

Speed, Ease, and Respect for People:

An Interview With Dan Woodward



FEATURING DAN WOODWARD WITH TIM REED

Tim Reed: *Joining me once again is Dan Woodward, who has 35 years of experience in lean methodology. Dan used to work for Hearth & Home Technologies (HHT), and now he's an independent contractor. Thanks for being here today, Dan.*

Dan Woodward: Thanks, Tim. It's great to be back. I'm in a new phase now, but I loved my time in the hearth industry, and I'm continuing to work with people in it. It's been a great run.

TR: *The last time we talked was a few years ago, and that interview covered a lot of important ground—especially around applying orga-*

nizational thinking to the warehouse. Today, I'd love to start with a broad question: What is lean thinking?

DW: Lean thinking is a mindset. It's a system of values that establishes a culture—a way that people think. It has to do with a high respect for people and helping them eliminate waste in their processes. Of course, no one ever volunteers and says, "Hey, my process is really wasteful." But typically, it starts with pain points combined with waste, and we go from there.

The ultimate thing about lean thinking is that it's not just a set of tools. It can certainly drive efficiencies and leverage money to the bottom line, but it's really a system of values and culture that you adopt in your organization. And when you do that, it becomes a strategic weapon.

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It's not like, “Hey, I'm gonna grab this tool and do this.” No—it's a culture to be established and embraced.

That's why Toyota lets everybody into their plants. They have nothing to hide. You can't copy what you're looking at—you're looking at 60 or 70 years of culture. They know it's not copyable. You can learn from it, you can begin to understand where you're at and where to start, but you can't replicate it overnight. I learned from the former Toyota guys in the early '90s, and 15 years with those guys was a phenomenal set of life lessons.

TR: *In every job, there are so many frustrating things. People say, “Why do we have to do it this way? It'd be way better if I could do this instead.” Everybody has those pain points, but a lot of the time, they just turn into complaints or pessimism. Lean is a way to deal with that and make it better for everybody. You've had a lot of different roles in your career—how have you used this principle?*

DW: I had seven different positions at HHT. The initial one I applied for, but every one after that was someone saying, “Hey, would you come over here and help us with this?” And every one of them came after I began to grow in lean experience. It was going to places that had opportunity—problems to solve. That's how I used it. I just said, “Yes.”

Lean helps people. It makes their lives better and easier. And when you understand that one of the core tenets of the Toyota Production System (TPS) is the value of respect for people—when you really get that part of it—your mission changes. It becomes, “I get to help people. I get to make their lives better.” And in the meantime, we're going to make more money, and it's going to be easier and more efficient. But the tenet of respect for people is foundational.

It took me five to 10 years to really sort that out and adopt it. In the early days, we'd be off to the races implementing lean in different factories, and sometimes we felt like we were doing it to them, not for them. That doesn't reap any long-term benefits—not culturally.

TR: *I love what you said about Toyota: They let everybody in because they've got nothing to hide. Imagine having a business like that, where you've built this thing from the ground up and kept fine-tuning it to the point where there's no one thing someone can copy. It's all of the things together. So, where are some of the areas where hearth retailers can be thinking about lean in their business?*

DW: It's dramatically changed since we last talked. Speed and ease are everything now. Everything in B2C is going to come to B2B—and it already is. The three things that need speed in any business are information, material, and money. Those things flow through every business, and you have to create velocity around them. Of course, we're living in the age of information velocity—it's abundant. But in the last five years, I've worked more on lean selling and lean estimating. Delivering a product quickly. It's not about being the cheapest anymore. It's about the most seamless and easiest experience.

I remember working with a guy about three years ago on his estimating process in retail. The typical approach back then was this: Customers come in, tell you what they're looking for, maybe show you some pictures of their house, and then you say, “Great—let me put you on the schedule, and we'll send an estimator out.” But this retailer had someone open a shop right across the street from him. Customers were coming into his place, then walking across the street to compare. He had to change the game.

