<td></td>
<td>Connectrac</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Shipp/C100</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Keichmerie Hernandez</td>
<td></td>
<td>C200/C210</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td>Lauren Lawrence</td>
<td></td>
<td>Customer</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>QA/ME &amp; Mnt</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>TOTALS</td>
<td></td>
<td>TOTALS</td>
<td>125</td>
<td>11</td>
</tr>
<tr>
<td>Engagement Score</td>
<td></td>
<td></td>
<td>261</td>
<td>58</td>
</tr>
</tbody>
</table>

5th Metric Scorecard

Individual: Sandra G  Engagement Level: D  Leader: Raquel Almonte
Start Date: 6/1  Target Date: 6/31

Engagement Improvement Plan

Plan: Sandra tries to make things happen and meet the goals when it comes to taking out the orders on time. The problem is that sometimes she would accept things as they are.

My plan for Sandra is to speak up and don’t accept things as they are and from this to think more of the values of the company before taking action on things.

Status: close

Action Items (SMART – Specific, Measurable, Agreed, Realistic, Timeframe)

1. Present the plan to Sandra  Target Date: 5/30  Complete Date: 5/30  Status: c
2. Have Sandra present to the team what is her project and the objective of it  Target Date: 5/31  Complete Date: 5/31  Status: c
3. Have her find 5 things within the department that she won’t accept as is  Target Date: 6/3/6/7  Complete Date: 6/7  Status: c
4. Have Sandra present to me and the team the things that she found  Target Date: 6/10  Complete Date: 6/10  Status: c
Advantages of this process

• Focusses on leader – led relationship, not on outcomes
• Opportunity for substantive conversations
• Development opportunity not just focused on troubled employees
• An Objective engagement score, helps see trends.
• An empowering tool for team leads
• Clarifies leader led relationship
Selected results – Bottom line

• 8+ years with 18%+ YOY organic growth
• Superior profitability and growth in profitability
• Produced & Shipped 4,000 product variations from 36 families in the last 12 months
• Lead time averaging 14 days
• On time >98%
• Inventory turns at 18 and growing 7% each year
• 15% YOY reduction in defects
• High Customer satisfaction rating
From a community perspective

- 60% reduction in energy used per unit produced
- Quarterly Gain sharing program
- Deep, growing commitment to our community
  - 6 charity events completed in 2019
  - 7 employee engagement events
- High level of employee engagement
- 1005 Improvements in 8 months 2019
- >85% participation
- 60% of work force have changed roles
In summary

• Hire for values train for skill
• Test the people to understand what they have
• Train leaders before you need leaders
• Rotate leaders through different areas regularly
• A team is better off without a leader than with a bad one
• Invest in your good people
• Take time to build good habits
Thank You!

Your opinion is important to us!

Please take a moment to complete the survey using the conference mobile app.

Session No: WS/32
Building a sustainable lean organization through internal heartbeat development
Paul Murphy
Electri-Cable Assemblies
pmurphy@electri-cable.com