



# Leading the Lean Enterprise: from managing by results to managing processes

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# My Hypothesis

- **We are on the threshold of a new era of management**
- **Driven by a recognition of the power of managing brilliant processes**
- **We call it Lean Management**



# Background

- **Early Henry Ford developed Flow Production**
- **But abandoned it in favour of Mass Production to offer variety**
- **Organise by activities, keep every step busy, make in big batches, complex coordination**
- **Alfred Sloan at GM developed the system for managing mass production**
- **Articulated by Peter Drucker, copied by Ford's Whiz Kids and developed by GE**



# Sloan School of Management

- **Planning and direction from the top - based on granting authority to managers for their areas and functions**
- **Line managers focused and judged by abstract metrics**
- **Generalist managers - rotated frequently**
- **Decisions made at some distance from point of actual value creation, using data**
- **Problem solving and improvement activities conducted by staffs and through programmes**



# Toyota extends Flow

- **Early experiments to extend flow production of looms in the 1930s**
- **Further experiments in engine and auto production in the 1950s and 1960s**
- **Also successfully integrated TQC**
- **Parallel developments in product development, supplier coordination, customer management and strategy**
- **Later elaborated as the Toyota Way**



# The Power of Lean

- **The key is brilliant processes –**  
  
**“We get brilliant results from average people managing brilliant processes - while our competitors get average or worse results from brilliant people managing broken processes”**
- **Also implies a focus on customer value**
- **And managing horizontal value streams**



# Toyota's success

- **A market disrupter in a mature industry – only recently a technology leader**
- **Inspired many others to try to follow – by eliminating waste and later creating flow**
- **Now spread from manufacturing to distribution, retailing, construction, services, military, government and healthcare**
- **Our focus on creating examples and working out the tipping points in different situations**



# Lean Process Design

- **Define Value – who are the customers - distinguish real from created demand – the size of the gap – and the business case**
- **Look at the whole Value Stream – “Why does a few minutes of work take a month or more?”**
- **Segment different tasks – create stability to flow – align capacity to produce in line with demand – see and respond to interruptions**



# The Consumption Experience

- **Track your own consumption processes: -**
- **Getting a medical problem diagnosed and treated – involving 6 trips, 10 hours of my time, for 1.5 hours of value, over 31 weeks!**
- **Buying and installing a new computer from Dell – 11.5 hours of my time, two experts, over 7 days!**
- **Travelling to a conference – lots of queues, 2 plane trips, 7 hours travelling time (2 hours direct)**
- **The trip to the big box – with 80,000 SKUs – 3.5 hours door-to-door – did not find what I wanted!**
- **“Give me back my Saturday afternoon!”**



# Lean Consumption

- **Beyond tools and process design to rethinking customer value**
- **The secret to all successful market disrupters**
- **Consumption is a process – for solving problems**
- **Managing consumption is more complicated and full of choices but they have less time**
- **Consumers have no one to share their plans with in exchange for solutions to their problems**
- **Their hassle reflects your broken processes – an opportunity to provide solutions saving their time and your costs – a true win-win**



# Toyoda School of Management

- **Planning and direction from top but with multiple feedback loops - responsibility for getting problems solved substituted for authority for fixing problems**
- **Line managers focused on operating and improving clearly specified processes - results emerge from good processes rather than the reverse**
- **Decisions made close to the point of value creation as possible using direct observation - turning data into facts**
- **Problem solving and improvement activities conducted mostly by line managers - in problem solving loops with superiors and subordinates**



# Managing a Lean Process

- **Every value stream needs to be led by a value stream manager**
- **Who enables everyone to see the value stream – the current state**
- **Who develops a future state plan (and an ideal state direction)**
- **Who directs the problem solving and**
- **Whose job is to convince the functions and top management to give them the resources to deliver that plan**



# Direction and Alignment

- **The strategic direction needs to be clear and visible**
- **To drive the **policy management process****
- **Aligning all the planning and problem solving activities and**
- **Reconciling the needs of the value streams with the resources in the functions**
- **While also reducing overburden and variability so value streams can flow quickly in line with demand**



# Measuring Results

- **Brilliant results come from managing today's process – not from juggling yesterday's metrics**
- **Good visual management should enable everyone to very quickly grasp the current progress of every value stream**
- **Management must frequently “go and see” whether the plan is being met and what help is needed to do so, rather than fight fires**



# Managing Problems

- **Every value stream, however lean, will be subject to changes and interruptions**
- **The problems revealed by these interruptions point to the opportunities for improvement and should be made as visible as possible**
- **Responsibility for tracking the root causes and solving these problems, using the scientific method, should be given to those close to the problem itself**



# Developing People

- **The most important task of a lean leaders at every level in the organisation is to develop the capabilities of their people**
- **In particular deepening their knowledge of their value streams and the process of solving problems to improve it**
- **The most effective way to do this is by asking the right questions, rather than giving instructions and answers**



# Lean Management

- **Who will transform your activities into value streams? Value stream managers**
- **How will you align your strategy, value streams and resources? Policy management**
- **How do managers see and manage performance in real time? Visual management and “go see”**
- **How to turn problems into opportunities? Ask why and use the scientific method**
- **How to develop the problem solving skills of your people? Use A3 and ask questions**



# In Summary

- **Fujio Cho's three keys of lean leadership: "Go See" - "Ask Why" - "Respect Your People"**
- **Taiichi Ohno: "The shop floor is a reflection of management"**
- **You may never catch Toyota - but you can certainly steal a march on your competitors**



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**[www.leanuk.org](http://www.leanuk.org)**