

The point of **LEAN**

Lean services and the drive for continuous improvement are changing the way leading organisations think. Top practitioners discuss how to make this a real long-term strategy.

Since its development by Toyota in the middle of the last century, Lean has continued to drive process improvement in both manufacturing and, more recently, services.

Through some of the most conspicuous modern success stories, including Tesco, it has also been reaffirmed that the drive for efficiency isn't the whole story. Greater efficiency has led to greater productivity, but also greater clarity of purpose. When properly applied, Lean-thinking tears down traditional hierarchies and puts supplier organisations at the command of the customer.

The result is a cultural shift that is not only better for customers, but also more profitable for suppliers and more enriching for the workforce.

But this kind of change cannot be achieved overnight. While many organisations have achieved some early successes through Lean, the majority still struggle to create Lean programmes that sustain their initial momentum.

Is it time for a new sense of purpose?

Never since the term 'Lean' was first used in a book called 'The machine that changed the world' in 1990 has it been more widely discussed. One recent Google search found two million entries for 'Lean manufacturing', 405,000 entries for 'Lean thinking', and 602,000 entries for 'Lean management'.

The reason? In 2008 Lean is widely accepted as an improvement programme and methodology, not just in the automotive industry where Toyota started, but also in wider manufacturing operations and other sectors as diverse as retailing, banking, IT, healthcare, and government.

Given the detail with which Lean is now covered it is easy to forget that Lean originally gathered acclaim because Toyota, the company that exhibited the most superior performance, appeared to use less of everything when compared to the traditional mass producers. Because of this, most businesses' conception of Lean was that it was a cost-cutting tool focused on operations.

What was overlooked by many is that the book highlighted a performance differential in three other key areas: product development; supply chain; and customer relations. Is this the reason why Lean is often not sustained? David Brunt of the Lean Enterprise Academy believes that it could be: "In truth, most firms have focused quite heavily on the operational area."

Those who embrace Lean thinking completely change their organisations in all areas. Toyota is ahead of its competitors not only because of operational excellence, but because it thinks about its customers in a fundamentally different manner.

Toyota's sense of purpose is such that it no longer needs to ask itself whether it is sustaining the system that it invented. Quite simply, it no longer thinks in any other way.

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Setting your sights

It is common for new Lean implementations to score early successes. The UK Tax Authority – HM Revenue & Customs (HMRC) has recently used Lean to improve quality of service to customers (they are currently seeing their best ever results in Self Assessment processing) and make substantial improvements in productivity. Zurich Global Corporate UK, the international insurance provider, says that its UK underwritten business is now 40% faster at completing its customer servicing process since it started its Lean programme in 2006.

But HMRC and Zurich both recognise that they have a long way to go. And it is easy to understand the hesitance of both organisations given most estimates of long-term failure rates. Bernadette Kenny, the Director General, Personal Tax at HMRC was amazed to hear at the outset of her programme that 70–80% of all Lean implementations fail to last the course.

Why is Toyota not emulated more successfully, and more enduringly? Could it be that Toyota's long-term success is merely a product of unique circumstances and its own special organic development?

As Simon Caulkin wrote in *The Observer* newspaper last year, some have concluded the reason is that the Toyota Production System is, “a complex self-organising system, the irreproducible product of the interplay of a few simple principles that derived from the particular circumstances of its origins”.

In the years of reconstruction following the Second World War, those circumstances dictated that resources at Toyota were insufficient to invest in the traditional mass-production plant that the management at the time thought essential to salvation. Taiichi Ohno, the company's Assembly Shop Manager, responded with a method of getting more out of the limited investment available to him – building only what was needed; eliminating anything which did not add value; stopping if something went wrong – that effectively redefined production.

Is it too dramatic to say that today's organisations lack the same kind of impetus experienced by post-war Toyota to create a change that endures?

Maybe so. It is simplistic to say that companies need to have their backs to the wall in the way that was experienced in Japan in the late 1940s. But what most modern commentators and practitioners now agree on is that a similarly powerful and permanent disruption in thinking, certainly one that goes beyond the basic desire to cut costs, is needed if Lean is to deliver a similar change to their own sectors.

David Brunt believes that organisations need to ask themselves some fundamental questions to achieve this kind of ‘disruption’ – and do it as early as possible.

“To talk about sustainability you probably have to start by asking the question: what are you trying to sustain?” says Brunt. “Is it tools and techniques? Is it a model office that is fighting against all the traditional ways in which you do business? Are you trying to sustain a way of thinking that has led to excellent process and business results? At which level are you looking at this?”

Way of thinking

The Lean Enterprise Academy founded by Daniel Jones (co-author of ‘The machine that changed the world’, ‘Lean Thinking’ and ‘Lean solutions’), where Brunt is Senior Fellow, proposes it is a ‘way of thinking’, not simply the tools and techniques, that is most important.

