

LEAN AT THE EXECUTIVE LEVEL

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Because of recent events, more executives are opening up to the idea of adopting a lean philosophy within their organizations. Although the concept has been around for several years, lean has been applied mostly in automotive or manufacturing-intensive industries. With the success that companies like Toyota have experienced with lean, however, leaders in other industries are beginning to consider it as a way to improve the results and overall health of their companies.

In general, lean is a business philosophy based on the continual elimination of waste throughout the company. Waste reduction is achieved by focusing on improving the flow of materials and information through the processes that provide products and services to customers. It is a business philosophy because it requires a focus on reducing waste all the time – not just when revenues and profits are down.

From the Executive Office

One of the problems leaders face when attempting to adopt lean is the lack of information available from the executive point of view. Most of the information on the philosophy describes the process from the application level – e.g., how to do value stream maps, reduce setup times, etc. Although this can help a leader better understand what will happen when the process begins, it does not help them identify what needs to happen at the executive level to be successful.

Below is a basic flowchart of executive-level process for implementing lean. It presents the steps and responsibilities that leaders need to follow in order to help assure a smooth and successful implementation of the philosophy.

The Lean Process for Executives

Step 1: Learn About Lean

The first and most obvious step in the process is to learn about lean. Executives do not necessarily have to become experts in the application of lean (although it obviously does not hurt if they do), but they need to understand why it works, what to expect from the process, and what it means to the organization. It is usually more effective when the leadership team learns about the philosophy together.

Step 2: Reflect/Debate/Challenge

Part of the learning process is to reflect and debate about what it means for the organization. This step should not be taken lightly and should be done in a series of meetings to assure that the philosophy is debated from as many perspectives as possible.

The objective of this step is to build a consensus among the executive team regarding what lean is and whether or not they should go forward with the process. The worst thing the team can do is to attempt to move forward with markedly different degrees of commitment among the leaders. The

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team needs to be open and honest with their concerns about adopting lean and openly challenge each other about whether or not they believe it will work.

Step 3 To Pursue or Not Pursue

Deciding to pursue lean implementation means that the entire leadership team is committed to supporting the process. If the decision is made to not go forward with the strategy, the tools can still be used to address isolated problems, but it should be noted that without fundamental change to the organization, there is no guarantee that the improvements can be sustained.

Step 4: Build Into High-Level Plan

Adopting lean will most likely be a major change initiative for the company and, as such, requires inclusion in the company's high-level or strategic plan. Without this level of attention, attempts to change the culture will be lost among the many other priorities that people face. Also, people will feel that participation in the process is optional.

Step 5: Remove Barriers

Including lean in the strategic plan will lead to an analysis of the barriers to change which can kill the initiative. Many organizations have numerous barriers that can interfere with success including lack of management commitment, inconsistent values, lack of organizational humility, short-term thinking, and others.

Step 6: Align Measurement & Reward Systems

The company's key performance indicators need to reflect progress in the lean implementation. This gets people to understand that the company's leaders are serious about changing the organization, and provides a scorecard for the company's progress. Along with this, reward systems need to relate to participation and success with the initiative. If management says that lean implementation is critical but ties rewards to something else, the change will not happen.

Step 7: Lead from the Top

Although the company's leaders will most likely not be directly involved in the application of lean tools – e.g., creating value stream maps, conducting setup reduction projects, etc. – they need to be visibly connected at some level. Involvement can come in a variety of ways including conducting regular reviews on progress, participation in project kick-off and closing meetings, observing change projects in action, etc.

Since success in lean is ultimately the responsibility of management, each member of the executive team must be actively involved to assure that the process is progressing as they feel it should.

Part of the Bigger Picture

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Lean by itself will not guarantee the company's success. It is an operational strategy that helps the company achieve its high-level business strategy. As such, it needs to be support effective marketing, sales, and financial strategies, along with a clear purpose to help the company succeed.

Companies that are successful with lean tend to be more flexible, healthy, and profitable than those that do not. Through improved levels of productivity, lean companies are also able to handle increased levels of business before needing to increasing headcount.