

Lean Enterprise Institute's
Lean Transformation Summit
Robert H. Chapman, Chairman & CEO
Barry-Wehmiller Companies, Inc.
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PEOPLE-CENTRIC LEADERSHIP: SUSTAINABLE LEAN IMPLEMENTATION

As I share with you today the story of Barry-Wehmiller's lean journey and what it has meant to us, I'm going to start off by saying that at Barry-Wehmiller, we don't build machines; we build people. The most important thing we do every day is create processes that allow those precious people whose lives come into contact with us through our employment to realize their dreams and aspirations for their life, for their family, in the environment of our business.

We call our process a people-centered process. It is all about creating an environment for people that allows them to use their gifts and to grow and to feel a sense of fulfillment. We call it people-centric leadership. It is all about people. They say in real estate that the three most important things are: location, location, location. In leadership, the three most important things are: people, people, people. What I'm going to talk to you about today is our leadership concepts in the context of a lean journey, which we've embraced, not 15, not 20 years ago, but only three years ago.

In the process of beginning our lean journey, one of our team members shared a quote from Woodrow Wilson that means a lot to me and that expresses what I want to share with you today. What we are about in our lean journey, what we feel we are called to do as leaders, is to try and make the world a better place, "to enable the world to live more amply, with greater vision, with a finer spirit of hope and achievement." And we can't forget that errand. Whenever I have a lean session with our team members who have read and heard about lean through the various books and articles that have been written, I always start with, "Why are we doing this?" The natural reaction in business is to say, "To eliminate waste, to improve product quality, to reduce inventory." And I say, "That's wrong."

The lean journey has allowed us to provide people with the opportunity to use their gifts in our enterprises, and as a byproduct of that, we can achieve some of those goals. I would say to you that in your business organizations, the people who work with you, around you, for you and above you are all looking for the same thing. They're looking for inspirational leadership. The power of lean, the incredible power of lean concepts, can only be realized if applied in the concept of inspirational leadership. Why are we doing this? We're doing it so that you can have a better life.

Why are we doing lean? Because it is a path, a tool, to allow us to achieve great things in the time we have on the face of this earth. We're inspired by what has been achieved by other companies, but we came to this for a different reason. I've been in business for over 40 years, and I've been in manufacturing that entire time. The statement that most inspired us is that we've been paying people for their hands for years, and they would have given us their hearts and their heads for free if we had just asked them. I believe that lean is the way in which we can ask people for their heads and hearts if done in the context of inspirational leadership.

About 10 years ago, Barry-Wehmiller took a moment to reflect on what we believe in, in the context of why we're here and why we come in to engage in this economic activity together. As a result of that discussion, we created the Guiding Principles of Leadership. Within the last five years, we were introduced to the lean journey because we acquired a company that happened to be on the lean journey itself. One of the gentlemen that was directing the lean journey kept saying to us, "Lean is all about people." We heard that, but we couldn't really see it because you walk through a plant and you see organization, you see processes, but you don't feel the people aspect. So it took us a while to get that. What we realized about three years ago was that the powerful concepts of lean could very much accelerate our process of bringing fulfillment to our team members because it's a process of engaging people's heads and hearts to make their life as individuals, our lives as teams, better.

Some of you may be wondering, "Why hasn't lean changed the world? What is it about lean that only three out of 100 companies that begin the journey become truly lean organizations?" We asked ourselves that question as we began this journey, and what we realized was that the concepts of lean are powerful concepts, but they're only tools. Now we need to move from the age of understanding the tools to understanding how to put these tools to good use in the heads and hearts of people. Through our focus on people, we think we can unlock the true potential of lean.

THE FOUNDATION OF OUR JOURNEY

Barry-Wehmiller is a 120-year-old company that produces machinery all over the world and will cross the \$1 billion mark this year. We are the sum total of 42 different businesses that have been integrated into our 10 global divisions over the last 20 years. Barry-Wehmiller is a privately held company with 300 shareholders that is governed by a professional outside board of directors. As such, it has many of the attributes of a publicly run company but all of the benefits of a privately held company.

