



Leadership Drives Operational Excellence

2016 Shingo Conference Breakout Session

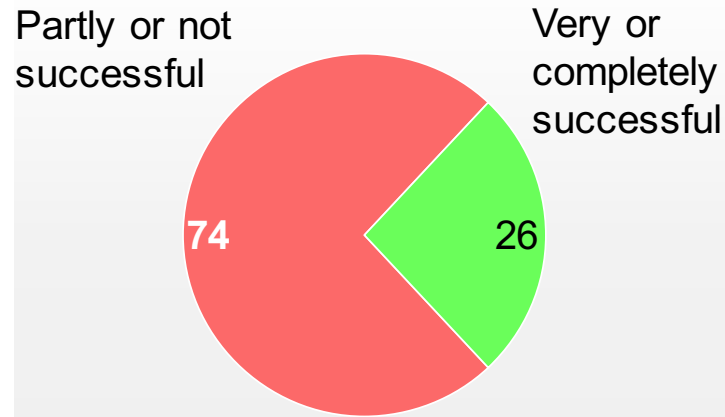
Randy Cook and Mike O'Connor
April 2016

CONFIDENTIAL AND PROPRIETARY
Any use of this material without specific permission of McKinsey & Company is strictly prohibited

The odds are stacked against us....

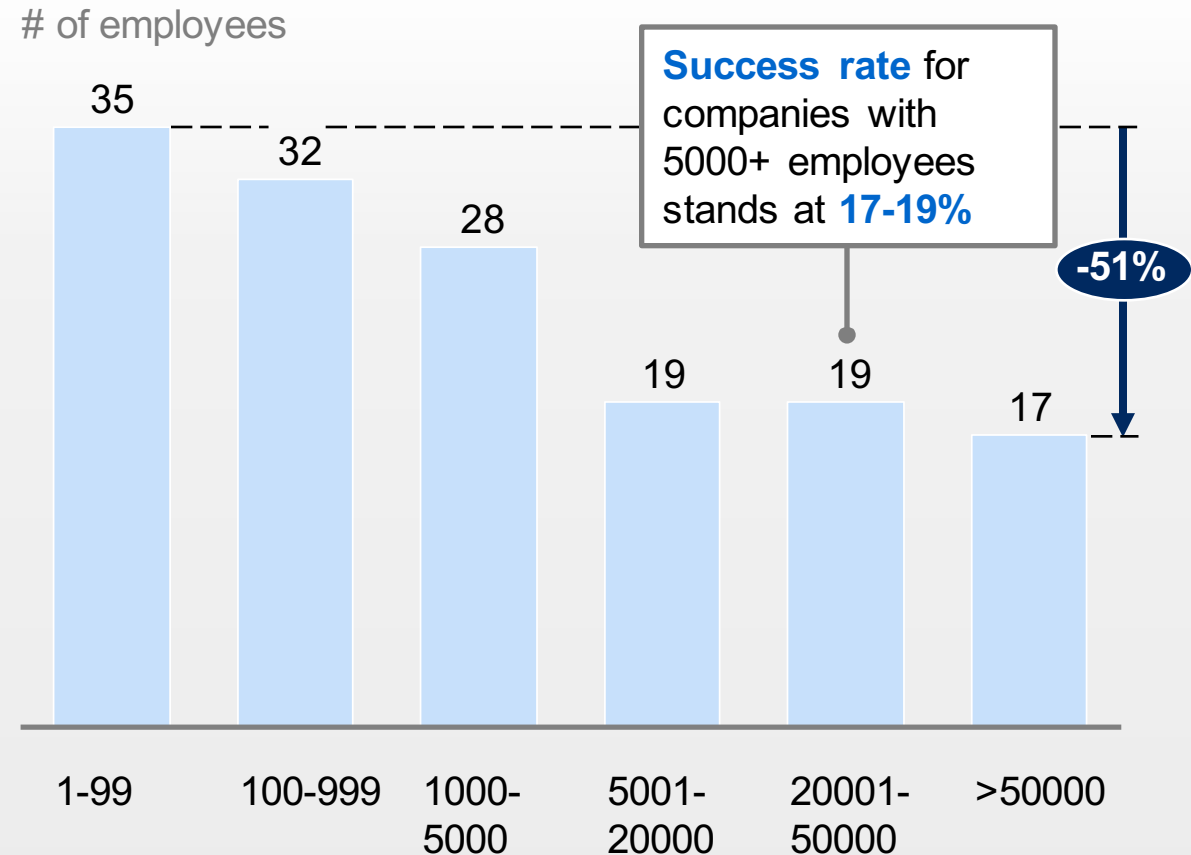
McKinsey Transformational Change Survey shows:

Only 26% succeed ...

