Vigorous Locally; Competitive Globally

The Ariens Company of Brillion, Wisconsin

Robert W. Hall

Background on Vigorous Companies

Ariens Company is the fifth in a series of companies called "vigorous," a term coined to describe a business unit that seems to be thriving in tough global competition. Sustainable lean manufacturing, while essential, is only part of the survival story. We are looking for more than that. Customers must be impressed, and all other stakeholders treated fairly. Environmental responsibilities should not be neglected. Leaders must build a culture that is never satisfied with the status quo, and never complacent.

Assumed is that a vigorous company must do well in three performance categories: process improvement ("lean everything"), innovation, and external responsibility. Trying to think about all this at once hurts the head, but it is achievable. To do it, the capability has to build up over time by developing the total workforce and its working culture, reducing the seemingly impossible, conflicting demands to rules for work and a way of life that integrates many best practices into something relatively simple. Real people can do it, so working culture is defined as "how we actually do things." We select vigorous operating companies striving for a "B rating," or better, on the cultural scale shown below. Ariens' story is best interpreted in that context.

Class	Process Improvement	Innovation	External Responsibility
A	Process improvement routine; eliminates waste from all-new processes very early.	Capable of transforming its industry; can adapt business model to innovate.	Unified by social mission; serves *all* stakeholders well; resilient to change/surprise.
B	Autonomous improvement; embedded in the culture.	Innovate by collaborating; part of everyone's job.	"Outside in;" much more customer focused.
C	Integrated core operations; directed improvement; still coaching the tools.	Structured new product/ service development; some collaboration.	Serves customers well; great quality, efficiency, and delivery.

In Brief

Ariens is a "values driven" company further along than most in a lean transformation extending well beyond manufacturing to the entire business. While this change is far from complete, Ariens story has lessons for companies making a similar journey.

About 30 miles southeast of Green Bay, entering Brillion from the west, one sees the Ariens sign on Plant 3 at the edge of town; a mile further is Plant 1, which houses headquarters. Traffic jams being rare, a half-mile beyond is Brillion's only traffic light. A few blocks from this intersection is Ariens' museum and training center, once Plant 2. Seventy years after its founding, Ariens remains a family-run, community company, but one that has awakened to global competition and is taking on the challenge.

Ariens' Core Values

Entering the premises, one cannot miss the core values (Figure 1) posted in many places, including all meeting rooms, and printed on the back of everyone's business card. Dan Ariens is not shy promoting them. He lectures every training class of new employees on these values and what they mean. Core values are part of the discussions with dealers. And Dan personally sizes up all candidates for professional positions in an interview built around them.

A great many companies, including Enron, have had similar-sounding values statements, so do they make a difference? The staff thinks that they do, although the values are not drilled into everyone like a Puritan religion. Once a year, a brief reminder session with the board and the executive staff includes a review of the core values. Now and then, in the middle of making a tough decision, someone will point to the values on the wall.

One not-very-scientific test for whether top management walks the talk is an Internal Cynicism Index based on the Dilbert density test: Trust in top management is inversely proportional to the number of Dilbert cartoons posted per cubicle. By this test, Ariens gets a perfect score — not a single Dilbert cartoon anywhere.

Thus far the Ariens family has avoided the succession crisis that befalls many family companies. Family active in the business must learn it first hand, ground floor up. For example, Dan Ariens went to school with many of the workers. While young, he began working in the plant, rotating through a number of positions, including materials, where he learned the APICS modules. He was a plant manager. He's worked with dealers, and before returning as president, he ran Stens distribution in Jasper, IN. That is, Dan understands the business and its people, internally and externally.

Because of its location and history, Ariens has long been a natural community company, a manufacturer in an agricultural area grounded in farmers' work ethics. Now it is working to transform this legacy into a community of excellence.

Ariens Company Core Values

Be Honest

Be Fair

Respect the Individual

Keep Our Commitments

Encourage Intellectual Curiosity

Figure 1.

