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# From Modern Management to Lean Management in a Recession

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# Recessions Are Good Times for Lean

- Toyota made a decision to fully embrace lean thinking in the crisis of 1950 and fully leaned its supply base after the oil shock and recession of 1973-75.
- The American auto firms only took lean seriously after the crisis of 1979-82.
- American firms in many other industries embraced lean in the recession of 1991.

(Healthcare will finally take lean seriously when a funding crisis fueled by boomers threatens survival.)

- When faced with doing something hard (lean) or something harder (bankruptcy), many organizations choose the easier hard path!

# A Great Question to Ask Now

- Will you use this recession to become a better, stronger, leaner organization?  
Or
- Will you simply reduce headcounts, delay new programs, squeeze suppliers, and de-content goods and services (hoping customers won't notice)?
- Historic note: Toyota has put every recession since 1950 to good use, emerging stronger every time and steadily gaining on competitors.
- What does the lean path require you to do?

# Five Elements of a Lean Transformation

- Fulfillment system, from order to delivery.
  - Product and process development system, from concept to launch.
  - Supply management system, back to raw materials.
  - Customer support system, forward to the customer through the product lifecycle.
  - Management system, to determine purpose, install and improve processes, and align and engage people.
- A lean management system is the hardest element to implement & sustain but the most important.

# What Is The Work of Management?

- Determine what is important, particularly what customer problems an organization will solve.
- Create, sustain & steadily improve value-creating processes to solve customer problems.
- Align and engage everyone touching the value-creating processes.
- Sum-up: Managers focus on purpose, process, and people to eliminate muda, mura and muri.

# The Fundamental Choice:

- **Modern management**

(The Alfred Sloan School of Management)

versus

- ***Lean management***

*(The Eiji Toyoda Gemba School of Management)*

Let's perform a side-by-side comparison of the principles of these schools.

# Modern vs. *Lean* Management

- Strong focus on the vertical functions and departments within the organization, as mechanisms of optimization and control. (Focus on the organization chart.)
- *Strong focus on the horizontal flow of value across many departments and organizations, from raw materials to the end customer. (Focus on processes.)*

# Modern vs. *Lean* Management

- Clear grants of managerial ***authority*** by leaders of organizational units (vertical delegation).
- *Clear grants of managerial **responsibility** from managers at the next higher level, particularly to solve cross-functional, horizontal problems within vertical organizations (like Toyota) that have learned to think horizontally.*

# Modern vs. *Lean* Management

- Line managers judged on end-of-the-period results for their span of control, with multiple metrics that are increasingly financial.
- *Line managers judged on the state of their process, with rapid feedback loops with next-level management.*

*“If the process is right the results will be right.”*

# Modern vs. *Lean* Management

- Planning and direction from the top down:  
Compliance focus: “Make your plan and/or explain the variances.” (Hint: Assign blame to someone else!)
- *Planning & direction in circular feed-back loops, with bosses asking questions:*

*“What do you think our problem is and its root cause?”*

*“What do you think the potential solutions (countermeasures) are?”*

*“What countermeasure do you think we should select?”*

*“Who must do what when where to test the countermeasure and how will we know we have succeeded?”*

# Modern vs. *Lean* Management

- Conviction from the top that a good plan, once properly implemented, produces the desired results. (Justifies a compliance focus.)
- *Conviction that all plans are experiments and can only be evaluated through the scientific method in the form of PDCA.*

*“Planning is invaluable; plans rapidly become worthless.”*

# Modern vs. *Lean* Management

- Generalist managers, rotated frequently with weak process knowledge.
- *Line managers on extended assignments, with deep process knowledge.*

# Modern vs. *Lean* Management

- Managers developed through formal education, often ex-company (e.g., management schools, consulting firms).
- *Managers developed through in-company gemba learning by means of repetitive A3 analysis.*

# Modern vs. *Lean* Management

- Decisions made far from the point of value creation, by analyzing data.
- *Decisions made at the point of value creation, by converting data into facts (“Go see, ask why, show respect”).*

# Modern vs. *Lean* Management

- Problem solving and improvement conducted by staffs (or external consultants), often through programs.
- *Problem solving and improvement conducted by line managers responsible for cross-function teams, with staffs reserved for unique technical problems.*

# Modern vs. *Lean* Management

- Standardization of activities conducted by staffs, often with little gemba interaction and little auditing.
- *Standardization of activities conducted by line managers in collaboration with work teams, with frequent auditing.*

# Modern vs. *Lean* Management

- Suppliers chosen on market criteria and managed by arms-length metrics through contracts.
- *Suppliers chosen on long-term alignment of interests and managed through continuous supplier/customer development.*

# Modern vs. *Lean* Management

- Customers identified by market criteria and managed on a short-term, transaction basis.
- *Customers identified by categories of problem to solve and managed in long-term, problem-solving collaborations.*

# Modern vs. *Lean* Management

- “Go fast” as a general mandate:
  - “Jump to solutions” (with the consequence of going slow through the complete cycle of product & process development, launch & fulfillment, with great employee frustration.)
- “*Go slow*” as a general mandate:
  - “*Start with the problem*” and pursue many potential counter-measures in parallel (with higher costs & more time at the beginning, followed by lower costs, less time & happier customers and employees at the end.)

