

# Inside Leadership

## Why so many organisations are heading into Lean times.

The dramatic spread of Lean principles and thinking seems set for further exponential growth.



Although its origins are in manufacturing, the tools and rules of Lean are now being applied to leading organisations in services, healthcare, construction and public bodies. With the core idea being to maximise customer value, while minimising waste, Lean is the perfect response to the challenges organisations face due to the global economic crisis.

Lean is not simply a tactic or a cost cutting exercise, nor is it confined to operational elements of a business. Lean is a way of thinking and doing, a perspective that sees an organisation in value streams that flow across departments, to reduce effort, space, capital and time. The end result of

which is a value laden, quality optimised product or service for the customer with minimised resources from the supplier.

While the tools of Lean are sophisticated, the overall philosophy is about simplicity. With so many organisations looking to develop turnaround or transformation strategies, we spoke with eight executive practitioners about their own experiences in bringing Lean thinking into their organisations. We asked them what they feel is the critical role that employees play in a successful lean implementation and what are the main process steps that need to be taken.

### What are the immediate and ongoing benefits of Lean?

Waste reduction, continuous improvement, reduced cost and cycle time were amongst the panel's first responses. Kevin Brady, Director of Manufacturing at Elan Pharma International, sees the elimination of non value added activities, along with several customer focussed benefits as critical returns. The panel of experts suggested the specific customer benefits include, faster delivery time, improved customer satisfaction and quality. Other organisation benefits experienced were reduced stress on employees, improved cash flow and increased revenue and profitability.

### What conditions need to exist for a successful transformation to occur?

While getting total support and buy-in from senior management is seen as a precursor to a successful transformation, engagement at all levels is key to getting over possible inertia. Leadership from the top needs to come in the form of a “burning desire” to change, a willingness to do the right thing even if the cost accounting cannot quantify the short term benefit. Some of the experts with whom we spoke, highlight that middle management can often be the biggest challenge, as they may not want to share their department issues publicly.

John Murphy, Business Process Improvement Manager at Arvato Digital Services sees an effective implementation structure and a company wide performance management system, linking reward to Lean behaviours as key. Ultimately the experts agree, that the greatest challenge is to shape the behaviour of all the key players, in particular senior and middle managers, to embrace a new culture and new way of thinking.

### What are the key steps in a successful Lean implementation?

The experts agree that a successful transformation starts with effective site wide communication. Murphy highlights the need for management orientation, while Pdraic Begley of Carl Zeiss Vision sees recognising and communicating the benefits, perhaps through benchmarking, as vital.

The panel of experts see five key transformation steps to a successful implementation of Lean principles:

- 1.** Look back from the customers eyes to define the value from their perspective. Express this in terms of specific values to the customer, around performance, product, price or programme for delivery.
- 2.** Map out all specific actions necessary to deliver a product or service to a customer. This “Value Stream” must take account of the three critical management tasks that any organisation needs to address; i) Understanding and solving the problem, ii) Managing the information and performance indicator flows and iii) The physical transformation task. From this, create a map of the current state and a leaner future state of the Value Stream, identifying and eliminating waste.
- 3.** Eliminate functional barriers and make the remaining steps flow, to create a product focussed organisation that improves overall programme for delivery to customers. Report early wins, keep your employees engaged, demand further gains.
- 4.** Enable your Value Stream so that customers can pull products as needed, rather than driving your organisation through a sales forecast.
- 5.** Lean is a continuous cycle process. When you have momentum, expand your scope to link improvements and return to step 1. Commence the next layer of lean transformation, focussing on achieving the perfect product or service for the customer while

reducing effort, time, errors and costs.

All of the experts highlight the need to consolidate the benefits (locking in the gains) and working to embed these into the culture of the organisation, using recognition to add real value. Transitioning an organisation can take years, but ultimately Lean principles will then be designed into new products, services and processes. Kevin Delaney, formerly of Wyeth Medica indicates that Lean becomes embedded in the organisations culture, an unconscious competency in any company following a successful transformation.

Few events in organisations are as exciting or dramatic as a substantial organisation change that results in an improved workplace. The compelling argument for Lean principles is that they benefit all stakeholders in the process, as the customer receives a better value product, the organisation increases throughput and profits while reducing waste, while managers and employees experience a highly productive joint enterprise that helps strengthen organisation culture, values and communication.

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