Recent History

Ariens drifted into financial trouble in the 1990s. Gravely, with a huge vertically integrated plant in North Carolina, became a drag. In 1992, Gravely operations were transferred to Brillion. Distribution was also inefficient. With competitors selling direct to big retailers, Ariens still sold to dealers through distributors — expensive middlemen. Profits were adequate in heavy snow years; non-existent in other years.

To turn things around, the family hired a turnaround president who "spiffed up" the financials, but little else. Cost cutting in the wrong places led to loss of skills, quality began to slip, dealers began to quit, and

Ariens Company
A Family Tradition of Quality Products

Ariens has made outdoor power equipment since 1933, when Henry Ariens founded it to make a walk-behind tiller. Before that, Henry owned the Brillion Iron Works, a foundry still in operation, but which Henry was forced to sell during the depression. The current president and CEO, Dan Ariens, is Henry's great-grandson. Dan's father, Mike Ariens, is chairman; at 72 he still comes in every day that he's not on the road talking with Ariens dealers — and still runs marathons too. Dan's brother, Peter, heads the Stens Replacement Parts Division at Jasper, IN.

Today Ariens consists of three main divisions:

1. ***Ariens Consumer Products:*** This division makes lawn and garden equipment, mowers including zero-turning radius models, but is best known for Sno-Thro™ snow removal equipment. Known as the "King of Snow," Ariens' busiest times come when some part of North America has early, deep winter snow. Ariens has a small fraction of the lawn and garden market, but is the dominant player in snow equipment.

2. ***Gravely Commercial Products:*** Benjamin Franklin Gravely built his first tractor in 1916. Since then, Gravely has been synonymous with durable quality products for commercial lawn and garden care. Ariens bought Gravely in 1982, moving its operations from North Carolina to Brillion, but continues to market commercial lawn and garden equipment under the Gravely brand name.

3. ***Stens Replacement Parts:*** Ariens began an aftermarket parts distribution system in 1969, and in 1995 they bought a company in that business, Stens Corp. of Jasper IN. Stens makes no parts, but each year, supplies over 12,000 part numbers to 50,000 customers in 40 countries. Stens supplies parts for a variety of brands besides Ariens.

Ariens has about 1100 personnel in all. About 700 of them work production in Brillion. The rest are at Stens, work as field reps, or are part of headquarters. Because of seasonality, 100-250 of this total workforce are temps somewhere in operations. Most workers live within 20 miles of Brillion. Production is predominately two-shift, and Ariens has no union.

At Brillion, Plant 1 is assembly and Plant 3 fabrication, although the distinctive missions of the two are beginning to blur as Ariens reorganizes workflows by value streams. Plant 2, much smaller, was closed in 2002 and converted into the museum and training center.

Ariens products are designed for rugged durability. Except for selling Sno-Thro™ through Home Depot, so they do not compete in mass markets, competing at the low end of the price scale, but rely on sales through dealers. Ariens puts great effort into sustaining dealer relationships, and supporting customers with aftermarket service. About 75 percent of sales are to high-end consumers; the rest are to commercial users.

After a long dry spell, Ariens is starting to grow rapidly, partly because of new product offerings, and partly because of heavy snow seasons. The growth is absorbing all the excess labor from lean conversion, and then some. At the end of 2003, Ariens was capacity constrained.

Vision: ***Passionate People … Astounded Customers***

sales went the wrong way. As this played out, Ariens "toyed" with the tools of lean, but without understanding lean as a complete system, or having much commitment to it. More substantive changes were necessary.

By tradition, Ariens' professional hires at headquarters had been expected to live in the Brillion community and be committed to it. Belief was that this strategy minimized overhead while maximizing loyalty, but conditions changed too quickly for this concept to continue working. The provincial staff couldn't comprehend how to keep up in a global economy.

In 1998, Dan Ariens returned from Stens with a mandate to fix things. At the top of the agenda, eliminating the middlemen distributors by shipping direct to dealers. Then beef up the dealers to provide the best service in the industry. (Ariens gets along well with Deere; their product lines don't directly compete and both rely on strong dealerships. Some dealers now carry both companies' lines.)

