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# LEAN MANAGEMENT JOURNAL

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## YOU'VE GOT A FRIEND IN LEAN

Exploring how to be a good lean boss and the importance of employees in a lean enterprise

Organisations and interviews featured in this edition include: Nationwide Building Society, Hitachi Consulting, BMA Consulting, HP Tronic, Richard Schonberger, Chris Rowe, John Bicheno and Friedemann Lutz.

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**The lean CFO and the economics of lean**  
Nick Katko, senior consultant at BMA Consultants brings his expertise as CFO to LMJ and discusses the best way of implementing lean.

**De-proliferation: the third path of lean**  
Researcher Richard J. Schonberger, Ph.D. analyses why lean fails at a supply level and how organisations can change this expensive cycle by embracing the third line of lean.

**Tapping the reservoir potential: your employees**  
Friedemann Lutz, director at Valeocon Management Consulting, teaches how to unlock the most valuable resource a company has in terms of creating a culture of continuous improvement.

**From process excellence to business transformation**  
Jonathan Gray, VP at Hitachi Consulting, explores why lean transformations fail despite the best expertise.



# Tapping the reservoir of continuous improvement potential: your employees



*Friedemann Lutz, director with Valeocon Management Consulting, teaches us how to unlock the most valuable resource your company has in terms creating a culture of continuous improvement.*

## READ ABOUT:

How to engage your workforce

The importance of implementing new ideas

Benefits of knowing what's important to the customer

**E**stablishing a sustainable continuous improvement culture; this sounds like a dream to many organisations, nearly as distant and unattainable as perpetual motion. But in contrast to perpetual motion there are a number of companies where continuous improvement does work.

What is interesting is that while a number of manufacturing companies have come much closer, many service companies (such as banks and insurance companies) or non-manufacturing units (such as R&D, finance, HR, customer service) of manufacturing companies struggle with turning the potential for improvement into reality.

It's insightful to start with a few examples of where continuous improvement does not work: one organisation, a well-respected bank, had a very striking feature: everybody I talked to had great pain in admitting that something may not work perfectly in their area of responsibility. There were situations where people nearly started crying when confronted with facts and they had no choice but to admit something was wrong. It's important to reiterate through

the process that problems have to be seen as opportunities to improve rather than someone's fault.

In another organisation, an insurance company, underwriters actually came up with a process which reduced the lead time for issuing policies in a business to business context from ten days to one day. They had designed and piloted the process, then ran into the problem that among the decision makers actually nobody was interested in this radical improvement. Some managers found it intellectually interesting, but eventually decided not to implement it mainly because they wanted to avoid raising expectations among sales people and clients, fearing they would be measured against higher standards in future.

We have also seen that lean or other improvement initiatives have been used to reduce employment. Would you engage in something, whatever the name, which leads to the unemployment of you or your colleagues?

As a positive example I'll discuss a financial services organisation, which has

“Your employees are a huge reservoir of potential, most of which stays unused but can be continuously employed to improve processes and results”

systematically gained important market share over the last 15 years, since it was set up. What is striking at first sight here is the big number of unsuccessful projects they have undertaken. Around 40% of projects fail and are abandoned after a few months. Now there is clearly an improvement potential in this fact, but I mention it here to illustrate the culture behind it. People are encouraged to try and test new ideas and make mistakes, so overall the organisation has been successful with this approach.

But there is more to this example: the top management has very ambitious goals - but only a few of them - and communicates them at every occasion. New ideas are always sought and are quickly implemented and tested. IT is very quick to respond and implement solutions so a new product or change can be launched within weeks (sometimes days) instead of months or even years as in other organisations. And if the idea does not live up to expectations it is quickly abandoned and the team naturally gets another chance.

Continuous improvement has several essential ingredients which need to be present together for it to be sustainable. First, there needs to be engagement by employees on all levels. Your employees are a huge reservoir of potential, most of which stays unused but can be continuously employed to improve processes and results.

How to create engagement? Many elements can be combined. Meaningful, realistic but ambitious goals are a foundation. Ideally, they should stretch us outside of our comfort zone. A goal of improving 5% or 10% can usually be achieved by working slightly harder in the tried and true methods. An improvement goal of 25% or more forces us to rethink the entire process and positively challenge the old ways of working.

Success is a big contributor to creating engagement. Most people find experiencing success rewarding in itself and will engage just to have more success. That is why visualisation of results with very short updating cycles is so powerful. Knowing that I have

been successful during the last hour, or at least day, is a powerful motivator for further engagement.

Here comes an important point for financial services or other non-manufacturing processes: often it is difficult to directly measure results. If tasks are not repetitive, just like running IT projects, developing new marketing strategies or even treating difficult customer enquiries, results are usually difficult to measure in numbers and to visualise. It is much more difficult than the number of products produced in a manufacturing environment. Here we have to get creative and sometimes use indirect measures instead. For example, project progress, ticking off tasks or other ways of making progress visible. Once we have overcome the uneasiness of making our work transparent this can be a very powerful mechanism. But because of this difficulty with measurable clear metrics, the remaining contributors are even more important.