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So we asked, "How can we give a price—not just a quote, but an actual price—the first time a customer walks onto the showroom floor?" Because that's what consumers want. They don't have time to wait five or eight days for you to come back with a number. By then, they're already out shopping. You've probably lost them. And by the way, the longer a sales process goes, the more it costs, the more things can go wrong, and the more likely you are to lose the customer. That's what Amazon figured out. They're not the cheapest—but they made it seamless and easy.

TR: *That's so good, Dan. You know, there are so many areas where this type of thinking applies, but I love that you talked about speed and ease. When we spoke a few years ago, we talked about the warehouse being like the heart of the business—all the blood flows through it and into every other area. When we think about delivering speed and ease, where does the warehouse play into that?*

DW: The warehouse is the intersection of information and material. You take information, you create an order, and the intersection of that is the schedule. The warehouse basically executes the schedule.

Yes, you can make the warehouse lean and mean—and we did. I've done at least 30 warehouse layouts. But from there, it began to branch up into scheduling. How are we scheduling? Why can't we do mixed-model scheduling? And then from scheduling, it went up into estimating. From estimating, it reached up into selling. You have to pull it through. Lean is a pull, not a push. That's what's changed since the last time we talked.

Think about the Apple Store. The people who work there have got an iPad in their hands, they're

talking to you, they're showing you options—and then they check you out in minutes. That's what you want to do on the retail fireplace side.

Today, most shoppers have already done their homework online before they ever walk into a store. If they come in at all, they're coming to pick something out and see who can actually do the work. And they don't want to hear, "Well, we only install the fireplace—you'll have to find your own gas pipe guy." No. They want turn-key installations.

TR: *So if you don't do it in-house, you'd better have subs or some way to manage that process.*

DW: Exactly. You want to own the throughput time. You want to have people you've leveraged who can work within your customers' timeline. It's about the customer experience—taking care of them with speed and ease. And you don't have to be the best price. You have to be competitive, but you don't have to be the cheapest—because you're not selling price.

Going back to the example from earlier, we literally transformed that guy's business in year one when we changed his speed to quote. He told me that people were coming in, team members were closing them, and they were asking for a deposit along with a scheduled installation date.

Here's how it worked: We backed up the estimate and said, "Yes, we need to go to your home—but we're about seven days out. Here's your price. Can you buy?" If customers said, "Yes," we'd drop in a home visit three days before the scheduled install, just to make sure everything matched what we expected. By developing seven or eight tiered questions up front, we were able to say, "This isn't an estimate—this is the price." And by the way,

he told me he only got caught on maybe half a dozen jobs out of over 120 estimates.

TR: *And in order to build a system like that, you've got to be meticulous with your vendors, your products, and your supply. If you're pulling things out of your back pocket—"Well, maybe we could get this obscure thing from this manufacturer"—that won't work with this approach. You have to know your products. You have to know your vendors. But if you have that dialed in, you can deliver a final price and pre-schedule your installations.*

DW: We call that A-B-C. Every commodity, we A-B-C. All your finished goods, we A-B-C. All your warehouse supplies, we A-B-C.

A is in stock at any time—you don't even have to check. C is non-stock—we have to order that, and here's the lead time. B is in stock, but limited—as in, "I stock two of those."

You design a whole system around A-B-C. In the warehouse, A items are on the floor. B items are on the low rack. C items are tagged as special order. When salespeople look at an A item, they know that it's in stock, that they don't have to check, and that they can sell it. You build your whole strategy around this framework—and then you can shape demand with it.

We did this in large companies. The parent company of the organization I worked with for 35 years was in textiles and furniture. They had over 200 different fabric color offerings. We couldn't stock them all—it was killing us. We kept trying to standardize the lead time across all of them, but it wasn't working.

When we segmented it A-B-C, we said, "Let's pick the top eight. Those are in stock at this price—we have them." And when customers wanted a C item, we'd say, "That's 30% more, and the lead time is three weeks instead of three days." You're shaping demand with that. And by the way, people pay for it all the time.

TR: *That system just gives so much clarity. When a customer knows, "Okay, A means it's here—we*

can run, we can go. C means we can get it, but I've got to pay more and wait"—that absolutely shapes demand, but it also makes the decision so much easier.

DW: That's exactly what you want. First time in, you want a decision.