They stopped trying to work harder by old methods, covering the waste with volume pumped by "buying market share." Instead they try to hold margins, improve service, and streamline operations, eliminating the waste.

Dan began to re-staff headquarters; the old guard could not change their routines — or comprehend why they had to. Most of the staff now on board began arriving in 1998, bringing with them a variety of experience from other globally competitive companies. For example, Todd Swanson, the administrative V.P., has an H.R. background, but has also run an electronics company, so on the side, Swanson assisted Corey Bucher, another new staffer, to develop an on-board electronic tracking system, called the EyeQ® System, that broadcasts the GPS location and records the operating history of Gravely professional equipment, very useful to professional landscapers. Until recently, all design was primarily mechanical. The system grew out of instrumentation set up by Bucher to test equipment; it's a big hit in today's market.

Other new staff, like Bob Bradford (Stanley and Eaton) brought experience with lean processes from elsewhere. Operations began to turn, beginning with the elimination of piece rates in 1998. Slowly by little, the new staff began to dismantle old customs that conflicted with lean practices.

Most of the new staff live nearer Green Bay; they prefer its attractions and services. The local workforce has an average tenure of 13 years, with a residual memory of how things used to be done. At first, the locals were cautious accepting the lean ideas brought by the cosmopolitan newcomers. Reluctance began to fade as the staff dug in, engaged in kaizen, and scraped dirt under the fingernails, but much transition remains. Many people still cannot accept that their job is to improve processes, not just use them to get product out. And some are shy. For example, if they think they will be called upon to make a presentation, they are reluctant to participate in a kaizen blitz.

However, almost everyone has now recognized that major changes were necessary for survival, but it is tough to let go of the product-out-the-door mentality. Cultural migration to lean thinking is far from "having arrived," but its momentum is increasing.

For the past three years, Ariens strategy has been to increase market share by:

- Better delivery and running later in the seasons
- Introducing new models.

Process Improvement: Leaning Out

From 1998 until 2001, efforts to become lean were mostly isolated pockets. Too many other changes were occurring to take on a fully integrated effort. In April 2001, classic lean conversion began: Map the value streams and initiate kaizen events at the sore points. They called it "going an inch wide and a mile deep." They're still digging.

Once a month, one or more Simpler consultants come to facilitate kaizen events, with at least six scheduled for that week, with about ten people being in each one. Many people inside Ariens can now facilitate a kaizen, but the relentless discipline of adhering to that schedule is a huge factor. Kaizen events get priority; they cannot be sloughed off because of pressures the regular work.

Each kaizen event can last from three days to a week. All regular employees can be on a kaizen team at least once a year; about 70 percent have done so. Temps aren't asked to participate, but some volunteer. Operations salaried personnel engage in at least ten kaizens a year; engineers four; other administrative personnel two; so altogether, about 12 percent of all professional time goes into process improvement, and about six percent of all paid work time. And that's just for the blitz part, not the preplanning and detailed follow up to assure that improvement is sustained.

After more than two years at this pace, there's something to show for it. Thirty-five assembly cells build everything made, and every item currently being sold (which varies with the seasons) is made every day. From stern to stem, operations now run small lot sizes synchronized by a pull system, made possible by reduced setup times in press, paint, and machining. Some of the newest assembly cells now have adjoining light fabrication feeders. In 36 months, total inventory turns rose from three to ten; included in this inventory is 13,000 service parts from a long legacy of product in the field.

Ariens has the advantage of making all their own dies and maintaining their own equipment, expertise crucial to executing some of the changes made, but also an expensive capability. Work to kaizen die build and other craftwork has just begun.

Most products are assembled on carts; limiting the number of carts limits the ability to build ahead — very useful where the prior culture was to "get it out." Using the carts, assembly cells are more attentive to takt times.

