

# 'Lean' is a Cultural Issue

Philip Atkinson addresses the key issues that relate to culture change and 'Lean manufacturing.' He discusses the inability of most organisations to create the culture that will sustain Lean and any other programme of organisational improvement. Failing to plan for change equates to planning to fail. Currently, too much attention is focused on the technical aspects of Lean, rather than the ability to create a self-sustaining Lean culture, where change is seen as the norm and where resistance to change is never an option.



## Philip Atkinson

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Organisations stand little chance of implementing 'Lean' unless they have paid at least equal attention to creating the right culture, and the conditions and circumstances which can become the foundation for implementing change. Just imagine what you could achieve if your organisational culture actively welcomed change. Consider how easy it would be to install the training, the techniques, the methodologies and the common language that accompanies any Lean strategy, if staff at all levels chose to perceive the change as an aid to their work, rather than as a hindrance and distraction from their daily, weekly and monthly targets.

### What will Lean deliver organisationally?

It's best to ask the question – 'what do we want our business to look like after we have implemented Lean?' How many layers of managers

will exist? Which key processes will be critical to operating across the organisation? How will we be focusing all our attention on the 'vital' processes and cutting through red tape, duplication, rework and non value added activities? What development is required to support managers in working in the new organisation? How can we ensure that cross functional working is valued as highly as a technical proficiency? How can we destroy the 'silo mentality'? What mechanisms can we use to reinforce the importance of working across boundaries?

### Misconceptions about Lean

- Lean is often perceived as a 'toolbox' of concepts and methodologies that are forced on, rather than tailored to, an organisation.
- Lean is not a cost reduction exercise to take unnecessary costs out of

## What is Lean?

'Lean' is a commitment, a process of continuous improvement that can significantly impact an organisation's competitiveness. Lean is a strategic tool for resolving severe organisational problems and can unite several change initiatives that are running currently in a business. Research into 'lean strategies and methodologies' can be literally overwhelming in terms of the sheer range and scale of information available via case studies and journal articles. At this point, it should be realised that there is no one best way to introduce lean. Lean must grow from the culture – not be imposed upon it.

'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.

an organisation. If this is the only objective, then 'Lean' will never take its rightful role as a strategy of competitive advantage.

- Lean techniques often do not permeate the processes and functions that actually precede the production process. For instance, Lean tools are not often viewed as aiding the sales process?
- Lean often does not actually influence the design and innovation process.
- Lean too frequently is sold as a Japanese technique for improvement – surrounded by all the Japanese terminology that, quite frankly, is irrelevant to making it work within European businesses.
- Lean does not require a culture of continuous improvement.
- Lean has little to do with culture change.

## Cultural change must precede Lean implementation?

The organisational culture determines the success of Lean or any other change initiative. Some years ago, I worked with a business in North America that was intent on installing TPM (Total Preventative Maintenance). Major benefits would accrue if they could plan maintenance and avoid extremely costly downtime leading to unfilled customer orders and loss of profitability and reliability.

The biggest problems facing implementation had nothing to do with the tools or scheduling process to support TPM, but rather the style of management inherent in the corporation's culture in their key facilities. No amount of effort expended on the technical aspects of TPM would resolve the problem.

The issue resided with Plant Managers who had failed to prioritise the importance

of building a culture of prevention. Due to existing and persistent bottlenecks and problems in production, people were being withdrawn from their new 'preventative role' to fix things on the line. Lean was being pushed rather than pulled. Training events in 'six sigma' and other Lean techniques were cancelled at the last minute and staff pushed back into fire fighting mode. TPM was destined not to work because the culture did not support Lean.

## Nothing changes until behaviour changes: Managing transitions

Organisations are social systems composed of conflicting interests focused on working to ensure that strategic goals are achieved. Culture change is about driving performance across the organisation to exceed customer expectations. Don't mistake it for 'being nice to people', 'training for training's sake', 'encounter groups' for organisational change. It requires six very important issues to be resolved.

1. Focus on a tangible, strategic business direction, and relentlessly communicate the challenges expected of everyone in the supply chain;
2. Energise people to achieve goals at a very high and consistent standard of performance;
3. Realise that no amount of training in Lean tools and techniques will compensate for the changes required at a behavioural and cultural level;
4. Align all stakeholders and

## Core issue

What culture and behaviours should we encourage and reward that take us closer to our objectives rather than further away from them?