Our business model, which we developed in the 1980s, is articulated as "Achieving Principled Results on Purpose." We were able to integrate 42 different companies and achieve the results we did, not by accident, but very much on purpose. We had a vision for what would be a unique value proposition, and we set about to achieve that 20 years ago. As a result, our revenues have grown at a compound rate of 21 percent a year, and the value of our stock has grown by 20 percent a year compounded over the last 20 years. It is really a certain amount of organic growth, but very much acquisition-driven growth. So when we talk about lean principles, we're not talking about one business that we've grown for 120 years; we're talking about operations all over the world to which we're trying to bring these principles.

As we began to look at the lean journey and study those around us, we realized that lean was being sub-optimized because of its focus on waste elimination. Almost every article I read says we need to get more out of people. In other words, we need to eliminate waste; we need to improve quality in order to become more competitive. Our premise is that if you start with the wrong motivation, you'll end up with the wrong result. Our process is not about waste elimination. Our process is not about improvement and flow. Our process is one in which we are trying to fully engage our team members' heads and hearts. For all those precious children you

are raising with good educations and good value systems, we are trying to create a place where they can join us and do something good with their life. The output of that will be good economic value for everybody and fulfillment for them. That is the premise of our leadership model.

THE POWER OF PEOPLE-CENTRIC LEADERSHIP

There are three things that are important to creating and sustaining a lean culture based on people-centric leadership: the focus on people, the importance of vision, and recognition that creates fulfillment along that journey. Those are the three things I want to leave with you. You need to start with your focus on people, and you need to understand why are you focusing on people, As leaders in your organization, there are a lot of people whose lives are dramatically impacted by your leadership. Dramatically impacted. It is our view that businesses have a profound opportunity to impact the world in which we live. If you take the number of people in this room and the number of employees you have and the families that they have, there are probably millions of people who could be impacted by how you go about leading your organization.

People-centric leadership has a primary focus on people, not processes. Why are we doing this? We're doing it to make the world a better place. We need to create an environment where people can embrace, implement and live lean concepts. The lean tools are wonderful, insightful ways of engaging people, but they're only tools. If you don't apply them in the right environment, you will never realize the end result of your life having made a difference in the lives of others.

When we began this focus on people-centric leadership, we took a step back and said, "How will we know if we're being successful? What metrics will we use? Is it our growth rate? Is it our earnings? Is it market share? How are we going to know we're successful?" One of my concerns is that in our society, we attribute success to position. He's CEO of a Fortune 500 company; he's dean of a certain university; he lives in a certain area of town; he drives a certain car; he's got certain titles. We define that as success. Yet when you get behind many of the people who we decide are successful, we find they have broken marriages, troubled kids and no sense of personal fulfillment. At Barry-Wehmiller, we decided that success to us would be measured by the way we touch the lives of people.

How do we do that? We touch our shareholders; we touch our customers; we touch our team members; we touch our communities; we touch our suppliers. Everybody whose life we touch, we're going to think about how we act, behave and interface with those people. And so we said, "How are we going to take these Guiding Principles of Leadership that mean so much to us with the concepts of lean that we feel are so powerful and bring them together into the daily lives of our team members?" We decided to term that vision our Living Legacy of Leadership, or L³.

Why Living Legacy of Leadership? We had a meeting about three years ago, and in the course of dinner somebody said to me, "Bob, what's your greatest concern?" I said, "My greatest concern is that all the work that I will have done, that we will have done to create a great American company, will go by the wayside if something happens to me."

How are we going to instill and build a foundation of believers, of disciples of these leadership principles so embedded in our culture, so that whether I'm here or not, we will continue to focus on the way we touch the lives of people? We called that vision our Living Legacy of Leadership, and we came together as a group to articulate a statement of the vision.

We said as a group, "We commit to a sustained leadership model." Why sustained? Because too many businesses are not designed to be sustainable. You can have the most beautifully designed product in the world and still fail as a business. I don't know how to design packaging machinery. My goal is to design a great business model, a model that will give people some sense of hope and belief in the future if they follow the principles we believe in. And at the end of the day, we will define success when virtually every team member that works with us goes home each day with a sense of fulfillment. That is our main goal.