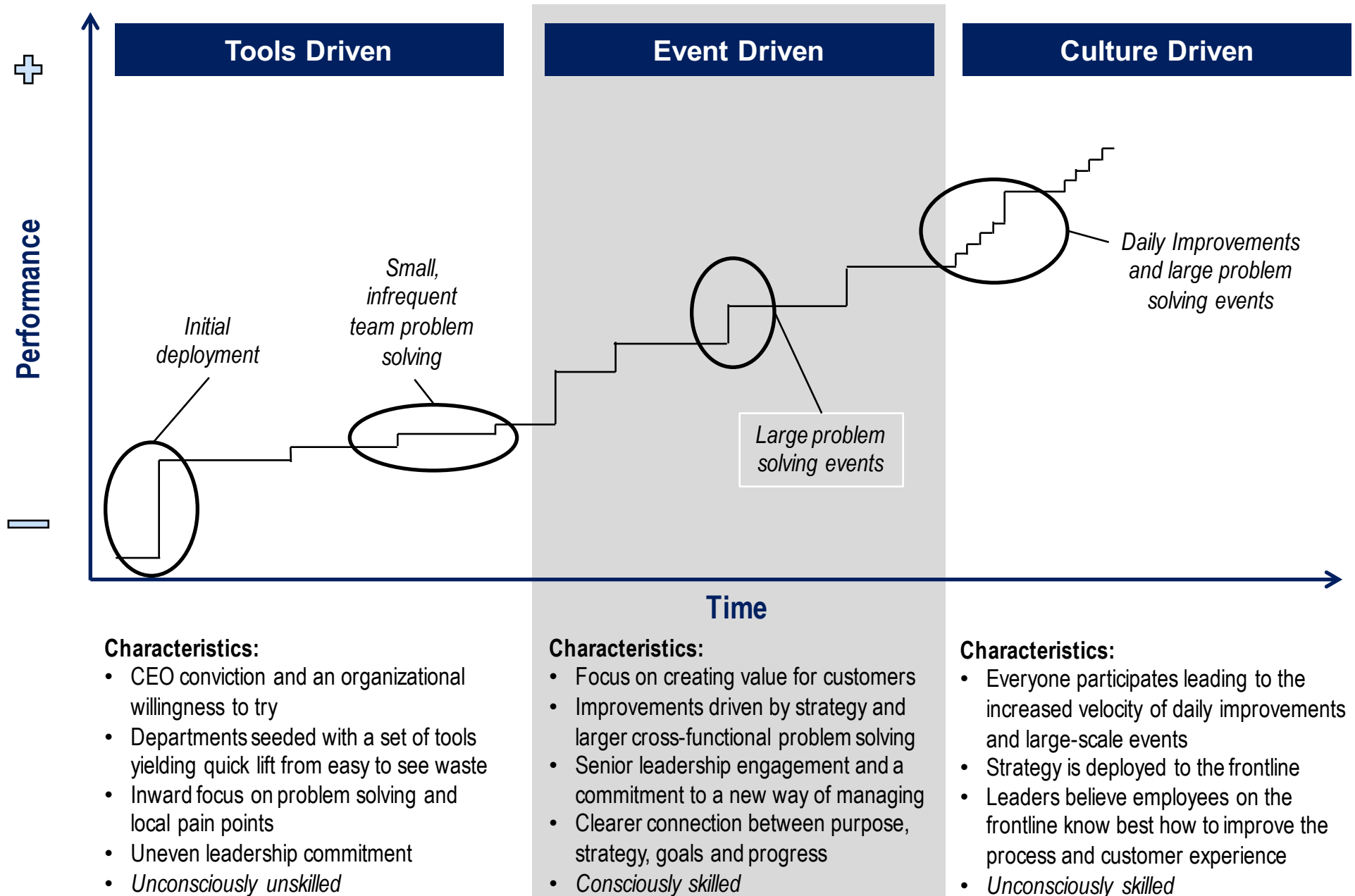


- Defines “success” as achieving performance objectives and preparing for long-term sustainability of these improvements¹
- 31% reported successfully achieving performance targets (without accounting for long-term sustainability)

