

We have been (Lean) Thinking – May 2003

It's been six years since we launched *Lean Thinking* and we've had a lot of gratifying experience in these years watching members of the Lean Community resolutely applying the five lean principles of value, value stream, flow, pull and perfection. During this same time, we've also watched with an emotion combining amusement and despair as managers around the world madly pursued new business models and financial engineering. Events since the launch of *Lean Thinking* amply confirm our long-held view that *managers will try anything easy that doesn't work before they will try anything hard that does work*. The good news is that the disasters of recent years in pursuing worthless easy things have prepared all of us to tackle the one hard thing (lean thinking) that always works.

In this spirit, we have just reissued *Lean Thinking* in a Second Edition with a new Part IV sharing the continuing success of our exemplar companies, led by Toyota. We also summarize our recent discoveries on how best to make the lean leap and we would like to share some of our findings.

As you may remember, the first edition of *Lean Thinking* provided an Action Plan of twenty-one steps for achieving a lean transformation in your organization and all the way up and down your shared value streams. We've stuck with this Plan – including the five-year timeframe -- because it works, but we've gained important insights on a number of points:

Find a Change Agent: We hope this person is you or that you are lucky enough to work for one. However, we've discovered that there are really two roles involved in creating permanent change: blowing the old ways aside and firmly installing the new way as a business *system*. In the most successful implementations we've observed, the visible Change Agent was assisted by a system builder – sometimes behind the scenes – who methodically put all the elements of organization and method in place so the new system continued to improve even after the Change Agent moved on. In the absence of the System Builder, results often last only as long as the Change Agent is in charge.

Get the Knowledge: In a parallel finding, we've discovered that we are moving beyond the need for isolated process knowledge – how to create truly continuous flow cells, how to install simple pull systems – to the need for comprehensive lean system knowledge. That is, we are moving from

process kaizen to flow kaizen, and this is a job for line managers rather than lean experts operating in consultant mode or located in a lean promotion office. (These experts are still needed, but to solve higher-level process problems rather than to repetitively address lower-level process problems caused by a lack of effective line management.)

Seize the Crisis: Moving all your manufacturing operations to the lowest piece-part cost location on the globe and operating there with traditional mass production methods does *not* constitute seizing the crisis! You're probably creating the next crisis instead.

Map Your Value Streams: The power of this simple rule is the most surprising thing we have learned in the past six years. We simply hadn't grasped how much help the average manager needs in learning to see the value stream or how eagerly managers would embrace Toyota's simple method for mapping information and material flows. Now if only every manager and every mapping team can achieve and sustain its beautifully drawn Future State! (LEA will be running another Value Stream Mapping workshop on June 17th).

Reorganize Your Firm by Product Family and Value Stream: This is a great idea if...you can do it without creating enormous disruption. In the past six years we've discovered that some firms really need to send a message to their functions (e.g., engineering, purchasing, sales) to get behind value stream thinking, and a dramatic reorganization of this sort is certainly one way. However, we've also discovered the power of a different way: Appoint a value stream manager for every product's value stream and have this person take responsibility for defending the product's interests as it goes through a functional organization. Then create a chief value stream manager to aggregate the problems being discovered by the individual value stream managers (which will probably be a very similar) and take up these problems with the Chief Executive in conference with the function heads. A Chief Executive wanting to confront a firm's functional sclerosis without the chaos of a total reorganization may be able to get very much the same effect through this method. And, by the way, this is how Toyota runs its predominantly functional business through the mechanism of the chief engineer for each car line who determines what engineering, purchasing, operations and the other functions need to do to make the product a success for the customer and for the company.

Create a Lean Promotion Function: We are now even more certain that every firm needs such a function, where its senior experts on every aspect of a perfect value stream – from quality to equipment availability to continuous flow and pull -- can be located. However, we also know that the lean promotion group can never substitute for widely instilling lean skills in value stream managers and function leaders. We've watched all too often as the "lean team" came to the scene in firefighting mode to push muda out of the way as line managers, function heads, and production associates passively watched. We've also observed as competing experts within the lean group gave conflicting advice and thoroughly confused even those line managers who wanted to be actively involved. Our hard won advice is to keep the lean team small and its message completely consistent. Then focus it, as time goes on, on higher-level problems as line managers become lean managers for routine tasks.

When You've Fixed Something, Fix It Again: This is an obvious point. Every Future State for your value streams, as it is achieved, must become the new Current State as you start the improvement cycle over again. But it seems to be very easy for firms to forget the importance of this simple maxim. Recently we were delighted to look at a process at Freudenberg-NOK where five successive Future States had been achieved over a full decade, with each Future State moving the operation decisively ahead in terms of cost, quality, flexibility, and competitiveness. This firm provides striking evidence that if you think you can, you really can manage toward perfection.

Utilize Policy Deployment: We have found this step the hardest to master even in our own non-profit organizations. And we've also found that a failure to rigorously define and deploy policy at the outset has been the root cause of every failed initiative. Our conclusion is that this truly the key heavy-lifting job for the CEO and that it never gets easier as long as an organization is traveling through a changing market (which surely defines the path we all must follow.) At the same time, we've found that the plans so laboriously developed in the deployment exercise are soon in need of modification. As a senior Toyota executive once pointed out, "Planning [in the form of policy deployment] is invaluable but the actual plans are soon worthless." His point was that the real gain from the rigorous process is that every part of the organization is forced to become aware of the effect of its own actions on every other part so that unworkable projects are deselected at

the outset and all approved projects are developed with a viewpoint for the whole organization.

Convince Your Supplier and Customers to Take the Steps Just Described: In the past six years we've gone through one more management fad in dreams of an infinite supply base managed with reverse auctions. (Remember that the web can magically create a nearly infinite supply base for everyone if bids are accepted from practically anyone practically anywhere.) And we've learned again what we all should have known: Margin squeezing is easy; real cost reduction is hard. To help entire value streams down the low-cost, high-quality, high-flexibility path, we have worked hard these past six years to create ways for firms sharing a value stream to hold a civilized conversation with each other. This conversation must focus on accurately determining the Current State and thinking creatively about successive Future States, leading eventually to an Ideal State. We think we've got the tool with extended value stream mapping and we are hopeful it will gain a wide audience.

As we look back on the past six years, it's amazing how much has changed. We've abruptly transitioned from a world where every new business model seemed promising and practically anyone could make money, even in manufacturing. Now we find ourselves bogged down in a world where most new business models seem foolish. And everyone in every business, particularly in manufacturing, is struggling just to get by.

The one constant in this sea change is the simple set of lean ideas. These ideas worked then and they work now for any firm in any industry. We hope the re-issue of *Lean Thinking* will spur everyone in the Lean Community to try even harder to make the lean leap.

Best regards,

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