What are the three main principles upon which we founded our Living Legacy of Leadership? The first is responsible freedom, the chance for people to use their skills to unleash their full potential. I dare say to you that in America, we worry about foreign competition. We worry about the cost of health care. We worry about the cost of labor. We worry about the cost of energy. Those are all easy to worry about, right? My proposition is that we ought to worry about our leadership model because, unfortunately, we've been taught a lot of tactics, but we have never been taught how to bring inspirational leadership. And it is amazing what people will do with great tools in an inspiring environment.

The second principle is continuous improvement. How do you create that desire every day to do it better? Third is recognition and celebration. I've researched dozens of businesses all around the manufacturing industry in America and other parts of the world, looking for acquisitions. It is incredible to me how obvious it is that what we lack in America is leadership. We have wonderful workers. We have people who crave inspirational leadership. We just don't have great leaders in America who know how to bring out the best in people. We know how to design things, we know how to build things, but we don't know how to bring out the gifts of the people who work for us. And some of you, who have been in kaizen events and 7S events and have seen the spirit and the hope of people when they're brought together in those environments, have seen the potential of people. We are massively underutilizing the most valuable resource we have, which is the capability of those precious people who work for us for whom we have a stewardship responsibility. At the end of the day, you've got to recognize people. You've got to show your appreciation along their journey.

THE IMPORTANCE OF VISION

I'm going to tell you about an experience we had that helped shaped our leadership model and that would later impact our approach to lean. Those of you who operate in business know that our insurance is handled by the finance department. Our insurance advisors work with the finance department and advise us on our insurance coverage. About five years ago, our finance department came to us and said, "Our workers' compensation cost is going to go up," and they immediately went over to our personnel department and said, "You've got to do something. We're going to blow our budget." It's a very traditional thought process in American business. So our personnel

department said, “You know, we’ve got these Guiding Principles of Leadership. Why don’t we approach the issue of safety in a different way?” And so we said, “What is safety in the context of our Guiding Principles of Leadership? Isn’t safety really about wanting our friends who we work with to go home each day safely?”

And we expressed the following: “We have a sincere, consistent commitment to a culture where safety is more than a priority; it’s a company value.” I can’t tell you, I don’t think we can quantify to you how much different that is than starting off by saying, “We need to reduce our workers’ compensation cost.” Can you appreciate the difference between saying we want the people we work with to go home safely and saying we need to get workers’ compensation reduced? Now think of that in the context of lean. Do we want to eliminate 70 percent of the waste that we have? Or do we want to have some fun together and do something meaningful and create value?

So we began to focus on people going home safely, with no focus, no metrics whatsoever, on workers’ compensation insurance. Guess what happened? Our workers’ compensation cost plummeted as a by-product of focusing on people returning home safely. Today we operate at almost half the industry average, but more importantly, our people aren’t getting hurt.

RECOGNITION CREATES FULFILLMENT

We find in this journey an unbelievable value proposition, the unbelievable value of catching people doing things right. When you raise your kids, don’t you focus daily on trying to catch them doing things right? What is the difference in the way we lead or in the way that you raise your children? I raised six kids with my wife. Believe me, I learned more about leadership trying to raise six kids than I ever learned in business or in my education. And I would say to you that raising a family and raising a business are identical because we care about the people. We care about them realizing their potential.

Recently, it was determined that only 10 percent of people look forward to going to work, and they cite a lack of leadership as the reason why. That is simply to reinforce my point. The issue that we face is not the American worker. In all of the companies we buy, it’s never the American worker that we have a problem with. It’s the lack of inspirational leadership. It’s all too focused on short-term goals, financial success and individual enrichment.

Fundamentally, the biggest desire that everybody in our organization has is not their pay, not their benefits, but it’s the sense that what they’re doing matters and that they, together with you and others, are creating something of value. I will tell you about an extremely meaningful experience for me. We were hosting a lean conference at our Green Bay operation with all of our divisional presidents and vice presidents of operations, and the night before the event, somebody e-mailed me and said, “You know, a group in our assembly area kind of created an informal lean event around a big customer project we were producing up in Green Bay.” So I said, “Well, would those gentlemen and their leader like to come in and update us all on that event?” The next morning, the three men came in and stood before 30 or 40 of us and shared what they had achieved by using the concepts of lean, and it was a very typical, metric-based report-out session.