Seeing the impact of my own actions, identifying improvement potential, generating ideas and implementing them is probably the most powerful motivator for engagement. This is where most organisations utterly fail. Many people complain about problems in their teams and processes. In fact, they love to complain. Many organisations ask people to submit improvement ideas. Usually they begin flowing in at a high rate, then later, the river of ideas becomes a little stream before it eventually dries up.

Why? Because most organisations are incredibly poor at implementing them. One company we recently talked to had a backlog of 1800 ideas to be implemented. That is more than they have been able to implement over the last three years. We believe that employee ideas are at the core of continuous improvement and they need to be implemented quickly. The three steps essential steps of continuous improvement are:

1. Identifying improvement potential;
2. Generate improvement ideas;
3. Implement.

This cycle has to become a daily routine as close as possible to the place where our processes are happening and not through a separate idea committee which will take weeks to decide, and months to implement. The most powerful question is, what can we do better tomorrow? Daily implemented small improvements add up to big results over time.

The closer improvements can be linked to measurable results, the easier it will be to gain momentum, but if results of work are not measurable, as in many non-repetitive processes as discussed before, the fun factor becomes even more important.

If success is something that cannot be expressed in numbers, it has to be fun to test new ideas and to improve. Obviously we need the absence of fear and a feeling of job safety for work to be fun. In a climate of fear people usually revert to old and proven methods and don't try new ideas, which is a prerequisite for improvement. The team should be fun; the meetings, the work environment, the boss, and the learning itself, should all be fun. Combined with ambitious goals (remember, all ingredients need to be there) fun at work will increase engagement and subsequently form a foundation for continuous improvement.

Of course the role of the direct manager is important. Besides agreeing ambitious and challenging goals, the direct manager has a very important role to play in asking challenging questions that invite every team member to develop improvement ideas. This is important, because when employees develop ideas themselves they will be more committed to them and subsequently engage much more in the implementation than if the ideas have been imposed to them by their manager or an outsider. This is especially true for white collar workers although it applies to production line operators as well. So managers should drive the improvement with questions like:

- What do we need to do to avoid these errors from happening?
- What would need to happen in order to improve productivity by 30%?

These questions will help the workforce contribute, rather than managers coming up with solutions themselves, which is always very tempting. We have found the key to success is dedicated training and hands

“ We have seen that lean has been used to reduce employment. Would you engage in something that leads to the unemployment of you or your colleagues? ”

on support for line managers to change their habits in this respect.

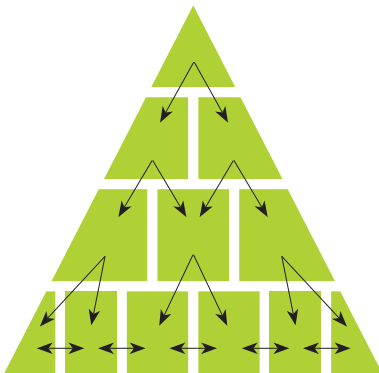
Managers should devote considerable energy and time to supporting the employees in implementing their own ideas. A helpful idea is the concept of the reversed pyramid where the role of a manager is about supporting their employees to do a good job and achieve results rather than to tell them what to do. Again these are long established habits can be changed effectively only with a sustained effort.

Another element to continuous improvement, less essential but helpful, is to know the process end to end, the context of what is happening before and after a specific customer interaction. This of course allows everybody to optimise the whole and not one part of the process at the expense of the other. If asked for improvement ideas people will certainly come up with some solutions that may make life for other units up- or downstream more difficult. This can be avoided if they know what is happening overall and what it takes for those other steps in the process to be successful.

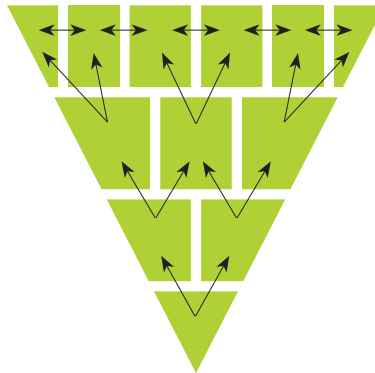
Especially important for service processes is also to know the customer: their preferences, expectations and first of all their customer experience. It is shocking how infrequently people from headquarters of banks or insurance companies have seen and experienced real customers buying or using their products and services. Or how often quality people try to resolve quality issues without understanding what is really happening on the shop floor. Regular shadowing of customers, sales and customer services situations should be a must if continuous improvement is to improve the value for the customer. The same is true for non-manufacturing units in manufacturing companies, who should regularly shadow their internal clients in order to be able to support them better.

Just think about what percent of all people's potential in your organisation is actually used. Creating a sustainable continuous improvement culture is a long journey, but the rewards in the form of realising the dormant potential of all employees are huge.

Upside down organisation



Hierarchy seen as a needing command approach to management where **commands** follow a top down path.



Each layer offers leadership to the level above through **support**, coaching and empowerment.