

*In the following article Philip Atkinson focuses on how organisations can prepare for, create, and develop a 'Lean' strategy that fits their operations and deals with the key issues that strengthen the business and eliminates those that put their business at risk. He describes this process as a "relentless commitment to do more with less, speeding up service delivery and using resources to best effect."*

# Creating and Implementing Lean Strategies

by Philip Atkinson

**L**ean' is both a concept that can be viewed and implemented at a number of levels and also a commitment, a process of relentless improvement, that can significantly impact upon an organisation's health, wealth and competitiveness. Lean can resolve severe organisational problems and, additionally, can be a powerful approach to gather and unite several change initiatives that are running currently through a business. When managers first come across case studies of Lean implementation they may be extremely eager to apply the concept to their own business. However, when the same managers start to research into lean strategies and methodologies they can be literally overwhelmed (and discouraged from committing themselves to developing such a strategy) by the sheer range and scale of information available, journal articles and case studies all focused on Lean implementation. This article is focused on sorting out Lean thinking, and the strategies for implementing it, from the great body of knowledge available.

## Key Issues in Lean Thinking

Lean strategies have evolved from the initial work undertaken with the Toyota Production System, and its evolving variants founded initially in the Japanese Automotive Industry. Any reference to the literature of the time will highlight a plethora of texts, many of which are captured in the cardinal work *'The Machine that Changed the World'* and more recently *'Lean Thinking'* by Womack and Jones. It is not my intention to review their extensive work but rather to examine the following issues.

- What is Lean and how does its application benefit businesses?
- What applicability does Lean have to service organisations?
- How can Lean be introduced as a major driver and vehicle of change?

## What is 'Lean' and how does its application benefit business?

Lean is a concept, a process and a set of tools, techniques and methodologies that leave behind them a trail of successes in bringing about effective resource allocation. Lean can be a major strategic initiative focused on major cost efficiencies managed from the top of the business, or it can evolve in smaller discrete initiatives lower down in the organisation. It goes without saying that the preferred route of a 'top down' approach will have a major

impact, but often a struggling organisation that wins commitment to the Lean concept may not have the degree of force and energy in its management team to propel the process forward on a smaller scale. What is important is that by whatever means Lean is kick started into life it can be a serious long term solution for many businesses. If managed effectively, Lean can be the major philosophy that literally unites the organisation in a relentless drive for improvement.

But what is Lean? Many still see it simply as an attempt to take unnecessary costs out of an organisation. Although Lean can achieve this, if this is the only objective, then Lean will never take its rightful role as a preventative methodology. If accountants or those committed to severe cost reduction use the tools and techniques purely for cost reduction purposes, it will never win the hearts and minds in the organisation.

Consulting some time ago in a business providing sub assembly components feeding the UK automotive industry, I was constantly exposed to managers such as purchasing staff and cost estimators from the major manufacturers at the time; Ford, Rover, Jaguar and Nissan. I was amazed at how the Lean thinking from these major customers was misinterpreted purely as cost reduction by the supplier. This is one of the major reasons why Lean has not been as successful in British industry as it could be. I believe that Lean has to be sold as a major change initiative that can permeate every aspect of the organisation, as it has done in many businesses in the USA, Europe and Japan. However, it must be recognised that most organisations applying true principles of Lean are either Japanese in origin, or adhere to industry best practise based on Lean thinking emulating the original Japanese model and its US variants.

## 'Lean' in a Nutshell

Simply stated, Lean thinking is about achieving more with less. It is not about 'sweating the assets' but about carefully analysing how best to achieve a given result with the purpose of utilising resources to their best advantage. In a recent intervention we coined the term 'rapid and relentless improvement' as being the key Lean thrust. We wanted to establish in the minds of those who were delivering the product, (tractor manufacture and assembly), the importance of doing things better, faster, more effectively and at lower (although not always lowest) cost. This required examination of two major elements of the manufacturing and assembly process, the teams that built and delivered the end products, and the processes they had to rely upon to meet those expectations. To us, getting the processes right was critical in delivering another Lean project. Process management is the

### The Toyota Experience: Study Tour

Some years ago whilst on a visit to a Toyota Plant in Toyoda City, the management team told us Brits that it would take us 20 years to catch up using their technologies for improvement. At the time they were working on the Toyota Production System, Lean and 6 Sigma. They also implemented continuous improvement. Staff were encouraged to contribute their ideas for improvement in terms of productivity, waste reduction, time compression, safety, training etc.