Painting also runs small lot sizes. Everything that is fabricated is also painted — e-coat and powder topcoat, so the paint system is the common "monument" for every production process. Chains run parts on hooks through paint at takt-synchronized speed. Each of the five paint areas can run any of the five colors; a color change takes "ten empty hooks," so frequent changeovers take only a small bite out of capacity. Ariens' technicians run their own paint system.

Kits are issued to assembly cells from a purchased part supermarket in assembly lot sizes. Some suppliers deliver line-ready kits to this supermarket, a capability being encouraged since it is the key to achieving dock-to-cell delivery, bypassing the material handling in supermarket kitting. Endries, the local plating service, already returns plated parts to the point of use in assembly lot sizes. Endries also runs "bread routes" to the cells, dispensing C-class items like fasteners. They are paid from the backflush. Small lot sizes have reduced lift truck traffic, but not eliminated it. Some parts are big.

Fabrication of lot sizes synchronized to assembly prevails on the day shift and into the evening, but late in the day, this breaks up. Fabrication finishes the day making odd-lot service parts and miscellaneous. About 25 percent of all parts must still be managed by MRP, but most lot sizes take less than a two-hour run. Kaizen is under way to stop spare parts production and distribution from being a drag, and make them dance to the jazzy rhythm of everything else.

In machining, Ariens' spindle cell is the inspirational war story. Global purchasing priced this part family from China. To keep the part in Brillion, Dan Ariens challenged the machinists to take $300,000 out of this process. The machinists met the challenge with room to spare.

In 2003, Ariens began kaizen in administrative areas. Notable achievements: Customer service reduced from 18 people to seven, with better response to customers. And the payroll is now done by one person instead of three. More administrative kaizen is in the schedule.

By February 2003, Ariens was ready to initiate Value Stream Organization, a transition still ongoing, by breaking out more and more centralized functions by value stream. Each value stream has a value stream manager and a "lean manager." Organizationally, the idea is to compress operations so that everyone is operationally closer inside Ariens, and externally with customers and suppliers. The three value streams:

- Commercial products (Gravely in the United States; Ariens internationally)
- Consumer products
- Snow products.

A Lean Internship has begun for group leaders. Up to four persons at a time are assigned to understudy one of the lean managers in a value stream for six months. They should participate in at least six kaizen events (usually more). They maintain a value stream production board, including the development of the master schedule and takt time. And they should participate in at least one external educational activity.

Outcomes from the internship have been mixed. Some graduates have been fired up to do more; others regressed to earlier habits as soon as they finished. However, more group leaders have begun to sign up, seeing that lean is here to stay, and that becoming engaged is the way to go. Ariens is working on a more effective program of workforce development.

Besides saving waste, one of the most obvious benefits of shorter leadtimes has been Ariens' ability to run longer in a season. Late Fall in both 2002 and 2003 brought early, deep snows somewhere, with lots of dealer reorders for snow blowers. Ariens was able to capitalize on that, but the suppliers had to keep up too.

Supplier Relations

A couple of years ago, Ariens noted that 80 percent of their buy could be obtained from 75 suppliers, but they had hundreds. Most of their improvement goals could be realized by concentrating on selection and development of these 75 key suppliers plus a special case, Endries, the company across the street which acts both as "Ariens' plating department" and its "bread route" dispenser of C-class items.

Ariens lacks the resources to have a live-in lean development program with suppliers, so they hit on the idea of Ariens Lean University. Suppliers are invited to pay $3000 to send up to five people to a class once a week for six weeks; the seventh and final week the teams from each company report on an improvement project in their company. The first class finished on December 18, 2003.

Ariens was pleased with the outcome. All the teams used the tools; all had worthwhile projects. One project, that of Production Plastics, built a single manifold for all hoses on an injection molding set up; initial savings were $75,000. Noted was that the significance of each team's project seemed related to the interest expressed in the course by its top management.

Afterward, they brainstormed ideas to improve future courses. They plan follow-up meetings with graduates to discuss whether progress is ongoing and how they can further assist them.

