

**George
Koenigsaecker**

**Leading the
Lean Enterprise
Transformation**

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Book Leading the Lean Enterprise Transformation

George Koenigsaecker
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Recommendation

On the subject of lean transformation, you can trust George Koenigsaecker. Besides dedicating his career to the exploration and application of lean principles, he writes with the courage of his convictions, producing a lean study on lean leadership. His book moves briskly and offers useful nuggets in almost every paragraph. Whether you want to dive into a full-scale lean transformation or simply pick up a few sound leadership ideas, this book is a good starting point for learning about lean practices. Koenigsaecker tells leaders that they're only effective if their employees improve and grow. His insistence that executives visit worksites and witness the way waste gums up the works reads almost like a moral imperative. *BooksInShort* recommends this book to leaders interested in developing talent and managers who want to streamline their procedures using lean methods.

Take-Aways

- Lean business methods fight waste and unnecessary processes in an organization.
- An appropriately lean culture excels at spotting inefficiency and getting rid of it.
- Tools to implement lean practices can help streamline work at different levels of an organization and in diverse functions.
- Toyota, a noted lean practitioner, focuses on "continuous improvement."
- The vehicle manufacturer's "True North metrics" measure progress toward the goal of "zero defects."
- To jump-start the lean process of reducing waste, hold a one-week "*kaizen* event."
- On the tactical level, you need a dedicated team and plenty of follow-up to ensure that lean practices take root.
- On the strategic level, create a "guiding coalition" to govern change and build buy-in.
- Deal decisively with the "antibodies" in your firm who resist change.
- A lean culture takes time to develop and requires leaders who are truly committed to lean processes.

Summary

Lean – Peeling Back the Curtain

Lean business practices fight waste and unnecessary processes in an organization. An appropriately lean culture excels at spotting waste and getting rid of it. Toyota, an acknowledged champion of "continuous improvement," identifies seven ways to help workers detect waste in their procedures by watching out for: 1) "overproduction," 2) errors, 3) needless "movement," 4) too much inventory, 5) "overprocessing," 6) "waiting time" and 7) "unnecessary motion." The trick is to turn an honest eye to your work and identify what adds value and what doesn't. If you wouldn't feel comfortable asking a customer to pay for a certain action or step, question seriously whether there's a good reason you continue to include it.

"The ultimate goal of a lean transformation is to build a learning culture that solves customer problems forever."

Many proponents of lean principles look to the Toyota Production System as the true definition of lean. You won't find a lean manual or guidelines at Toyota, but you will find people focused on constant progress. Toyota blends its never-ending search for excellence with "respect for people," who are the engines of that goal.

"Lean is a transformation that builds toward a continuous improvement culture, not a 'program' that's designed to make tactical gains."

Bringing about lean transformation in your organization requires a certain set of tools and a specific kind of leadership. The tools are varied, work at different levels of the organization and satisfy diverse objectives. For example, senior executives with an "enterprise-level perspective" analyze how lean processes can potentially improve a firm's entire value chain.

"It is what you do with your value-adding costs – your people – in transforming your material or information that determines your value-added effectiveness and competitiveness."

In the area of quality improvements, use the process called *poka-yoke*, Japanese for "mistake proofing," to eliminate errors; if you've ever tried to put a diesel gas nozzle into your ordinary car's gas tank opening, you will find that it doesn't fit. That is one way designers made the car's fueling mistake proof. In addition, available lean toolkits can help you improve operating "flow and lead time, cost and productivity, human development," and "product or service development."

