

Lean is a wicked disease: how service organisations are waking up to the problem

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May 2010

I am increasingly asked for advice by leaders of service organisations who are anxious about their 'lean' programme. Their most frequent concern is that the 'improvements' detailed in copious project reports are not reflected in the bottom line; claimed savings adding up to a sizeable fraction of total costs simply refuse to appear.

I ask them first of all how they manage their service operations. Have they divided the work between specialised front and back-offices, and do they manage it with work-flow methods? Do they manage the activity of their workers, and are they using standard times? Do they invest in people-management programmes? I know that, most often, the answers to all these questions will be 'yes'.

Then I ask if the lean projects have been targeted at management's current problems. Do managers determine the problems the lean projects must tackle? And I ask for examples of problems the projects are set up to 'improve'. Many are to do with reducing activity times; the second most popular are aimed at standardising the work.

When I enquire where the word 'lean' came from, a few will know that it was coined by an American to describe Toyota's famous production system. Fewer are aware that the TPS was developed by Taiichi Ohno, and fewer still that its author was strongly opposed to codifying the methods and even writing them down at all.

Ohno argued that codifying the TPS would ossify into a trivial set of tools something that had emerged through trial and error from a different way of thinking. I tell them how Ohno taught his managers, by having them study the work – the direct reverse of the all-too-common assumption that improvement begins with the application of tools to problems whose nature is already known..

Then I ask how many people in the room are making cars at the rate of customer demand. And if not (after all these are service organisations), why would they assume that the tools developed for this specific purpose would solve the problems of delivering services?

Why did Ohno teach his managers by getting them to study the system? Because only careful study of the work reveals what the true problems are – and mostly they are not the ones you thought they were. In fact, this revelation is frequently followed by an even more challenging one: the real issue is actually the way you were thinking about your problems.

And so it is with service organisations. Managers assume that standardising work cuts costs, yet when they study their services they find that standard processes prevent the system from absorbing variety – in simple terms, it makes it hard for customers to get what they want, and the organisation consumes more resources as a consequence. It is a hard lesson. The reality that standardisation drives costs up will be resisted, rationalised and angrily denied. This is why managers have to be there, studying the work; only when they see the evidence with their own eyes does acceptance become energy channelled into constructive change.

Studying the work reveals other counterintuitive truths. The harmful consequence of managing activity as cost is a second prime example. The specialisation and standardisation of work, both resulting in lower transaction costs, also lead to more handovers, fragmentation of the work, duplication and re-work that more than cancel out any gain. Service managers learn the paradox that managing costs creates costs, something Ohno discovered to be true in manufacturing.

The truth is that lean tools interventions reinforce rather than challenge management's assumptions. The opportunity to standardise work and reduce activity-times is warmly welcomed by managers who have grown up in modern industrialised service organisations. Beguiled by the plausible notion that improvement tools are universal, managers have introduced a wicked disease that instead of curing worsens the condition of the patient by amplifying inherent weaknesses.

As benefits refuse to materialise and symptoms gets worse, the dysfunction becomes apparent to leaders with enquiring minds. They realise that their problems lie in industrialised processes, as they did for Ohno, and how re-thinking industrialised processes enables them to design better services at much lower cost, as Ohno did with cars. And they learn that while Ohno was developing a system for producing cars at the rate of customer demand, the problem they need to solve is designing a service organisation that absorbs the variety of customer demand, in real time. When they do, they realise profound benefits, as Ohno did before them.