"Organisations are social systems composed of conflicting interests focused on working to ensure that strategic goals are achieved"



the supply chain to be a seamless process with the absence of turf wars, politics, career positioning and ego stroking;

5. Establish a matrix culture and structure to ensure that relationships translate directly into continuous process improvement;
6. Focus on the customer and the supply chain, and recognise that nothing changes until behaviour changes internally.

Change is not just a technical-rational process. It is a behavioural, emotional and political process. In the past we saw organisational change as a technical-rational process because at that time most problems in manufacturing were perceived as being purely technical operations issues in nature. This pervaded the practice of operations management where focus lay

in production possibilities, cost efficiencies, scheduling, charting, etc. Operations were to do with 'things and logic' not 'people and relationships'.

#### In reality, change is a behavioural, emotional and political process

The effectiveness of change is based upon people and their motives and dealing with the friction, the management of egos, the escalation of conflict overflow into unhelpful behaviour and turf wars between functions and silos emerges. It's not pretty or desirable. Lean rejects the negative for the positive in terms of cross-functional 'win-win' commitment to managing scarce resources.

#### Change agility is promoting acceptance, not fighting resistance

Change happens when those wanting the change to take

place – the 'sponsors' – are in rapport with those who have to make the change work in their day-to-day operations. The success is down to how well the 'external facilitator' manages the relationship between those who 'drive' and those who have to 'implement' change. In many cases, organisations think that being trained in the Lean techniques is all they need in order to implement Lean. This is far from the truth.

It is necessary to confront unpopular but honest truths about the culture and get the culture right first. So employing only Lean trainers, rather than soliciting strategic cultural advice, will under utilise the benefits that could accrue to the business. In many cases, there is no objective external facilitator to orchestrate the process. If this is the case, ideally the role of line managers can be

expanded beyond operations – so that line managers are developed to drive and install change locally and across the organisation. Now that gives companies a real competitive edge. Just imagine what you could achieve if you had an elite group of line managers equally equipped in change, as well as their professional and technical skills.

#### Cultural redesign

Most corporate cultures exist by accident or default. The original owners or architects who created their business ensured that their values of transacting business were central to 'how things get done.' This became their culture, but over time and with key players and new actors entering the scene, acquisitions, mergers and other crises and events, the organisational culture changed substantially.



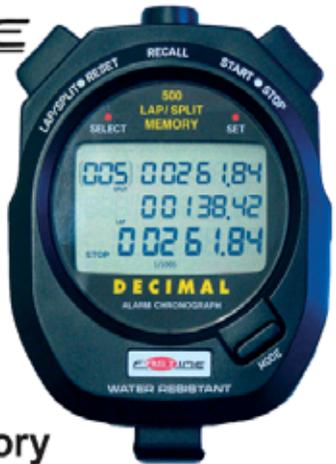
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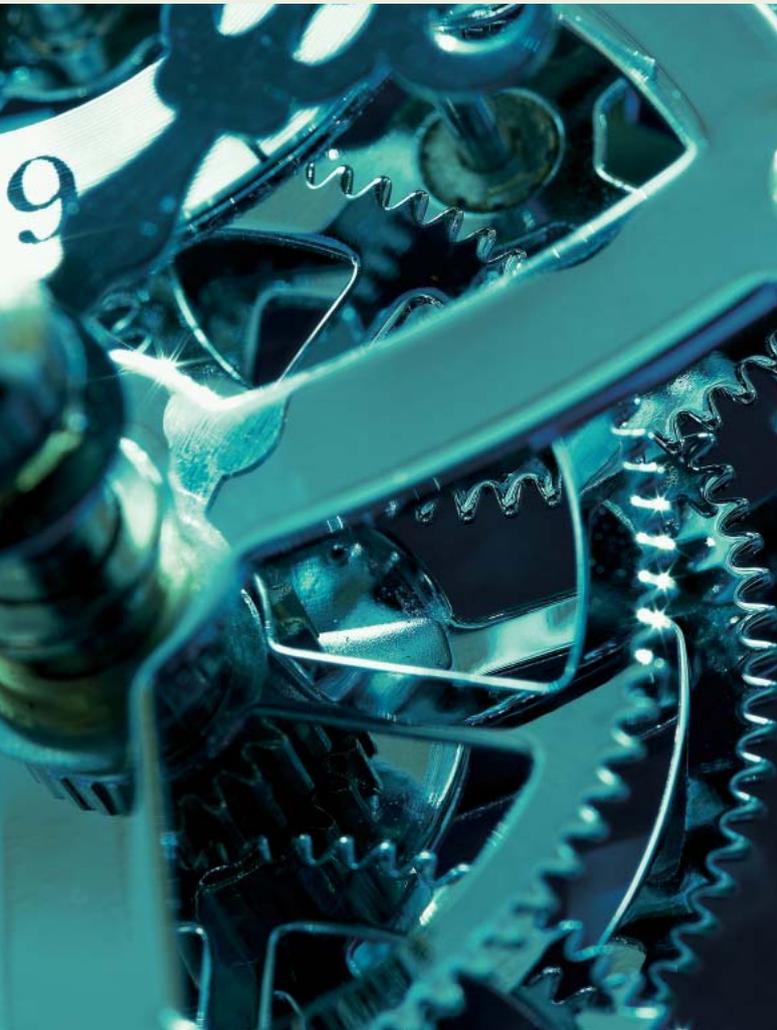
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**Toyota: A culture of relentless improvement**

