

Lean Enterprise Academy

LEA e-Letter - 2 July 2009



Doing the Wrong Things

Dear Lean Community Member

I used to think that physical assets – product designs, facilities and equipment, IT systems, supply chains and distribution channels – are the biggest constraints to progress with Lean. But not so. In truth the biggest constraints in most businesses are the mental models and decision making structures governing the behaviour of managers.

This is illustrated in their reactions to this recession. No question that cost cutting is a necessary response to the severity of this recession. But beyond that what? What I see happening is managers spending more and more of their time fire-fighting and taking knee jerk strategic decisions, like moving production to a low cost location. We now know this is likely to make things worse and not better. Why consolidate production of even more products in one more complicated plant and add expensive warehousing steps and inventories, instead of producing a realistic number of products in simpler plants close to customers in line with demand? So it goes – in short I continue to see many organisations continuing to do the wrong things.

Which results in a growing inability of senior managers to really define the business problems facing the organisation – there are so many problems and everything is getting so bewilderingly complicated! This makes it even more difficult to correctly focus Lean value stream improvement activities on doing the right things in the right sequence to solve these problems. As a result there is a growing gulf between what managers do and the value stream improvements that would really make a difference to the business.

I walked through a plant recently and saw that it is now producing ten times the number of marginally different products to ten years ago. The true capacity of this shared production system is unclear – no one knows what it really costs to add a new product to the mix – and no one knows the amount of cash tied up in inventories, backorders, write-offs etc. that are a reflection of the way this shared production and distribution system is run.

During this walk I also notice only a hand full of people actually making things on the shop floor – and yet the canteen is full at lunchtime with all sorts of support staff! What do they really do? Manage and feed the IT systems they rely on to cope with this complexity! The predictable result is that they are constantly revising and changing every plan all the time instead of letting inventories absorb the volatility of the market, at least for the core products. Which in turn guarantees that everyone will spend most of their time fire-fighting to meet these new plans. I could go on with example after example in both manufacturing and services. I am sure you have your own.

This leads me to conclude that there is still work to be done to articulate the business case for a value stream redesign in terms of increased customer satisfaction, less complexity, lower costs, cash savings from lower inventories and often biggest of all the capital saved from not building that new plant or warehouse.

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Turning these into money saved is one thing, but the most powerful reinforcement of this message is when the key department heads take a guided walk together through the whole process to see the potential for themselves. Seeing the true potential and turning this into money is the first step towards seeing and doing the right things on the right processes to achieve the relay big gains that will underpin the survival and growth of the organisation.

Yours sincerely

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