

Introduction

Businesses apply lean thinking to achieve two very different ends. One end seeks to adopt the lean approach to commerce and recreate the business as a lean enterprise. This *full adoption* of lean thinking results in a business with all the features detailed in Exhibit 5, pages 39–52. The other end seeks to produce near-term financial benefits for the business by implementing selected lean tools and ideas. These limited applications of lean thinking are intended to improve financial success by reducing cost, downsizing labor needs, increasing margins, elevating labor productivity, increasing throughput, or other similar actions. They are not intended to change the firm’s business model or alter the organizational strategy it uses. In fact, these limited applications of lean thinking are “non-lean” in nature, since maximizing financial results is a byproduct of applying lean thinking and not its primary focus. Also, these endeavors are typically not rooted in an understanding of customer values, nor do they include any effort to add value to the business’s offering in ways customers desire. Rather, they are rooted in a producer’s desire to eliminate a barrier to or advance the achievement of better financial performance in the service of its managers and owners.

Clearly, these two applications of lean ideas have very distinct profiles of outcomes. As a lean champion, you must be able to distinguish between these applications and understand which it is that your initiative is expected to implement. Absent this understanding, you will fail in leading your lean initiative.

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Full Adoption of the Lean Model

When a business fully adopts the lean approach to commerce, it transforms itself into a lean enterprise. It alters its business model to embrace lean thinking in every detail. This new direction modifies the company from every perspective.

- Strategically, the company puts in place and practice a purpose, vision, and set of core values; methods of competition and an organizational strategy; and internal business systems (e.g., business planning, human resource management, accounting) that are consistent with the lean approach to commerce (*Lean Enterprise Model*, pages 7–52). It formulates its business’s purpose in accordance with lean thinking’s goal (Exhibit 2, page 19).
- Operationally, it implements, businesswide, the activities described in the lean model, produces the outputs it specifies, and implements the feedback and interface components it incorporates (pages 23–35).
- Structurally, in a multiactivity company, a lean enterprise organizes itself into separate businesses, each of which conceives, develops, resources, produces, markets, sells, distributes, and supports a product or service offering targeted to satisfy the needs of a specific group of people. Each business arranges itself by the different functions that accomplish its work. Each function applies a unique set of expertise and implements a distinct value stream that delivers an output that advances the business’s delivery of value to its customers. The business’s production or service delivery function is the center of its organization’s structure since it is the function that directly delivers value to the business’s customers, and that is the fundamental task of every business. Each of the remaining business functions is designed to enable its successful performance.

Within a lean enterprise, business leaders manage from a systems perspective never, allowing a local decision to compromise the effectiveness of the enterprise as a whole. Management employs the highest level of employee involvement. They engage employees’ participation in all aspects of the business and support their use of problem-solving methods to improve everything it does. All employees use either information- or knowledge-based problem-solving and decision-making methods that are guided by a deep understanding of customer values and enabled by valid measurements of business performance.¹ Leaders and members drive lean thinking through every level and every activity of the business—from governance through grounds maintenance, from the back office to the storefront. All enabling systems satisfy the requirements of a lean enterprise, including especially its human

¹ See the chapters *Task 6 Solve Problems* and *Task 7 Make Decisions* for a description of biologically based, information-based, and knowledge-based approaches to problem solving and decision making.

Full Adoption of the Lean Model (continued)

resource management (HRM) systems, information technology systems, and financial management systems. HRM recruits and develops employees who are aligned with the principles of the lean approach to commerce, excited by the challenges and opportunities it offers, and skilled at and committed to learning in the service of realizing the company's purpose and to working together with fellow employees as a team. Such people place the pursuit of perfection ahead of tradition. The business's information systems disseminate to all employees the information they need to guide their personal performance and their efforts to continuously improve business success. These systems make available both personal and organizational performance information and the status of customer and stakeholder values. They also rapidly disseminate new learning across the enterprise so that everyone benefits from the improvements each employee uncovers. In essence, a full-adoption lean initiative transforms a typical business as described in Exhibit 5, pages 39–52, into a “lean enterprise.”

