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Misconceived. Misdirected. Mismanaged.
Why too many companies miss the real value of Lean.

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Common misconceptions:

We're already Lean because we've optimized flow.
That's great, but if you've only optimized the physical flow of activities and materials and not the flow of management information you've only done half the job.

We're Lean because we've put everyone through Lean training.
Ok, but have you really embedded Lean thinking at every level of the organization because that's the first thing you've got to do?

We're Lean because we've standardized our tools and processes.
Standardization is critical, but over standardization is deadly. Lean is about much more than standardization; it's about flexibility and experimentation.

We've tried Lean, but it didn't deliver all we expected.
That wasn't because Lean was wrong, it was because you didn't give it the right focus to maximize value and you didn't see it through.

We've had success with Lean in production, but not elsewhere.
It won't work if you simply cut and paste. Lean thinking must be fine-tuned for every function. If you're in R&D or Finance you need to be able to look at Lean and immediately understand why it works for you, not try and reinterpret something that was designed for manufacturing.

We've never even tried Lean.
Remember, Lean is just a word. A word that somebody chose to name a really good set of operational management principles. So you might be doing Lean anyway, even if you don't call it Lean. Just to stay in business and improve you're probably doing some of it. Organizations need to loosen up and be less dogmatic about what Lean is and how to implement it. Less dogmatic, more pragmatic.

We're Lean because we've been doing it for 25 years.
Fair enough, but Toyota have been doing it for over 50 years and they're still learning.

Too many Lean initiatives don't achieve their potential argue Mark Hughes and Jonathan Gray. So what should be done differently?

In our view it's when people stop using the word Lean and rearticulate it in their own way for their own organization. There's an argument that says using all the traditional Japanese terms just solidifies all the mistakes that have been made in the past. You don't have to use 50-year-old Japanese words for something that is absolutely contemporary. We believe you have to be fluid in your thinking on how you implement Lean and if that means jettisoning the past, then do it. Using a lot of these terms can often become a hindrance and force the conversation into a discussion about tools and processes, rather than creating a deep understanding of what Lean is really all about.

Consider for example, the words 'Lean program.' By definition all programs have a start and end point, but that usually means that once the end has been reached, people quickly move on to the next thing. Companies have to understand that a Lean program is not an end in itself; it's a vehicle to launch a completely new way of thinking and working. In fact, when we advise a business that wants to become Lean we urge them not to do it as a program because it sends all the wrong signals. You really have to educate people that you are now changing the way you do business. Lean is not a program or a project; it's a journey of improvement with no end.

A journey to create stability, flexibility and real customer value.

There's a perception that Lean is about creating stability and therefore it cannot handle variation, but we are in a variable world and flexibility is key. Lean is actually the perfect way to be flexible. That's the reason it was designed. The Ford model T, was any color you like as long as it's black, but Toyota wanted to be able to give people variety and choice, different colors and different models, so they created Lean. The whole system was built around flexibility. Companies often get the wrong end of the stick and think that Lean can only be effective in a stable situation.

The sequencing for us is first to get the Lean principles right, starting at the top and cascading all the way through the organization. Next be clear on how you define and measure value and then how do you create a management performance system that aligns everyone to create that value? That means you don't have people being incentivized because they're measuring the wrong thing and you don't have a bonus system that encourages them to do the opposite of what you're trying to achieve for your customer.

Only when you've created purpose and alignment do you optimize your process and introduce the tools. You've got to keep on reinforcing the new behaviors and that's where coaching comes in. Practice, practice, practice.

Start with your people.

A Lean journey must start with your people and building their confidence. Too many companies think of Lean as a tool, so they immediately start training people to implement it. Lean initiatives just become training. They measure the success on the number of practitioners they have or on the number of training sessions they've completed. It's about concepts and principles, but it hasn't really changed anything. People are measuring success on completely the wrong metric. Companies should rather educate their people to actually understand what the company is now trying to achieve.

The traditional mind-set for implementing Lean is to say: The way to create continuous improvement is to implement a sustainable change in behavior. People have to do something different and keep doing it. To drive this behavioral change we need a number of antecedents that reinforce these behaviors. We must have the most efficient processes; we must have the right systems to manage these processes to make sure we're doing the right things; and then people must have the right skills and capabilities. So people become very focussed on efficiency and cost reduction as an outcome.



The smarter way to look at Lean is to see it as the primary method for creating real value from your customer's perspective. It's not just about being efficient, it's about being effective. That's a big hangover for a lot of Lean programs because many of them just mutated into cost reduction programs and that created some strong negative connotations around Lean. If you believe that Lean is about creating a new way of working and a new culture, but the first things you do is fire half your people, it's neither inspirational nor motivational and you're not going to drive sustainable change.

Don't choose between then and now.

