

**LEAN:
Old guard or
avant-garde
in the 21st
Century?**

All thoughts must be distilled into action and action that brings results.

In a survey of 2,800 CEOs & Business Unit Managers in the US, only 19% were satisfied that their LEAN programmes had delivered what was intended.*



Too many companies are still doing LEAN instead of being LEAN, says Edwin Verduyze, Vice President Operations & Operational Transformation Service Line Leader. Being LEAN in the 21st Century means expanding programmes horizontally and vertically to create significant, sustainable results.

When Toyota developed LEAN in the 1950's it delivered phenomenal results on the shop floor by reducing waste, increasing flow and developing a culture of Continuous Improvement. Over the years the tools have evolved and the principles have been applied in most major industries, but as the above USA Today Business* survey shows, the results have been nowhere near as impressive. So is the concept of LEAN running out of steam?

Celerant Consulting believe the opposite is true. LEAN is entering a new era. An era brought about by changes in the operating model from local to global, mid size to multinational. It's a new world now, globalised, complex and instant and companies need to develop a LEAN model that fits with that. Focusing on the shop floor is no longer enough. LEAN programmes must be vertically and horizontally expanded to mobilise everyone - and leadership has a key role in making this happen.

Transform your business horizontally

In the 20th Century, most businesses only had to worry about competition from their own country or region. That's changed dramatically, but for most companies the LEAN concept hasn't. It's still focused on the shop floor. Transforming your business to a new way of thinking and working cannot be successful if you only concentrate on one area such as production, sales, logistics or admin. This is the difference between doing LEAN and being LEAN as a business.

The point was driven home by Norman Bodek¹ in reference to Toyota's 2010 recall of 1.7m cars

when he stated: *'Had the tools of the Toyota Production System been extended from the factory floor worker to every employee who makes contact with the customer, Toyota could have dramatically reduced the resulting financial impact and human tragedy.'*

Feed long term vision with short term results

Global Programme Design & Deployment: Celerant Consulting are change experts. We understand what makes LEAN work and have designed and delivered hugely successful transformation programmes in Manufacturing, Services, Innovation, Green and 6 Sigma. Our research shows that LEAN programmes either focus too much on training and not enough on results, or the exact opposite. We know that only a combined approach can drive behavioural change and produce sustainable results, so a well-balanced programme must:

- *Be an Integral part of the company's operational strategy*
Not linking LEAN to the overall strategy is setting it up for failure. A company must define where the biggest improvement opportunities lie in its end-to-end value stream and draw up a road map of projects they want to implement. That way, even if LEAN starts in a small scope, it's still part of the bigger strategy.
- *Ensure clear targets are set and understood by the workforce*
Before we begin a LEAN programme we ask Management: How are you going to cash the cheque? Companies shouldn't wait until operational benefits are realised before deciding how to cash them. This could jeopardise the

credibility of the LEAN set up with the work force because if it looks like restructuring, it probably is restructuring. We believe that LEAN is about doing much more with the same and as companies look for growth we're helping them use the same number of people in a smarter, more effective way.

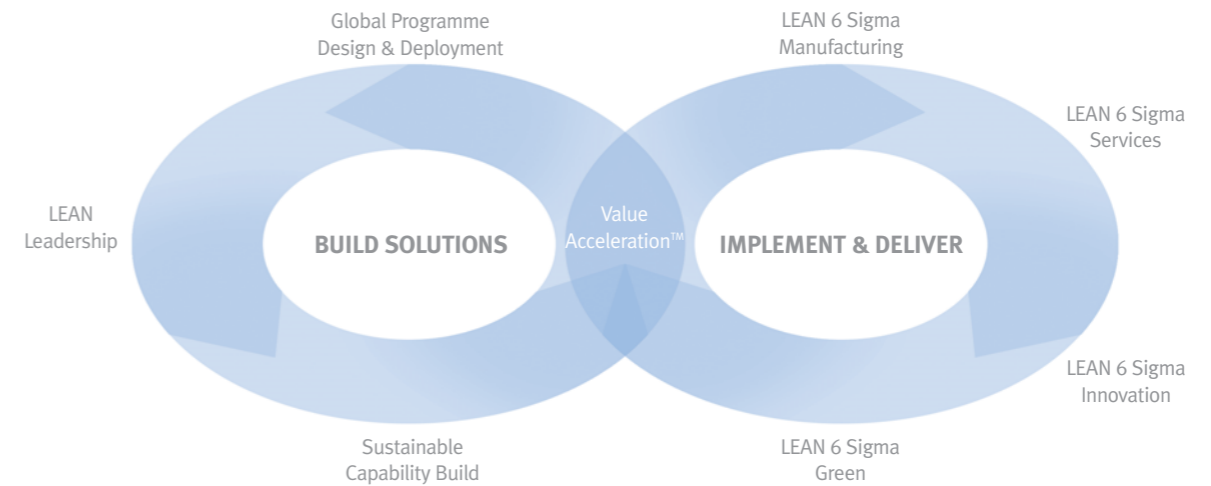
- *Combine operational with tactical results*
One challenge to creating a LEAN programme roadmap is ensuring that small scoped LEAN initiatives deliver results at the top level in an acceptable timeframe and that everyone is involved in the LEAN journey. In our experience, this is best achieved with a combination of large, cross-departmental projects with more of a re-engineering character that focus on middle and senior management as change architects (their impact is significant and measured directly in P&L) and LEAN projects that focus on rendering parts of a process more efficient and effective (their impact is significant on an operational level).

