

Can Reliability Excellence Help Explain The Jobless Recovery?

Mark Ruby, MBA, Life Cycle Engineering

Despite 15 months of quarter-to-quarter growth in U.S. real gross domestic product (GDP), the unemployment rate remains stubbornly high and well above other economic recoveries of the same maturity. While the official U3 employment measure has begun to show slight improvements, the broader U6 and U7 measures show much less improvement and remain essentially flat.

A focus on Reliability Excellence results in improved performance without adding more jobs

The overall confusion about the data is further amplified when viewed in terms of the stock market and corporate profits. With corporate earnings driving the major market indices to all-time highs, it is no wonder that the headlines are focusing on a jobless recovery thesis. What is driving this disconnect between economic growth and stubbornly high unemployment?

While there are a multitude of fiscal and regulatory policy issues in the spotlight, my experience from “spending time at the gemba” suggests a strong contributing factor: companies are diligently pursuing a reliability-based strategy designed to maximize the utilization of their plant and equipment and driving stability and efficiencies throughout all key processes. A focus on reliability excellence is resulting in improved performance and increased profits without having to add jobs.

Identifying reliability excellence as a factor in explaining a jobless economic recovery is supported by substantial first-hand knowledge of what companies are actually focused on as the economy recovers. As a leader of a professional services group that specializes in partnering with companies to help them establish and sustain reliability and maintenance best practices, I can personally attest to the strategic emphasis companies are placing on developing a reliability function as a core competency.

During the economic meltdown of 2008-2009, in response to plummeting demand and resulting lower revenues, many companies significantly reduced their workforce in an attempt to keep their cost structures aligned with revenues. The private sector job losses were staggering.

Since then, companies’ revenues have largely recovered, and profits have exploded, but job growth and hiring have not. Companies have simply found a way to produce their goods and services with significantly fewer employees. One secret to this success is the continued focus on reliability as the key ingredient to improving output while decreasing per unit costs.

Can Reliability Excellence Help Explain The Jobless Recovery?

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

A sound reliability strategy is necessary for operational stability

Over the past several years my team has partnered with more than 75 companies in numerous industries including power generation, pharmaceutical and life sciences, metals and mining, oil and gas, and food and beverage. They all share one thing in common: a relentless pursuit of reliability. It is true that many companies have various other process improvement initiatives, like lean and six sigma, underway, but without a sound reliability strategy, the ability to achieve operational stability is at risk.

Operational stability is foundational to all output-based continuous improvement initiatives. It ensures that each process step is capable of producing a good part every time it operates and that each process step is available to operate every time it is needed. Capability and availability in combination define operational stability.[\[1\]](#) [1] The result of a stable operation is increased output, less variation in hourly/daily output and improved quality.

The ability to deliver more output through improved operational stability begins with a focus on assets. To understand and measure the total performance of their equipment and processes most companies have adopted some measure of overall equipment effectiveness (OEE) or the more comprehensive asset utilization (AU) metric. Many companies are shocked to find that their OEE-related performance is significantly worse than best-in-class or the technical capacity the equipment was designed to achieve. The good news is that the opportunities for improvement are so significant that improving OEE or AU can have a substantial impact on production output and profitability. The ability to improve the reliability of existing equipment enables companies to avoid hiring additional employees while also eliminating the need for adding capacity through investing in new plant and equipment.

Operational stability requires more than stable production assets

Achieving reliability excellence encompasses more than implementing world-class equipment maintenance practices. It also requires focusing on processes and people. Reliable and waste-free key processes are also critical to achieving operational stability. Value stream mapping is a very useful tool for understanding material and information flow and to visualize key processes. Value stream mapping helps focus the problem-solving through identification of the seven forms of waste. Problems are solved, improvements are implemented and the resulting processes are standardized to maintain the gains. The holistic approach to reliability excellence is anchored by leadership commitment, respect for people and a robust change management process.

By some measures the current economic expansion is as robust and meaningful as any in our country's history. Companies have recorded record profits, balance sheets are healthy, holding nearly \$3.5 trillion dollars of cash in reserves, and the primary stock market indices are achieving record highs. However, job growth is lagging far behind. While politicians and the press wrangle over proper policy and

Can Reliability Excellence Help Explain The Jobless Recovery?

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

fiscal responses, the broader unemployment measures remain at stubbornly high levels. From my perspective, based on direct observations and first-hand knowledge across key industries, the conclusion may be that many of these jobs have simply disappeared. They've been replaced and absorbed through production-related efficiencies resulting from reliability-based productivity improvements.

The negative impact on jobs may, however, have a silver lining. The long term impact of creating additional capacity through improved asset utilization creates a business case for launching additional products here in the U.S. to absorb the created capacity, as well as justify new investment. This plays an important role in another emerging thesis: reshoring. Reliability excellence-centered strategies continue to play a large role in driving this country's economic recovery.

Mark Ruby, MBA, serves as Senior Vice President of the Reliability Consulting Group at Life Cycle Engineering (www.LCE.com) [2]. The Reliability Consulting Group helps public and private enterprises improve performance by implementing Reliability Excellence® and Lean best practices.

[1] [3] Womack, Jim. Gemba Walks. Cambridge: Lean Enterprise Institute, Inc., 2011.

Source URL (retrieved on 09/20/2014 - 10:46pm):

<http://www.impomag.com/articles/2013/08/can-reliability-excellence-help-explain-jobless-recovery>

Links:

[1] file:///C:/Documents%20and%20Settings/jhans/Desktop/Dropbox/work/newsletters/20130801/Catherine%20Marshall/Can%20Reliability%20Excellence%20help%20explain%20the%20jobless%20recovery%20(Ruby)%206-18-13.docx#_ftn1

[2] <http://www.lce.com/>

[3] file:///C:/Documents%20and%20Settings/jhans/Desktop/Dropbox/work/newsletters/20130801/Catherine%20Marshall/Can%20Reliability%20Excellence%20help%20explain%20the%20jobless%20recovery%20(Ruby)%206-18-13.docx#_ftnref1