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## Brand new thanks to kaikaku

The global downturn in sales has forced automotive executives to ask hard questions about their structures and processes. The aim of this fundamental analysis is to identify and then introduce more flexible, timely and customer-oriented approaches. This can be done with kaikaku, the Japanese-inspired »lean« recipe for success, which is finally spreading from production to the entire organization.

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Dramatic new-car sales declines and the resulting multi-billion euros in losses are forcing automakers to come up with fast, effective methods to radically cut costs. Since temporary plant shutdowns, shortened workweeks and cost-saving programs can provide only short-term relief, the rigorous application of lean management is experiencing a renaissance. With kaikaku, manufacturers get quick results as well as sustained quality improvement and long-term customer satisfaction.

### Toyota touts trimness

Lean management is not a new concept for the automotive industry. Toyota introduced the business philosophy after World War II. Lean management is based on the radical elimination of waste. It removes all steps that do not directly create value for the customer, accelerates production processes and thus reduces overall costs. Despite the ac-

celeration element, the lean method also enhances the quality of products and processes because it highlights problems, pinpoints their root causes and eliminates them through the application of rigorous methods of operation.

### Incremental or radical improvement

There are two lean management techniques: kaikaku and kaizen. Most managers are familiar with kaizen, which was popularized by Toyota. The Japanese word kaizen stands for steady, incremental improvements. This approach works best for relatively stable and mature product lines or organizations.

Kaikaku, in turn, represents radical improvement and fundamental change. Kaikaku uses customer needs as its starting point and integrates them into strategy development. It generally takes a long time for organizations

to implement such fundamental changes in quality, delivery service and cost structures. Because kaikaku drastically speeds up these changes it works best for companies that face extraordinary challenges such as takeovers, turnarounds – or a global sales crisis. In such environments, kaikaku provides the solutions needed to push corporate restructuring and return companies to their long-term success path.

### Success in five steps

Kaikaku starts with a review of all processes and questions the need for their existence and their potential for value creation from the customer's perspective. Processes that do not create value added for the customer are scrapped. For example, production quality audits often are eliminated because they frequently consume a disproportionate amount of resources. Companies are better off investing at least part of these resources in improving the quality of their production processes. Such a change of perspective focuses attention on deep-seated waste within the organization.

In a second step, kaikaku reviews all value-adding processes to enhance transparency by eliminating duplication of work, inconsistent processes and uncontrolled growth. Insufficiently defined roles and responsibilities frequently lead to duplication of work. A lack of standards prevents consistent and, thus, efficient operations.

Once they have identified and eliminated the causes of waste, companies can standardize their processes and introduce appropriate key figures all the way down to the operational level. Flaws can then be eliminated when and where they arise.

In phase four of the kaikaku program, the internal efforts are followed by the integration of the entire organization and the identification of ways to facilitate and accelerate the provision of the necessary expertise to customers. To this end, companies can appoint people to lead the entire product-creation process. This helps facilitate the exploitation of synergies that would otherwise be buried in departmental thinking. The result is a faster implementation of the total cost approach and an improved product cost base. The final phase requires creative thinking from everyone involved so that the achievements of kaikaku become firmly anchored within the organization. The Policy Deployment Method aims to get everyone to agree on goals for the entire organization and then makes sure that these goals are reached. Kaikaku is followed by kaizen.

### Drastically lower lead times

Kaikaku can help an automaker fundamentally rebuild its organizational structures in a short period of time while simultaneously creating the foundation for significantly higher efficiency. Projects done by Oliver Wyman have cut production lead times to nine days from 35 and reduced process times by 39 percent. These results were achieved in just six months. This is the kind of progress that the automotive industry needs more than ever today.

## Results from a recent production project show the huge benefits of kaikaku

	Initial situation	Result (after six months)	Effects
Process times (employees)	2,470 hours	1,510 hours	-39%
Footprint	2,011 m <sup>2</sup>	634 m <sup>2</sup>	-68%
Inventories (work in process)	4,600 units	700 units	-85%
Lead time	35 days	9 days	-74%
Hourly output	27	125	+363%