Limited Applications of Lean's Ideas and Tools

A limited lean application selectively applies lean ideas and tools to achieve near-term improvements in financial performance. It may introduce the components of Total Productive Maintenance to improve machine uptime or the concepts of flow without takt time to de-bottleneck processes and reduce inventory needs, or implement Kaizen events to eliminate waste as a means to reduce cycle time, improve throughput, and reduce cost. It may apply 6S² to free up facility space, thereby avoiding the cost of adding new facilities. What a limited lean application does not do is create a lean enterprise.

Prevalence of Limited Lean Initiatives

Almost all lean initiatives are of the limited type. This judgment is based on research, conversations with people involved in lean applications across many companies, and our own consulting experience. Our perspective is that the adoption of lean has followed the same pattern that has appeared with every business innovation—namely, that elements of the new approach are grafted onto existing business models and management methods. Any new ideas that require their modification are not implemented or, if tried, are not sustained.

As examples of the facts underlying our judgment, consider first the revelations about Delphi Corporation's implementation of the lean model. Delphi was promoted as a leading example of a lean transformation—yet, after its declaration of bankruptcy, it was revealed that lean thinking was

² 6S is an updated version of the traditional 5S method. It adds “safety” as the sixth facet in improving the utility of workplaces (Roll, 2005).

Limited Applications of Lean's Ideas and Tools (continued)

applied in only a minority of its plants and only in selective operating areas. It had not penetrated into its executive and management functions (Waddell, 2005). In other words, it was, at best, a limited lean implementation. Broader evidence of the prevalence of limited use of lean ideas is provided by a study investigating the consistency between company scorecards used for distributing rewards and the expressed adoption of the lean approach to commerce (Searcy, 2004). It found that financial results ranked higher in importance than customer satisfaction in five of the six companies proclaiming to be lean enterprises. This is an inversion of the priorities that lean thinking maintains.

Again, this preference for selectively applying elements of innovative business approaches is not limited to lean. Delphi's limited use of lean ideas was consistent with the conduct we uncovered during a benchmarking study we completed of renowned high-performing companies in the late 1990s. In every case, we found pockets of activity but no broad and thorough adoption of any of the methods for which each company was being praised (e.g., Total Quality Management, Lean Manufacturing, SixSigma™). Also, consider business leadership's widely claimed adoption of employee involvement. When examined in detail, studies revealed the highly limited degree to which these businesses actually delegated decision-making authority and permitted employee participation in deciding business goals and policies (Lawler, Mohrman, and Benson, 2001; Lawler, Mohrman, and Ledford, 1995). No one can truthfully claim to be using an employee involvement strategy unless they are delegating authority and involving employees in meaningful decision making.

For these reasons, we conclude that most lean implementations are limited in nature. They use the language and tools of lean thinking, *but* their focus is on raising productivity, lowering costs, and maximizing profitability for the producer, not on maximizing the delivery of value to their customers or benefiting all stakeholders inclusively. It is this profit-maximizing use of lean thinking that gives credibility in the minds of workers to the acronym "L.E.A.N.," meaning "less employees are needed."

How Can You Use Lean's Ideas But Not Be Lean?

Here is a fast and simple way to leverage lean ideas and tools and not adopt lean thinking. Learn the forms of waste, use lean tools to eliminate them, and retain the benefits generated for the owners of the business. The forms of waste (hazard, inspection, interruption, inventory, motion, rework, search, setup, travel/transport, unnecessary processing, and wait) all add cost, and most add cycle time—the time it takes to produce a unit of output. Eliminate them, and you will reduce cost, improve productivity, and increase a business's net margin.

How Can You Use Lean's Ideas But Not Be Lean? (continued)

Some amount of benefit might reach the customer—for example, if you attack the problem of rework, you may reduce the number of defective products reaching customers. But it is absolutely possible *not* to add value from the customer's perspective and still improve a producer's financial performance, especially if you focus heavily on reducing cost and cycle time and retain all the benefits for the producer. You can certainly accomplish these ends while continuing to provide an offering that lacks features customers desire. You can leave untouched your customers' buying-benefiting experience, and you can keep the cost reductions you reap from your operating improvements as added profit.