... and in large organizations, it's even more difficult



MassMutual's journey may look familiar



The 8 actions that contribute most to sustainability are all lean management practices

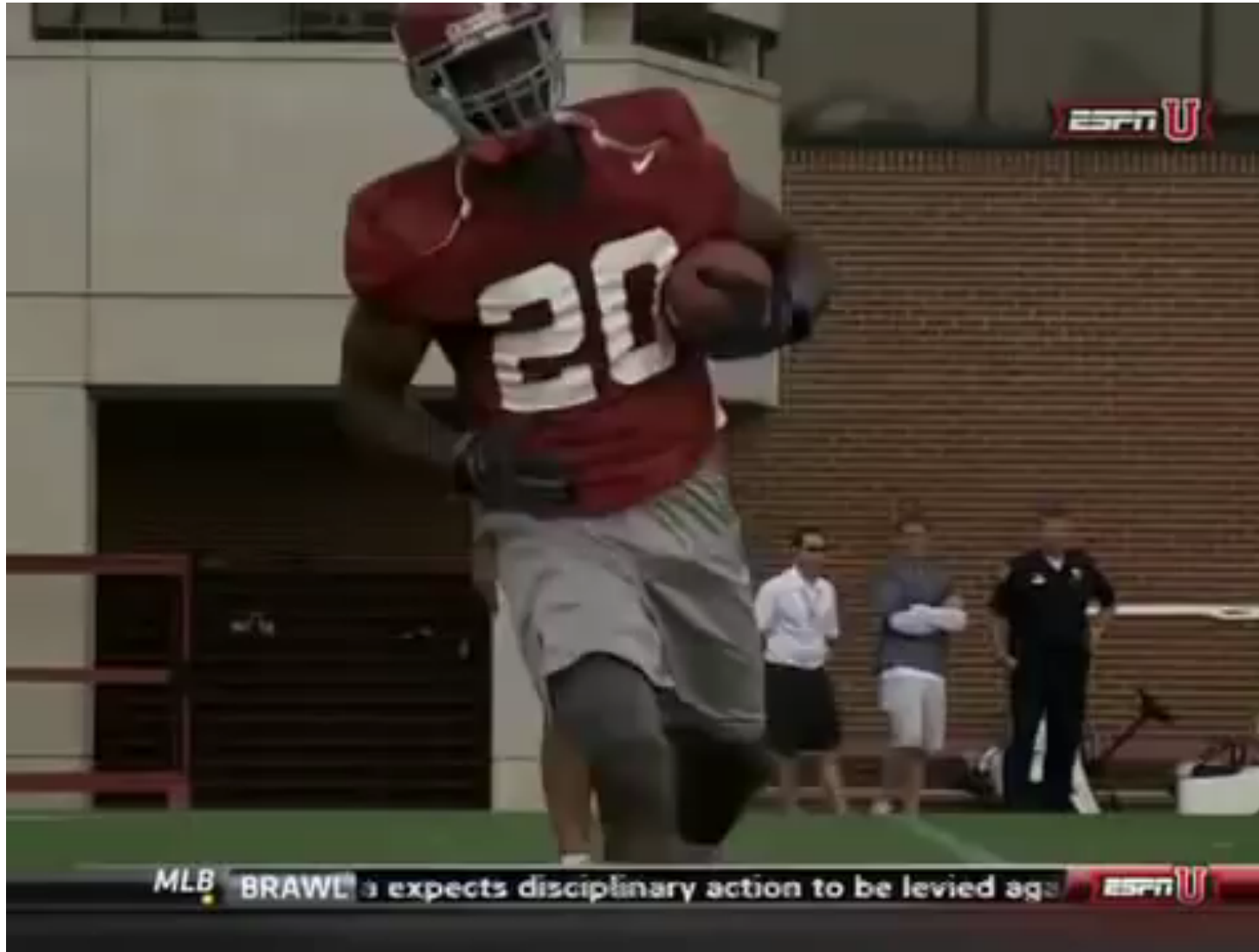
**When ALL of
these are
present, the
odds of
success**

Top 8 actions are Lean Management practices

1. Leaders develop people
2. Best practices are identified, shared, and improved
3. People are flexible to changes in demand
4. Everyone understands how work relates to the vision
5. Responsibilities are clearly defined
6. Leaders use a consistent change story
7. Leaders role-model the behaviors
8. Everyone is engaged in meeting goals and targets

What do lean management practices look like?

