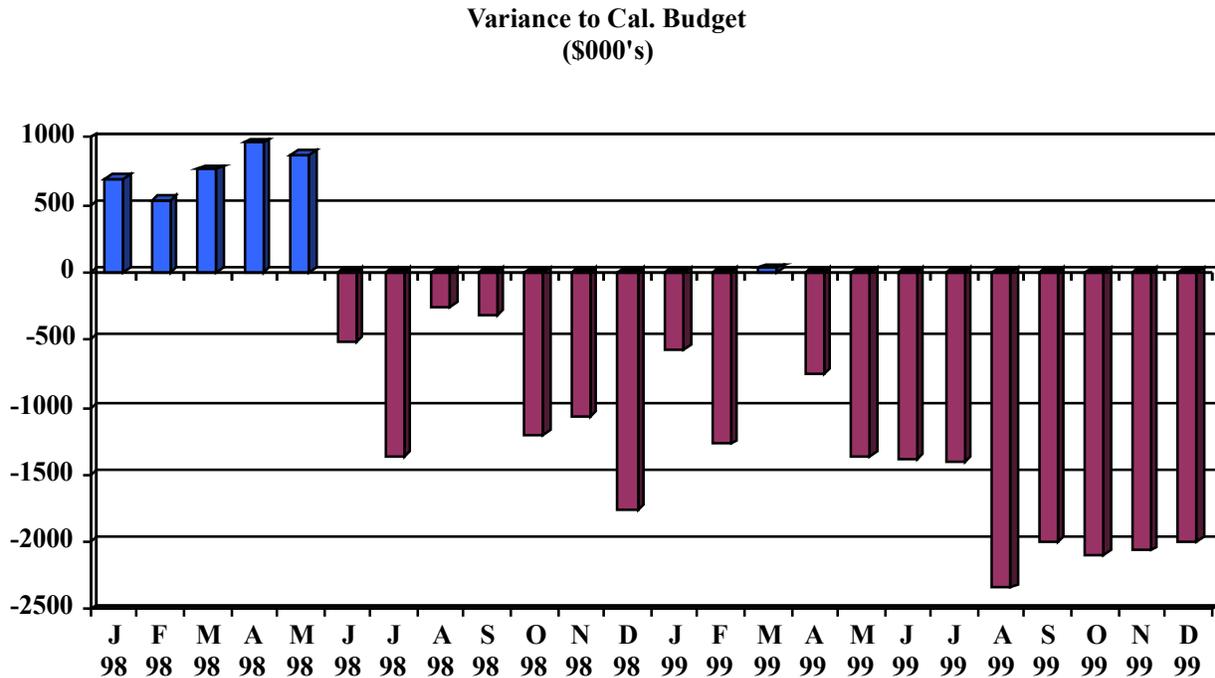




What Happened to Performance at Monroe?

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For the first five months of 1998, the Monroe plant operated in the black, exceeding almost everyone's expectations. However, in June of 1998, performance to budget fell dramatically and is only now starting to recover. What happened?



Looking back, it's clear that there was no one thing that went wrong. Instead, many different factors conspired to undermine performance.

- 1. The manufacturing disciplines that the plant manager established never got institutionalized.** As long as the plant manager kept everyone's attention focused on a few simple rules to drive quality, cost, delivery, and safety, the plant's performance improved. But in June, he discontinued his weekly one-on-one meetings with production superintendents, and shifted his focus to implementing several new corporate initiatives, and lining up new business. The rest of the management team shifted their focus along with him. The managers associated their boss's few simple rules with his personal style, rather than with a deeper set of manufacturing fundamentals. The focus of the management team was mainly on their boss and what he wanted done, not on the principles that were guiding his decision-making. Members of the operating committee didn't make these connections on their own, and the plant manager didn't do enough to explain the thinking behind his choice of rules or his shift in focus. The plant had eliminated its manufacturing manager, who could have maintained the focus on production while the plant manager worked on more strategic issues. As a result, the plant lost its focus on the manufacturing fundamentals.
- 2. Cost reductions achieved during the first half of the year came mainly from addressing the symptoms of inefficient production processes, not from sustainable improvements in those processes themselves.** Most of the early improvements in quality were on paper, resulting from negotiations with customers, not from changes in the production process. Reductions in scrap were largely due to the efforts of specially assigned "scrap engineers," who succeeded in reducing scrap costs by several million dollars, but did not build sufficient capacity on the floor to continue making progress following their reassignment in June. There was enough waste in the system to reward these efforts with significant cost reductions for several months. However, these improvements were not sustainable. Inventory reduction efforts targeted purchased parts and finished goods. Little was done to reduce work in process. Once the buffers were removed, small breakdowns started to send big shock waves through the whole plant.
- 3. Corporate initiatives diverted attention and diffused focus.** In June, the plant began a major push on several corporate initiatives, all at the same time. Managing these initiatives and conducting the training associated with them was a major diversion of both attention and resources from production. The implementation of these initiatives required the plant to adopt a lot of new

processes, diverting attention from the manufacturing disciplines that had been established in the first part of the year. In addition, these initiatives came packaged as an entirely new set of manufacturing fundamentals, instead of a new (and better) way to achieve what had always been fundamental. This created a lot of confusion among production managers, who came under a lot of pressure to “buy in” or risk being left behind. These initiatives also came with a corporate disclaimer that better results wouldn’t show up right away. Instead, results would come later if the prescribed process was faithfully followed. All of these factors made it difficult to maintain focus on steadily improving quality, cost, and delivery.