Sourcing grades the designated 75 suppliers monthly, evaluating recent performance and the trend in delivery, quality, and errors. In November 2003 13 of the 75 had one or more "occurrences," meaning that performance was unsatisfactory. However, that month Ariens was pushing them to keep up with a late seasonal production boom in snow blowers. Many more opportunities with suppliers lie ahead.

Purchasing is organized into Global Sourcing, Corporate Sourcing (negotiation and development), and Materials Leaders. The materials leaders are in the value stream organizations, coordinating flows and replenishment, and participating in New Product Development (NPD) projects.

Innovation

Ariens is on a roll; in 2003, 30 percent of sales were from new models — most of the growth. They anticipate another sales boost from new products in 2004; more projects than ever are in the pipeline. Sturdy, robust design isn't much of a market kick any more, so they had to move beyond that while sustaining Ariens' tradition of lifetime performance.

New product development is not confined to the R&D department. The value stream into which a new product will go takes the lead with cross-functional assistance from elsewhere. The number of people involved depends on the size and scope of the launch. Engineers are being moved from a central engineering services organization to value streams to get them closer to the action. General market research comes mostly from a couple of experienced marketing professionals working in the field, not in Brillion. They have begun to use Quality Function Deployment to integrate the observed needs of customers with new product requirements, and as they have gone down this path, their eyes have opened. Truly expressing the Voice of the Customer in a new product design is harder than dry reading of the tools makes it look.

Understanding the needs and psychology of various types of customers has yet to become an exact science, but Ariens has identified three general classes of need for their product:

- Just-in-case: snow equipment
- Get-it-done (some people love it; others hate it): residential lawn care
- Productivity and reliability: professional, commercial users.

Then comes the detection of details that make a difference, not to be shared with competitors. Lesson learned: It's impossible to know enough about your customers.

The project pipeline is starting to move much faster. A project that three years ago would have taken two years is down to 5-10 months, moving toward the low end of that scale. Projects have started to incorporate 3P (Product/Process/Preparation) to stimulate more imaginative solutions to new product problems. Project schedules are backed off from roll-out deadlines for industry shows and dealer meetings. For lawn and garden, those are in May; for snow products, it's September or October. They are becoming more confident; a project due out in May 2004 was being launched in December.

Lean Marketing

In the United States, Ariens is not a well-known brand in mowers, so they rely on dealers. The dealers don't mind a few Sno-Thro™ units at Home Depot bypassing them; they make money on service that big retailers can't provide. Ariens is not big on advertising. They don't do brand-building institutional ads, but concentrate "rifle shots" in targeted areas.

Ariens is proud of their dealers; many are family businesses. Most carry both Ariens and Gravely. Forty-five field agents look after them; each has a discretionary budget to help dealers with problems, but no authority to cut deals and thus thin margins. Besides being assigned to monitor one competitor closely, each rep nominates one of their dealers to be on the Dealer Advisory Council, which meets twice a year. From the 45 nominees, Ariens picks ten, to keep meetings to a size for hair-down interchange.

These meetings are very productive; both Ariens and the dealers learn a lot. The dealers selected tend to be neither shy nor headstrong — no imagining that Ariens should focus only on their local needs — so the ideas coming out are very useful.

The Dealer Advisory Council recently helped devise a plan to smooth out some of the seasonal sales variance that is one of Ariens' biggest operating problems. That variance was exacerbated by dealer buys. Each dealer forecasted sales, then bought half of that forecast at the beginning of each season — with no big discounts. The rest would be ordered as the season progressed, with discounts based on volumes purchased.

Everybody knows that few such forecasts come close to the mark. Either the dealer is cleaned out by heavy buying, or finishes the season with excess inventory. So they cooked up a new program, called *Partner Plus,* being tested with a few dealers.