Just Enough Measurement

If your company measures too many variables, you might feel that these metrics stifle change and improvement. Toyota's approach to measurement – called "True North metrics" – can help you avoid the "measurement straitjacket" and find a steady rate of progress. These metrics are meant to guide a company in perpetuity, so their standards are high – "zero defects," or as close to True North as possible. The reach for perfection can act as an antidote to "big company disease," the overconfident self-satisfaction that often marks large firms. When you relentlessly work on "closing the gap" between where you are and where you ultimately want to be, you keep your company moving. The four True North metrics are:

1. **"Quality improvement"** – How clients view a company's quality positively correlates with return on investment: the higher the quality, the higher the firm's financial reward.
2. **"Delivery/lead time/flow improvement"** – "Time cycle compression" can help your company better serve its clients and improve in the process. In doctors' offices and hospitals, patients place great value on reduced waiting times. England's Royal Navy was able to keep 70% more jets in the air after it improved lean processes and "flow" on the *HMS Illustrious*, one of its aircraft carriers.
3. **"Cost/productivity improvement"** – Getting your suppliers to work with you on a lean transformation to reduce costs may be difficult, so focus instead on your other primary expense – your own people. If you can help your current employees become more efficient instead of increasing the number of staff you hire, you are on your way to a considerable advantage.
4. **"Human development"** – To foster lean thinking, educate your staffers on their tools and processes, while encouraging their buy-in. Consider a "*jishukin* event," a "weeklong focused effort" involving everyone in an "improvement team." A lean culture begins with helping people – especially senior management – "see waste."

"Behind all True North metrics is the concept of people studying their work and improving it on a regular basis."

Improving performance in each category of True North metrics will lead to gains in the financials that firms frequently use to measure progress. For example, everyone on your team should understand how improvements in quality or delivery would improve your sales figures.

"Value Stream Analysis" Meets *Kaizen*

Whatever your company sells, the stages between "customer request" and "customer fulfillment" make up your firm's value stream. And within your value stream there's always room for improvement. To begin, walk through the value stream, start to finish, to uncover and diagnose its "initial state." Check for clunky processes, and note the tasks that seem to be missing, along with the work steps you never knew existed. You may find that people in different parts of the value stream have no idea what is happening before or after their contribution; that creates unnecessary "rework" along the way. Throughout your assessment, carry the True North metrics with you. Look for alignment and divergence, delays and blockages. Observe "value-added" and "nonvalue-added steps." If you perform your value stream analysis well, it will help you chronicle waste and identify areas where you can enhance the flow.

"Building a culture of continuous improvement to support a lean transformation is a big job. As Toyota says, 'We build people before we build cars.'"

When you finish documenting and eliminating the waste you found, begin the process again – and do it five more times. "The Rule of 5X" isn't as exaggerated as it may seem: As you work through existing processes and remove waste, more inefficiencies will surface. This habit of "restudy" will help you build toward continuous improvement.

"In the early stages of lean, learning to see waste by the senior leadership is by far the most important impact of a good value stream analysis."

For even more dramatic results, consider an intensive, five-day "kaizen event," during which teams attack a particular part of a value stream "and both redesign it and implement the new process during the same week." Such events are a way to lift employees out of "firefighting" mode. Tending to everyday work demands can distract people from real "root cause improvement." Use a coach experienced in lean tools and techniques to guide your kaizen week, which should become a regular event.

Lean Tactics and Strategies

As you seek to implement lean culture on a daily basis, make some tactical changes:

- **Create "weeklong improvement teams"** – Each team should consist of a leader (from the part of the value stream under consideration), a few frontline workers, someone who understands kaizen, and one or two individuals (perhaps from the executive level, or even a supplier) who are there just to learn.

- **Promote “follow-up”** – If you want lean to thrive, someone needs to keep an eye on “event follow-up” while everyone else is busy handling day-to-day work. Choose strong candidates who can spot and fix issues, collaborate effectively and communicate well with others.
- **“Redeploy” top talent** – As kaizen events improve your firm’s processes and reduce staffing needs, move your best employees to other departments that might benefit from their skills.

“Governance is the key issue with lean...The majority of the organization must change the way it looks at work.”

Strategically, if you want to create a truly lean organization, you have to change everything about the way your company does business. To gain and maintain momentum start with the “governance” level. Your company’s leaders don’t need to know everything about lean, but they must “immerse” themselves in the workplace deeply enough to understand the kinds of waste that exist there. Without total buy-in from your executives, getting full results from your lean endeavors will be difficult, if not impossible. Enlist their support for generating “additional customer value on a continuing basis.”

“Lean learning is hands-on learning that comes from the personal struggle of applying new concepts and tools to your workplace, and then learning from this struggle.”

