

Lean Enterprise Academy



LEA e-letter – 29 April 2008

Rethinking IT

Dear Lean Community Member

I have been through Terminal 5 at Heathrow three times since it opened. Although in each case the plane was late arriving and leaving, the flow of passengers through the building is impressive. With no checked in bags it took me less than 10 minutes from standing up in the plane to driving away in my taxi, and not much more than that to get to the gate from the taxi when I left the day before.

Compare this with the 20 minute walk from the furthest gate in Terminal 1, let alone the long trek to or from the gate in Amsterdam, Frankfurt or Munich airports. At Terminal 5 they have clearly got something right. When they have ironed out the bugs in the baggage system it might even become a lean experience I could look forward to.

This reminded me of another thing they got right with this building – they completed what is one of the biggest construction projects in the world on time and on budget. This is almost unheard of in the UK, and I understand some of this team went on to work on the stunning renovation of St Pancras station and are now working on the London Olympics for 2012.

The foundations of this success were laid by Sir John Egan when he was chairman of British Airports Authority which runs Heathrow airport. In preparation for taking the lead role in building Terminal 5 he pioneered partnerships with his construction suppliers to define precise specifications up front, to standardise where possible and to speed up the flow of work involved in planning, fabricating and assembling each project. It took suppliers a while to get used to this new way of working. Initially they complained that they could not make any money on these contracts because BAA made no changes after the contract was agreed!

The construction of Terminal 5 is an impressive story. Everything arrived through one access road to the site, with up to 1,000 tightly scheduled deliveries a day and many parts of the building were actually fabricated in two on-site factories just prior to erection. Sir John also chaired the UK government's **Rethinking Construction** task force comprising major repeat clients, involved in building supermarkets, hotels, roads, offices, hospitals etc. Most of them began to adopt this new lean business model with their construction suppliers.

But one thing that let everyone down at Terminal 5 – and delayed my flights – was the IT driving the baggage system. As usual it was trumpeted as the biggest and most advanced system of its kind in the world! To me this signals an unnecessarily complicated and unproven prototype that will not be ready on time and cost twice as much to fix. In



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other words a product of the same old broken business model that prevailed in construction - bid low and over promise to get the business and then make all the money on all the changes and fixes.

I see exactly the same problems with every monster SAP system in manufacturing – they caused a lot of pain to install and have left a big and expensive legacy of fixers to keep them running. I also remember the state of the art ordering system and massive automated warehouse that nearly brought Sainsburys to its knees a few years ago. It has now been completely written-off and dismantled and sales have recovered. It looks like the massive IT system that was supposed to bring the NHS into the space age is suffering similar problems.

At two big conferences recently I began to detect a very significant change of tone. Gone are the bold assertions I was told several years ago by a leading pharmaceutical firm that all change in the organisation was driven by technology and by the IT department. Now I hear talk of technology no longer being the driver but an important enabler of the kind of fundamental process changes driven by lean. And for the first time I heard a leading IT provider openly state that the industry needed to industrialise, standardise and simplify their products so that they actually work on time and on budget.

It seems to me that the core process in IT that needs to be leaned is the basic business model itself – how both parties negotiate and manage projects to mutual advantage. Once this is cracked it opens up all the lean opportunities in planning, developing, installing and maintaining IT systems. Without it these improvements are difficult to sustain.

Rethinking Construction led to significant changes in construction. It worked because it was led by clients fed up with the way construction firms in the past let them down, as they struggled to make money with a broken business model. I think it is high time for another major repeat-client led initiative to rethink the business model for selling IT. Until this happens IT will continue to be a constraint on progress rather than an enabler, in both the public and private sector.

Yours sincerely

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