Their process of improvement incorporating what we understand as Lean generated 180

ideas per employee each year, of which 98% were implemented – a workforce worldwide of 60,000 meant almost 11 million ideas for continuous improvement were being implemented each year. With a 250 day working year that means from dawn to dusk each day Toyota are working through 44,000 ideas for being even more competitive. Is this why we have no motor industry in the UK today?

Now, consider how many ideas are encouraged from each of the staff that work in your business and the ideas that are installed in practice!

critical factor. Failing to create processes which transcend functional boundaries and incorporate 'what if' thinking of a preventative nature in their design, is fundamental to Lean. One has only to access Lean tools and techniques and note that in all tools the focus is on planning and prevention utilising the Deming Cycle. Strict application of the 5S's or employing JIT is not Lean – merely a tool in the arsenal of relentless improvement. And perhaps this is a major stumbling block in implementing Lean thinking – the belief that the use of a tool is good and its overuse and application is better, misses the point of Lean thinking. Womack and Jones book titles say it all. Lean thinking really does mean what it says – thinking about doing things better, quicker, at economical cost, generating minimal waste in terms of materials, time and rework. Lean thinking comes not by obsessing with process design, but obsessing about process design with those who produce the product or service. Calling upon and, more importantly, listening to how the team can design a process fit for purpose is the crux of Lean. This means that LeanThinking can exist only when we install a thinking and listening culture where process design is created by those who deliver the product or service, not by an analyst in an office far removed from where the product is created.

### 'Lean' & Process Design

Working with a Biotechnology business we highlighted that the production people were driven and measured by technologists who were brilliant analysts but with little idea of production capabilities. So instead of the technologists being the key designers of the process, we re-engineered the core processes by involving both groups in redesigning the process. This resulted in many unnecessary steps in the existing processes becoming redundant and being replaced by a more efficient and less bureaucratic process.

When processes are examined in depth we can see that their evolution is probably more pragmatic than logical. For this reason, we need to constantly review processes, and introduce 'process mapping' as a key tool for relentless improvement. Instead of reviewing the existing process we argue strongly that teams should focus on designing the 'perfect process', cutting out any unnecessary stages, questioning time delays and over-inspection, and replacing unnecessary control with trust. This would mean that a Lean organisation is one where at any time those who work the process can apply process mapping or variants of this to their core work activities. All businesses are driven by hundreds of processes – but relentlessly working on the core six or eight

processes, whether in a manufacturing or service organisation, will create a Lean culture.

### What applicability does Lean have to organisations other than in manufacturing?

We think the Lean concept has an incredible opportunity for improvement in most service organisations. In his early 1980's rewrite of *'Quality is Free'* Philip Crosby highlights estimates that as much as 40% of staff operating costs of businesses can be wasted. This illustrates how Lean could benefit service type organisations. In *'Creating Culture Change'* (chapter 3 p.51 on the Economics of Culture Change) I focus on consultancy work with a leading provider of Insurance Services within the UK. We publish a list of activities associated with unnecessary reworking or errors and tasks together with unnecessary appraisal, inspection and over checking. Working with over eight functions in a 1200 person business and across boundaries, we compiled lists of waste which still typify a large number of organisations working in financial services. Our research highlighted over 200 work activities which resulted in wastage in staff time through reworking the same cycle of activities, sometimes several times, resulting in a potential wastage of 40% of labour costs. Because these activities were never measured or assessed on a 'profit and loss account' they were viewed as normal or part of the inherent firefighting culture and never questioned prior to this project.

In any large bureaucracy such a Governmental agency, major Utility, Quango or service organisation, it is relatively easy to pinpoint areas which Lean thinking could transform. Transform is the word, taken from Henderson and Larco's text. On the dust jacket of their book is portrayed the transformation of a snail to a cougar, and this really typifies Lean. A commitment to Lean can be a lengthy process or, if you choose, a rapid transformation. This is a reflection on real life where more and more organisations recognise that speed of delivery or response is a key competitive differentiator in the minds of customers.