Develop a “guiding coalition” of higher-ups to help spearhead the necessary changes. A coalition is a particularly effective lean driver because it spreads the responsibility and elicits “the input of multiple senior leaders”; it also can overcome doubters and resisters, of whom there will be plenty.

“You really cannot overcommunicate when undertaking any large change in your organization.”

Coalition members should first figure out how they will learn what they need to know through their “immersion experience.” Then they should examine the highest priority value stream where they want to apply lean precepts and then identify an “improvement focus” where they will spend their time and energy. The guiding coalition might use a *sensei*, or coach, to facilitate its work. Plan to assign several workers from the value stream under consideration to provide continuing support. This rank-and-file involvement in promulgating lean principles will ensure the improvement plan’s implementation.

“You will find it necessary to require certain types and levels of engagement in order for individuals to begin...their own journey of new learning.”

Think also about how you will handle the “antibodies” in your organization – those who tend to resist change, especially efforts such as lean that ask people to reconsider some of their core notions about work. Just like antibodies in the human body, organizational antibodies will strongly combat what they perceive as a threat to the status quo, and they will grow in numbers.

“Antibodies exist in every organization and will automatically resist anything as radical as a lean transformation.”

How you manage this struggle is particularly important if the antibodies are, as often is the case, “respected and long-term members of the organization.” Recognize that at the outset of a lean project, everyone may question the change, but only antibodies, once they’ve heard the reasons for lean, will continue to buck the trend. Deal with recalcitrant people by clearly drawing a line in the sand: Explain why lean is critical to the company’s future, and ask the reluctant staffers to participate in the transformational process. Make it clear that if they have a true problem with the change, or cannot adapt to it, they might be better suited for work elsewhere.

“Building a Lean Culture”

Lean principles and tools can thrive only in a corporate culture that adapts well to change. Lean must become the “new way of running the enterprise”; if not, all the training in the world won’t make a difference. Take a page from Toyota, which follows these eight “building blocks” of a lean culture:

1. **“Serve the customer”** – Everything that happens in your organization should center on the client. Reducing waste and inefficiency makes serving customers profitable.
2. **Pursue “active honesty”** – Lean thinking demands honesty, even when the truth hurts. This “courageous integrity” encourages the team to speak out candidly.
3. **“Decide carefully, implement quickly”** – Lean practice suggests that finding “root causes” of problems takes time, but once you have discovered where the origins lie, work to choose and implement a solution swiftly.
4. **“Candidly admit imperfections”** – In lean transformations, humility is a core virtue that allows people to recognize when operations or processes could use improvement.
5. **“Speak honestly and with deep respect”** – Being straightforward but respectful with team members about the strengths and weaknesses of their work is a critical lean management skill.
6. **“Go see and listen to learn”** – New graduates hired at Toyota spend their first day at a plant confined to a small space in the middle of the floor. Managers then quiz the newcomers on what they’ve seen and how they would improve the work site.
7. **“Deliver on meaningful challenges”** – To motivate employees, challenge them to strive for truly ambitious goals. While they might not reach all their objectives, they could find “solutions that no one can envision today.”
8. **“Be a mentor”** – At Toyota, your team’s performance determines your promotion. A true commitment to lean transformation requires mentoring and developing your staff members.

“Most senior leaders feel that others expect them to know the answers, but with lean, the key to success is to know the questions and be willing to pursue the answers diligently.”

To hasten your firm’s lean transformation, provide your leaders with “personal experience” in the way work happens at your company. Don’t let theory and tools obscure the value of hands-on knowledge. Seeing waste in their own organization will motivate executives to act. Then, after they receive some training in lean concepts, take the next step: Turn your leaders’ attention to “daily improvement” and ultimately to amassing a legitimate “deep knowledge” of lean practices.

“Experience has shown that the impact of learning to see waste – personally – and then realizing how much waste could be removed in a week is transformational.”

About the Author

George Koenigsaecker, who has led numerous lean conversions at major corporations, invests in lean businesses and serves on the board of the Shingo Prize, an international award for lean firms.
