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Implementing Lean: From Concept to Results

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David Adair admits that he is not a Lean expert. He is an executive vice president at Absecon Mills who was given the task of converting Absecon Mills into a Lean enterprise three years ago. He says that it was both a great challenge and probably the most gratifying opportunity in his career. Quite to his surprise, Lean is something that he has become passionate about.

Absecon Mills is a family-owned business that manufactures upholstery and is headquartered in Cologne, New Jersey. They are the largest provider of upholstery for theater seating. After many successful years of incredible growth, Absecon Mills had a period of crisis around 1996-97. Outside economic problems and an internal culture of inefficiency led to year-over-year declines for about five years. After searching for the best way to be competitive in the market, Absecon realized that it could compete with better quality, with shorter lead times and by implementing Lean.

Coincidentally, one of Absecon Mill's customers conducted an audit of the Absecon facility. This customer had used Lean for years and decided to reduce the number of their fabric suppliers from 20 to four. They had also decided that one of their suppliers would incorporate Lean into its production. Leadership at Absecon Mills was excited about this prospect, and the customer offered to assist.

A nine-person implementation team was assembled from all areas of the company and training began. Soon after, the customer was ready to select the suppliers that it would retain. In making their final decision, they asked to speak with the senior leadership at Absecon Mills. Adair shared with them the three things that Absecon felt were necessary to implement Lean successfully:

- 1) Commitment from management
- 2) Commitment from management
- 3) Commitment from management

This was exactly what the customer wanted to hear.

Surprisingly, convincing investors that Lean has value turned into a challenge for Absecon. For example, the benefits of Lean were examined when Absecon Mills changed banks. Some of the questions were easy and were answered by showing the dollar value of such factors as off-quality, inventory reduction, shortened lead times, and reductions in the cash-to-cash cycle. But the investors did not understand why the labor force was not being reduced. Explaining that Lean does not seek to lay off workers but rather lets natural attrition do this over time was hard for them to understand. They also wondered how increased efficiency in production meant anything without an increase in sales. Making the customer happy with increased quality and reduced lead times would increase

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sales and profits, but it would take time.

The intangibles of Lean are also huge positives that were hard to describe to investors. It is difficult to put a value on increasing employee morale and creating inclusion, for example. But these are very valuable. Employees have input into the process. They make things better. Feeling that they are part of the team provides employee satisfaction, more so than money.

Absecon Mills has seen very tangible benefits from Lean: inventory of raw materials dropped 36%, inventory of finished goods dropped 31%; lead time on the largest product line (which accounts for approximately 60% of the business) went from 28 to 18 days. Quality has improved. And the increase in production per worker by 26% has kept direct labor costs at the same level as they were in 2000, even with pay increases.

They still have a long way to go but Adair feels that a culture change coming. "Once the ball starts rolling it is powerful." Improvements are being made not just through focused events but from individuals on their own. The pace is much greater. A state grant of \$80,000 to implement Lean allowed Absecon to secure trainers that speak Spanish, thereby providing inclusion for their Spanish-speaking workforce.

Adair ended with some closing thoughts on Lean:

- Focus on the long term – grow leaders from inside the organization.
- Make it a complete strategy throughout the company.
- To really reduce lead time you must work the supply chain.
- Keep yourself motivated – read books on Lean and leadership.
- Focus on the people, not just the process.
- And finally, let the little victories sustain you!