### Financial Services & Lean

Again the theme of process improvement can be critical in getting Lean established. Working with a provider of Motor Finance, a team of specially selected staff formed across five functional boundaries, Credit, Risk, Finance, IS and Customer Service, met to discuss how to streamline the credit approval process to provide better service to their motor dealerships and the eventual

consumer of their product (the car buyer). From their investigation, they discovered that too many steps existed in the process. Many of the steps were designed because managers did not trust their staff so an unnecessary element of inspection and approval had been added. When the team designed the perfect process, they eliminated 14 unnecessary steps, devised a Training Plan to prevent people inputting and compounding errors, and set up self inspection audits, thereby reducing time taken to complete the process by 60%. Further work resulted in this process being automated, resulting in spectacular results in the car showroom with 98% of on line applications being responded to within four minutes of the data being entered.

This has had a significant impact on customer service. Instead of customers having to wait for a response to raise their finance for a car, this company can respond in minutes to credit applications, whereas many competitors still take days.

## Why Lean Thinking may now be more attractive to the service sector

Financial Services in particular have always been keen to reduce their operating costs, and in recent years many have done just that through downsizing their branch networks, installing call centres and, more recently, relocating call centres overseas. This has resulted in huge improvements in their income/cost ratios and their profitability. Those were the big hits taken by large Institutions, including Utilities and other large service and technology providers. These one off hits are easily imitated by competitors and equally large improvements can be made using Lean Thinking. Lean is not a technology or IS solution but a thinking solution and can deliver huge returns if implemented in the spirit of 'relentless improvement' rather than 'quick fix' cost reductions.

## How can 'Lean' be introduced as a major driver and vehicle of change?

Lean can be introduced at several levels. Clearly, a strategic top down intervention delivers with impact but today it is increasingly unlikely that the average organisation has capacity to commit to a long term strategic project. Our experience is that organisations commit to a variant of lean due to the following factors:-

- As a cost reduction exercise
- To cope with specific threats to the business – usually associated with poor relations with their customer base or a particular customer
- Quality of product or delivery problems
- Requirement to reduce cycle time from order to delivery
- Launching and delivering new products or services
- Developing best value

You will note that all these pressures are generally negative in nature and reflect the pressures of business in the real world. I would much prefer to see a commitment to continuous improvement, or creating a customer first strategy but as usual the threats to a business occupy more of a manager's and organisation's mindset than the opportunities. What we find is that if Lean can be used to demonstrate how to deal with major problems affecting the organisation, it is also relatively easy to demonstrate how it can be used to significantly improve the effectiveness of the organisation.

For introducing Lean the following four step approach can work well.

## 1 Selling & Communicating the Lean Philosophy

The emphasis should be on the results and the benefits rather than the use of particular tools. Too often, consultants – external or internal to the organisation – sell and focus upon a plethora of techniques, rather than the process itself and the potential deliverables. Too often the techniques are wrongly identified as the solution. It should also be noted that many of the techniques and tools are identified as 'old' or 'traditional' and this perception can often get in the way of the message. Likewise, references to organisations applying lean philosophy in other areas to those in which you are selling the process can act as a 'turn off'. For example people in Financial Services may not have a high degree of commitment to applying techniques which worked well for Toyota in the 1980's!

We have also found that consultants can overuse 'Japanese' terminology for 'waste', 'errors', 'planning' etc. This does not endear a client to the approach. Much better to appeal to the thinking and personal values of the new decade, and use the analogy of Lean as being healthy, responsive, conserving, focused, clarifying, transforming, rather than merely a set of tools and techniques.

## 2 Senior Management Commitment

The focus of senior management commitment is critical and the only activity worth pursuing is winning the heart and mind of a major sponsor or sponsors from the top team. Better to work with a firmly committed individual than a team of 'fence sitters'. Winning a strong psychological commitment to implementation is key and must be tied in with deliverables.