I know Toyota has had its problems recently but we have to acknowledge its many successes in building its organisation using the 'Toyota Production System'.

Toyota has implemented various strategies for continuous improvement including what we understand as 'Lean'. Staff contributed ideas for improvement using Lean methods which resulted in each employee generating an average of 187 ideas each year, of which 98% were implemented. Note, with a workforce worldwide of 60,000 it means almost 11 million ideas for continuous improvement are being implemented each year. With a 250 day working year that means from dawn to dusk each day Toyota is working through 44,000 ideas for being even more competitive.

Now, how many ideas or suggestions are encouraged from your staff? More importantly, how many are implemented? Even more importantly, do you have a process for capturing ideas and reporting statistics as above?



“The culture must reside in the hands, hearts and minds of the staff of the business”

Change was not always favourable so that 'culture and the resulting behaviours' became very different to how things should have been.

**ROI of Lean**

Energy expended other than on improving processes and shaping the culture to achieve these end goals, is non optimum. To create a self-sustaining culture the rationale is to demonstrate that ROI on every pound, dollar or euro invested on Lean generates specific outcomes that are attributed to that investment. The relationship between cause and effect, inputs and outputs must be the guiding principle to implementing Lean.

At the start of the process of implementation of Lean, the current culture really should be designed, mapped and measured against the achievement of strategic and business imperatives. Is the culture doing what it should be in delivering results? If not, change it so it does.

Fundamental to improvement and implementation of 'Lean' is a process that can be controlled and managed. Leading conglomerate, General Electric is a great example to illustrate this. Driven by a desire to be the 'Number one or two' in any industry and market, GE have modelled and shaped their way to become an incredibly successful business with earnings of hundreds of billions and double digit profits for

18 years (until the dip in their share price and profitability in 2008).

Jack Welch, the now retired CEO, was architect of this culture and much can be found on shaping their culture through the concepts of Lean, Work-Out and adherence to the 'Change Acceleration Process'.<sup>1</sup> It proves it can be done but GE's approach was to put the culture in place first and they started that in the 1980s with their commitment to 'Work-Out', which became their culture of continuous improvement.

So, what can other businesses learn from the GE approach? The big issue is 'Can you afford not to do it?' What happens if you don't commit to create a powerful culture to nurture and grow Lean? More importantly, what won't happen to the business because you failed to develop that self-sustaining culture and Lean?

**Creating a Lean culture**

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. The preferred route of a 'top down' approach will have a major positive impact. If managed effectively, 'Lean' can be the major philosophy uniting the organisation in a relentless drive for improvement.

**An example of making Lean happen**

This is a case study based in the

**Bio Technology**

Working with a genetics business, we highlighted that the production people were driven and measured by technologists who were brilliant scientists, but with little idea of operational issues. We re-engineered the core processes by involving both groups in redesigning the process – not listening just to the scientists which would have been the case previously. This resulted in tighter processes driven by all parties involved in delivering the process. From a functional structure, we created 49 virtual businesses all working to Lean principles.

agricultural vehicle industry in the USA. The company wanted to communicate the importance of doing things better, faster, more effectively and at economical cost. This focused on two issues: how the teams could build the vehicles 100% right first time, and the processes that supported them in doing so. Getting the processes right was critical in delivering another 'Lean' project.