Most consumers in hearth are very well educated now. They've already done their homework online. They have a pretty good idea of what they want. They're just trying to figure out who can do this the easiest. Where can I go in, and in 10 minutes they say, "Choose it, print it out, here you go—that's not an estimate, that's your price. And by the way, if you'd like to give us a deposit today, we'll give you a scheduled date."

Once you get a scheduled date, it almost doesn't matter if you have a deposit. They're locked. They're looking forward to it: "The guy's coming a week from Monday. He's putting it in. It's done."

Compare that to walking someone out of the store with something that's kind of an estimate, but then you tell them your guy will come out—and you charge \$250 for the visit, but you'll give it back when they sign the order. People hear that and think, "What? Why should I do that? Who wants to give you \$250?" It's crazy.

You have to make it easy. We live in a B2C world where online retailers have made everything seamless. We've got to do the same thing.

TR: *So to recap the A-B-C approach: A is always in stock, no questions asked—just sell it. B is in stock but limited supply. C is special order, higher price tag. How would you set up your warehouse with your core products using this framework?*

DW: A items are your high-volume, high movers. They're on the ground at the front of the warehouse. B items are on the low rack, tagged with a designated area. C items go up on the high rack, and they're allocated—when you order a C item, it gets tagged when it comes in with a job number, a sales order number, maybe an address—however the company identi-

fies that order.

So if it's up top, it's an allocated order. It belongs to someone. If it's on the floor, it's an A item. You know by location. That's visual management—it makes it very simple.

I just got back from New York last week, where we did exactly this. We started with purchasing and got them on the A-B-Cs, then showed them how to set min-max levels. It's all simple math, but the execution is what works. It takes the guesswork out of where things should be put.

TR: *A lot of hearth companies have someone part-time or maybe full-time in the warehouse—and it's usually not a highly compensated team member. How do you build a process for that person to manage the warehouse with this kind of thinking?*

DW: That's a mistake. I've worked with guys running \$30, \$40, \$50, \$60 million a year businesses in hearth—and usually they do more than hearth. They do hearth plus something complementary: garage doors, cabinets, whatever. And you just can't run a warehouse the way most of them try to.

I remember one guy whose shrinkage was a

double-digit percentage every year on inventory. He had your classic warehouseman—not orderly, pretty chaotic. The schedule wouldn't get pulled out to him until two in the afternoon, so he'd have two hours to pull the next day's components. There was no discipline on the order schedule side. Sales was allowed to manipulate and change orders the day of or the day before without confirming them. All of that is part of the system breaking down.

But that same company had a service guy who kept the most orderly truck you've ever seen. The guy was fanatical about it. They made him the warehouse manager, and he revolutionized the place. It's got to be a systematic thinker who loves order.

When I work with companies, I tell them, "Don't go hire a warehouse flunky. Go find someone with capacity and potential—someone you can promote." At the company I just visited, we made the purchasing person the head of the warehouse. Now it's material flow. You buy it, you own it. You have to create space for it, and you have limited space. It's not like some guy working remotely since COVID, stuffing things in the warehouse with no idea where anything is stored.

That's a game-changer. Even if the warehouse

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manager doesn't report up through purchasing, those two have to work hand in glove. And if they have a clear A-B-C strategy, it becomes much easier.

That's why I always say, "Find someone who loves order and put that person in charge. Then make it visual. We tag C items by week for aging. You can walk around the warehouse and see that the tag is pink—that means it's four weeks old. We brought that item in because a new construction customer said he was going to be ready, and now it's been sitting here a month." That visibility matters.

You're still going to have a guy or two running a forklift and pulling product. But here's another key: Don't let installers into the warehouse to pull things or put things away. Never smart. Set up a designated area. If they've got return stuff off their truck, they put it right there—and the warehouse team takes care of it. Pull everything for them. They pull up, they get their stuff, they leave. They're gone. They're not part of the warehouse team, so they have limited access. And then you need a schedule to pull at a specific time—when the schedule is frozen—so you can begin pulling product without creating chaos. The only thing that should change on a schedule is people who drop off, and that's mostly in new construction, not retail.

