

The Prospects for Lean – January 2004

As we all return to work in the New Year, I wanted to provide a few thoughts on the prospects for lean thinking in the years ahead.

Let's begin with some good news: Process thinking is going to be a growth industry as global manufacturing grows. Many of you may have been startled to read recently the report of a Wall Street analyst that manufacturing employment across the world is falling and will fall from this point forward, just the way employment in farming has steadily declined. The problem with this argument is that it takes the recent drop in global manufacturing employment – due to the recession in North America, Europe, and Japan, and the dramatic restructuring of formerly protected manufacturing industries in China, India, and Russia – and extrapolates this as a straight line to the future.

A simple analysis of the amount of goods that consumers across the world will be demanding in the next few decades – particularly as China, India, and many other countries race to close the standard-of-living gap with the developed countries – suggests something very different. If you multiply the amount of goods demanded by the number of employee hours of effort needed to make each unit of goods, even using the leanest methods, you discover that manufacturing jobs on a global scale will grow, not shrink. (We'll soon be providing an analysis of these trends on the LEI website.) That's good news for lean thinkers because most of us today make a living thinking how managers and production associates can manufacture goods more efficiently.

Here's some better news: Process thinking has truly profound growth prospects outside of manufacturing. Most of what humans do at work is to operate routine processes – in the office in every manufacturing company and in every aspect of health care, finance, communications, transport, construction, distribution, retail, etc. Yet even the most casual examination of current-day business processes -- including those we encounter in our roles as consumers -- shows that we have hardly scratched the surface in introducing robust process thinking.

For example, I recently visited an insurance company in the U.S. – Jefferson Pilot -- that has done a stellar job of applying lean thinking to its policy writing process and its agent certification process, with remarkable reductions in customer response time, errors, and cost, accompanied by dramatic sales growth. (See “The Lean Service Machine” by Cynthia Swank in the October 2003 Harvard Business Review for the details.) Yet this firm has so far “leaned” only a few of its core processes and most other firms in the insurance industry have not even gotten started. As lean thinking comes forward to do brilliantly what the process re-engineering movement of a decade ago did so poorly, the need for lean thinkers to tackle knowledge management processes will rise rapidly.

So the best is yet to come, although many lean thinkers, particularly in the developed countries, may need to shift their focus from the factory to the office and other business processes.

With best regards and with high hopes for lean thinking in 2004 and beyond,

Jim

Jim Womack
President and Founder
Lean Enterprise Institute