Instead of shipping in big lots to each dealer's forecasts, Ariens will ship to projections made from each one's retail history for the past 12 months (of course, dealers can re-order any hot seller). By thus trimming each dealer's pre-season inventory, both dealers and Ariens save a great deal of pre-season cash and space. But what if dealers use this new-found cache to stock up on rival brands? To preclude this, Ariens and the dealers sign an agreement — a partnership handshake —that dealers will not do this. At season's end dealers get a rebate based on actual sales, a discount earned by the real buyers they attracted, not from the volume they bought. Dealers take a small cut in margin, but offset it by reduced use of capital and lower operating expenses. Ariens saves a great deal by operating to real market variance, not the accordion effect of dealer bulk-buying. Of course, before becoming leaner, Ariens was too inflexible to work this strategy.

Organizational Vigor Ratings by the A-B-C Framework

This system rates the status of cultural or organizational development on a tough "ivy league" scale. It's not a process examination, like Baldrige, but a working culture development scale. A-B-C is about as precise a scale as can be hoped for. Assumed is that a company has learned techniques for process improvement and implementing innovation.

The bullet points are a few features to look for in each category. F is a failure in any but the cushiest business environment. D (or pre-C) is functional "business as usual," successful through most of the 20th century. C is the first learning stage of a tightly integrated, highly effective operating organization; most lean implementations stop at C class in process improvement. B is a culturally integrated operating business unit; a company can "go for" B Class. A is a capability to strive for, but only after surviving the gales of major change can one be sure of having arrived.

Class	Process Improvement	Innovation	External Responsibility
A	Process improvement routine; eliminates waste from all-new processes very early. • Very fast learning curves on new products, new technologies, and new processes.	Capable of transforming its industry; can adapt business model to innovate. • Has led a major transition in technology, in markets served, or both. • Has caused customers and others to change behavior. • "Leading edge"	Unified by social mission; serves <u>all</u> stakeholders well; resilient to change/surprise. • Communications with customers and suppliers are open and extensive. • Probably has a relationship-based, novel business model. • Environmental leader.
B	Autonomous improvement; embedded in the culture. • Total organization is "lean;" like a "value stream organization." • Process improvement is spontaneous, not directed. • Very low overhead. • Develops or selects customers/suppliers that are also "lean."	Innovate by collaborating; part of everyone's job. • Strong cultural inducements to innovate. • NPD is routine. • Excellent customer insights to stimulate innovation. • Constantly changing. • Good technical information networks are actually used.	"Outside in;" much more customer focused. • Everyone has contact with customers; no customer (or supplier) has difficulty communicating with them. • Very open. Few "secrets." • Everything done makes it easy to work with them. • Environmentally compliant.
C	Integrated core operations; directed improvement; still coaching the tools. • "Empowerment" stage. • Metrics are mostly on core operations (plant). • "Blitz" dependent. • Still compare themselves to D class.	Structured new product/ service development; some collaboration. • Has a "gated" NPD process. • Cross-functional teams used for development. • Understanding of customer may be from a distance. • NPD still "disruptive."	Serves customers well; great quality, efficiency, and delivery. • Do what they promise, but few extras impress customers or other stakeholders. • Customer-oriented, but not customer-inviting.
D or Pre-C	Process improvement is fragmented; any integration is engineered by a system.	Minimal integration of NPD; probably "over the wall." No systemic promotion of innovation.	Concentrate on the customer; no special regard for other stakeholders. Regard many external relations as "win-lose."
F	Random and reactionary; poorly organized operations.	Reactionary; sporadic attention to it is ineffective.	Inward-centered; customer service is erratic.

Ariens A-B-C Rating:

Class	Process Improvement	Innovation	External Responsibility
A			
B		X	X
C	X		

Notes:

Process Improvement: Conversion to lean thus far has been "by the book." Manufacturing of all final products now flows in value streams, and odd lot service part orders do not disrupt them. Improvement of support and administrative processes has progressed sufficiently that the functional organization is well along migrating to a value stream organization. All operators and support personnel work daily within a lean system, but their problem solving abilities are insufficient to use the system routinely to identify and solve problems. Kaizen events continue to introduce methodology; and the staff, which is capable and enthusiastic, still initiates most process improvement. Improvement has begun with suppliers, but with much more to do. Primary processes are well integrated physically, but the work culture is not yet ready to engage in autonomous, automatic improvement. Rating: High C.