I listened to the three men, who were a combination of UAW and non-union team members, as they talked about inventory reduction and waste elimination and process improvement and flow improvement, and at the end of their report-out, I happened to say to one of the men, “Steve, how did it change your life?” Now, first of all, Steve wasn’t even ready to stand before all of the senior leaders who were present, and second of all, he wasn’t ready for a question like, “How did it change your life?” But he thought a moment and said to me, “Well, you know, my wife and I are talking more.”

I said, “What? You and your wife are talking more? What do you mean you and your wife are talking more?” He said, “Do you know what it feels like to work in an environment where you’re told what to do, you never have the right parts, you never have the right information, and to get an answer, it takes forever? Do you know what it feels like to work in that environment, and when you go home at night to your family, you know, you don’t feel very good about yourself? Since we did this lean event and I contributed to the process and I got the joy of seeing myself use some of my gifts, my wife and I are talking more. Do you know why? Because I’m a nicer person. And do you know what I found out? When I’m a nicer person, she talks to me.”

I’m going to say to you that there’s no metric, no report-out session, no piece of information that has ever been shared with me more powerful than what Steve said to me that day. Why? Wouldn’t you like to help improve the culture in which you live? Wouldn’t you like the families of those people who join your organization to feel the impact of your leadership? To feel better? Because if Steve is talking to his wife more and has a better relationship with her, he’s probably going to be a better parent, too. And they’re probably going to raise better kids.

The other experience that really surprised me took place during a visit to our northern Wisconsin operation, where I attended a gemba walk out in the receiving area. They went through their explanation about how, by engaging our suppliers and our team members, they had dramatically improved the process in receiving. At the end of the report-out session, Brandi, who was standing on my right, said to Steve, who was standing on my left, “Hey, Steve, tell him about your dad.”

Steve told me that with the dramatic increase in business we’ve had, it has been pretty difficult to be in charge of receiving because everything seems to come in at once, they have to move it around a lot, and he has to stay into the evening to finish all the paperwork. It’s been a real struggle for him emotionally and professionally to get his work done and feel good about it. But because of the lean tools, he was able to dramatically improve his efficiency and increase throughput, and as a result, he was able to go home at normal hours after a busy day and stop by to see his dad.

Now, Steve’s story was good. It was wonderful to me, but what really touched me was that Brandi, our team leader, had the sensitivity to realize that what I wanted to hear was how Steve’s life was better as a result of this. We had made improvements in the receiving area using the tools of lean, but more importantly, Steve’s dad got to spend more time with him when he was normally doing paperwork.

The last piece in terms of recognition and fulfillment that I want to share with you is this. Some time ago, somebody said to me at a dinner up in northern Wisconsin, “Bob, you come up here and give these inspiring speeches, and we all feel good. But then you leave, and we kind of gravitate back to our normal practices. What can we do to keep the momentum going?”

I said, “Well, what if we created an award for leadership, and the team members will vote on it, and we’ll give each winner a special car to drive for a week as a result of being selected?” It was just a simple idea developed over dinner, and so we shipped a Chevy SSR convertible up to northern Wisconsin and began this award program. This was about three years ago, and we have continued the program throughout the organization.

What’s interesting to me, in talking to a hundred or so of these winners, is that they always tell me the first thing they do is call their spouse. They call their spouse and say, “You won’t believe it, but I won.” And I’ve talked to a hundred of them. Guess what they’re really telling their spouse? “You know, you lucky son of a gun, you are married to a person who is determined by this company to be an outstanding leader. So you know that argument we had last week? Obviously it wasn’t me because everybody here thinks I’m great.” It’s no question in my mind that’s what they’re telling their spouse.