Processes which transcend silo thinking, and focus on service delivery across the organisation, are a critical success factor. This requires a key change in culture and behaviour. Instead of focusing on Lean techniques, we decided to get the culture right first. Strict application of the 5Ss or employing JIT is not Lean – merely tools in the arsenal of improvement. And perhaps this is a major stumbling block in implementing change – belief that an over reliance on the use of a tool will compensate for the culture not being right. These tools cannot be overlaid as a template on a silo based culture. Culture precedes toolboxes. Lean Thinking can exist only when we install a listening and learning culture, where process design is created by those who deliver the product or service.

### Process design is a key driver of the culture

We need to constantly review processes, and introduce 'process mapping' as a key tool for continuous improvement. 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. Designing the perfect process has many advantages and looking at what we

do currently enhances capabilities.

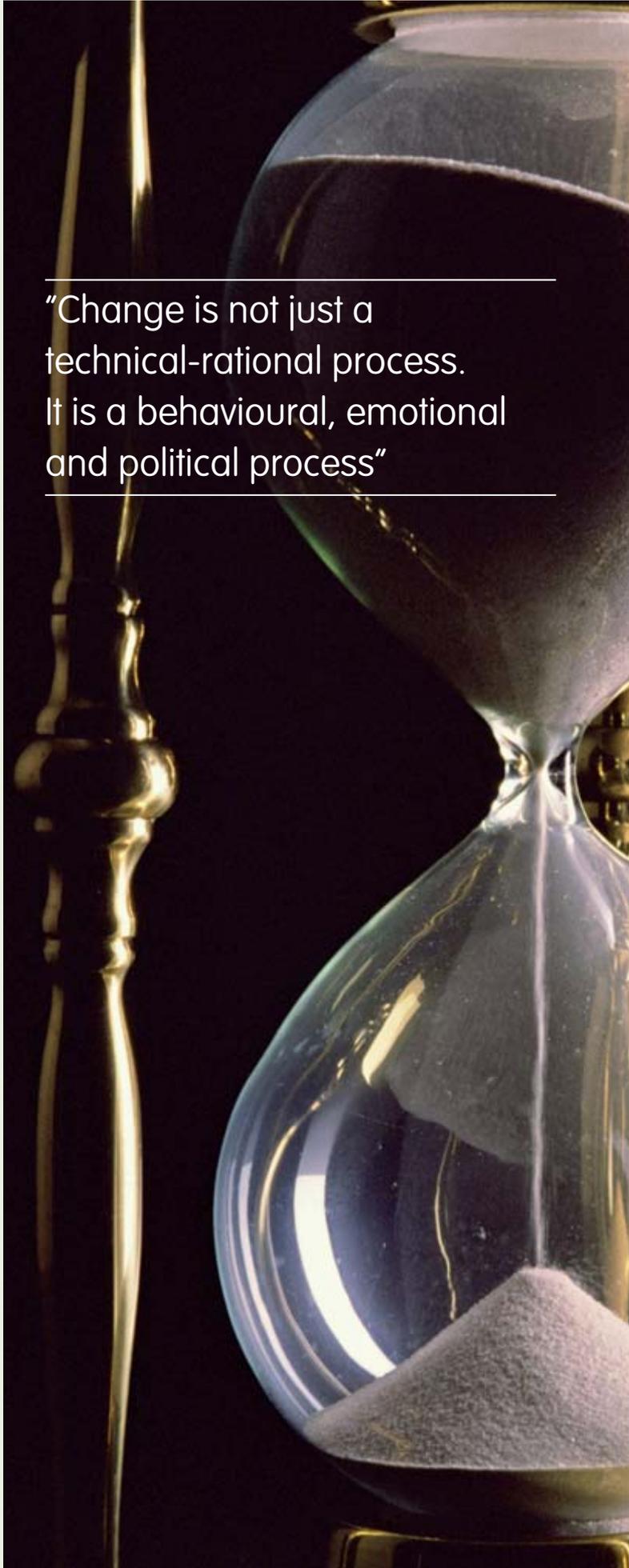
A Lean organisation is one where, at any time, those who work the process can apply 'Process Mapping' or variants of this to their core work activities. All businesses are driven by hundreds of processes – but focusing on the core and vital six or eight business processes, whether in a manufacturing or service organisation, will create a Lean culture.