Innovation: New product development (NPD) is much more streamlined than two years ago. Many people participate in well-integrated, well-structured development projects. A more innovative culture is developing, but little evidence was seen of strong ties to technology bases outside the industry. Here too, Ariens is still "learning some tools," and will be much stronger in innovation two years from now than it is today. Ariens is known for rugged durability, but has yet to emerge as a leader bringing out innovations that disrupt its industry. A low B here, primarily on the basis of great, and somewhat spontaneous, cross-functional participation in NPD.

External Responsibility: Within Ariens, the core values are more than a sign on the wall, and so form a strong base for extending external responsibility. They want "to do the right thing," the company is clearly a mainstay of the Brillion, WI community, with a long history as a community work culture. They try to do well by all stakeholders. They hold few secrets, and have made great progress "out-servicing" their competitors through superior delivery, and making themselves "easy to do business with." The worst bureaucratic hang-ups are behind them, but more remains to be done. From an external view, they are just beginning to go beyond doing the basics better. For example, in safety and environmental improvement, they are fully compliant, but not yet a leader. A high B here.

This experiment has yet to prove out, but Ariens is optimistic. However, Mike Thuecks, V.P. of sales and marketing, nicely summarized the general attitude of Ariens executive staff, "You never want to toot too soon; it puts you on every competitor's radar while making you complacent."

Finance and Administration

Financial and administrative processes are also becoming simpler and leaner, but no faster than the processes they model. For example, with 25 percent of parts still on MRP, Ariens can't pull the plug on that system, but is working on plenty of transition projects.

The goal is to have value stream budgets, not product budgets, but they "aren't quite there" yet, so Ariens is presently operating with mixed systems. For example, they still have product budgets with variances, (which they expect will drop by ten percent a year or so, but they don't manage by them). Purchasing still sees purchase price variances, but in a package of other performance measurements, like delivery and incoming quality. Each department has a budget of controllable expenses. By the next fiscal year, all inventory valuations will no longer include labor cost. Overhead was loaded onto the value stream budgets for the first time in December 2003. In accounting, as in operations, Ariens practices continuous improvement.

While cost figures are important, the staff is aware of their shifting basis. All departments, including the value streams, actually monitor performance using a CT, a one-page, color coded sheet that tracks actual accomplishments against goals. Each area selects items to track that represent improvements they need to make in order for Ariens to meet its overall strategic goals. This top-down cascade of operational performance measures is a version of policy deployment. Each sheet has no more than three "improvement drivers" that people try to directly influence, following a rule of concentrating on no more than three improvement goals at a time. Most goals can't be reached without conducting at least one process kaizen event.

Throughout Ariens, old functional silos are melding together organizationally. For example, accounting, finance, and IT meld together in the person of Stew Witkov, who wears all those leadership hats.

Witkov's experience bringing banks into the lean world is instructive. Ariens now does most of its banking with LaSalle Bank in Chicago. While Ariens was converting to lean, LaSalle trusted the cash flow projections; other bankers did not. LaSalle bankers have been invited to kaizen events. It's becoming a good partnership.

Auditors are apt to interpret process simplification as relaxation of internal controls. For example, simplification of the procedure for changing the bills of material raised a flag: increased risk of errors. Witkov and others had to give auditors the short course on lean.

The Work Culture

As in most work cultures, "the way we do things" just evolved at Ariens without anyone being particularly conscious that more than a rural work ethic was needed. But moving from "solid Midwest" to industry leadership on many dimensions is no small task, not possible in one dramatic leap. The means to change are in place; the tools have been sharpened. Ariens' next big challenge is not to become globally competitive; that they are now. It's to become so strong that waves of global competition cannot wash them away. They have now progressed until at least the staff understands that challenge and are ready to further transform the work culture, defined as "the way we actually do things."

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