Gemba: Chief Executive in Alabama



**What are some great
lean leadership
behaviors,
mandated by Shingo**

Leader Standard Work is the set of management practices that enables a culture of continuous improvement

Align and communicate

- Follow up alignment of KPI and communicate the vision and principles consistently

WILO/DILO

- 30-50 percent of managers agenda is structurally dedicated to develop people and support continuous improvement

Root-Cause problem solving

- Leaders and team members are fully trained and actively involved in solving problems to the root-cause and implementing solutions. Solutions are shared across the company on a regular basis.

Coaching and teaching

- From the book Kaizen Event Fieldbook by Mark Hamel (page 29)
Leaders consistently know the development goals and plans for their reports and these form the basis for regular coaching discussions

Daily Huddles and Visual boards

- Team performance dialogue takes place on a daily basis, following a structured agenda and supported by a visual board. Team members are engaged and contribute to the meeting

Process / Role Confirmations

- Manager regularly sits next to the employee and observes execution of tasks against the standard to ensure consistency in execution and detect issues or best practices used by the employee

Gemba walks

- Leaders frequently visit the front line to seek input on successes, problems, and solutions to key business goals. Floor walks are supported by a standard checklist

Rely on leader standard work to accomplish leader responsibilities

Core leader responsibilities



- **Align** clear noble purpose, aggressive objectives, strategies, priorities, and metrics
- **Deliver** efficiently to customers
- Drive **continuous improvement**
 - Obsession for **standardized work**
 - **Engage** and **develop problem solvers**
- Set clear 'role and behavior' **expectations** for all levels of management and **develop leaders**
 - Build daily and weekly **routines**
 - Be **transparent** about your personal commitments