4. **Accountability got turned upside down.** The strategy for implementing lean manufacturing focused mainly on work teams to drive performance improvements. This led to a “bottom-up” management system, in which production managers and support departments became accountable for implementing suggestions and work orders generated by the work teams. The work teams developed a sense of entitlement that all their ideas would be implemented, regardless of their potential to improve performance. Managers became hesitant about giving direction and maintaining discipline from above for fear they would undermine the work teams and be labeled “old school.” The managers and support departments eventually became overwhelmed by the volume of relatively low-leverage suggestions coming from the work teams, leaving them less time to focus on the more systemic issues that they, as managers, were in a better position to identify, and which had more potential for improving performance. As a result, both managers and the work teams got frustrated and cynical about making improvements.
5. **The plant lost its critical mass of experience and leadership.** Over a number of years, the policies of not promoting from within, using production manager positions as developmental opportunities for new engineers, eliminating the manufacturing manager, and rotating people quickly through the plants on their way to staff jobs have systematically destroyed the experience base of the plant. This process was unintentionally accelerated by corporate initiatives like lean manufacturing, which were implemented as if everything that had come before was wrong, that anyone who had been doing things the old way had been doing it wrong, and that the longer people had been doing things the old way, the less likely they would be to adjust to the new way of doing things. Therefore, the plant moved aside people who had been around for a long time and replaced them with people who were more likely to do things the new way. As a result,

the plant lost its institutional memory for how to fix many recurring problems. It lost the informal networks through which many of those problems had been addressed in the past. And it lost the maturity and seasoning required to direct others with confidence and authority when the solution was known.

Spinning Out of Control

The interaction among these factors conspired to undermine performance over the past year and a half. As long as there was a consistent focus on the fundamentals of the business, performance improved. When the focus shifted and the rules changed, the production managers were thrown off balance and lacked the capacity to recover on their own. Performance began to deteriorate. Removing the buffers without improving the production processes threw the production system out of balance and accelerated the deterioration in performance. Meanwhile, corporate initiatives and personnel policies undermined fundamental management disciplines, experience, and accountability for results. When the plant got caught in a vicious cycle, the management systems were too weak to turn the situation around.

Much of this was clear by October 1998. A joint union-management team concluded that they had lost focus on the needs of production and they needed a disciplined approach to break the vicious cycle they had fallen into. They developed a plan to go into each area of the plant, focus on the worst lines first, figure out what was wrong, fix it, then go to the next worst lines and repeat the process. They expected that, once they got started, they would begin to see some patterns that would help them identify more systemic issues to go after.

But the plan never got executed. Shortly after it was developed, the plant manager was offered a promotion and soon left the plant. With their boss gone, the remaining members of the management team stopped dead in their tracks, until they could figure out whether his replacement would want to continue down the same path with the same people in the same roles, or make wholesale changes. Nobody wanted to do anything that might put them at cross purposes with their new boss.

The new plant manager arrived with instructions to “take the plant to the next level of performance.” He was unaware of the depth of the performance problems and assumed that the fundamentals of manufacturing and management were already in place. He focused on transforming the plant from a cost center into a profit center,

and set a goal of making “every employee a business leader.” In pursuit of that goal, he reorganized the plant along product lines, to be managed by profit and loss rather than just labor and overhead. He assigned a product stream leader to each product line, gave them profit and loss responsibility, and developed income statements to help them manage their businesses more effectively. And he began to build the capacity of the work teams to take on more responsibility for improving their own financial performance.

However, it soon became apparent that there was not a solid foundation for these efforts. In fact, the ensuing reorganization only exacerbated the underlying performance problems by diverting attention once again from the fundamentals of quality, cost, and delivery, while the renewed focus on work teams aggravated the lack of management accountability and discipline. Meanwhile, the combination of higher volumes, unstable processes, and major breakdowns (some self-inflicted) spun the plant increasingly out of control.

Breaking out of this free fall has been difficult because of the many different factors contributing to it. Many of those factors are rooted in policies going back a number of years, making them hard to see and even harder to change. And many of those policies were established by corporate staff, making them difficult to change at the plant level. Taken individually, each of these policies represents a good idea, developed and implemented by good people with good intentions. However, as the experience at Monroe demonstrates, their interaction can wreak havoc on performance.