

LEA – E-letter 8 November 2005
Process Leadership
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Dear Lean Community Member

I first heard the term Kaikaku over ten years ago when travelling with a Toyota Sensei around Japan, while researching our *Lean Thinking* book. As we visited several showpiece suppliers to Toyota we kept asking when they made the switch from batch logic to flow: when they installed their Heijunka boards, pull systems etc.

Each time the answer was in the early 1970s, just after Taiichi Ohno's team began spreading lean to Toyota's key suppliers. While they were continuing to do lots of Kaizen, the fundamental layout and logic was set in place at that time. Kaikaku came first, before Kaizen. That is when they made the fundamental shift that set them off in the right direction.

I worry that not enough organisations in the west trying to follow their example have grasped the difference between Kaikaku and Kaizen. Kaikaku for me is the embodiment of a different logic in the flow of orders and in the flow of products through the business: a commitment to levelling orders, to pull rather than push and to a rapid flow from door to door. Made in such a way that there is no possibility of reverting to old batch and push ways of thinking.

If the logic in the heads of management has not changed along with the physical operations then things will easily slide backwards and no amount of Kaizen will get you out of that hole. Bottom up lean transformations keep bumping up against the problem of bringing the rest of the organisation with them on their journey to lean.

What is missing is process leadership at the top. Top management focuses on strategic thinking and financial thinking but not on processes thinking. Chief Executives spend much of their time asking what customers can be served profitably from the firm's existing assets, knowledge base and geography, and buying and selling assets accordingly. Chief Financial Officers and department heads ask how the firm's resources can best be deployed within its business units, functions and departments. But there is no such thing as a Chief Process Officer!

The reason this is important is not just to support Kaikaku and Kaizen in operations and logistics. Kaikaku needs to be taken up a level and applied to the redesign of each value stream. Competing against low cost imports from China and elsewhere and achieving much higher levels of availability at the point of sale means creating lean, responsive value streams across several organisations. Serving time poor customers means rethinking distribution channels and how to support customers using their products.

The redesign of the core value creating processes is too important to delegate. As we describe in *Lean Solutions*, the most promising approach

is to create a small team, led by a high potential executive, operating initially outside the normal departmental structure and reporting to the top. They must be free to challenge the conventional wisdom, the firm's current assets and relationships. Their job is to evaluate the core value creating processes of the organisation from the standpoint of the customer, and to work out how to flow value to the customer smoothly and with minimum effort.

A member of this team then becomes the Value Stream Manager for each value stream, leading the operational design and its roll out across the business. Working out the operational detail means involving staff who will run this new value stream in defining customer value and drawing the future state map, so they can see the whole process, understand the logic behind it and the need for change and see the virtue of the new process.

Over time this Office of Value Stream Managers or Process Office (as distinct from the lean improvement group supporting Kaizen activities) will become the way to articulate the needs of each process to the functions across the business. Most staff will continue to work in their functions. But the core design, production and support value streams become the customers for their work. Now resolving conflicting demands for resources from the functions will be based on value stream plans and not just the result of a power struggle for budgets, of chimney costing within each function or measures of asset utilisation. The whole organisation can then unite around the core objective of creating value for customers profitably.

Who are the process leaders in your organisation? What does your organisation look like from a process perspective?

Yours sincerely
Daniel T Jones
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PS. We began this discussion at the Frontiers of Lean Summit last week and look forward to deepening our knowledge of lean process skills at our next workshops on **December 12-15**, details on the web site www.leanuk.org

PPS. We are also going to launch the new **Lean Healthcare Network** on Wednesday January 25th (not the 26th) in Stratford-upon-Avon. Note the date and let your colleagues know. We will post details on the website next week.