# Modern vs. *Lean* in Summary

- Strong emphasis on the vertical flow of authority, looking upward toward the CEO.  
Performance usually evaluated at single points.
- *Strong emphasis on the horizontal flow of value, looking toward customers.*

*Performance evaluated in terms of optimizing the whole process (all of the points).*

**Lean reconciles control with flexibility!**

# Methods of Lean Management

- If organizations wish to pursue lean management, what are the methods to employ at what levels?
- ✓ **Strategy deployment** – to align and engage employees on the few critical issues – the work of top management.

Note: The transition from modern to lean management might be an objective identified by strategy deployment!

# Methods of Lean Management

## ✓ A3 analysis to:

- Deploy top-level mandates
- Check status of problematic activities
- Solve daily problems as they arise
- Evaluate proposals from lower levels of the organization

## ✓ The work of mid-level management.

# Perfect Document Translation

KS  
8/8/08  
DP  
8/7/08

Do the countermeasures address the three groupings of root causes?

Has the list of countermeasures been achieved/reduced by giving all earlier options proper consideration and testing?

### I. Background

Acme plant to double capacity. Much document translation required

- Poor English translations of Japanese documents caused many problems at original plant startup.
- Expansion plans call for aggressive launch timeline and cost reduction.

Document translation problems could impede launch!

### II. Current Conditions

Problems:  
 Cost = 30% over budget  
 Delivery = 100% on-time, variable lead times  
 Quality = Much rework > 30% many errors reach customer  
 Demand = ☹️

### III. Goals/Targets

**Quality** - 0 defects at launch  
 - Rework less than 10%

**Reliability** - 100% on-time  
 - Level weekly volume (heijunka)  
 - Consistent short lead time with predictable delivery

**Cost** - 10% decrease — Rework down, overtime down

### IV. Analysis

**Lead in translation**

- A** Long timeline  
 - Budget overrun  
 - No ability to track  
 - Broken input/output
- B** No document creation rules  
 - Many document formats  
 - Lack of standard vocabulary  
 - Unclear requirements  
 - Inconsistent requirements of complex operations
- C** Poor or unclear initial translation  
 - Poor team ability  
 - No clear responsibilities  
 - Long lead times and unclear and inconsistent workflow

### V. Proposed Countermeasures

Cause	Countermeasure	Description	Benefit	Responsible/support
A	Central document-flow tracking process	Overall process ownership established Document flow and timing management - Timing control chart; weekly check - Segmentation by document type	Delivery Quality Cost	Porter - Each day - Vendors
B	Standard vocabulary database and templates	Standard terms for processes, equipment tools, work flow across job sites Create standard templates and include photos and videos Gathered from each department, input into database for use by internal document creators and translators	Quality	Administration IT Each department
C	Standard vendor three-step process	Step ① Translation by topic specialist Step ② Rewrites by native English speaker Step ③ Check by highly skilled bilingual	Quality Delivery	Analysis - Each vendor - Procurement

**Target-state map**

**Timing and workload schedule**

Original startup actual: 30 weeks out, Volume, Launch

Expansion proposal: 30 weeks out, Launch

### VI. Plan

Deliverables	Timeline	Responsible	Support	Review
Overall Launch Timeline				Plant Management Committee Japan HQ
Planning		Administration/ Porter	Each Department	
Vendors		Procurement Finance	Administration/ Each Department	
Document creation - Database and Templates		Each department Administration/ Center	Administration/Porter IT (Risk and Verify)	Each Department Administration
Training - Creating documents		Each Department	HR Administration	Sanitation
Document translation management system		Administration/ Porter	Each Department All	Administration/ Sanitation
Midproject review				

### VII. Followup

**Midterm review**      **Ensure ongoing collaboration**

**Prelaunch review**      **Monitor system weekly. All metrics, especially quality and delivery**

# Methods of Lean Management

- ✓ **Standard management of standard work with continuous kaizen – to:**
  - Stabilize processes
  - Eliminate fire fighting (the “re-work” of management)
  - Permit steady improvement
- ✓ The real work of front-line management.

# How Will You Use this Recession?

- To cutback, delay, squeeze, de-content and wait for better times while leaving your current way of management alone?

Or

- To take the next steps to create a lean enterprise employing lean management put in place by transformational lean leadership?