Tim Auger, head of service for Zurich Global Corporate UK, says that his own experience has taught him the same thing: “The tools and techniques are great, you need to have them, but in terms of the success it is not really down to them. It is down to how you lead, how your team leads it, and how your people feel about it.”

But what exactly is that ‘way of thinking’ that people are supposed to feel something about?

A distillation of the many works on Lean reveals a number of core themes, two of which are most germane to the subject of sustainability.

“It takes a great leader to recognise a good thing and stick with its purpose rather than change it.”

For one, it is difficult to find any observers who disagree that Lean transformations should always start with the customer. According to Brunt, “the aim is to get all the actions that add value to flow at the pull of customer demand”. This is one of the main reasons why Toyota has become the most successful company to respond to growing customer concerns about CO₂ with its advanced hybrid technology. It is also why Tesco has been able to redefine local neighbourhood retailing with its new Fresh & Easy concept, which combines the excellence of a new compressed supply chain (where food production is located on the same site as distribution), with detailed understanding of customer buying patterns to deliver everything the customer needs locally on the same cost base as the out-of-town ‘big box’ store format. In other words, Tesco’s ability to sustain change is being defined by its desire to completely redesign its business model in line with changing customer needs.

Secondly, it is also commonly thought that Ohno’s most edifying achievement is not the basic ability to produce more with less money, but to do so by empowering and maximising the cognitive potential of the people on the front-line of production. This principle of ‘respect for people’ is paramount in the Toyota system, something to which Bernadette Kenny can testify through her Lean experience with HMRC.

“This has been a huge journey for us in terms of the way we as leaders have to start behaving differently,” Kenny says. “I have to be seen as the coach, mentor and enabler of people who are at the front-line because I do not understand the business in the detail required to identify how best I can improve it in the way they do. The people who really understand my business and how it impacts on customers are the people who see it at the front-line every day.

“Day in and day out they are the ones who have contact with the customers. They see the evidence of how the business impacts on customers through the phone calls and papers they receive and the way in which people handle their tax affairs. They know that, but I do not. They are the

experts, not me. My job is to get them to where they can tap into that knowledge and learning and come up with the ideas.”

Plenty of theory has been written to help bring about this kind of cultural change: generating short-term results to build a momentum; making sure the change is anchored in the culture of the organisation; getting the right commitment from middle managers.

But one thing more important than all of these factors is the overriding sense that it is not enough only to have processes that create value, or even the right people to manage the processes in the right way. There is also a need for a real long-term purpose – and one that has to be defined by the customer.

People and purpose

By definition, with its aim of continuous improvement, Lean cannot stop. The more its practitioners ‘find out’, the more they need to know.

Culturally this can be difficult in the workplace, at all levels of the hierarchy, because it goes against human nature. People like results and they like goals to aim for. They need a purpose, even if it is a continuously evolving one that they can understand.

Toyota certainly had (and still has) a purpose – one that may have originally been borne out of social and economic necessity but ultimately is more suitably defined as the ambition to change an entire industry.

Is it possible to meet the challenge to sustain Lean simply by copying Toyota? Of course it is not as simple as that. As Bernadette Kenny says, the challenge in making people believe in a purpose is always going to be a significant one, and one that should be individual to an organisation.

But she has great hope for the future: “In my view, sustainment will come from the success you have at getting commitment from people at the front-line. If they can genuinely believe that this is the right thing to do, if they can believe deeply that this is right for customers, if they can be given the tools, the practical stuff, the permissions and the safety to believe that they will be allowed

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to do this, they will respond and do this for you. I now have offices where if I talk to the middle and junior managers about carrying on with this, they say to me, ‘please do not take this away. I can now manage my performance in a way I have never been able to do before. I cannot contemplate going back to the way I used to manage.’”

Kenny admits that she does not know if the sustainability of her Lean programme will be proved during her time at HMRC, but if the history of Lean and Toyota teaches anything, it is that senior managers need to see beyond their own tenures, even their own lifetime, in order to create a purpose that will really matter to the people that will ultimately make it happen.

Tim Auger indicates that his experience with Zurich in the insurance sector has taught him precisely the same thing: “One of the challenges for a global organisation is that stakeholders change. CEOs come and go, which means creating consistency is a continuous issue. The biggest challenge is how we as leaders recognise the value of the good activity that is happening around Lean and build on it, as opposed to coming in and supposing that we have to change everything for the sake of change, to be seen as adding value. It takes a great leader to recognise a good thing and stick with its purpose rather than change it.”

It may not be that the purpose needs to be radical enough to change and lead an entire industry in the way that Toyota and Tesco have done. But at the very least adopting Lean requires a shift in the way managers think – focusing on the long-term health of the organisation, rather than the immediate and obvious symptoms of its performance.

David Brunt, Bernadette Kenny and Tim Auger were speaking to Fujitsu at the latest event in the Fujitsu Executive Discussion series.

WHAT NEXT?

To find out more about Lean thinking and how it could be applied to your business, visit: uk.fujitsu.com/lean or email: mike.cartmel@uk.fujitsu.com