## 3 Design of Projects

Lean requires people at all levels to commit to performance issues and monitor metrics which they develop themselves. Therefore it is often appropriate to work on a specific project, rather than a global or strategic thrust, which, if implemented along Lean principles, will result in significant improvement for the business. All events and activities associated with Lean have to be closely led and facilitated. Ideally, Lean should occupy a high profile and the project should involve all significant players involved in the project or process. Our experience is that energy expended by all members of the Lean project is focused initially on 'working on a short term fix' in order to put a preventative 'error free' solution in place in the longer term.

Many think a short-term fix the wrong way to go, but as time is not always on our side, whereas commitment is – by doing something, no matter what, to fix things in the real world, demonstrates a strong desire for action. Taking action with a firm committed drive to prevent persistent problems arising again has to be the best way. Using the talents of the people who work the process is central. People who do the work, rather than those who manage it, probably have more than 80% of the solutions.

The scale and focus of projects can be orientated to service, process or manufacturing issues. There is a great deal of progress to be made in many businesses, especially in the service or support functions. 'Functionalism' often blinds people to the real benefits of working together, across boundaries for the best results – in any environment. Cross Functional Teams drive change and encourage close co-operative action plans between functions – synergy will never arise while people stay comfortable in their functional silos.

Typical projects for Lean can range from customer service and manufacturing problems to post acquisition integration, cross-functional working on R & D, customer service delivery, sales, marketing, quality improvement and HR as well as typical

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manufacturing, logistics and supply chain problems. Lean is best used in environments that need a rapid improvement to deliver tangible results – where there is a deviation from the 'planned performance' that desperately needs to be corrected – yesterday.

How it works depends on the relationship between the consultant and the sponsor of the project. Prior to the commencement of the process, those who commit to drive a solution to a problem meet with the Lean trainer to focus upon agreeing resources to achieve results. People who are critical as 'knowledge resources' in resolving the issues are quickly identified to become part of the team to drive and, more importantly, implement results of the event.

It is always best to agree the duration of a project prior to its commencement. If projects last more than six weeks, people lose interest. It is critical that change is sustained and improved over this short period. If a solution takes too much longer then the problem was probably not defined closely enough – and was therefore too big to defeat with a six-week burst of energy.

My own recent interventions include a six week delivery on designing an assembly process for a new automotive product and process improvement for a business in financial services. Because of the six-week time span many issues can be driven at the same time because of the development of multiple teams. As more issues are clarified and loops closed, more and more people are trained in the process. Only after the project guidelines and tentative milestones have been agreed, can the tools and techniques be explored.

The best way forward to implement Lean to its full capability, is to sell the benefits of particular projects. Demonstrate how Lean techniques have impacted on a major problem.

#### 4 Selling the Benefits of Lean Thinking

Lean is a concept and a process. It is not a series of techniques that can be applied without the Lean Thinking philosophy. Success in having Lean accepted and applied throughout any business depends on how it is sold and the potential benefits it

will deliver. Although the benefits must be applied to organisational metrics, (reduction in failure rates, increase in delivery and customer service, reliability of deliverables new business transacted, resources deployed to best advantage, ROI, increase in value added business transactions, relative increase in positive business activity, lost customers revived, prospecting rates etc) we must also focus our attention on the human side of enterprise. The installation of Lean Thinking can have a very powerful effect on the problem solving process in the business. Once involved in process redesign, people develop a new outward view at looking, learning and thinking about old problems.

Working in manufacturing or the service organisation yields the same response when driving a Lean project. Team members highlight the value and interest generated for them in working on problems previously consigned purely to management grades or external consultants. Surely the purpose of Lean is to create a culture where Lean Thinking is the norm and doing things better, faster and without error defect or omission becomes the only performance standard – in other words, a way of life. ■

Philip Atkinson is a consultant and trainer specialising in strategic, behavioural and cultural change. He is a member of various training consortia organisations, and has recently focused on creating innovative business simulations through Learning Strategies Ltd. He consults in the UK, Europe and US, has written 7 business books and published many articles. He speaks at conferences and runs workshop sessions.



Philip can be contacted on +44 (0) 0131 346 1276 or by visiting: [www.philipatkinsonconsulting.com](http://www.philipatkinsonconsulting.com)

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