Organizations are often under pressure to choose between the long term goal of building a culture of continuous improvement, and short term targets that say we've got to hit our numbers now, so we need to squeeze cost out of the system.

The danger is that you end up sacrificing the long-term cultural change in pursuit of short term cost savings. The opposite danger is that you define Lean purely in terms of long term cultural change, so it becomes woolly and lacks real teeth.

The difference in the way we approach Lean is to say: You have to have clearly defined targets, you have to be looking for measurable short term improvements, but that's not the end point, that's merely the means to an end. The ability to show these improvements is what reinforces change. When people see that things have actually improved in a measurable way, it gives them the encouragement to keep doing it - and ultimately, if you keep doing it for long enough, it becomes your new culture.

Organizations need to grasp that Lean is the way to achieve results, not a secondary activity that might help. If you understand that, it will work. If you don't, you will never give it the right priority and resources.

A little knowledge can be a bad thing.

Too many companies pick up the superficial aspects of Lean. They've read the books and seen the white boards, but they don't really understand what's behind them. We always make a point of going to the team areas in any new environment to see how dirty the white boards are. If they're dirty it means they're being used. A lot of people just look at their whiteboard occasionally and think 'Oh yeah. I've got it.' That's why Lean thinking is so critical. It's not just about understanding tools and processes; it's about understanding why you are doing certain things.

Everyone reads the same books, so they know they need to have a culture of experimentation, to teach Lean thinking, to coach people, but we would argue that these are all 'Whats' – if I need to do Lean in my business today 'What' steps do I need to take? The real question is: 'How' should I do it? Learning from the mistakes that have been made in the past, 'How' can I do Lean so that it adds real value?'

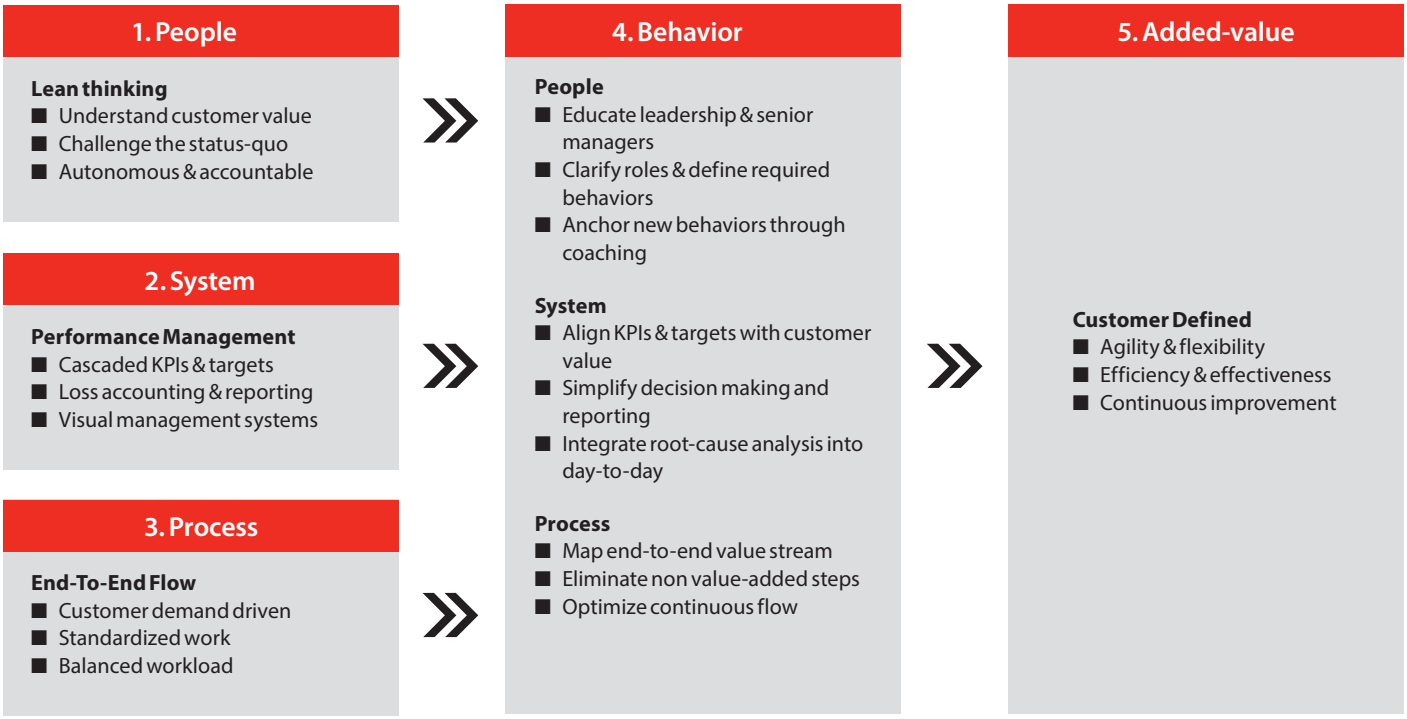
Lean thinking must start at the very top.