### What about those areas that support manufacturing or operations?

Don't forget about those parts of the organisation which never touch the product or communicate with the end user or customer. They require exactly the same culture to support what you are doing at the sharp end. It is pointless having slow and bureaucratic Procurement, IS, HR and Finance functions contributing less than is best practice.

The 'Lean' concept has an incredible opportunity for improvement in most service organisations. In the early 1980s, TQM research estimated that as much as 40% of staff operating costs of businesses could be wasted reworking dysfunctional processes and relationships. Working with a provider of financial services<sup>2</sup> (*The Economics of Culture Change*), our research identified over 200 activities of work associated with unnecessary reworking or errors and tasks, together with unnecessary appraisal, inspection and over checking. This work was in eight functions in a 1200 person business and highlights the importance of starting Lean type initiatives in the service or support areas first.

For introducing 'Lean' as a positive force, the following four step approach can work well.



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### Lean Thinking in GE Capital Motor Finance

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, IT 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 these 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 – that is, 98% of online applications being responded to within four minutes of the data being entered. This has had a significant impact on customer service for customers waiting for a response to raising finance for a car. This company can respond in minutes to credit applications, whereas many competitors still take days to respond.

### 1. Create the culture: Senior Management Team

The focus of senior management commitment is critical and the only activity worth pursuing is winning the collective heart and mind of the top team. Winning a strong psychological commitment to implementation is a critical success factor in implementing Lean. Failure to win over the 'top team' will result in cynicism from their direct reports and others. It's true, there's no change to Lean without leadership.

To support Lean, we have to better understand the culture in which we operate. Before we can shape the new culture that supports Lean, we have to see what works and what does not. Various diagnostic tools will complete this process speedily and with precision, otherwise it goes against the spirit of continuous improvement.

### People are boss watchers

Leadership is critical in shaping the culture. Leadership does not reside solely with the CEO or the senior management team, but at all levels. Edgar Schien's<sup>3</sup> research tells us that the dominant factors that shape culture are 'to what Leaders pay most attention' and 'how they respond to critical incidents'. Make no mistake, people watch the behaviour of their bosses!

Those in senior positions dictate how others respond to change. Either the leadership group supports the culture, or it does not. Breaking the silo mentality is critical to making the culture work. Egos are challenged, conflicts are won, heroes praised, cynics learn and those not committed to the process are encouraged to engage and behave in the way of the new culture.

### 2. Line managers as change agents

The behaviour and actions

"Lean cannot exist in an organisation where the culture is against it"



of line managers is critical to deliver any culture change and a process for Lean and continuous improvement. This may require the support of an external facilitator or consultant – but the whole emphasis should be on developing ‘change agent skills’ as the core behaviour of line management. With a client (Ian Millar<sup>4</sup>) in the USA, I wrote a book that focused completely on this process. The culture must reside in the hands, hearts and minds of the staff of the business. Find a trusted advisor or facilitator and work together on developing internal capability.

### 3. Prioritise Projects

This requires people at all levels to commit to take ownership, create challenging performance standards and metrics, and monitor progress. We find that to get Lean started, it is best to be discrete and work on specific projects, rather than commit to a generalised approach without precise and keen ambitions. All events and activities have to be

## “The ‘Lean’ concept has an incredible opportunity for improvement in most service organisations”

closely led and facilitated. Lean should occupy a high profile and the project should engage all significant players in the project or process.

Projects for Lean and continuous improvement can range from manufacturing problems to customer service, cross-functional working on product development, creating new sales channels, quality improvement, as well as typical manufacturing, logistics, supply chain problems.

### 4. Focus on implementation, not theory

Success in implementation depends on the relationship between the external facilitator, internal line managers and the sponsor of the Lean project, including those who work the processes. 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, take action.

### Summary

This article has used Lean to communicate the importance of creating the right corporate culture first. Cultures can evolve and become the driver of organisational change very quickly, and this should precede training in specific tools and techniques. By focusing upon discrete variables, it is possible to shape the culture of the business very quickly. Lean cannot exist in an organisation where the culture is against it. Lean requires such a high degree of cross functional working that any culture which counters this will fail.

Consider now the Lean culture that would equip your business with the ability to succeed. It has to be a culture where change is the norm,

where resistance is experienced but quickly won over to support, and in which going to work is a joy. Given the choice whether to build that culture or not, what would you do?

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“The organisational culture determines the success of Lean or any other change initiative”