The second thing they do, and for all the women in this room, it’s good news. For the men, it’s not as good news. The second thing they do is take their mother for a ride. Why? They say these words, “I took the car over to my mom’s house and gave her a ride.” But let me tell you what they’re really doing, and this is a statement of the deep need people have who work for us. They go to their mother in order to say, “You know, Mom, I turned out okay. You did a pretty good job on me, Mom, because everybody in our company thinks I’m a leader, and it’s because of you.” And it’s incredible. I told this story at one of the award ceremonies, and a lady named Ruth came up and said to me after the presentation, “You know, Bob, I won this award two weeks ago, and I had a wonderful week.” She said, “You know, it really meant a lot to me, more than you can imagine.” And she said, “But I’ve got to tell you something. My mother died two years ago. But I’ve got to tell you, I did take the car to the cemetery and showed my mom.”

I really was unbelievably touched by that because it shows how much the people we work with crave a sense that their life matters, and the person they want to tell is their mother. And I’m telling you, it’s the men; it’s the women; it’s the older folks. The other day, I had a lady bring in a picture of her 84-year-old mother in the front seat of the car, getting ready to take a ride. We have a young lady in St. Louis who won the car recently. Her husband took off work the next day, and they spent two days driving to every relative in the state of Missouri. Why did she do that? Because she wanted to tell those people who mean the most to her that her life has turned out okay.

Larry, who’s with us today, has been an inspiration. Larry has spent 43 years as a shop associate with our Green Bay operation, and he has become a self-described “poster boy” for our lean journey. He emphasized it to me again last night that his first lean event was the first time in 43 years anybody had ever asked him what he thought. His statement to us was that it “created a sense of HOPE for the future.” Can you imagine that we raise our children to be thinkers, with a good education and good nurturing, just to send them into business where they’re told what to do?

THE TRUE POTENTIAL OF LEAN

As we have continued to implement our lead leadership model, we have achieved several significant business milestones. In fiscal year 2007, our organic growth rate accelerated to 16 percent, shareholder returns increased 27 percent, and PCMC, one of our most recent acquisitions and a leader in our lean journey, improved performance by 24 percent. We anticipate crossing the \$1 billion revenue mark in 2008. Lean has provided us with the most powerful set of tools I've ever seen. Nothing makes a greater impact on our customers than understanding the impact of lean on our people and processes.

The potential of lean, when applied in a people-centric environment, can have a profound impact on the culture of an organization and on society. I am telling you that no other single institution has the potential we do together to change this world. The way we treat people each and every day to allow them to achieve a sense of fulfillment, a sense that what they're doing matters, can have a profound impact on our society and the society we will leave for our children. As someone in our organization said to me recently, "We are trying to change the world one job at a time."

People-centric leadership is about engaging people's heads, which most people understand, but it's also about reaching their hearts. You've got to inspire them. If our safety culture was built around reducing workers' compensation cost, if our lean concepts were built around reducing waste, they would never work. It's not a statement about the power of lean; it's a statement about the environment in which you apply it. You will create value, and most importantly, you will create extraordinary levels of trust and fulfillment.

Our proposition is that the reason 97 out of 100 companies fail to realize the lean environment is because they begin with the wrong focus. The point is to inspire people to give their best in a common vision to create something great and to feel that their life matters. That is what it is all about. When the lean community truly understands the potential in a people-centric focus and begins celebrating that journey with people, more companies will realize the true value of lean, and you yourself will feel a greater sense of fulfillment. I can't believe you go home and talk to your spouses about how much waste you eliminate. But you will go home and talk to your spouses about the Ruths of this world, the Steves of this world, the Larrys of this world, because you want your life to have mattered. You want what you do through this lean exercise, through your leadership position, to have mattered. At Barry-Wehmiller, we are trying to live that. We feel it's our calling. We feel passionate about it. Lean is the most wonderful way we have found to engage people's heads and hearts and to give them hope and a vision for the future that together we can do great things.

Barry-Wehmiller Companies, Inc.
Corporate Headquarters

8020 Forsyth Boulevard • St. Louis, MO 63105
Phone: 314/862-8000 • Fax: 314/862-8858
www.barry-wehmiller.com