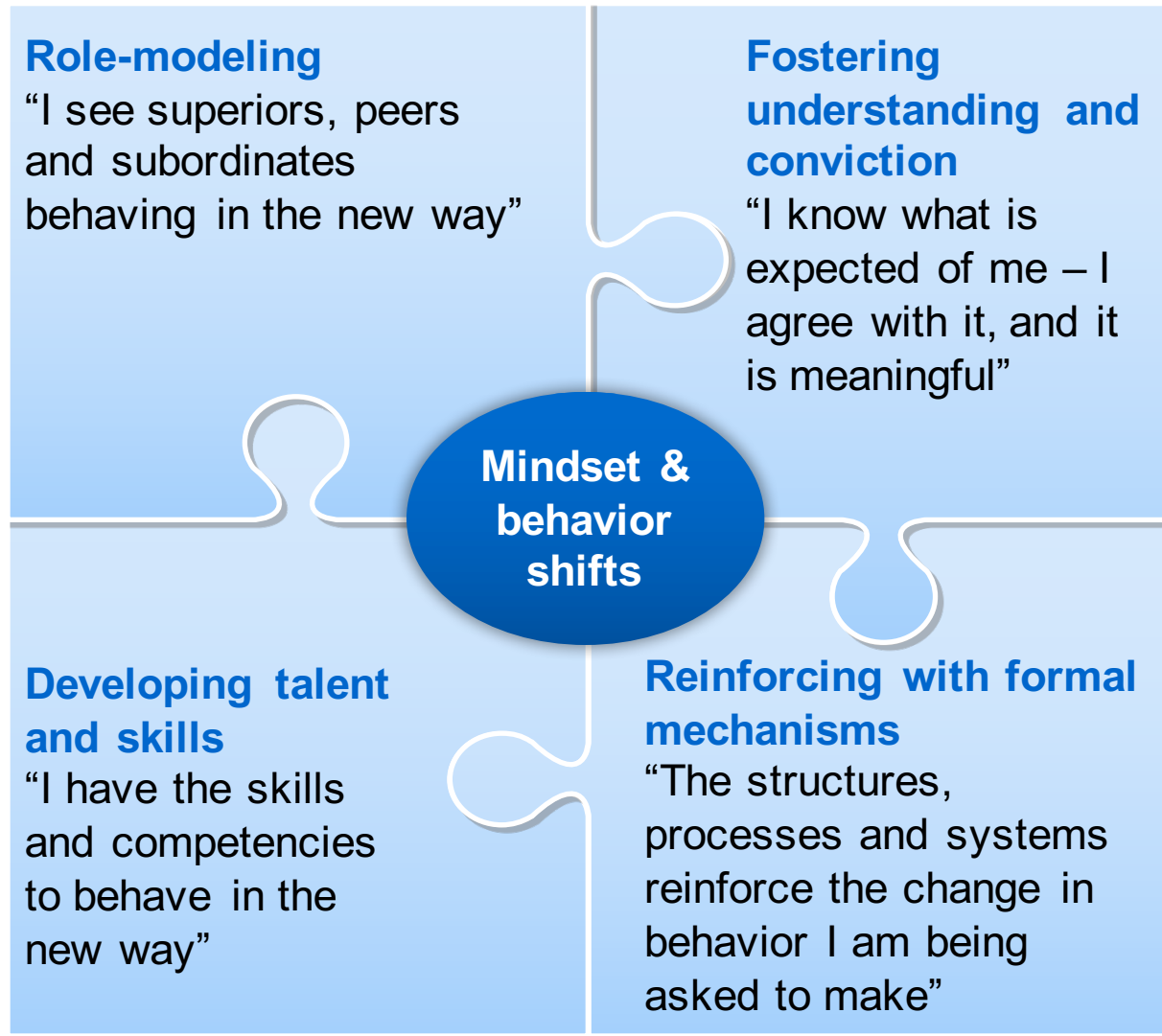
Leader standard work

- Hoshin Kanri – strategy deployment
- Communicating compelling stories – constantly
- 'Daily' performance dialogues and visual tracking
- Lead problem solving system
- Process and role confirmation
- Teaching and coaching – not telling
- Skills matrix
- Define standardized roles and behaviors for managers at all levels
- DILO/WILO

How do we
change mindsets
and behaviors in

The four-part Influence Model to change mindsets and behavior

“I will change my own behavior if...”



Digital Leader Standard Work

Overview

Shingo conference
April 2016



**Demo at the Shingo Conference
Thursday at breakfast
Congressional Ballroom A&B**

Conclusion

**Lean transformations
are hard,
but not too hard**



- Only 26% of organizations report that they are successful in both achieving their performance objectives and sustaining performance improvements
- It is even harder the larger the organization is

**Leadership through lean
management practices
is key**



- All four responsibilities of the of the lean management system should be addressed to ensure sustainability
- Don't underestimate the importance of leadership

**Getting leaders to do
standard work
requires hard work
and problem solving**



- Use all four levers to influence change
- Apply some of your problems solving effort to this significant success factor

Questions?

McKinsey Lean Solutions:

Faster improvement, enterprise-wide, every day

Focus today

MLS Portal



Setting performance targets

Full Potential, a solution for setting informed targets and comparing performance across many operating units, based on internal and external benchmarks



Guiding daily practice

Digital leader standard work (LSW), a solution for reinforcing the purpose and practice of LSW every day at all levels of management

PCUBED, a solution for engaging everyone on root-cause problem solving for overall equipment effectiveness (OEE)



Deepening operational excellence

Operational excellence index (OEI), a solution for assessing and advancing maturity of the enterprise management system

Technical excellence, a solution for assessing excellence and executing improvements in technical functions (e.g., maintenance)



Building long-term capabilities





IMPACT, a solution for accessing experts, peers, and learning material

McKinsey academy, a digital learning solution for Lean Management

Go & See and **McKinsey capability centers**, solutions for experiential learning

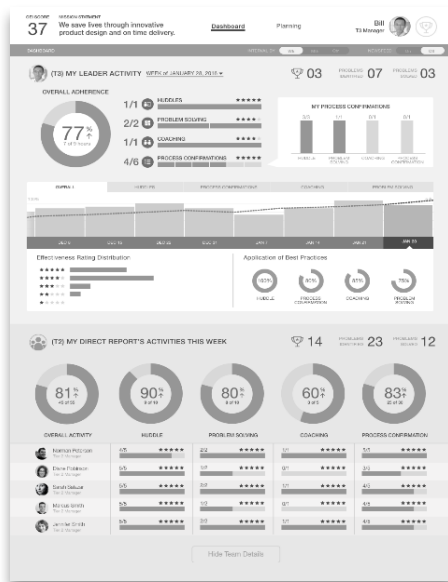
Lean Management System Knowledge Repository comprises tools, templates, guidelines and related materials that support the McKinsey Lean Solutions

