



The Layoff Decision

“Once we start to implement lean manufacturing, we must promise not to lay off anyone as a result of productivity improvements,” said Roger.

“No way,” said Tom. “I thought you were going to tell us how to get profitable again. The only way to make a manufacturing company more profitable is to cut as many people as possible.”

“That is one of the dumbest statements I’ve ever heard,” said Roger bluntly.

“I have to admit,” said Sam, rising to Tom’s defense, “I always thought cutting people was management’s goal. We justify all our new machines

based on how many people we'll be able to replace."

"That's got to stop if you want to be survive," said Roger.

"Explain yourself," said Roy.

"When we implement lean manufacturing, a big part of our cost savings will be from productivity improvements, about 20 percent each year," said Roger. "Your employees aren't dumb. They know if productivity goes up and volume stays the same, the number of employees must decrease. We need our employees to help us implement lean manufacturing, and they're not going to help if success means layoffs. There is only one solution to this problem."

"Growth," said Evanson.

"Growth?" asked Tom.

"If we improve productivity, the only way to maintain or increase the number of employees is to bring in more work," explained Evanson. "That means I have to sell more. I can sell more if our quality, cost, and delivery get better. That's what lean manufacturing will do for us."

"Not only do I want you to sell more," said Roger, "I want you to visit the shop floor regularly to explain how your sales efforts are progressing."

"No problem," agreed Evanson.

"I do have a problem," said Tom. "We just lost 47

percent of our business. We aren't going to be able to go out and replace that business tomorrow, especially since we don't have any quality, cost and delivery improvements yet. Are we going to pay 47 percent of our people for doing nothing?"

"Tom," said Evanson, "Roger said 'no layoffs after we start lean manufacturing.' We haven't started yet."

"Exactly," said Roger. "If layoffs are necessary, we must do it now and get it over with. I recommend that we lay off 47 percent of the workforce immediately, and the pain has to be shared equally between the salaried and hourly ranks."

"Wow," said Roy, "that's 94 people. This is serious."

"I don't want to do it," said Roger, "but unless the bank sees us taking quick action, there won't be a job here for anyone. They'll sell us to a big conglomerate who'll take our brand names, products, and customer list and close this place down."

"Of our 200 employees," said Lois, "55 are temporaries, so we can let them go today. We also have 32 people on warning who should have been fired a long time ago. That means we'll have to lay off seven good employees with the least amount of seniority."

"They will be the first to be brought back once we start hiring again," said Maria. "We're on the brink of bankruptcy. Either we let a few people go now to give

us a chance to recover, or we let everyone go when the entire business fails.”

“Let’s get it over with and start moving forward,” said Lois.

“It’s 11:00 a.m., and we all have work to do this afternoon,” said Maria. “Roger, can you give us a few minutes to discuss our decision about offering you the job as president of Accurate Clock Company? You can wait in Tom’s office.”

“Sure,” said Roger. “If you decide to hire me, bring Evanson with you. We’ll need to talk about sales.” He gathered his notes and left the room.

Maria looked around the room. “This is a decision that Tom and I must make,” she said, “but I want to hear your opinions first.”

“We don’t want anything to do with him,” said Paul. “His ideas will sink us. We’ll lose all our efficiencies if we don’t make parts in batches. I can tell you our problem – too many lazy people who don’t care.”

“But Roger says people only appear to be that way because of how management treats them,” said Lois. “We don’t give them a chance to think and solve problems. We always do it for them.”

“I agree with Paul,” said Roy. “Roger is wrong for this company. He obviously doesn’t understand our

process. Our setup times are as low as they can be, and we don't need to reduce inventory, we need to build more. We run out of parts all the time now due to rework or bad scheduling."

"I totally disagree," said Evanson. "He is perfect for the job. Better quality, faster lead time, and lower costs will help me sell a lot of product."

"That's just it," said Paul. "His ideas won't get us there."

"Yes they will," said Kim. "You and Roy are stuck on your old ways of thinking. All you two did today was ask stupid questions and you didn't even listen to his answers."

"Now just a minute," said Paul. "He was talking nonsense. Especially all that 5S stuff. As if a little housekeeping is going to solve all our problems."

"5S was the only thing I agreed with!" said Roy.

"You've got to be kidding," said Paul. "The only reasonable thing he talked about was standard work."

"Yeah right," said Roy sarcastically. "That would be a bureaucratic nightmare."

"We've heard enough," said Maria. "Let's see a show of hands for everyone who is against hiring Roger."

Paul and Roy raised their hands while they glared at each other.

"Now who wants to hire him?"

Lois, Evanson, Sam and Kim raised their hands. So did Tom and Maria.

“Great,” said Paul sarcastically.

CHAPTER SUMMARY

No Layoff Policy

- **The Promise:** No layoffs due to productivity improvements.
- Higher productivity and no layoffs require **growth**.
- Better QCD will help sales.
- If layoffs are necessary, do them before starting lean manufacturing activities.