Moving beyond manufacturing

Value Acceleration™: A second implementation challenge to a LEAN business transformation is that although the same LEAN principles apply in production, R&D, finance or sales, the actual tools and techniques must be adapted to each environment.

Remember the debate about whether LEAN tools and techniques would be as effective in a services environment as in a manufacturing environment? Research by the Lean Enterprise Research Centre² showed that the potential improvement is actually bigger.

Celerant's Operational Transformation Service Line focuses on both the vertical and horizontal expansion of LEAN.



In a physical product environment (manufacturing or logistics flow)

- 5% value adding activity
- 60% non value adding
- 35% necessary but non value adding

Information environment (eg. office, distribution or retail)

- 1% value adding activity
- 49% non value adding
- 50% necessary but non value adding

The key to building sustainable results is accelerating the pace at which people go from waste identification to elimination. This is central to Celerant's Value Velocity concept. To be able to adapt quickly a company must identify opportunities, engage its workforce and build the right systems to measure performance and ensure Continuous Improvement. That way it can iterate its operational value stream cycle and attain top value velocity.

Ensure there's life after LEAN

Sustainable Capability Build: Transforming a business is a never ending journey, so having a strong internal change capability is crucial. But we often see that Change Agents who act as task forces during a project have no formal role once it ends, finding themselves in limbo with no direct boss, clear targets, feedback or career prospects. To maintain their effectiveness it's vital that companies:

- Create clear roles and responsibilities between internal Change agents and the business to determine who is responsible for Continuous Improvement, targets etc.
- Offer an attractive career path that shows what accreditation/promotion looks like and explains whether they report to business or corporate.

- Build expertise throughout programmes by for example, sharing individual project learnings through quarterly meetings of Change Agents.

Integrate LEAN vertically

LEAN Leadership: LEAN initiatives deliver great results, but if they're not linked to an improvement roadmap they risk creating a great buzz on the shop floor, but going unnoticed in the board room because the benefits they generate are often undermined by low performance elsewhere. This lack of leadership recognition will kill off Continuous Improvement. That's why you can't look at LEAN from a single department perspective, you have to look at it end to end and involve everyone, particularly middle and senior management. CEOs and Senior Management generally have a rough vision of what LEAN can achieve, but are unclear about their role in the set-up and deployment process. That's why vertical expansion is critical. It involves all layers, gives them a practical and active role and creates true LEAN Leadership.

In the set up to any LEAN programme, Leadership's most important task is to create the climate for successful change by ensuring their organisation

is both willing and able to change. They must challenge the status quo, create a vision and making sure that a strong plan is in place.

We help senior management move from the board room to where the money is actually made - to go and see, ask why and show respect. That way, they take on a more visible leadership style that engages with the actors of change. We recommend regular Gemba walks (walking tours) throughout the whole company. But directors and managers don't always know what to look for, so like people on the shop floor, they must to 'learn to see' the waste and it starts with the basics like understanding the process flow and its performance.

This is where management systems (MCRS[®]) come in. Contrary to what some people might think, we advise that performance boards are brought in from Day 1, because if you understand it, you can draw it and involve others to improve further. Only when there is a clear understanding of performance can leaders genuinely challenge and support their managers and workforce.

'The global programmes we design do much more than reduce costs, they create sustainable value.'

For a presentation on Celerant's Operational Transformation Service call us or visit celerantconsulting.com

¹ Norman Bodek is an author and the President of PCS Press. Since 1999 he has focused on Toyota's second pillar "Respect for People, employee-development and employee-empowerment". ² Going lean: Published by: LEAN Enterprise Research Centre, Cardiff Business School, Peter Hines & David Taylor, 2000.

For over 20 years, Celerant Consulting has delivered successful, sustainable change for world leading companies. Our expertise covers the entire spectrum of the Operations Management ecosystem, with a core focus on Performance Improvement and Behavioural Change Management. Every project is a strategic partnership where we get down on the ground to identify and analyse a Client's most significant business challenges, then work with them to drive up results. We implement customised solutions that capitalise on existing systems, processes and people - and deliver substantial benefits. We change business for good and over 90% of our Clients say they would work with us again.

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