But you'll never get there with the classic warehouse guy. You just won't.

TR: *This is related, but a little different from the warehouse. I think a lot of companies struggle with what I'd call the "grounds" of their business—the behind-the-scenes things that need to be in place for everything to run. The forklift has to be serviced. The drill batteries have to be charged. Somebody's got to clean the bathrooms. Someone has to change the batteries in the remotes on the showroom floor. How can lean thinking create a system to make sure those things are always taken care of?*

DW: There's already a framework for this. In equipment, we call it TPM: Total Predictive Maintenance.

You create a visual schedule. You're going to laugh, but in my house, in my furnace room, I have an 11-by-17 grid. It's got weekly, monthly, semi-annual, and annual tasks with Xs across the months—four weeks per month. So I look at it and see: November, first week, change the furnace filters.

You have to put it out in a visual schedule where everybody can see it. Don't lock it in a computer. Don't put it in Outlook—you've got a hundred emails in there and everything else. Create a visual schedule and build accountability around it, whether it's daily or weekly.

And don't try to do it all at once. The way people keep their warehouse clean is by zoning it. Mon-

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day is this zone. Tuesday is that zone. Wednesday is no zone because you're receiving trucks and can't touch it. Thursday is zone four. You color-code it, you post it up, and everybody knows: "Oh, it's Tuesday—here's what we do." It's a schedule. It's not magic.

But here's the thing most people miss: They think once you create a schedule, people just go do it—that if you create standard work and hand it to someone, it'll just happen. It doesn't. It just doesn't.

I have a book called Toyota Kata. It's about Toyota culture. Toyota believes that unless you're continually trying to improve a process, it will deteriorate. You don't have to do anything to a process—just leave it alone, and it will deteriorate all by itself. The wheels will fall off.

Toyota knows that, so they say, "We're not only doing this to improve—we're doing it so things don't deteriorate." They're constantly poking the process, asking questions, trying to make it better.

I'm working with a local manufacturer right now—500 people, 24/7 operation. We're about 90 days in, and the middle-tier leaders are all saying, "Why aren't these people doing what I told them to do?" Well, it's because you're not checking. You're not following up. You're not asking questions. You're not continually trying to improve. That's why it's called continuous improvement. You have to stay with the process and stay after it.

I don't like the word "audit," but you need to continually provoke the status quo. How do we make it better? That's the thinking. The mistake most people make is that they create these laundry lists, hand them off, and then six months later, they're saying, "What happened? We talked about this six months ago." But that doesn't work—because it's a living process. Lean is a living system of thought and thinking. Any process has a lifecycle, and if you want to extend that lifecycle and make it better, you have to be on it. You just have to be on it.

TR: *Your 11-by-17 checklist at home reminds me of something we did years ago. In one of our showrooms, the only bathroom was through the warehouse—customers had to walk through to get to it.*

So we made a grid just like yours for cleaning that bathroom. It had eight steps with pictures: Dust the corners of the ceiling, dust the appliances, sweep and mop the floors, clean the toilet, and the last step was restocking supplies. Every day, it had to be checked off, initialed, and dated. We had a schedule for who did the bathroom each day.

And no joke, Dan—we made sales because of it. People would walk through the warehouse to use the restroom, see everything organized and in good shape, and come back into the showroom saying, "You cleaned that bathroom this morning, didn't you?" And we'd say, "Yeah—don't worry, we're going to treat your house the same way we treat the warehouse and the bathroom."

DW: It's like when you go to get your car fixed, and you walk in and see the front office in total disarray. The guy can't even find his computer because there's stuff piled on top. I'm not saying there aren't good mechanics who operate that way—but is that your first choice for where you want your car worked on?

TR: Heck no.

DW: No. And that's part of the experience. You can't overestimate selling your showroom as part of the customer experience. And not just the physical showroom—I mean, why do people go to Chick-fil-A?

TR: *It's not because they love chicken. It's how they feel when they're there. It looks the part. The people are happy. You go to McDonald's, and the people working there are miserable. You're miserable too.*

DW: Right. That's why McDonald's pays \$25 just to get people to show up for an interview. Meanwhile, Chick-fil-A has something like 90 applicants for every opening—and the wage scale isn't much different. But everybody wants to go somewhere they're valued and treated well, and where they treat other people well.