Our 5 Box Model® is the perfect way to think about this in terms of sequencing. First and foremost, Lean thinking is absolutely critical for success. People genuinely have to understand what's behind Lean. What does it mean for them? They have to understand that Lean isn't just something that happens on the shop floor, it happens at every level of the organization. So as a leader it's not enough to be a sponsor, you have to change your own way of working - you have to lead from the front.

Most companies begin Lean with the Process Box, but we believe that if you do, you've started in the wrong place. It's the right thing to do, but it's not in the right order. Before you even get to the process, you've got to ensure that people are really able to think in a Lean way. A lot of organizations get it wrong by saying: OK, let's start with a bunch of training for all our people on the shop floor or in front line roles.' We say no, you should start with your leadership. They have to be able to talk the talk if they want to walk the walk.

Step 1 is to bring the leadership together and educate them on what Lean really means. We recently did this for a leading European car manufacturer. We brought everyone together and they said: 'We're all here to learn. We know this is slightly new territory for us, but we're willing to learn and it's going to be good.' Creating that learning environment is key. Every book you read talks about creating a learning environment, but we mean that a leadership team must take time to be educated on Lean and to help themselves as individuals work out how to connect it to their business challenges.

Creating Customer Value Through Sustainable Lean Behaviors



Hitachi Consulting Lean Transformation 5 Box Model®

Our approach starts with people to embed Lean thinking. Next we design systems to create focus and reinforce Lean behaviors. Only then do we work with the accountable process owners to optimize end-to-end flow across the value stream.


What
value is from
your customer
perspective?

Learn to think before you act.

When Taiichi Ohno first came up with Lean at Toyota he started with the insight that there was a different way of doing things. He didn't start with a bunch of processes and tools. He realized there was a different way of thinking about things, so he educated the people around him and they educated the people around them - and only then did they develop the tools and processes that enabled this new thinking to be put in place. Companies must replicate that process today, only a lot faster.

Why go in and teach people how to use tools when they don't even understand the thinking behind those tools? You have to start at the top, get the leadership to understand, then cascade down, and only when you've done that can you start worrying about tools. A lot of consultants jump straight into trying to streamline processes, but we believe there's a step before that. We believe you have to get the thinking right first.

Lean thinking gives everything a purpose.

One of the fundamental insights of Lean is that you've got to really understand what value is from your customer's perspective. You've got to ensure that the things you measure are totally aligned with the things your customers actually value. That means getting the right KPIs and making sure that your planning processes and decision-making processes are all aligned with what really creates customer value.

Another fundamental point for us is that while people grasp the concept that Lean is about optimizing flow, creating pull, reducing complexity and aligning processes, when they think process they think in terms of a manufacturing process, a physical flow of products and materials. We argue that this same thinking applies to the flow of information. Get that right first and then streamline your information management flow.

Once that's in place it's a whole lot easier to optimize your processes because it's clear to everyone what you're actually optimizing for. The system is creating the pull on the process improvement. People will then understand that they need to improve this or that measure because that's what really matters to the customer. Everything now has a clear purpose, so people now see Lean as central to how they achieve their goal or objective - not a goal or objective in itself.

It helps if you have the right approach.

Introducing Lean thinking, aligning metrics and KPIs with the real value drivers, streamlining the whole management information flow are key success factors. Leaders should decide on which parts of the process they need to optimize, because they don't need to optimize everything. That's what lays the foundations for embedding Lean in an organization.

You can't learn Lean from a book anymore than you can learn golf from a book. You need someone who's been there and done it to help you develop a true understanding. Companies should ask for practical guidance and support from an experienced teacher. They are not there to tell you what to do. They are there to help you understand what you need to do and how best to do it.

The further you go the greater the reward.

We're asking people to step back and reflect on Lean, not necessarily to press the reset button, but to say: Let's think about what we've got and make sure we're moving forwards in the right way, not just doing more of the same and expecting a different result.

If you haven't tried Lean, try it. If you have tried it, but you didn't get the results you were hoping for, try again because there's a lot more there to help you meet today's challenges. And if you're starting from scratch, you can create your own success story. Lean is a structured and systematic way of working and it can be a very rewarding way of working.



Recommendations:

- Introduce Lean as a commitment to a new way of working, not just as a project or a program.
- Create understanding of Lean principles before optimizing processes or introducing new tools.
- Define how value will be created and then align other performance measures with this.
- Optimize the flow of information and decision-making, not just the physical flow of activities and materials.
- Use short-term improvements to motivate people and reinforce efforts towards the required long-term changes.
- Standardize selectively to secure improvements while emphasizing the need for flexibility and experimentation.
- Stick with it to give people sufficient time to learn and adapt to the new way of working.

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