The concept of waste is a powerful tool in uncovering improvement opportunities, and lean's waste-eliminating tools *are* effective. Whether they serve the producer alone or others inclusively is wholly a function of the producer's business intent.

What the Lean Champion Must Know

The implication for you as a lean champion is that you must understand the degree to which your business's leadership is willing to adopt the lean approach to commerce as opposed to simply incorporating lean tools and methods for the purpose of improving its near-term financial performance. This book is intended to support a full adoption of the lean approach to commerce, as described on pages 7–52. But you can use its tools to successfully accomplish a limited lean application. However, to do so, you need to clearly grasp what about lean thinking your business is adopting and what it wants to leave out. Otherwise, you will mislead yourself and others. You will set goals that you cannot achieve, use language and introduce concepts that do not apply, create expectations you will not satisfy, and, eventually, undermine whatever it is you are actually trying to accomplish.

Also, before you undertake a limited lean initiative, you need to evaluate carefully whether it can succeed. This evaluation is needed because what your company's leaders seek to leave out from its adoption of lean thinking may make it impossible to accomplish the ends they seek. The chapter *Task 1 Focus the Lean Initiative* provides detailed guidance to assist you in understanding what type of initiative you have been asked to accomplish and whether it is feasible as defined. For now, Exhibit 1, next page, offers some additional guidance on detecting whether the project being proposed is a limited application of lean thinking. The presence of any of the features listed in Exhibit 1 indicates that it is.³

³ This distinction between how companies apply lean thinking has significant implications for research into the effectiveness of the lean approach to commerce. If, as evidence indicates, most companies using "lean thinking" have implemented limited lean initiatives, they are not proper subjects for evaluating the model's efficacy. How one qualifies lean adopters, therefore, becomes a critical element in designing a study that will generate useful

What the Lean Champion Must Know (continued)

Exhibit 1. Features of a Limited Lean Application

Limited lean initiatives have one or more of the following characteristics. Full-adoption initiatives have none.

- They are anchored in a subunit of a business function, usually production or service fulfillment, and will not be implemented across the entire function or the whole business.
- They pay little attention to understanding value from the customers' perspective. For example, there will be little to no effort expended on empirically uncovering what customers value and how well the business's offering is satisfying their values. Rather, if the customers' perspective is used to make decisions, anecdotal notions about what customers value offered by management will be substituted for factual data.
- There will not be a business-level key performance indicator for improving the customers' experience of value, or, if one exists, it will have no influence on deciding bonuses or other executive-level compensation.
- The initiative will likely be "lean tool" focused—e.g., implementing Kaizen events, installing 6S, establishing a preventive maintenance program, etc.
- The initiative will leave untouched executive and upper-management processes like strategic planning, budgeting, and financial management. Decision making at the leadership and management levels will also be untouched.
- The initiative will bypass, or address in a token manner, important business functions like research and development, marketing and sales, human resource management, and information technology. Essentially, all enabling systems, especially human resource management, will remain unaffected.
- Decisions about the initiative will be based on near-term concerns—usually the pressure to reduce cost or cycle time or both.
- Decisions about who must participate and who must be left unaffected by the effort will be affected by organizational politics.
- The lean initiative will not subsume other planned or existing change-making functions, such as quality, organizational effectiveness, or an enterprise resource planning (ERP) installation. Rather, these overlapping activities will be allowed to continue independent of each other.
- As a rule, employees will be limited involvement in the initiative. Management-selected employees may participate in making improvements, but their role in shaping the effort and participating in the benefits it yields will be strictly limited.
- Finally, there will be a guarded approach to suppliers, or they may be left out completely.

findings. Exhibit 5, pages 39–52, offers a set of defining features that researchers could use for this purpose. We caution, however, that the judgment of whether these features are present cannot be made by the self-report of company leadership, as the studies cited earlier (Searcy, 2004; Waddell, 2005) show the serious gaps that can exist between such self-reports and the facts on the ground.