That's part of the experience. And it has to be quick. It has to be easy. Everybody's copying Chick-fil-A's model now. How do you get people

through the drive-through line faster? They're out there with iPads taking orders. It's about transitioning that thinking into other areas of your business.

TR: *To start wrapping up—lean can be applied to so many things: sales, estimating, scheduling, and the warehouse. And you said something really profound earlier: “We want to do this for people, not to people.” Can you give some examples of how lean thinking can go wrong when it's done to people—and then talk about what happens to a company's culture when it goes right?*

DW: Let me give you the bad example first, because I've had plenty of those. When you don't engage people, don't get their input, don't train them to solve problems, and don't involve them in the solution—that's doing it to them. The people closest to the work know it best. You just need to guide them with a set of tools and a way of thinking so they can solve problems themselves.

When you don't do that—when you solve people's problems for them—the first thing that happens is they'll always come back to you when they have a problem. And this is what happens to most mid-level managers: Everybody brings problems to them.

There's a book called *It's Your Ship*, about a Navy captain who took over the worst-scoring, worst-rated, worst-attitude ship in the fleet and turned it around in less than a year. The first thing he did was buy all 500 crew members a shirt that said “It's Your Ship.” When people came to him with problems, he'd say, “Well, what do you think we ought to do?” He began to lead with questions instead of giving directives, which is a little different for the military.

When you lead with questions, it says, “I value you. I respect your opinion. I believe we're going to get a better answer through collaboration.” But when you do lean to people—when you don't engage them—it's not sustainable. In fact, it's worse than not sustainable. They'll revolt. They'll kick it out. And the next time you try to implement something, it's three or four times harder. It sets

you back. And that's how many companies adopt lean, sad to say—they do it to people instead of for them and with them.

But when you do it right, you get a different outcome entirely.

I worked with a guy down in Houston—our largest customer at the time. When I first came on board about 10 or 11 years ago, he called me and said, “I need help.” So I flew down there. I'm sitting in his office trying to talk to him, and every three minutes there's a knock on the door. A low-level employee walks in with a question. We'd talk, get interrupted, talk again. It happened seven or eight times in 30 minutes. Finally, he closed the door and said, “You see my problem?”

I said, “It's obvious. Command and control.”

Three years later, that same guy was on vacation in the Bahamas. His team had daily cross-functional standup meetings by then, and they called him to say, “Hey, we're working on a new warehouse layout, and we want to take this wall out.” He said, “Sure, go ahead.”

He went from them asking him everything to them feeling empowered enough to ask permission to take out a wall—in three years. He tells that story, and it's funny, but it's profound. That's the cultural shift. And they're killing it now on the hearth side. Absolutely killing it.

TR: *That's so good. So when lean thinking is approached the right way, it empowers people. They can take control of their situation, become catalysts for change, and build the confidence to solve even bigger problems.*

DW: Exactly. You start small, but it's like pouring gas on a fire. It works. It really does.

That's the best part—the engagement with people. When they begin to see it work, everything changes. I did a layout change this morning in a manufacturing facility. It's been a long day. It's primarily a women's shop, and in the first 30 minutes, they were up in arms—just because it was

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different. It's like going into your wife's kitchen and saying, “Honey, I'm going to help you. We're going to rearrange everything.” And she's thinking, “This is not going to go well. You're sleeping on the couch tonight.”

But we got through the first 30 minutes, started adapting, and made some fixes based on their feedback. By the time I left five hours later, they were saying, “Wow—this is so much better. We're walking less. Things are within reach.”

That's what engagement looks like. We'd shown them layouts for several days beforehand. They said, “No, let's tweak this. Let's move that.” And

then when you launch it, there's that initial reaction—“This is different”—but then “different” becomes “better” as they adopt it. It works. It really does.

TR: *Dan, this has been so good. I'm thankful for your time and your wisdom. People are going to get a lot of value out of this. Thanks a ton for taking the time.*

DW: Thanks for having me, Tim. It's been a pleasure.



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