Institutions face some challenges to sustain and accelerate the adoption of Leader Standard Work at scale

	Need or pain-point	How could digital help..
 Foster deeper understanding of LSW	<ul style="list-style-type: none"> Need to foster deeper understanding and belief of the role of lean leader and how it ties to performance 	<ul style="list-style-type: none"> Connect LSW to principles Tie LSW dashboard to performance, define success for a leader Continue to foster employee engagement
 Greater transparency and accountability	<ul style="list-style-type: none"> Need to increase visibility and transparency on what is working and how senior leaders can help 	<ul style="list-style-type: none"> Create transparency on time spent by managers on impact oriented activities and their effectiveness
 Ensure consistency and leverage best practices	<ul style="list-style-type: none"> Challenges in scaling/ consistency across an organization For several tools, lack of a process to continuously improve 	<ul style="list-style-type: none"> Visualize what great looks like and make it a company-wide standard Help understand what is the next horizon for LSW
 Facilitate follow up	<ul style="list-style-type: none"> Manual tracking of LSW activities limits the ability to follow up (i.e. takes too much time, inconsistent, no clear overview of progress, etc) 	<ul style="list-style-type: none"> Digitize and make follow up user friendly (RCPS, process confirmations/floor walks, coaching, etc)

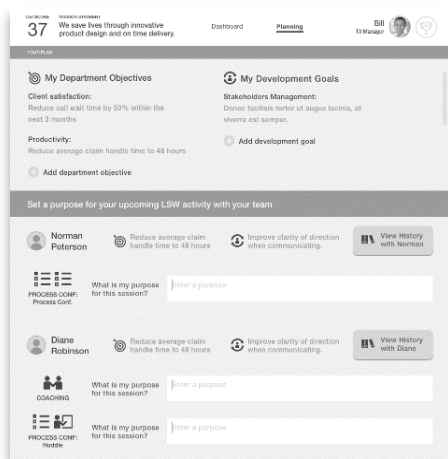
Digital LSW reinforces purposeful Leader Standard Work

Designed to support leaders



LSW Dashboard

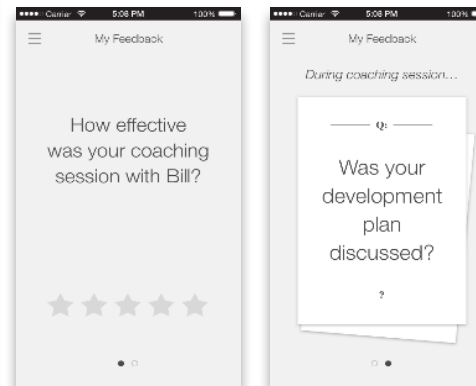
- Creates **transparency on my adherence to LSW** and **my effectiveness as a leader**
- Helps me identify **how to effectively support my direct reports** and teams
- A single place of truth



WILO¹

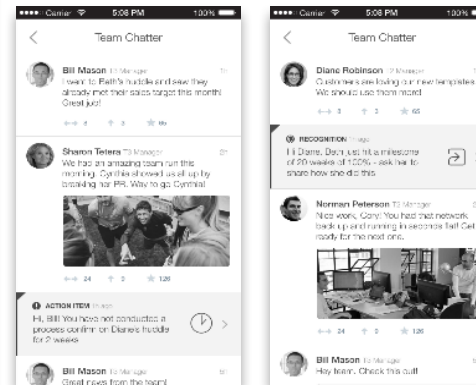
- Creates a space to **focus and plan my LSW activities** in a purposeful way
- Simple **overview of interactions with my direct reports**
- Quick and **easy tracking** of LSW activities

Engaging the whole organization



Feedback

- Light touch way to **solicit effectiveness feedback**



Social feed² and notifications

- Engages and excites** people at every level
- Helps me reward and recognize success
- Notifications help me **stick to my commitments** and build **habitual behavior**

SOURCE: McKinsey & Co

1 WILO: Week in the life of

2 Not included in MVP (Minimum Viable Product)